REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2005

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

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

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

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2004-05 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 2004-05 have also been included, wherever necessary.

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2005, the State had 82 Public Sector Undertakings (PSUs) comprising 76 Government companies (including 17 non-working companies) and six Statutory corporations as against same number of companies/ corporations during the previous year. In addition, there were four deemed Government companies under Section 619 B of the Companies Act, 1956 as on 31 March 2005.

(Paragraphs 1.1 and 1.28)

The total investment in working PSUs increased from Rs. 33,697.10 crore as on 31 March 2004 to Rs. 37,680.84 crore as on 31 March 2005. The total investment in non-working PSUs increased from Rs.536.93 crore to Rs.575.42 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs increased from Rs.3,663.61 crore in 2003-04 to Rs.5,387.68 crore in 2004-05. The State Government also provided Rs.42.88 crore in the form of loans to two non-working companies during 2004-05. The State Government guaranteed loans aggregating Rs.1,089.63 crore during 2004-05. Guarantees amounting to Rs.8,425.02 crore against 22 working Government companies and three working Statutory corporations were outstanding as on 31 March 2005.

(Paragraphs 1.5 and 1.17)

Forty two working Government companies and three Statutory corporations finalised their accounts for the year 2004-05. The accounts of the remaining Government companies and Statutory corporations were in arrears for periods ranging from one to three years as on 30 September 2005. The accounts of seven non-working Government companies were in arrears for periods ranging from one to two years as on 30 September 2005.

(Paragraphs 1.6 and 1.19)

According to latest finalised accounts, 37 working PSUs (33 Government companies and four Statutory corporations) earned aggregate profit of Rs.740.35 crore. Out of forty two working Government companies, which finalised their accounts for 2004-05 by September 2005, only five companies declared dividend aggregating Rs.14.95 crore. Twenty one working PSUs (19 Government companies and two Statutory corporation) incurred aggregate loss of Rs.174.30 crore as per their latest finalised accounts. Of the loss incurring PSUs, nine companies and two Statutory corporations had accumulated losses aggregating Rs.722.21 crore and Rs.268.73 crore respectively, which exceeded their aggregate paid up capital of Rs.558.80 crore and Rs.177.14 crore respectively.

(Paragraphs 1.7 to 1.11)

2. Reviews relating to Government companies

Reviews relating to Performance of Schemes operated by **Social Welfare Companies**, Funds Management in **Karnataka Neeravari Nigam Limited** and Performance of Hotel Division including Infrastructure development of **The Karnataka State Tourism Development Corporation Limited** were conducted and some of the main findings are as follows:

Performance of Schemes operated by Social Welfare Companies

The Government of Karnataka formed four Companies viz., KSCSTDC♣ KBCDC♥, KMDC◊ and KSWDC♠ with the main objective of narrowing the socio-economic gap between the general level of economic and social development of society and that of Scheduled Castes/Scheduled Tribes, Backward Classes, Religious Minorities and Women in Karnataka. These companies were not able to fully achieve these objectives as:

- They failed to utilize Rs.101.21 crore provided by the Central and State Government under various schemes.
- The borewells dug at a cost of Rs.65.74 crore remained unutilized as these Companies failed to energise these borewells reportedly due to lack of funds.
- KSCSTDC increased the number of beneficiaries by widening the scope of the definition of beneficiaries thereby depriving the eligible beneficiaries of the benefits of the schemes.
- KMDC failed to adhere to the ratio of benefits prescribed by the Government for various minority communities.

The Companies did not comply fully with the recommendations of Committee on Public Undertakings.

(Chapter 2.1)

Review on Funds Management in Karnataka Neeravari Nigam Limited

The Company was set up in December 1998 as a special purpose vehicle to complete various irrigation projects on fast track basis by 2003 to utilize the Karnataka State's share of water awarded under Krishna Water Disputes Tribunal. The Company on its formation took over eight projects which were under execution. The objective of formation of the Company to complete the projects on fast track basis was not fully met as:

- it could utilize only 90.17 thousand million cubic feet (tmc) of water by the end of March 2005 as against allocation of 217.61 tmc,

♣ Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited.
♥ Karnataka Backward Classes Development Corporation Limited.
◊ The Karnataka Minorities Development Corporation Limited.
♠ Karnataka State Women's Development Corporation.

- the eight projects taken over at the time of its formation were yet (August 2005) to be completed as against the envisaged date of March 2003,
- twenty five new projects costing Rs.6,532 crore were entrusted without identifying and providing for the resources for their execution,
- the Company depends mainly on Government guarantees for mobilisation of funds; and considering the current level of Government support it would take 36 years to complete all the projects.

As against the repairs and maintenance cost of Rs.149.09 crore, the Company made a demand of Rs.73.56 crore as water charges, and collected Rs.7.87 crore only during last five years ended March 2005, which represented 5.28 per cent of repairs and maintenance cost, indicating low internal generation of resources.

(Chapter 2.2)

Performance of Hotel Division including Infrastructure Development of Karnataka State Tourism Development Corporation Limited

The Company set up in February 1971 with a view to promote and develop the domestic as well as international tourism in the State, did not achieve fully its objective as tourists who availed its facilities was negligible.

There was no system of preparing the Annual Plan for taking up the projects for upgradation and renovation of hotels.

The grants received from Central/State Government for creating/developing tourist infrastructure were parked in fixed deposits; the utilization of grants was very low. As such the projected facilities could not be created. The Company, consequently, failed to tap the full tourist potential of its hotels.

There has been delay in implementation of projects for upgradation and renovation of its hotels resulting in foregoing revenue of Rs.2.24 crore during 2000-05.

(Chapter 2.3)

3. Transaction Audit Observations

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

- There were 12 cases of losses amounting to Rs.15.71 crore on account of unproductive/extra/avoidable expenditure and undue favour to contractors.

(Paragraphs 3.1 to 3.4, 3.6 to 3.7, 3.9 to 3.12, 3.16 and 3.17)

- Instances of incorrect projections/deviation in tender conditions resulting in loss of Rs.37.49 lakh, loss of export incentive of Rs.1.71 crore, loss of interest of Rs.86.84 lakh and non-recovery of dues of Rs.85.36 lakh were also noticed.

(Paragraphs 3.5, 3.8 and 3.13 to 3.15)

Gist of the important observations are given below:

Karnataka Neeravari Nigam Limited failed to utilize the hard rock available from excavation of canal for dam and allied works resulting in extra expenditure of Rs.2.18 crore.

(Paragraph 3.1)

Karnataka Neeravari Nigam Limited failed to deduct the full cost of rubble supplied/used for the work and the element of profit thereon from the rates payable to the contractor, resulting in undue benefit of Rs.59.09 lakh to the contractor.

(Paragraph 3.3)

Adoption of market rates instead of the rates specified in the schedule of rates for payment for additional quantities, in contravention of the terms of the agreements, resulted in excess payment of Rs.40.54 lakh by **Krishna Bhagya Jala Nigam Limited.**

(Paragraph 3.7)

Failure of **Karnataka Soaps and Detergents Limited** to conduct market survey, resulted in loss of Rs.1.76 crore in sale of 'All Fair' fairness cream.

(Paragraph 3.9)

Hasty decision of **Karnataka Soaps and Detergents Limited** in placing the second order before the expiry of delivery period of first order resulted in avoidable extra expenditure of Rs.1.56 crore.

(Paragraph 3.10)

The decision of **Karnataka Soaps and Detergents Limited** to procure sandalwood oil instead of resorting to in-house production resulted in extra expenditure of Rs.34.83 lakh.

(Paragraph 3.12)

The Mysore Sugar Company Limited failed to claim export incentive of Rs.1.71 crore from the State Government for settlement of dues to farmers.

(Paragraph 3.13)

The Mysore Sugar Company Limited raised bonds without prior consent of the Government for budgetary support resulting in locking up of the funds so raised and consequential loss of interest of Rs.86.84 lakh.

(Paragraph 3.14)

CHAPTER I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 76 Government companies (59 working companies and 17 non-working companies*) and six Statutory corporations (working) under the control of the State Government, as against same number of companies/corporations as at 31 March 2004. In addition, the State Government had formed Karnataka Electricity Regulatory Commission, whose audit is also being conducted by the Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the CAG as per provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2005, the total investment in 65 working PSUs (59 Government companies and six Statutory corporations) was Rs.37,680.84 crore∇ (equity: Rs.12,598.05 crore; long-term loans@:

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

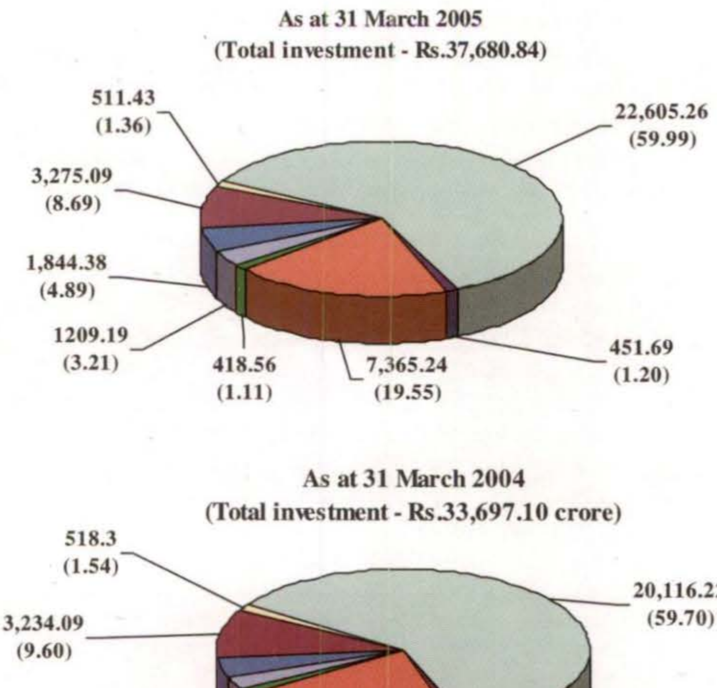
∇ **State Government's investment in working PSU's was Rs.22,088.32 crore (others: Rs.15,592.52 crore). Figure as per Finance Accounts, 2004-05 is Rs.11,412.76 crore. The difference is under reconciliation.**

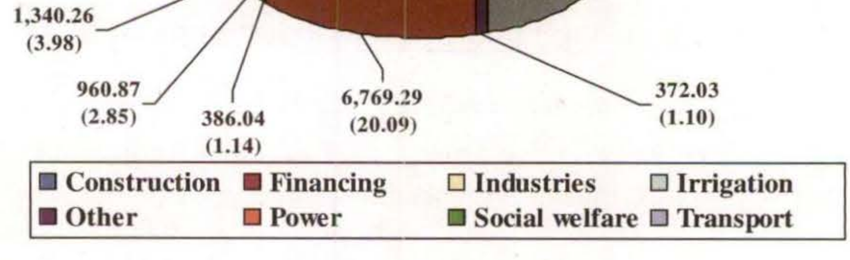
@ **Long term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans.**

Rs.22,072.72 crore and share application money Rs.3,010.07 crore) as against 65 working PSUs (59 Government companies and six Statutory corporations) with total investment of Rs.33,697.10 crore (equity: Rs.8,417.69 crore; long-term loans: Rs.21,105.38 crore and share application money Rs.4,174.03 crore) as on 31 March 2004. The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2004 are indicated below in the pie charts:

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





Due to significant increase in paid-up capital of irrigation sector companies the debt equity ratio decreased from 1.68: 1 in 2003-04 to 1.41:1 in 2004-05.

Working Government companies

1.3 Total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2003-04	59	7,862.10	4,135.62	18,801.36	30,799.08
2004-05	59	12,012.46	2,971.66	19,808.01	34,792.13

As on 31 March 2005, the total investment of working Government companies comprised 43.07 per cent of equity capital and 56.93 per cent of loans as compared to 38.95 per cent and 61.05 per cent respectively as on 31 March 2004.

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

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

Working Statutory corporations

1.4 The total investment in six working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Rupees in crore)

Name of the Corporation	2003-04		2004-05	
	Capital	Loan	Capital	Loan
Karnataka State Road Transport Corporation (KSRTC)	208.39	177.25	220.39	223.50
Bangalore Metropolitan Transport Corporation (BMTC)	64.72	34.97	64.72	28.93
North Western Karnataka Road Transport Corporation (NWKRTC)	93.64	112.90	102.64	122.97
North Eastern Karnataka Road Transport Corporation (NEKRTC)	83.50	40.67	92.50	32.77
Karnataka State Financial Corporation (KSFC)	97.84 (36.01)	1,898.66	97.84 (36.01)	1,814.98
Karnataka State Warehousing Corporation (KSWC)	7.50 (2.40)	39.57	7.50 (2.40)	41.56
Total	**555.59 (38.41)**	**2,304.02**	**585.59 (38.41)**	**2,264.71**

(Figures in bracket indicate share application money)

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

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

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

The budgetary outgo in the form of equity and loans and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to March 2005 are summarised below:

(Amount: Rupees in crore)

	2002-03				2003-04				2004-05			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity outgo from budget	21	2,960.10	-	-	13	1,525.38	-	-	9	2,787.24	3	30.00
Loans given from budget	3	14.36	1	6.38	6	89.45	-	-	9	209.64	1	42.00
Grants	10	51.83	-	-	11	108.05	-	-	14	377.27	-	-
Subsidy towards (i)Projects/ Programme/ schemes	4	196.92	-	-	3	5.45	1	12.50	4	215.05		
(ii)Other subsidy	8	737.86	4	85.45	9	1,893.67	4	29.11	5	1,585.00	5	141.48
Total subsidy	12	934.78	4	85.45	11	1,899.12	4	41.61	9	1,800.05	5	141.48
Total outgo*	32	3,961.07	5	91.83	28	3,622.00	4	41.61	25	5,174.20	5	213.48

During 2004-05, the Government had guaranteed the loans aggregating Rs.1,089.63 crore obtained by 15 working Government companies (Rs.1,082.60 crore) and two Statutory corporations (Rs.7.03 crore). At the end of the year, guarantees amounting to Rs.8,425.02 crore against 22 working Government companies (Rs.7,907.31 crore) and three working Statutory corporations (Rs.517.71 crore) were outstanding. The Government had foregone Rs.0.36 crore by way of interest waiver in one company during the year. The guarantee commission paid/payable to the Government, by Government companies and Statutory corporations, during 2004-05 was Rs.14.56 crore/ Rs.75.35 crore and Rs.3.23 crore/Rs.2.88 crore, respectively. Three working companies defaulted in repayment of guaranteed loan of Rs.76.23 crore and payment of interest of Rs.31.57 crore.

Finalisation of accounts by working PSUs

1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 230, 619 and 619 B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Power and

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

Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Forty two working companies out of 59 working Government companies and three of the six working Statutory corporations, have finalised their accounts for the year 2004-05 within stipulated period (September 2005), as could be noticed from **Annexure-2.** During October 2004 to September 2005, 13 working Government companies finalised 13 accounts for previous years. Similarly, during this period, three working Statutory corporations finalised three accounts for the previous years.

The accounts of 17 working Government companies and three Statutory corporations were in arrears for periods ranging from one to three years as on 30 September 2005, as detailed below:

Sl. No.	Number of companies / corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial number of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	01	-	2002-03 to 2004-05	3	A-7	-
2	01	-	2003-04 to 2004-05	2	A-5	-
3	15	3	2004-05	1	A4, 8, 10, 12, 18, 22, 24, 26, 27, 39, 44, 45, 47, 50 & 58	B 3, 4 & 6

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments were informed every quarter by the audit of the arrears in finalisation of accounts, no remedial measures had been taken, as a result of which the net worth of these PSU's could not be assessed in audit.

Financial position and working results of working PSUs

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

According to the latest finalised accounts of 59 working Government companies and six working Statutory corporations, 19 companies and two corporations had incurred an aggregate loss of Rs.151.71 crore and Rs.22.59 crore, respectively and 33 companies and four corporations earned an aggregate profit of Rs.628.38 crore and Rs.111.97 crore, respectively. Five companies had not commenced commercial activities and in case of two companies, excess of expenditure over income is capitalised and no profit and loss account is prepared.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 42 working Government companies, which finalised their accounts for 2004-05 by September 2005, 22 companies earned an aggregate profit of Rs.588.35 crore and only five companies (serial No.A-2, 25, 42, 43 and 59 of **Annexure-2**) declared dividend aggregating Rs.14.95 crore. The dividend as percentage of share capital in these five profit making companies worked out to 2.23 per cent. The total return to the Government by way of dividend of Rs.14.16 crore worked out to 0.12 per cent in 2004-05 on total equity investment of Rs.11,879.99 crore by the State Government in all Government companies as against 0.18 per cent in the previous year. The State Government had not formulated any dividend policy so far.

Similarly, out of 13 working Government companies, which finalised their accounts for previous years by September 2005, 8 companies earned an aggregate profit of Rs.37.17 crore and they have earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 19 loss incurring working Government companies, nine companies[δ] had accumulated losses aggregating Rs.722.21 crore, which exceeded their aggregate paid up capital of Rs.558.80 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, subsidy, etc. According to available information, the total financial support provided by the State Government by way of equity, loan, grant and subsidy during 2004-05 to six companies amounted to Rs.43.61 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Three Statutory corporations which finalised their accounts for 2004-05 by September 2005 earned an aggregate profit of Rs.109.39 crore and none of the corporations declared dividend. Out of three Statutory corporations, which finalised their accounts for previous year by September 2005, only one corporation (Karnataka State Warehousing Corporation) earned a profit of Rs.2.58 crore and declared dividend of Rs.25.78 lakh. The dividend as a percentage of its share capital worked out to 3.44 per cent. The total return to the Government by way of dividend of Rs.14.09 lakh worked out to 0.03 per cent in 2004-05 on total equity investment of Rs.503.62 crore by the State Government in all the Statutory corporations as against 0.09 per cent in the

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

previous year. Four corporations earned profit for two or more successive years.

Loss incurring Statutory corporations

1.11 Out of three Statutory corporations, which finalised their accounts for the year 2003-04, two Statutory corporations incurred losses aggregating to Rs.22.59 crore and the accumulated losses of the corporations aggregated Rs.268.73 crore, which had far exceeded their aggregate paid up capital of Rs.177.14 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the Statutory corporations is given in **Annexure-6**. Percentage of overdues to the total loans outstanding in respect of Karnataka State Financial Corporation decreased from 45.57 in 2003-04 to 43.29 in 2004-05.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2005), the capital employed* worked out to Rs.36,871.60 crore in 59 working companies and total return+ thereon amounted to Rs.1,123.11 crore, which was 3.05 per cent as compared to total return of Rs.1,143.71 crore (4.20 per cent) in the previous year (accounts finalised up to September 2004). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2005) worked out to Rs.2,750.50 crore and Rs.288.74 crore (10.50 per cent) respectively, as against Rs.2,670.39 crore and Rs.339.43 crore (12.71 per cent) in the previous year (accounts finalised up to September 2004). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

Reforms in power sector

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

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

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

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

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

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2005)
Commitments made by the State Government			
1.	100 per cent electrification of all villages.	By 2012	As per 2001 census, there are 27,481 inhabited villages, of which 26,772 villages have been electrified, leaving a balance of 709 villages to be electrified.
2.	Reduction in transmission and distribution (T & D) losses by 10 to 15 per cent.	Five per cent reduction in T & D losses every year.	T & D Losses reduced from 35.50 per cent during 2000-01 to 29.50 per cent during 2004-05. Thus the reduction in T & D Losses achieved over the last four years is only 6.00 per cent as against the target of 20 per cent.
3.	100 per cent metering of all distribution feeders.	September 2001	Completed by December 2002.
4.	100 per cent metering of all consumers.	Before 2003-04 (Revised to 2004-05)	Out of 27.49 lakh consumers in the un-metered category, only 11.57 lakh consumers (42 per cent) were installed with meters.
5	Energy audit at 11 KV sub-station level.	September 2001	Energy audit of 11 KV feeders, on monthly basis, has commenced from June 2003.
6	Securitised outstanding due of CPSUs.	---	The dues were securitised by issue of bonds in August 2003. No dues were securitised during 2004-05.
7	**State Electricity Regulatory Commission (SERC)**		
	i) Establishment of Karnataka Electricity Regulatory Commission.	The State Electricity Regulatory Commission was to be made functional within six months.	The Karnataka State Electricity Regulatory Commission was established in August 1999, and started functioning from November 1999.
	ii) Implementation of tariff orders issued by KERC during the year.	---	Implemented from time to time.
Commitment made by the Central Government			
8.	Supply of additional power.	The GOI agreed to supply additional 180 MW.	After completion of Talcher-Kolar line, additional power was being received. However, with the introduction of availability based tariff mechanism, the allocation from Central Generating stations is no longer valid as the excess or short drawal is left to the individual states considering the price prevailing at the time of drawal linked to the frequency.
9.	Any other help.	Reduction in interest rate on loans availed of from CPSUs i.e. PFC/REC.	Interest rate on loans from Power Finance Corporation has been reduced.
	General		
10.	Monitoring of MOU.	Monitoring was done at Secretary level in the Government on issue-to-issue basis.	

State Electricity Regulatory Commission

1.15 Karnataka Electricity Regulatory Commission (KERC) was constituted (28 August 1999) under the Karnataka Electricity Reforms Act, 1999 (Act) to provide for the restructuring of the electricity industry in the State; the corporatisation of the Karnataka Electricity Board and rationalisation of generation, transmission, distribution and supply of electricity in the State. The Commission is a body corporate, comprises of three members including a Chairman, who are appointed by the State Government. As per Section 8(4) of the Act, all expenditure of the Commission are to be charged to the Consolidated Fund of the State. Accounts of KERC have been finalised up to the year ending 31 March 2005.

Non-working Public Sector Undertakings

Investment in non-working PSUs

1.16 As on 31 March 2005, the total investment in 17 non-working Government companies was Rs.575.42♣ crore (equity: Rs.100.79 crore, long-term loans: Rs.425.67 crore and share application money. Rs.48.96 crore) as against total investment of Rs.536.93 crore (equity: Rs.100.79 crore, long-term loans: Rs.387.18 crore and share application money: Rs.48.96 crore) in 17 non-working Government companies as on 31 March 2004. The reason for increase in investment during 2004-05 was grant of further loans to two non-working companies (Karnataka Agro Industries Corporation Limited and The Mysore Lamp Works Limited).

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

(Rupees in crore)

Sl.No	Status of non-working PSU's	Number of companies	Investment	
			Equity*	Long-term loans
1	Closed¢	4	81.60	178.47
2	Defunct¥	5	15.93	1.58
3	Under liquidation⁰	8	52.22	245.62
	Total	**17**	**149.75**	**425.67**

*** includes share application money of Rs.48.96 crore**

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

♣ State Government's investment in non-working PSU's was Rs.543.72 crore (Others: Rs.31.70 crore). Figure as per Finance Accounts 2004-05 is Rs.492.77 crore. The difference is under reconciliation.

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

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

⁰ Sl. No. C- 2, 7, 8, 9, 11, 12, 13 and 16 of Annexure -1.

• The Mysore Tobacco Company Limited.

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

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

The State Government provided budgetary support of Rs.42.88 crore to two non-working companies in the form of loans during 2004-05.

Total establishment expenditure of non-working PSUs

1.18 The year wise details of total establishment expenditure of non-working Government companies and the sources of financing them during the last three years up to 2004-05 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by		
			Loans from private parties	Loans from Government	Others@
2002-03	16	146.27	0.62	116.17	29.48
2003-04	17	50.69	-	33.21	17.48
2004-05	17	3.17	-	-	3.17

Finalisation of accounts by non-working PSUs

1.19 The accounts of seven non-working companies were in arrears for periods ranging from one to two years as on 30 September 2005, as could be noticed from **Annexure-2.**

Financial position and working results of non-working PSUs

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

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

(Rupees in crore)

Year of latest finalised accounts	No. of companies	Paid-up capital	Net worth	Cash loss	Accumulated loss (-) / accumulated profit (+)
1998-99	1	0.50	(-) 8.41	0.87	(-) 8.91
2002-03	5	115.20	(-) 428.24	158.12	(-) 554.41
2003-04	5	17.93	(-) 207.68	27.65	(-) 238.37
2004-05	6	16.12	(-) 21.91	0.90	(-) 38.40
Total	**17**	**149.75**	**(-) 666.24**	**187.54**	**(-) 840.09**

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

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

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

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

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reason for delay in placement in Legislature
1	KSFC	2001-02	2002-03	13 October 2003	Not available
			2003-04	30 September 2004	Not available
			2004-05	13 September 2005	-
2	KSRTC	2002-03	2003-04	30 September 2004	Not available
			2004-05	26 September 2005	-
3	BMTC	2002-03	2003-04	30 September 2004	Not available
			2004-05	5 August 2005	-
4	NEKRTC	2002-03	2003-04	23 December 2004	Not available
5	NWKRTC	2002-03	2003-04	10 January 2005	Not available
6	KSWC	2002-03	2003-04	13 May 2005	Not available

Disinvestment, privatisation and restructuring* of Public Sector Undertakings

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

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

* restructuring includes merger and closure of PSUs.

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

§ Mysore Tobacco Company Limited

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

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

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

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

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

1.23 During October 2004 to September 2005, the audit of 72 accounts of 60 Government companies (51 working and nine non-working) and six accounts of six Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG, 20 companies revised 23 accounts. In addition, the net impact of the important audit observations as a result of review of the accounts of PSUs was as follows:

- Karnataka State Road Transport Corporation (2004-05) – Profit of Rs.26.63 crore is overstated by Rs.3.61 crore.
- Bangalore Metropolitan Transport Corporation (2004-05) – Profit of Rs.80.01 crore is overstated by Rs.3.06 crore.
- North Western Karnataka Road Transport Corporation (2003-04) – Loss of Rs.9.69 crore is understated by Rs. 0.80 crore.
- Karnataka State Financial Corporation (2004-05) – Profit of Rs.2.74 crore is overstated by Rs.22.36 crore.

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

1.24 Errors and omissions noticed in case of Statutory corporations

Karnataka State Road Transport Corporation (2004-05)

- Trade discount of Rs.1.27 crore received on purchase of bus chassis was accounted as revenue instead of reducing it from the cost of buses, resulted in overstatement of profit to the extent of Rs.1.12 crore.
- Non-provision of penal interest of Rs.1.15 crore on loans from Government of Karnataka resulted in overstatement of profit to that extent.
- Non- provision of call bus charges claimed by Bangalore Metropolitan Transport Corporation resulted in overstatement of profit to the extent of Rs.1.04 crore.

Bangalore Metropolitan Transport Corporation (2004-05)

- Transfer of refundable deposits to miscellaneous income resulted in overstatement of profit by Rs.4.15 crore.
- Non-accounting of prompt payment discount received on purchase of bus chassis as miscellaneous income resulted in understatement of profit by Rs.1.12 crore.

North Eastern Karnataka Road Transport Corporation (2003-04)

- Overstatement of Sundry Debtors and Property Insurance Fund by Rs.1.01 crore on account of irrecoverable cost of accident repairs from employees.

North Western Karnataka Road Transport Corporation (2003-04)

- Understatement of loss of Rs.80.31 lakh due to difference in amount accounted and pursued under Police Motor Warrant claims.
- Cash and bank balance does not include stale cheques valued Rs.5.73 lakh.

Karnataka State Financial Corporation (2004-05)

- Making only 50 per cent provision instead of cent per cent provision in cases of 'loss assets' resulted in understatement of provision for non-performing assets by Rs.14.32 crore.
- Non-provision of interest payable to financial institutions resulted in understatement of expenditure and overstatement of profit by Rs.3.08 crore.
- Non-provision of guarantee commission of Rs.5.20 crore payable to Government of Karnataka.
- Non-provision of liability for leave encashment benefit to the employees resulting in understatement of expenditure for the year by Rs.4.08 crore.

Recoveries at the instance of audit

1.25 Test check of records of power sector and irrigation sector companies conducted during 2004-05 disclosed wrong interpretation of contract terms and other observations aggregating Rs.14.60 crore in 66 cases. The companies accepted the observations and a sum of Rs.3.47 crore relating to 54 audit observations was recovered at the instance of Audit. In addition, Karnataka Renewable Energy Development Limited revised the agreement at the instance of audit which enabled the Company to save Rs.2.87 crore.

Internal audit / Internal control

1.26 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under 619 (3)(a) of the Companies Act, 1956 and to identify areas which need improvement. Direction/sub-directions under the Act, ibid, were issued to the Statutory Auditors in respect of 57 Government companies involving 57 accounts between October 2004 and September 2005. In pursuance of directions so issued, reports of the Statutory Auditors involving 39 accounts of 37 Government companies were received (September 2005).

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

Nature of recommendation/comments made by the Statutory Auditors	Number of companies where recommendations/ comments were made	Reference to serial number of Annexure 2
Lack of internal audit	2	A-40 and 45
Inadequate internal audit according to size and nature of business	12	A – 1, 8, 9, 10, 12, 13, 17, 27, 37, 39, 52 and 57
Lack of proper system of internal audit	2	A- 4 and 16
Surprise checks are required to be made of production and inventory records	1	A-1
Non-formation/non-functioning of Audit Committee	14	A- 1, 2, 8, 9, 10, 12, 18, 20, 22, 27, 37, 40, 54 and 57

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

1.27 The table below indicates the position of reviews/paragraphs appeared in the Audit Reports and pending for discussion as on 30 September 2005:

Period of Audit Report	No. of reviews/paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	3	29	0	2
2001-02	3	29	1	-
2002-03	3	25	3	12
2003-04	4	20	4	18
Total	**13**	**103**	**8**	**32**

619 B Companies

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

CHAPTER II

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

2.1 PERFORMANCE OF SCHEMES OPERATED BY SOCIAL WELFARE COMPANIES

Highlights

The Government of Karnataka formed four companies viz., KSCSTDC♣ KBCDC♥, KMDC◊ and KSWDC♠ with the main objective of narrowing the socio-economic gap between the general level of economic and social development of society and that of Scheduled Castes/Scheduled Tribes, Backward Classes, Religious Minorities and Women in Karnataka. These companies were not able to fully achieve these objectives as:

- **They failed to utilize Rs.101.21 crore provided by the Central and State Governments under various schemes.**
- **The borewells dug at a cost of Rs.65.74 crore remained unutilized as these companies failed to energise these borewells reportedly due to lack of funds.**
- **KSCSTDC increased the number of beneficiaries by widening the scope of the definition of beneficiaries thereby depriving the eligible beneficiaries of the benefits of the schemes.**
- **KMDC failed to adhere to the ratio of benefits prescribed by the Government for various minority communities.**

(Paragraphs 2.1.9, 2.1.12, 2.1.15 and 2.1.20)

Audit also noticed:

The Companies did not fully comply with the recommendations of Committee on Public Undertakings.

(Paragraph 2.1.6)

The loans granted by these companies under various schemes amounting to Rs.323.77 crore remained outstanding as on 31 March 2005 due to weak recovery mechanism.

(Paragraph 2.1.23)

♣ Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited.
♥ Karnataka Backward Classes Development Corporation Limited.
◊ The Karnataka Minorities Development Corporation Limited.
♠ Karnataka State Women's Development Corporation.

Introduction

2.1.1. The Government of Karnataka formed four companies viz., Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited (KSCSTDC) in March 1975, Karnataka Backward Classes Development Corporation Limited (KBCDC) in October 1977, The Karnataka Minorities Development Corporation Limited (KMDC) in February 1986 and Karnataka State Women's Development Corporation (KSWDC) in September 1987. The total population of the State as per 2001 census was 5.29 crore which included Backward Classes (2.80 crore), Scheduled Castes and Scheduled Tribes (1.20 crore), Minorities (0.83 crore) and Women[♣] (2.60 crore).

These companies operate various schemes to fulfill the following main objectives of narrowing the socio-economic gap between the general level of economic and social development of society and that of Scheduled Castes/Scheduled Tribes, Backward Classes, Religious Minorities and Women in Karnataka:

- To organize and develop village and cottage industries, small and medium scale industries, poultry and dairy farming;
- To organize and develop intensive agricultural operation in the land belonging to these communities including purchase of land;
- To advance money for construction or purchase of houses or sites;
- To promote any business and manufacture conducive to the economic and social development of these communities;
- To advance loans to the members of these communities to start profession of doctors, engineers, lawyers, etc.

The three companies (KSCSTDC, KBCDC and KMDC) have been in existence for about two to three decades. They however, have not expanded their activities to achieve other major objectives viz., developing village and cottage industries, small and medium scale industries, projects for housing, etc.

A review on the performance of these companies was included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Karnataka, for the year 1993-94. This Report was discussed by the Committee on Public Undertakings (COPU) and its recommendations contained in its 74th Report (March 1998).

Scope of audit

2.1.2 The review conducted during September 2004 to February 2005 covers the performance of these four Companies for the period from April 2000 to March 2005.

The records of the Head offices of all the four companies and District offices[∇] of KSCSTDC where the implementation process is decentralized were reviewed.

[♣] The Women census is inclusive of census of Backward classes/Scheduled Castes and Scheduled Tribes/Minorities.

[∇] Bangalore (Urban and Rural), Kolar, Belgaum and Bellary.

Audit objectives

2.1.3. Audit was conducted with a view to ascertain whether :

- recommendations of Committee on Public Undertakings (COPU) were complied with,
- the objectives as envisaged in various schemes were achieved,
- financial resources and their utilization in the achievement of objectives was economical,
- equity and ethics in distribution of benefits of the schemes was maintained; and
- effectiveness of the schemes implemented was evaluated.

Audit criteria

2.1.4. Audit criteria considered for assessing the achievement of audit objectives were to ensure whether :

- Follow up on the recommendations of COPU,
- Implementation of the guidelines of Central Government, State Government and various nodal Central Public Sector Undertakings; and
- Implementation of prescribed procedures for implementation of the schemes effectively, economically and efficiently.

Audit methodology

2.1.5. The methodology adopted for attaining audit objectives with reference to audit criteria were examination of:

- Guidelines of Central Government, State Government and various nodal Central Public Sector Undertakings,
- Planning Commission guidelines,
- Census Report for 2001,
- Evaluation of reports of various Non-Government Organisations,
- Review of Agenda and Board Minutes, scheme files, and correspondence files,
- Test check of 1,053 cases (approximately 20 per cent of the loan sanctioned in four districts), taking into account the number of beneficiaries and financial outlay,
- Test check of loan files at selected District offices and Head offices,
- Review of loan ledgers,
- Issue of Audit enquiries,
- Interaction with the management.

Audit findings

Audit findings as a result of test check were reported to the Company/Government in May 2005 and discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 3 June 2005, which was attended by Principal Secretaries to Government of Karnataka, Department of Social Welfare, Department of Social Welfare (Minority Welfare) and Department of Women and Child Welfare, and Managing Directors of the Companies. The views expressed by the members have been taken into consideration while finalizing the review.

Audit findings are discussed in the succeeding paragraphs.

Non-implementation of the recommendations of Committee on Public Undertakings

2.1.6. The Committee on Public Undertakings (COPU) discussed the Report of the Comptroller and Auditor General of India (Commercial) for the year 1993-94; its recommendations are contained in its 74th Report (March 1998). These recommendations are yet to be complied with by the companies (August 2005) as discussed below:

COPU's recommendations	Audit's observations
Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	
The Company was expected to meet its administrative expenditure out of income earned by way of interest on margin money.	The 'operative income' was found to be insufficient to meet administrative cost and the deficit aggregated to Rs.8.48 crore during 2000-2005.
Conversion of the Company into a Finance Company	No action has been initiated so far (August 2005).
A separate wing to be constituted to survey and identify the beneficiaries, in order to achieve its main objectives.	No separate wing has been constituted to conduct the survey, which was attributed to shortage of man-power. During ARCPSE meeting the Government stated (June 2005) that the companies could engage external agencies for conducting survey for identification of beneficiaries.
Progress made in utilization of funds should be reported periodically.	Not complied with the directions so far (August 2005).
Karnataka Backward Classes Development Corporation Limited	
To implement new schemes and diversify the existing schemes to ensure that the beneficiaries really get benefit and improve their financial position.	No new schemes were formulated by the Company.
To review afresh the classification list made by Government while sanctioning loan to Backward Classes and ensure proper distribution among all groups.	The Company is not adhering to the recommendations of COPU. It was seen that as against 30 per cent of benefits to be passed to groups 3(a) and 3(b) mainly represented by two castes, the coverage was 33 per cent to 50 per cent.
The Company should fully utilise the assistance given by National Backward Class Finance Development Corporation (NBCFDC)	The Company surrendered Rs.1.85 crore and Rs.2.08 crore during 2000-01 and 2002-03.

COPU's recommendations	Audit's observations
The Karnataka Minorities Development Corporation Limited	
To conduct survey to ascertain the actual number of eligible beneficiaries to be served.	No survey has been conducted so far August 2005). This was attributed to shortage of manpower
The Government fixed the targets based on the ratio of population among minority communities as per 1981 census, as 6:2:2 i.e., 60 per cent for Muslims, 20 percent for Christians and 20 per cent for others (viz., Jains, Buddhists, Sikhs, Parsis and Anglo Indians). COPU recommended to review the ratio of 6:2:2.	The Company continued to adopt the census of 1981 for the ratio without periodical analysis and revision based on census of 1991 and 2001. The Government stated that the existing ratio was scientifically arrived and equitable, and there was no need for change in the ratio.
Periodical submission of reports regarding the break-up of assistance given under 'others' category.	Data were not submitted and also it had not furnished any data to show the adherence to the ratio (6:2:2).
Details of progress made in the utilisation of assistance from National Minorities Development and Financial Corporation.	Not submitted by the Company.

Implementation of Schemes

Identification of beneficiaries

2.1.7. The Government is notifying the list of castes in respect of backward classes/scheduled castes/scheduled tribes and religions for minorities. The companies invite applications through advertisements in newspapers and notice boards of these companies to identify the eligible persons from the castes notified by the Government. The applications so received are scrutinized by the District Committee[1] (which functions as unit of these companies) and eligible beneficiaries are selected.

Audit observed that:

- the companies have not conducted surveys to identify the eligible beneficiaries inspite of COPU's recommendation to this effect.
- the Government while identifying the backward classes, indicated that the beneficiaries coming under categories 1, 2(a) and 2(b) were to be given 70 per cent of the total benefits. Other (categories 3(a) and 3(b)) were to be given 30 per cent of the benefits. KBCDC, however, did not adhere to this and extended benefits exceeding 30 per cent (33 to 50 per cent) to the categories coming under 3(a) and 3(b). No review was carried out to review the classification list of beneficiaries to ensure that there is proper distribution of benefits as recommended by COPU.

[1] District Committee consists of the Deputy Commissioner, a representative of the financing bank, the Deputy/Assistant Director of Industries, Agriculture and Animal Husbandry departments, the Deputy Registrar of Co-operative Societies, the Executive Engineer (PWD) (Irrigation), representative of the Khadi and Village Industries Board, social worker, a representative from Backward Classes and Minorities, the District Welfare Officer.

- the Government had fixed the ratio of 6:2:2 (Muslims: Christians : Other minorities) assistance to minorities on the basis of census of 1981. No revision in this ratio has been carried out even after the receipt of census of 1991 and 2001 and even after recommendation of COPU. KMDC even did not adhere to the above ratio.

Physical and Financial targets

2.1.8. The Companies are implementing various schemes formulated by Government of Karnataka. They also implement schemes sponsored by the Central Government through national level institutions formed for the purpose, as nodal/channelising agencies for the State. The lists of various schemes implemented by the companies are indicated in the **Annexure-8**.

The physical and financial targets set and achievements there against during 2000-05 are detailed in the **Annexure-9.**

In this connection following deserve mention:

Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited (KSCSTDC)

The Company could not achieve physical and financial targets in all the years except 2003-04 (physical target) and 2000-01 (financial target).

The Karnataka Minorities Development Corporation Limited (K MDC)

The Company could not achieve physical and financial target in all the years except 2000-01 (physical target) and 2002-03 (financial target).

Karnataka Backward Classes Development Corporation Limited (KBCDC)

The Company exceeded both physical and financial targets in all the years except for 2004-05 (physical target) and 2001-02 (financial target).

Karnataka State Women's Development Corporation (KSWDC)

The Company exceeded physical targets in all the years except 2001-02, when it achieved 90.34 percent of the target. The Company did not achieve the financial target in all the years except 2001-02, when it exceeded the target.

Financing of schemes

2.1.9. Financial resources are provided by Government of Karnataka in the form of share capital and grants for schemes every year. National level institutions of the Central Government extend loans and advances on soft terms.

Budget provisions for various schemes are made by the Government, based on the proposals submitted by the companies and considering ways and means position of the Government. The budgeted and actual releases of funds for the last five years are given below:

(Rupees in crore)

Year	KSCSTDC		KBCDC		KMDC	
	Budget	Actual	Budget	Actual	Budget	Actual
2000-01	23.63	23.63	14.48	14.19	10.00	9.00
2001-02	28.60	26.64	16.50	14.15	13.93	12.60
2002-03	28.56	21.61	15.00	12.05	15.00	11.84
2003-04	29.56	23.29	13.61	10.81	14.09	12.12
2004-05	26.30	26.30	10.75	10.75	11.00	2.75
Total	**136.65**	**121.47**	**70.34**	**61.95**	**64.02**	**48.31**

In this regard, following deserve mention:

- All these companies, except 2000-01 (KSCSTDC) and 2004-05 (KSCSTDC and KBCDC), received funds less than the allotted in the budgets during the last five years ending 31 March 2005. The reduced allocation resulted in reduction in quantum of loans sanctioned by these companies.
- Funds aggregating to Rs.101.21[Φ] crore provided by State Government and Central Government agencies under various schemes remained un-utilised as on 31 March 2005. The major cases of unspent funds in respect of some of the schemes are given in **Annexure-10.** This indicated that the very purpose of the implementation of schemes remained defeated; besides companies could not achieve their objectives. The Government stated (June 2005) that the funds would be utilized during subsequent years.

Implementation of Schemes

2.1.10. Deficiencies noticed in the implementation of some of the important schemes by the companies are discussed in succeeding paragraphs.

Margin money loan scheme

2.1.11. The scheme is operated by all the companies except KSWDC. The companies provide 20 per cent of the project cost as loan subject to a maximum of Rs.20,000 and subsidy of maximum Rs.5,000. The beneficiaries are to bear five per cent of the project cost and the balance is financed by the participating banks. The applications received for assistance under the scheme are sent to banks for scrutiny and to review the viability of the projects. On receipt of the formal sanction of the bank, the eligible applications, as approved by the District Committee, are recommended for sanction and release of margin money and subsidy.

The loan documentation, fixing number of instalments of recovery of loans etc., is being done by the banks. The proportionate recovery of margin money by the banks has to be remitted to the companies.

[Φ] **KSCSTDC - Rs.71.74 crore, KBCDC-Rs.11.11 crore, KMDC - Rs.6.54 crore and KSWDC - Rs.11.82 crore.**

Audit observed that:

- the loan documents obtained by the banks did not provide for repayments of margin money by beneficiaries through the banks, whereby it was difficult for the companies to ensure and watch the repayment.
- the loan repayment schedule was restricted only to the bank loan.
- the security by way of lien on the assets created was restricted to bank portion of the loan only.
- Reserve Bank of India clarified (June 1994) that recovery effected should be appropriated first towards bank loan, thereby reducing the chances of recovery of margin money.
- the companies release their share of loan and subsidies to the banks, who finally disburse the entire amount, including bank's loan portion to the beneficiaries. In case loan is not sanctioned, the cheque received from the companies are returned. There was delay ranging from three months to three years to return cheques valuing Rs.6.86[Ω] crore. The achievements as shown by these companies were, thus inflated to that extent and did not reveal the actual performance.

Swavalambana margin money scheme in KMDC

2.1.12. The targets and achievement for the last five years are given below:

Year	Physical (Number of beneficiaries)		Financial (Rupees in lakh)		Percentage of Achievement	
	Target	Achievement	Target	Achievement	Physical	Financial
2000-01	4,400	4,473	520.00	478.71	101.65	92.05
2001-02	7,800	4,321	655.00	499.28	55.40	76.22
2002-03	7,380	3,945	528.00	475.54	53.46	90.06
2003-04	4,480	3,253	444.00	345.63	72.61	77.84
2004-05	2,200	2,150	300.00	352.55	97.73	117.52

The physical target was achieved only during 2000-01 and the performance was low in other years.

In this connection following deserves mention:

- The coverage among Muslims, Christians and other Minorities should be in the ratio of 6:2:2 as per Government Order. The Company did not adhere to the ratio prescribed in Government Order. Failure to do so resulted in inequal distribution of assistance.
- The District Committees formed to select the beneficiaries did not have representation of minorities.
- The Company provided Rs.1.05 crore as subsidy and Rs.2.26 crore as margin money loan to 147 societies till date (August 2005); of which Rs.53.30 lakh (51 per cent) was provided to 20 societies in Belgaum district alone. The societies through which loans were granted were not formed exclusively for the benefit of minorities as provided in the scheme.

[Ω] KSCSTDC - Rs.2.23 crore, KBCDC - Rs.3.52 crore and KMDC - Rs.1.11 crore.

- The society wise loan ledgers, the total number of societies and the amount due from them are not properly maintained by the Company.

The Government stated (May 2005) that the benefits were extended through co-operative societies where minorities and others were also members and the benefits were extended to the minorities only. The Government further stated that the Company was following the ratio to the extent possible. The Government also assured to maintain society wise ledger. The reply in respect of assistance to co-operative societies is not acceptable since the scheme specifically provided for grant of benefits to those co-operative societies which were registered solely for the benefit of minorities.

Margin money (industry, service and business) scheme in KSCSTDC

2.1.13. Targets and achievements in the last five years ending 31 March 2005 is shown below:

Year	Target				Achievement			
	Scheduled Castes		Scheduled Tribes		Scheduled Castes		Scheduled Tribes	
	Physical	Financial	Physical	Financial	Physical	Financial	Physical	Financial
2000-01	1,600	480	400	120	1,300	425.68	228	95.54
2001-02	1,600	480	400	120	1,227	397.18	230	114.04
2002-03	1,335	400.50	365	109.50	919	277.31	128	67.01
2003-04	1,335	400.50	365	109.50	587	176.77	140	60.63
2004-05	900	271.25	250	75.00	1,141	375.84	175	87.85

Physical =Number of beneficiaries and Financial = Rupees in lakh

It may be seen that the Company did not achieve the targets during the five years ending 31 March 2005. Besides, the targets fixed for 2002-03, 2003-04 and 2004-05 were low as compared to earlier years and even these reduced targets could not be achieved. The Government stated (June 2005) that beneficiaries preferred direct loans to margin money loans and hence decline in achievement.

Gangakalyana scheme

2.1.14. The Government of Karnataka introduced "Gangakalyana Scheme" in December 1997. Under this scheme the small and marginal farmers whose combined land holding ranged from 8 to 15 acres per family at one place are provided with borewells by the Government. The cost of the scheme is Rs.2.53 lakh for two borewells, if the land is 8 acres and Rs.3.59 lakh for three borewells, if the land is 15 acres. In case of individual farmers, if the land holding is between two to five acres, a borewell is provided at a cost restricted to Rs.70,000/- per beneficiary. The scheme cost is inclusive of cost of energisation, pump set and maintenance for five years. The above scheme is implemented by three companies (KSCSTDC, KBCDC and KMDC) for their targetted communities. The detailed review of the implementation of the scheme revealed the following:

Non-energisation of borewells

Under Ganga Kalyana Scheme the companies provide borewells to small and marginal farmers. But 10,565 borewells drilled at a cost of Rs.65.74 crore remained not energised thus not fulfilling the purpose.

2.1.15. Audit observed that 10,565 wells drilled and pumps with motors supplied and/or erected at a cost of Rs.65.74 crore under the scheme during 2001-05 were not energised, reportedly due to non-availability of funds. Even though KBCDC and KMDC, deposited Rs.1.14 crore and Rs.48 lakh with the electricity supply companies, there was no progress in energisation of wells. The purpose, for which these borewells were installed, thus, could not be achieved.

Blocking up of scheme funds

2.1.16. KSCSTDC engaged Karnataka Agro Industries Corporation Limited (KAIC) for drilling of borewells and paid (October 1996) an advance of Rs.7.12 crore. KBCDC also paid rupees two crore through KSCSTDC to KAIC. Out of this amount, KAIC spent only Rs.6.15 crore and the balance amount of Rs.2.97 crore is yet to be settled. KAIC has been ordered for closure by the Government and as such the realisation of amount is doubtful.

Excess expenditure over budget allocation

2.1.17. As against an allocation of Rs.68.43 crore by the Government for the scheme to be implemented through KSCSTDC during 2000-05, the Company spent Rs.102.80 crore. Though the maximum subsidy admissible under the scheme was Rs.70,000 only per well, the Company over spent aggregating Rs.1.08 crore and Rs.0.51 crore at Kolar and Belgaum districts. The information about other places was not readily available with the Company. Since the expenditure incurred was over and above the administrative limit, the Company should have recovered extra expenditure from the beneficiaries. The Company stated (June 2005) that excess expenditure on well was incurred as water table has gone down. The additional amount has been covered by mortgaging the land in which the borewell was dug. The fact, however, remain that by incurring extra expenditure per well, the Company has deprived the other needy beneficiaries.

Refund of scheme funds to Zilla Panchayat

2.1.18. The Government transferred Rs.9.40 crore from Zilla Panchayats to KSCSTDC, KBCDC and KMDC for execution of this scheme. Audit observed that KBCDC was given Rs.3.33 crore for the schemes against which Rs.1.99 crore only was utilized. The balance of Rs.1.34 crore is yet (July 2005) to be returned to Zilla Panchayats even though the Government has demanded (August 2000) the refund.

Safaikarmachari Rehabilitation Scheme (National Scheme of Liberation and Rehabilitation of Scavengers and their families) – KSCSTDC

2.1.19. The scheme was started in 1991-92 with target date of completion in 1996-97. The objective of the scheme is liberation and rehabilitation of scavengers and their dependents from their existing hereditary, obnoxious and inhuman occupation of manual removal of night soil and filth. All the identified scavengers and their dependents were positively to be rehabilitated in viable alternative and dignified trades and occupations. The unit cost under the scheme is Rs.50,000; out of this, the subsidy of 50 per cent or Rs.10,000 whichever is less is met out of National Scheme of Liberation and Rehabilitation of Scavengers and their families (NSLRS) fund received from Government of India. After the introduction of the scheme, the Company identified 14,555 persons engaged in scavenging activities. The Company could rehabilitate 6,073 persons till end of the original scheme period (1996-97). Up to the end of 1999-2000, the Company was able to rehabilitate 9,842 persons as against 14,555 persons.

A test check of 296 files in Bangalore Urban, Kolar, Belgaum and Bellary Districts revealed that:

- as against survey to be conducted to identify the scavengers, who were cleaning the dry latrines, only a certificate was insisted to identify one as scavenger; in many cases these certificates were issued by authorities not competent to issue,
- a large number of beneficiaries were found to be the employees of municipalities, city corporation, railways or other Government agencies and their dependents.

Safaikarmachari scheme has been implemented by KSCSTDC to rehabilitate the scavengers in alternate occupation. The scheme started in 1991-92 is still not completed (July 2005). Out of 19,391 persons assisted under the scheme only 1,748 persons (9 per cent) were provided training in alternate occupation.

2.1.20. The progress of the scheme from 2000-01 is as follows:

Year	Targets (numbers)	Achievement (numbers)
2000-01	1,820	852
2001-02	3,861	1,108
2002-03	2,753	1,809
2003-04	10,000	5,780
2004-05	5,500	2,694

As against the identified 14,555 persons, the Company has so far (March 2005) rehabilitated 19,391 persons. This was due to a second survey, which further identified 7,367 persons. The total funds received from Central Government was Rs.41.32 crore, the balance fund left with the Company as on 31 March 2005 was Rs.16.22 crore.

In this connection following deserves mention:

- The main component of the scheme was to provide for training of scavengers and their dependents in suitably identified trades keeping in view their aptitude, local requirement and environment. The training expense was Rs.500 per beneficiary for a period from one to six months. The Company trained 1,748 persons (9 per cent) only out of 19,391 beneficiaries.
- The scheme provided for rehabilitation of scavengers and their dependents. The Company widened the scope of scavenger to 'any person engaged in, or employed for any sanitation work and includes his dependents'. The above definition was not as per the guidelines of the scheme. Based on the above definition the Company has identified 1,37,094 beneficiaries. This deprived the eligible beneficiaries of the benefits of the scheme.

- One of the important method of rehabilitation as suggested in the scheme is by opening sanitary marts. It was seen that out of 19,391 persons rehabilitated, only 320 were rehabilitated through sanitary marts.
- Rs.39.30 lakh was misappropriated at Raichur by the employees and middlemen under the scheme. The matter is under investigation.
- During the functions held to commemorate the birthday of Babu Jagjeevanram and Dr.Babasaheb Ambedkar, 300 loans were distributed without sanction of District Committee, without verification or attestation of documents and in some cases even without caste certificate.
- the vehicle numbers were not mentioned in the hypothecation deeds in case of autorikshaws,
- in one case, in the name of the loanee, a third party had taken the loan and the loanee further complained that the same person had taken loan for seven vehicles under the scheme,
- in one case, cheque was issued to a single agency towards supply of footwear, provisions, vegetable and clothes, the genuineness of which was doubtful.

The Government stated (June 2005) that every care would be taken to implement the scheme in light of Government of India guidelines.

Other Schemes

2.1.21. In addition to the above schemes, the Audit also reviewed some of other schemes viz., Land purchase, Micro credit, New swarnima, NORAD and Arivu. The details of the scheme and audit observations on the implementation are detailed in **Annexure–11.** The deficiencies noticed in implementation were mainly in the following areas.

- The progress was reduced due to not utilising the funds available and also due to not raising matching loans from Central agencies.
- Progress achieved was very meagre compared to the potential of the scheme.

Evaluation of Schemes

2.1.22. The Companies have been implementing these schemes since inception. There is no system to evaluate the impact of the implementation of the schemes on the target groups to take corrective action.

Recovery of loan

2.1.23. A sum of Rs.323.77 # crore have fallen due and pending recovery from the beneficiaries as at 31 March 2005. The position of recovery of loans during 2000-2005 is given below:

(Rupees in crore)

Year	KSCSTDC			KBCDC			KMDC		
	Demand	Recovery	Percen-tage	Demand	Recovery	Percen-tage	Demand	Recovery	Percen-tage
2000-01	126.69	6.08	4.8	58.1	7.27	12.5	44.56	5.14	11.5
2001-02	145.45	7.31	4.5	65.5	7.75	11.8	47.97	4.59	9.6
2002-03	162.65	8.16	5.0	79.32	7.02	8.6	50.74	4.89	9.6
2003-04	176.30	8.03	4.5	93.87	8.65	9.2	54.65	4.94	9.0
2004-05	189.72	11.07	5.8	103.34	11.25	10.9	57.79	5.22	9.0

The loans granted by these companies under various schemes amounting to Rs.323.77 crore remained outstanding as on 31 March 2005 due to weak recovery mechanism.

The recovery percentage was very low compared to demand raised during the year. Audit observed that the recovery mechanism in all these companies was very weak and there was laxity in enforcing timely recoveries as discussed in succeeding paragraphs.

Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited (KSCSTDC)

2.1.24. The overall recovery percentage was as low as 10 per cent and in four districts (Kolar, Davangere, Bellary and Raichur) it was even below five per cent.

The recovery position was poorest in the following schemes:

Description	Demand	Recovery	Percentage
	Rupees in lakh		
Self Employment Programme	1,344.65	19.15	1.42
Land purchase Scheme	1,827.35	54.64	2.99
Industry, Service and Business	1,459.65	78.46	5.38
Devadasi Rehabilitation Programme	62.18	2.81	4.52

The following inadequacies in the system of demand and recovery were observed:

- Though the Company is in existence since 1975, the Demand, Collection and Balance (DCB) statements were prepared for the first time during 2002-03 for 12 years at a time starting from 1990 by engaging external agencies.
- Out of 80 cheques presented to banks for encashment, 66 cheques (Rs.33.96 lakh) were returned dishonoured. The Company could recover only Rs.7.25 lakh and the balance Rs.26.71 lakh remain unrecovered.
- On a test check of District records, it was seen in Belgaum district that under Land Purchase Scheme Rs.2.29 crore were recoverable from

KSCSTDC-Rs.178.65 crore, KBCDC-Rs.92 crore, KMDC-Rs.52.57 crore, KSWDC-Rs.55 lakh.

2,087 beneficiaries. The recovery level came down from 2.56 per cent to 1.13 per cent during 2000-05. The District Office, apart from sending notices to defaulting beneficiaries once in a year, had taken no further tangible action.

The Government stated (June 2005) that:

- in respect of margin money loans, the banks hold the first charge on assets and they appropriate the recoveries first to their portion of loan,
- the Company has now been recovering its loan portion directly from the beneficiaries,
- seizing agencies have now been appointed to seize the assets of defaulters.

Karnataka Backward Classes Development Corporation Limited (KBCDC)

2.1.25. The Company has not maintained district wise details. The Company collected blank cheques as security from beneficiaries. It was, however, found that number of cheques aggregating to Rs.1.24 crore were returned dishonoured during 2000-05.

The Government stated (May 2005) that due to drought situation during last three years there was hindrance in recovery of loan. As there were 1.5 lakh live loan accounts and the beneficiaries were scattered all over the district, the Company was having one or two staff in each district and hence it was not possible to implement the schemes, monitor and recover the loans.

Diversion of funds

2.1.26. National Backward Classes Financial Development Corporation (NBCFDC) released cumulative loan of Rs.98.27 crore to the Company, out of which Rs.55.52 crore were repaid up to 31 March 2005. The Company is normally regular in repayment of NBCFDC loan and interest. It is, however, observed that as against the cumulative demands of Rs.67.94 crore raised against the beneficiaries, the Company could recover only Rs.38.20 crore upto 31 March 2005. From this it is evident that the Company diverted Rs.17.32 crore from its share capital and other schemes to meet its repayment obligations to NBCFDC. The diversion adversely affected the implementation of other schemes.

The Karnataka Minorities Development Corporation Limited (KMDC)

2.1.27. The Company has not prepared statements of Demand, Collection and Balance even though the Company is in existence from 1986 and hence the loan amounts due and not due as at the end of each year were also not calculated. Neither a list of borrowers with principal and interest accrued and due was prepared and analysed by the Company.

Due to ineffective debt management and lack of proper accounting system the Company is running the risk of non recovery of a substantial portion of loans and interest due thereon due to efflux of time and unenforceable claims. The Management stated (May 2005) that due to inadequate machinery it could not recover loans.

Diversion of funds

2.1.28. KMDC received a sum of Rs.46.95 crore from National Minorities Development Finance Corporation (NMDFC) as loans of various types during 1997-2005. During this period, KMDC repaid Rs.27.87 crore to NMDFC. The total recovery of loan from beneficiaries, however, amounted to Rs.17.97 crore only. The balance of Rs.9.90 crore was diverted from other schemes, in order to repay the loan to NMDFC. This adversely affected the implementation of other schemes. Poor progress in recovery of loans was the only reason for diversion of funds. The Company stated (May 2005) that to avoid penal interest it diverted funds.

Karnataka State Women's Development Corporation (KSWDC)

2.1.29. KSWDC entrusted the entire responsibility of disbursement and recovery to Karnataka State Financial Corporation (KSFC) and it failed to enforce its own recovery mechanism, even where the loans became overdue. A sum of Rs.55 lakh was outstanding as on 31 March 2005, out of which Rs.34.58 lakh was recoverable from KSFC. The total dues including interest amounted to Rs.78.31 lakh (Composite Loan Scheme through KSFC).

Internal Audit

2.1.30. The Internal Audit functions are entrusted to external agencies i.e., firms of Chartered Accountants. No separate Internal Audit wing has been formed in KBCDC, KMDC and KSWDC. Though Internal Audit wing is formed in KSCSTDC, it is functioning only with two audit personnel, which is inadequate considering its volume of activities and jurisdiction throughout the State, and the Statutory Auditor has also commented upon the inadequacy of Internal Audit.

The lack of Internal Control in these companies has resulted in many cases of misappropriation. A few cases are detailed in **Annexure -12**.

Conclusion

The Companies have not complied with the recommendations of COPU, in respect of meeting their administrative expenditure out of their operative income; in conducting survey and identifying the beneficiaries; in revising the ratio based on periodical census reports; and in formulating new schemes.

The Companies have not been able to utilise the fund released to them by the Government in full. KMDC has been releasing assistance to the societies not covered under the scheme. The ratio of assistance to various communities was not adhered to resulting in inequal distribution of benefits. There were number of borewells dug under Gangakalyana

scheme, which were not energised, thereby defeating the purpose for which those were installed. KSCSTDC changed the scope of the rehabilitation of Safaikarmachari scheme by including persons employed in any sanitary work not covered in the guidelines resulting in depriving the eligible beneficiaries the benefits of the scheme. The Companies did not have any regular evaluation or feedback system to gauge the impact of the schemes implemented.

Poor recovery efforts resulted in huge arrears in recovery of loans and in diversion of scheme funds for repayment of loans taken from Central agencies. The Internal control system was not adequate resulting in number of misappropriations.

Recommendations

- The Companies need to take steps to fully comply with the recommendations of COPU.
- The funds released by Government need to be fully utilized on schemes within the time frame.
- The Companies need to ensure equitable distribution of benefits.
- The loan recovery position has to be improved by strengthening recovery mechanism by the Companies.
- The Companies would need to undertake evaluation and impact analysis of their schemes.
- Internal Audit wing has to be formed in KBCDC, KMDC, KSWDC and the same needs to be strengthened in KSCSTDC.

2.2 KARNATAKA NEERAVARI NIGAM LIMITED

REVIEW ON FUNDS MANAGEMENT IN KARNATAKA NEERAVARI NIGAM LIMITED

Highlights

The Company was set up in December 1998 as a Special Purpose Vehicle to complete various irrigation projects on fast track basis by 2003 to utilize the Karnataka State's share of water awarded under Krishna Water Disputes Tribunal. The Company on its formation took over eight projects which were under execution. The objective of formation of the Company to complete the projects on fast track basis was not fully met as:

- **it could utilize only 90.17 thousand million cubic feet (tmc) of water by the end of March 2005 as against allocation of 217.61 tmc,**
- **the eight projects taken over at the time of its formation were yet (August 2005) to be completed as against the envisaged date of March 2003,**
- **twenty five new projects costing Rs.6,532 crore were entrusted without identifying and providing for the resources for their execution,**
- **the Company depends mainly on Government guarantees for mobilisation of funds; and considering the current level of Government support it would take 36 years to complete all the projects.**

(Paragraphs 2.2.1, 2.2.7, 2.2.13 and 2.2.14)

Audit also noticed:

As against the repairs and maintenance cost of Rs.149.09 crore, the Company made a demand of Rs 73.56 crore as water charges, and collected Rs.7.87 crore only during last five years ended March 2005, which represented 5.28 per cent of repairs and maintenance cost, indicating low internal generation of resources.

(Paragraph 2.2.12)

The Company has incurred Rs.924.45 crore on administrative expenditure, interest and other overheads up to March 2005 to create assets worth Rs.1,350.88 crore. The Company had not analysed staff requirements as directed by the Government at the time of take over resulting in high establishment cost.

(Paragraph 2.2.13)

The Company incurred a loss of Rs 20.29 crore on investment of borrowed funds at lower rate as compared to interest rate on borrowings.

(Paragraph 2.2.9)

Introduction

2.2.1. The Krishna Water Disputes Tribunal recommended (Bachawat Award 1976) sharing of the Krishna water among the three States viz., Maharashtra, Karnataka and Andhra Pradesh. As per the Award, out of the total availability of 2,060 thousand million cubic feet (tmc) of water in Krishna river, Karnataka's share was 734 tmc. The award was to be reviewed or revised by competent authority or Tribunal after 31 May 2000, which has not been done so far (August 2005).

In order to utilize the State's share of water expeditiously, Krishna Bhagya Jala Nigam Limited (KBJNL) was formed in 1994 with the objective of executing the Upper Krishna Project by mobilizing required resources from the market.

As enormous funds were required for projects falling other than those under Upper Krishna Project, the Government formed (December 1998) another Company viz., Karnataka Neeravari Nigam Limited to mobilize resources and to complete the identified/prioritized irrigation projects in the Krishna River Basin on fast track basis by 2003. The total allocation of water to the Company under 33 projects[∝] entrusted till March 2005 was 217.61 tmc.

The details of projects transferred to the Company on formation and subsequent entrustment of projects along with estimated cost are given below:

(Rupees in crore)

Description	Number of projects	Estimated cost at the time of takeover (1995-96 SR)	Estimated cost (1999-2000 SR)	Estimated cost (2003-04 SR)
Originally taken over projects*	8	3,056.98	4,790.91	6,074.92
Additions				
a) Projects transferred during 1999 -2004	10	1,101.65	1,162.39	1,287.86
b) Projects transferred during 2004-05	15	-	-	5,244.07
TOTAL	33			12,606.85

*** includes Rs. 958.40 crore already spent before handing over to the Company; SR= Schedule of rates**

The Company was required to complete the originally transferred eight projects by March 2003. These are, however, yet to be completed (August 2005). Out of 33 projects, the Company has taken up 18 projects only for execution so far (July 2005). As on 31 March 2005, the Company incurred Rs.3,317.20 crore (including Rs.1,413.58 crore incurred on 18 projects before take over); but none of the projects have been completed so far (August 2005).

Scope of audit

2.2.2. The present review conducted during January to March 2005 covers management of funds by the Company for the period from December 1998 (inception) to March 2005.

[∝] including three non-Krishna projects

Audit objectives

2.2.3. Audit was conducted with a view to ascertain whether :

- the estimation of funds was realistic,
- the mobilization of funds, both from internal and external sources, was in the economical manner,
- the funds were utilised efficiently,
- the surplus funds were invested efficiently,
- the achievement of physical and financial parameters were with reference to the long-term and short-term plans,

Audit criteria

2.2.4. Audit adopted the following criteria for the evaluation of funds management activity with a view to see whether :

- systems and procedures followed by the Company for proper estimation of funds and planning to ensure achievement of its objectives of formation.
- procedures and control systems were in place for optimum mobilization of funds at least possible cost.
- procedures and practices were in vogue to ensure effective utilization of funds.

Audit methodology

2.2.5. The methodology adopted for attaining the audit objectives by comparing with reference to the audit criteria were

- Applicable Statutes, rules and regulations,
- Review of Memorandum and Articles of Association,
- Review of Board Minutes, Minutes of Finance sub-committee, Audit Committee,
- Review of Annual Work Plans and Budgets,
- Review of records maintained by the Company in respect of planning, mobilization, utilization and deployment of surplus funds,
- Internal Audit Reports, Statutory Audit Reports,
- Issue of Audit Enquiries, and
- Interactions with the management.

Audit findings

Audit findings as a result of test check were reported to the Management/Government in April 2005 and discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 5 May 2005. The meeting was attended by Technical Member and Managing Director of the Company and Secretary to Government of Karnataka, Water Resources Department. The views expressed by members have been taken into consideration while finalizing the review.

Audit findings are discussed in succeeding paragraphs.

Estimation of funds requirement

2.2.6. To assess the funds requirement, budgets are prepared every year taking into account the Annual Works Plan (AWP) drawn on the basis of projections made by various divisions. The estimated expenditure on capital works, repayment of principal and interest is matched with the funds to be received from Government as share capital (meant for refund of borrowing with interest), and through borrowings. Funds required by Divisions for works execution are transferred based on periodical intent and surplus funds are invested in mutual funds and term deposits.

Audit observed that:

- no corporate plan was drawn up to assess the requirement of funds on long term basis.
- detailed projects reports (DPR's) were not prepared by the Company after formation; DPR's on major projects were old dating back to 1976. This has resulted in unrealistic funds requirement and effected timely completion of projects.
- even after seven years of formation, the Company did not have a system of correct and periodical updation of the estimated project cost.

2.2.7 The table showing the year-wise estimated cost of the projects, annual work plan drawn and achieved for the last six years ending 31 March 2005 is given in **Annexure-13.** In this regard, following deserve mention:

- The year wise achievements of budgeted and actual expenditure ranged from 30.95 per cent to 85.44 per cent. In respect of eight initially transferred projects, though the Company had budgeted Rs.3,027 crore (as on March 2005), the actual expenditure was Rs.1,729 crore only.
- The budgets were presented to the Board for approval after commencement of the financial year. There was no system of splitting up the annual budget into monthly/quarterly budgets for monitoring. The significant variations were not analysed. As these were required to be submitted to the State Legislature, this in turn effected the projection made to the Government.

- There was no system of making proper survey/estimation. Failure to evolve a proper system of scientific classification of strata and quantum of work involved resulted in extra financial implications.

  The Government replied (May 2005) that no work was taken up without survey and estimation and that estimates were prepared after detailed investigation. As specific site conditions which could not be foreseen at the time of investigation, led to additions/modifications in the work, which resulted in unavoidable financial implication. The reply is not acceptable as the Company has not done any analysis in respect of problems, which led to considerable extra financial implications and time over run.

- The progress in implementation of projects was poor and the objective of formation was not fully met. The Company could only achieve a financial progress of 28.95 per cent and physical progress of 25.27 per cent since inception to March 2005 in respect of initially transferred eight projects. Audit also observed that there was no system of monitoring the progress of projects under critical components of execution. Even the Board of Directors (March 2003) felt that the status report for projects prepared by the Company was only a general statement and it was not possible to ascertain the shortfall/delays attributable to contractors/Company, if any, both in physical and financial terms, and pointed out the need to identify each project into quantifiable items.

As the Company depends upon Government guarantee to mobilise the fund, considering the yearly allocation by the Government it would take 36 years to complete all the projects.

- The Company has been depending upon the guarantees of the Government for borrowings with a result that the borrowings were restricted to the amount guaranteed by the Government. Considering the fact that the Government had allocated Rs.258 crore (Rs.188 crore borrowings through Government guarantee and Rs.70 crore as grant) during 2004-05, it would take 36[⊗] years to complete all the projects at current levels of cost. The Government admitted (May 2005) the inadequacy of budgetary allocation.

  During the ARCPSE meeting, the Management stated (May 2005) that in order to utilise 177.30 tmc of water, 14 projects (out of 18 ongoing projects) would be completed by March 2007 by incurring balance cost of Rs.3,745.61 crore. Audit observed that as against this requirement, the Company had budgeted for only Rs.1,444 crore in 2005-06 and Government support through guarantee/grant was available only to the extent of Rs.500 crore. The Company has not planned for mobilisation of balance requirement through sources other than by way of borrowing through Government guarantee and as such the possibility of completion of projects by 2007 as stated and scheduled utilisation of water is remote.

Mobilisation of funds

2.2.8 In order to meet the funds required for capital works, the Company mobilizes funds through:

⊗ **The requirement of Rs.9,290 crore to complete all the projects divided by Rs.258 crore alloted during 2004-05.**

- external/market borrowings,
- budgetary support from Government of Karnataka and assistance from Central Government under Accelerated Irrigation Benefit Programme (AIBP), and
- internal generation by collection of water charges.

External borrowing of funds

2.2.9. The Company mobilized Rs.1,445.05 crore since inception (1998) till March 2005 through private placement of bonds at interest rates ranging from 6.70 per cent to 13.25 per cent. In addition, the Company availed term loan of Rs.220 crore in July 2004 from banks/financial institutions at annual interest of seven per cent. In this regard, following deserve mention:

- The Company did not evaluate the economics of term loan funds until July 2004, when it raised term loan of Rs.220 crore. Failure to avail term loan deprived the Company of the facility of need based drawal and also flexibility of swapping loans with loans at lower rate at short-notice especially since the interest rates were declining.

The Company incurred a loss of Rs. 20.29 crore on investment of borrowed funds at the rate lower than interest rate on borrowings.

- It may be seen from the **Annexure - 14**, that the Company was raising funds without taking into account requirements, resulting in surplus funds till March 2004. The mismatch between mobilization and utilization of funds resulted in loss of Rs.20.29 crore on investment of borrowed funds at rates lower than the interest rates on borrowings.

  The Government stated (May 2005) that they always planned to maintain the funds required for three months project expenses. Further, the Company accepted that funds were initially mobilized based on cost of the projects, but found that pre-requisites for execution were not ready, which led to excess funds. The reply is not tenable as audit has worked out the above loss after excluding balances held in current account/treasury deposit/funds in transit, considered necessary to meet project expenses.

- Out of 11 series of bonds (including sub-series) floated till March 2005, mobilizing Rs.1,445.05 crore, seven series of bonds aggregating Rs.550.13 crore were floated at the end of the financial year (January to March) to utilise Government guarantee before expiry. This indicated that the borrowing programme was not need based. Further, over-subscriptions were also accepted inspite of holding adequate funds.

  The Government stated (May 2005) that the over-subscriptions were within the limit of guarantee provided by Government. The reply is not tenable as the objective of formation of the Company was for mobilization of funds based on need for execution of projects and not mobilization of funds with the cover of a guarantee.

Budgetary Support

2.2.10. As per the terms of the tripartite agreement entered into between Government of Karnataka, the Company and the trustees to the bond holders, Government of Karnataka agreed to place funds required to discharge the liability of interest and principal in the escrow account. Accordingly, the Government released Rs.266.13 crore towards repayment of principal and Rs.524.74 crore towards repayment of interest, which was accounted as share capital. Further amount of Rs.93.44 crore towards Minor Irrigation work, Rs.70 crore towards capital grant and Rs.297.64 crore towards AIBP funds, released by Government were also treated as share capital. In addition, Rs.867.99 crore was contributed (May 1999) by Government of Karnataka as share capital in kind towards the value of assets taken over. As such entire share capital of Rs.2,119.94 crore as at 31 March 2005 was contributed by Government of Karnataka.

Delay in release of funds by the Government, compelled the Company to borrow funds for the payment of interest to bond holders, resulting in interest loss of Rs.2.10 crore.

Audit observed that there was delay ranging upto 147 days in the receipt of money released under tripartite agreement. Due to delay in release of funds on due dates (reasons not on record) by Government of Karnataka, the Company utilized borrowed funds for payment of interest to bond holders. Consequently, the Company suffered a interest loss of Rs.2.10 crore on utilisation of borrowed funds for payment of interest to bond holders.

Internal generation of funds

2.2.11. The sustainability and efficient utilization of irrigation assets created by incurring huge capital cost depends on effective maintenance and meeting the maintenance cost/capital cost mainly through the recovery of water charges. Based on the recommendations of State Finance Commission and independent studies, the Planning Department decided (October 1988) that water users have to pay for water utilised for irrigation which would fully cover all the operational and maintenance costs and also yield a reasonable return on investment. The power to levy and collect water charges was vested with Government of Karnataka till 2002. The amendment of Karnataka Irrigation Act in 2002 permitted the irrigation companies to levy and collect water charges, thereafter.

2.2.12 The demand for water charges was raised in respect of two projects (Ghataprabha and Malaprabha), out of eight projects, initially entrusted to the Company on its formation. This was stated to be done as the water from these two projects was made available for irrigation. Out of total irrigation area of 4.48 lakh hectare as on 31 March 2005 in Ghataprabha and Malaprabha project areas, the irrigation management of 1.87 lakh hectare was entrusted to 454 Water Users Co-operative Societies (WUCS). The details of water availability, total demand (including WUCS) and collection since inception is given below:

Year	Water availability (tmc)	Demand (Rupees in crore)
1999-2000	97.01	14.95
2000-01	80.33	20.03
2001-02	61.93	16.11
2002-03	41.06	9.90
2003-04	54.68	5.71
2004-05	90.17	6.86
Total		**73.56**

In this connection following observations are made:

As against the repairs and maintenance cost of Rs.149.09 crore, the Company raised a demand of Rs.73.56 crore as water charges and collected Rs.7.87 crore only during last five years ended March 2005, representing 5.28 per cent of repairs and maintenance cost.

- The Company raised total demand of Rs.73.56 crore since inception to March 2005 and after waiver of Rs.39.56 crore (by Government/Company) the net demand was Rs.34.00 crore. The Company could collect only Rs.7.87 crore, which represented 5.28 per cent of the repairs and maintenance cost of Rs.149.09 crore.

- There has been reduction in the demand for water charges in spite of increase in the irrigation area. The reasons for reduction were not analysed by the Company. The Government stated (May 2005) that the total demand raised in any year would depend on the availability of water in the reservoir. The reply is not tenable as there was no correlation between water availability and demand as could be seen from the table.

- The Company had given (upto March 2004) Rs.17.63 crore as capital grant to WUCS by diverting borrowed funds. This resulted in loss of interest of Rs.1.79 crore besides draining the scarce funds of the Company without corresponding collection of revenue. The accounts of societies were not obtained by the Company for scrutiny to ensure that WUCS utilized the grant for the purpose for which it was given.

- Water charges collected by Revenue Department up to 2001-02 were not passed on to the Company till date (August 2005). Water charges collected by WUCS were also not remitted to the Company.

  In the ARCPSE meeting, the Government informed (May 2005) that a committee under the chairmanship of Managing Director, KBJNL had been constituted to study the issue of mobilization of funds through water collection. It was also stated (May 2005) that the role of the Company was to collect the water rates as fixed by the Government and that the State Government had brought in amendments to Karnataka Irrigation Act to bring in WUCS with a definite role. The reply is not acceptable as the system for supply of water to WUCS and raising of demand and collection of dues needs improvement considering the anticipated investment of Rs. 12,607 crore on projects to utilize 217.61 tmc of water allocated to the Company.

Utilisation of funds

Review of utlisation of funds revealed the following deficiencies:

Cost of creation of irrigation assets

2.2.13. Table showing cost incurred to create irrigation assets and incidence of high establishment cost thereon are given under:

(Rupees in crore)

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Total
A. Total capital cost incurred by the Company[♥]	96.51	170.29	283.48	218.12	286.40	296.08	1,350.88
(a) Establishment expenditure (other than interest)	41.54	45.63	58.46	83.51	85.30	84.77	399.21
(b) Interest on borrowings	37.11	62.60	79.03	99.98	121.39	125.13	525.24
B. Total expenditure (a+b)	78.65	108.23	137.49	183.49	206.69	209.90	924.45
C. Total cost (A+B)	**175.16**	**278.52**	**420.97**	**401.61**	**493.09**	**505.98**	**2,275.33**
Establishment expenditure as a per cent of total capital cost.	43.04	26.80	20.62	38.29	29.78	28.63	29.55

In this regard, the following deserves mention:

The Company incurred Rs.924.45 crore on administrative expenditure, interest and other overheads to create assets worth Rs.1,350.88 crore, which was 68.43 per cent of the total capital cost. The Company had not analysed staff requirements as directed by the Government.

- Execution of work is done entirely through contractors and the role of the Company is only of supervision. Eventhough the expenditure incurred on establishment and other items for creation of irrigation assets through contractors decreased from 43.04 per cent in 1999-2000 to 28.63 per cent in 2004-05, it still exceeded the norm of 15 per cent fixed by Central Water Commission.
- The Company has incurred Rs.924.45 crore on administrative expenditure, interest and other overheads to create assets worth Rs.1,350.88 crore, which was 68.43 per cent of the total capital cost.
- As compared to the total allocation of 217.61 tmc of water for the projects taken up by the Company, actual utilization by partly completed projects viz., Ghataprabha and Malaprabha was 97.01 tmc in 1999-2000 which decreased to 90.17 tmc in 2004-05. The Government replied (May 2005) that the low utilization was both due to lack of water and delay in creation of assets.
- The Company was authorized to make an assessment of staff requirements and re-deploy or surrender the excess staff to Irrigation department. Audit observed that no such attempt was made and as on 31 March 2005, the number of administrative personnel (1,229) was substantially more than the technical personnel (724), which resulted in high establishment cost. The Government stated that a large number of temporary workers recruited prior to the formation of the Company continued on the basis of Supreme Court decision and the Company has been requesting Government to re-deploy them in Government departments. The reply is not tenable as under the Government order of May 1999, the Managing Director was not only authorized to suitably re-deploy within the Company but also to surrender the excess manpower to Irrigation Department.

[♥] **excludes cost incurred on eight projects before transfer to the Company**

Implementation of new projects

2.2.14. Even though the Company was finding it difficult to arrange funds required for ongoing projects as discussed in paragraph 2.2.7 supra, new projects were periodically transferred to the Company by Government.

Audit observed that though the Government informed (January 2003) that a meeting of all concerned would be held to spell out policy with respect to the transfer of additional projects, funding, prioritization and related issues, no such meeting was held till date (November 2005). The Finance Department, however, in the meeting held in February 2003 advised the Company to prepare an action plan limited to its resources position to ensure optimum utilisation to attain its objectives. As the transfer of projects to the Company directly by Water Resources Department, without the concurrence of Finance Department was considered as not in accordance with Karnataka Government (Transaction of Business) Rules, the Government directed the Company to make a critical analysis before transfer of any project, taking into account the borrowing limit. The Company, however, continued to take up all the new projects with an outlay of Rs.6,532 crore, without identifying the resources or obtaining commitment from Government to provide necessary resources.

The Government stated (May 2005) that the Company was bound to comply with the directions and in view of the commitment made to utilise its share of water, the required support would be extended depending upon the progress achieved. The reply is not acceptable since Rs.258 crore only through State support was made available during 2004-05 as against the gross requirement of Rs.9,290 crore.

Investment of funds in Lift Irrigation Projects

2.2.15. The Company had undertaken implementation of Lift Irrigation Schemes (LIS) involving Rs.1,983 crore. LIS intended for uplands involved huge investments and the success of the scheme depended mainly on a definite policy to be evolved for their maintenance. Audit observed that LIS was being implemented without giving any consideration to the huge expenditure on power consumption. The Company requested (June 2002) the Government to form an inter-departmental group to come out with a policy on Lift Irrigation Projects, especially considering the estimated annual power charges of Rs.58 crore in respect of three ongoing major LIS viz., Bhima, Singaatalur and Hippargi on which an investment of Rs.157.47 crore had already been made till March 2005. The Company incurred Rs.9.17 crore during 2000-05 as electricity charges for operating LIS, which was being paid out of borrowed funds.

The Government stated (May 2005) that it is actively considering to come out with a policy decision on maintenance of LIS.

Management Information System and Monitoring

2.2.16. The Company did not maintain database showing details viz., date of tendering, awarding, scheduled and actual completion, tendered and actual cost, extra financial implication, name of the contractor, reasons for delay, whether delay is attributable to the Company or contractor, etc., which are very essential for identifying the problems in the execution of the projects and taking corrective actions so that they do not recur in future. The directive of Board of Directors (March 2003) to evolve a suitable monitoring mechanism for works was also not carried out so far (March 2005). The Government stated (May 2005) that the suggestion was taken note of and the Company was making earnest efforts to evolve suitable Management Information Systems.

Release of Funds without control

2.2.17. The Company was releasing funds to Special Land Acquisition Offices (SLAO) for acquiring land for irrigation projects. A sum of Rs.188 crore was paid to 11 SLAO during six years ending 31 March 2005. A special audit by the auditors appointed by the Company was taken up in July 2004 to verify the extent of utilisation, maintenance of cash book, bank reconciliation, etc., and also to ensure the correctness of compensation paid. Though the Statutory Auditors also qualified in their report from 2000-01 and onwards on the non-rendering of accounts and inability to ascertain the impact thereon, no remedial action has been taken till date (July 2005). The Government stated (May 2005) that the Company would take appropriate action after receipt of the special report from the auditors.

Internal control system

2.2.18. A review of internal controls relating to funds management revealed the following:

Estimation of funds

- Budgets were presented belatedly and there was no splitting up of annual budgets into sub-periods for monitoring and the variations were not analysed.
- Detailed Project Reports were not prepared periodically which had an effect on timely completion of projects.
- There was no system of making proper survey and estimation prior to commencement of the work.
- Cost estimates of the projects on hand were not updated periodically to ensure correct estimation of funds requirement.

Mobilization of Funds

- The Company had not evolved any system to assess the cost of funds from different sources.
- The Company did not have a proper system for levy and collection of water charges.

Utilization of Funds

- The Company did not have adequate Management Information System.

- The Company did not have a system of monitoring utilization of advances made to Special Land Acquisition Offices.

Conclusion

The objective of formation of the Company as a Special Purpose Vehicle to utilize State's share of water under Bachawat Award and for mobilization of resources and completion of projects on a fast track basis was not fully met. Instead of prioritizing projects already undertaken, the Government entrusted the Company with more new projects without ascertaining economic viability and providing adequate funds. The Company depends mainly upon Government guarantee to mobilize funds. Failure of the Government to provide adequate guarantee has resulted in restricted borrowings. Consequently, it would take 36 years to complete the ongoing projects at current levels of cost. The progress in implementation was poor and there was no system of monitoring the progress of projects under critical components of execution. Lack of proper revenue recovery system led to poor collection of water charges.

Recommendations

- The Company should expedite the execution of projects by proper planning, organization and management to achieve the objective of formation as a Special Purpose Vehicle and to ensure timely utilization of State's share of water.
- The Company should not undertake new projects without ascertaining the economic viability and availability of adequate funds.
- The Company should make efforts to improve the demand and collection of water charges from commercial/irrigation beneficiaries. The Company needs to evolve a system for timely recovery of water charges, which should meet at least the operation and maintenance cost.

2.3 THE KARNATAKA STATE TOURISM DEVELOPMENT CORPORATION LIMITED

PERFORMANCE OF HOTEL DIVISION INCLUDING INFRASTRUCTURE DEVELOPMENT OF THE KARNATAKA STATE TOURISM DEVELOPMENT CORPORATION LIMITED

Highlights

The Company set up in February 1971 with a view to promote and develop the domestic as well as international tourism in the State, did not achieve fully its objective as tourists who availed its facilities was negligible.

(Paragraphs 2.3 1 and 2.3.8)

Audit also noticed:

There was no system of preparing the Annual Plan for taking up the projects for upgradation and renovation of hotels.

(Paragraph 2.3.13)

The grants received from Central/State Government for creating/developing tourist infrastructure were parked in fixed deposits; the utilization of grants was very low. As such the projected facilities could not be created. The Company, consequently, failed to tap the full tourist potential of its hotels.

(Paragraph 2.3.13)

There has been delay in implementation of projects for upgradation and renovation of its hotels resulting in foregoing revenue of Rs.2.24 crore during 2000-2005.

(Paragraph 2.3.11)

Introduction

2.3.1. The Karnataka State Tourism Development Corporation Limited (KSTDC) was set up in February 1971 with a view to promote and develop domestic as well as international tourism in the State.

The main objectives of the Company are:

- to promote tourism in all forms and in particular, by providing boarding and lodging, transport and arrangements for excursion;
- to take over, develop and manage places of tourist interest in the State of Karnataka and elsewhere; and
- to acquire and take over any of the assets and liabilities of the Department of Information and Tourism, Government of Karnataka.

2.3.2. The Company is presently engaged mainly in the following activities:

- maintaining budget category hotels in places of tourist's attraction,
- leasing out its properties (i.e., both land and hotels) to private entrepreneurs in line with Karnataka Tourism Policy (2002-07), and
- providing transport facilities to tourists by conducting package tours in Karnataka and in other States.

2.3.3. The Hotel division is headed by the Commercial Manager (Hotels) at the head office and is assisted by the Manager at the unit level. The Commercial Manager (Hotels) reports to the Managing Director of the Company. The Company is operating 18[§] hotels (with restaurants), three exclusive restaurants and three boat clubs as on 31 March 2005.

The working of the Company was last reviewed and reported in the Report of the Comptroller and Auditor General of India for the year 1997-98 (Commercial). The Report was discussed by COPU and its recommendations contained in its 85th Report (August 2000).

Scope of audit

2.3.4. The present review was conducted during October 2004 to January 2005 covering the performance of Hotel Division including infrastructure development (up-gradation and renovation) of the Company during 2000-05.

Audit objectives

2.3.5. Audit was conducted with a view to:

- ascertain whether the objectives of the Company were achieved with economy, efficiency and effectiveness;
- examine the compliance to the recommendations contained in the Report of COPU; and
- ensure that the tourism policies of Government of India and Government of Karnataka are implemented effectively.

Audit criteria

2.3.6. The audit criteria considered for assessing the achievement of audit objectives were:

- occupancy norms fixed by the Company for its hotels;
- Karnataka Tourism Policy 1997-2002 and 2002-2007 in respect of leasing of hotels ;

[§] **excluding five hotels privatized during 2000-05 and one closed unit.**

- guidelines of Centrally Sponsored Schemes for up-gradation and renovation of hotels, issued by Ministry of Tourism, Government of India and Department of Tourism, Government of Karnataka ; and
- COPU's recommendations.

Audit methodology

2.3.7. The methodology adopted for attaining audit objectives, with reference to the audit criteria were:

- Review of monthly performance reports of hotels.
- Review of Tourism Policy of Government of Karnataka – 1997-2002 and 2002-2007.
- Review of Board minutes.
- Files relating to grants received from Government of India/Government of Karnataka.
- Evaluation reports of Infrastructure Development Corporation (Karnataka) Limited (IDeck) in respect of Concession agreements of concessionaires.
- Issue of audit enquiries.
- Interaction with the Management.

Audit findings

Audit findings, as a result of test check were reported to the Company/ Government in March 2005 and discussed in the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 20 April 2005, which was attended by the Managing Director of the Company and Principal Secretary, Information, Tourism and Youth Services, Government of Karnataka. The views expressed by the members have been taken into consideration in finalisation of the review.

Audit findings are discussed in succeeding paragraphs.

Growth of Tourism

2.3.8. The Company was incorporated with a view to promote and develop domestic as well as international tourism in the State. The Company, however, is not collecting and compiling data regarding tourists (both domestic and foreign) arrival in the State to assess the growth of tourism in the State. The data regarding the number of tourists who visited Karnataka and India during the last five calendar years (up to 2004) collected by the Audit from the Department of Tourism, Government of Karnataka, and Ministry of

Tourism, Government of India respectively, is indicated in the table below:

(Nos. in lakh)

Particulars	**2000**	**2001**	**2002**	**2003**	**2004**
No. of tourists who visited India	Not available	25.37	23.84	27.50	15.50*
Tourists who visited Karnataka					
Domestic	159.03	179.99	120.73	111.75	143.65
Foreigners	2.30	2.29	1.41	2.50	1.25
Total	**161.33**	**182.28**	**122.14**	**114.25**	**144.90**
Number of tourists who availed accommodation in Company's hotels	0.83	0.81	0.82	0.77	0.65
Tourists availing the facility in percentage (both domestic and foreigners)	0.51	0.44	0.67	0.67	0.45
Percentage of foreigners who visited the State vis-à-vis who visited India	Not available	9.03	5.91	9.09	8.06

*** - from January 2004 to June 2004**

As could be seen from the above, the percentage of tourists availing Company's facilities ranged from 0.44 per cent to 0.67 per cent during the five calendar years up to 2004, which was negligible i.e., less than one per cent.

Tourism Policy 2002-07

2.3.9. As per the Tourism Policy 2002-07 (effective from June 2002), the existing accommodation and other facilities of both Government and the Company are to be usefully and optimally utilized by inviting private sector partners in management of these properties in a phased manner. Accordingly, the Company entrusted (2000-05) the operation of its five units to private entrepreneurs on 'Renovate, Operate, Maintain and Transfer' (ROMT) model on 30 year lease basis. The service of IDeck was availed to follow the detailed procedure of calling for tenders, technical bids and price bid.

The performance of seven© units, out of 24 units, are discussed in the succeeding paragraphs.

Operational Performance

2.3.10. The table below summarises the operational performance of the Hotel division for the five years ended 31 March 2005.

(Rupees in lakh)

	Particulars	**2000-01**	**2001-02**	**2002-03**	**2003-04**	**2004-05**
A	Income (Gross)	607.89	574.48	557.63	608.15	657.83
B	Servicing, administration, selling and other expenditure (hotels)	302.33	289.51	240.89	214.13	226.42
C	Gross contribution (A-B)	305.56	284.97	316.74	394.02	431.41
D	Total income from all activities of the Company	1,062.79	1,123.20	1,266.75	1,463.54	1,547.20
E	Percentage contribution by Hotel division (A/D)	57.20	51.15	44.02	41.55	42.52

As could be seen from the table, while the income of the Company from all activities were increasing, the gross percentage contribution of hotels division

© **HM Hoysala, Mysore; Cauvery, KR Sagar; Pavitra, Yediyur; Sudharasan, Ooty; Yatrinivas, Mysore; Riverview, Srirangapatna and Balbhavan** has been showing a declining trend from 57.20 per cent in 2000-01 to 42.52 per cent in 2004-05.

The COPU in its 85th Report recommended that the Company should prepare separate profit and loss account for each hotel to ascertain its profitability by scientifically apportioning the depreciation costs, interest and other head office expenses, etc., in order to take timely remedial action. The Company has, however, not taken any action so far (November 2005).

Non achievement of Room Occupancy norms

2.3.11. The Company had fixed a norm of 57 per cent for room occupancy, which was considered as realistic. Hotel-wise room occupancy for the five years ending 31 March 2005 is detailed in **Annexure-15.**

Audit observed that though the hotels were located in important tourist places, the Company could not achieve the norms fixed by it, except for two hotels in 2000-01, three hotels in 2001-02, 2002-03 and 2003-04 and two hotels in 2004-05. There was a declining trend in overall room occupancy; it declined from 42 per cent in 2000-01 to 34 per cent in 2004-05.

The reasons for low occupancy as analysed in audit were:

- Delay in completion of renovation and up-gradation works in hotels as discussed in paragraphs 2.3.13 to 2.3.18 infra.
- Lack of adequate publicity.
- Inadequate monitoring system at Head Office level to analyse and take corrective action to improve the room occupancy, based on the monthly progress reports submitted by the units. This also indicates inadequate internal control in the Company.
- Lack of feed back system from customers, at Head Office level, for improving the efficiency of services and to ensure customer satisfaction. Though, the COPU recommended (85th report) introduction of a model form for getting feed back from the guests, the Company has not introduced the same so far (November 2005).

The Company failed to achieve the room occupancy norms fixed by it. This resulted in non-realisation of additional revenue of Rs.2.24 crore.

The Government stated (April 2005), that action was being taken to improve the shortcomings as pointed out by audit, besides complying with the recommendations of COPU. The fact, however, remains that the Company failed to achieve the norms of 57 per cent occupancy and lost the additional revenue of Rs.2.24 crore during 2000-2005 to meet the fixed cost of rooms.

Outsourcing of Rooms

2.3.12. Hotel Mayura Sudarshan, Ooty is working in a heritage building, consisting of 10 rooms and a cottage block of seven rooms. It was taken over (1982) from the Department of Public Administration and Reforms, Government of Karnataka, on lease basis, initially for ten years to be renewed once in every five years, exclusively to accommodate tourists on the package tours. The Company did not undertake major repairs and maintenance work of these rooms, after its take over. All the seven rooms in the cottage block and one suite in the main heritage building remained in a bad shape. The tourists

Poor maintenance of its hotel at Ooty compelled the Company to provide alternative accommodation to its package tourists in other hotels, resulting in loss of revenue of Rs.24.35 lakh.

refused to occupy the rooms, compelling the Company to accommodate them in other hotels since 1998.

This resulted in foregoing a revenue of Rs.24.35 lakh during the last five years ending 31 March 2005. The Government stated (April 2005) that renovation work was being taken up at a cost of Rs.70 lakh, funded under Government of India prioritization scheme. The work is yet to start (November 2005).

Infrastructure facilities

Up-gradation and renovation of hotels

2.3.13. The hotels of the Company are to be upgraded and renovated to keep it in good condition and to attract more tourists. There was no system of preparing Annual Plan for taking up projects for up-gradation and renovation of hotels. The Company receives grants from the Central/State Government for the up-gradation and renovation of hotels.

The year wise receipt and utilisation of grants during 2000-05 are detailed below:

(Rupees in lakh)

Sl. No.	Year	Opening Balance	Receipts		Total grant available	Utilised	Closing balance	Percentage utilised
			GOI	GOK				
1	2000-01	160.53	81.81	18.50	260.84	8.04	252.80	3.08
2	2001-02	252.80	23.27	11.50	287.57	30.38	257.19	10.56
3	2002-03	257.19	--	39.65	296.84	53.58	243.26	18.05
4	2003-04	243.26	171.09	--	414.35	1.20	413.15	0.29
5	2004-05	413.15	14.22	60.20	487.57	179.21	308.36	36.76
	Total:		**290.39**	**129.85**		**272.41**	**308.36**	

GOI= Government of India; GOK= Government of Karnataka

In this regard, following deserve mention:

The utilization of grants received from the Central and State Government for up-gradation and renovation of various hotels was very low. The Company invested Rs.3.59 crore in fixed deposit instead of utilising the grants for creating infrastructure facilities.

- As could be seen from the table, the utilisation of grants-in-aid was very low ranging between 0.29 per cent to 36.76 per cent of the available grants.
- As per the Accounts Manual of the Company, a separate register in Form 64 is to be maintained to monitor the utilisation of the grants. The Company, however, has not maintained the same. This indicates lack of internal control.
- COPU had recommended (85th Report) that the grants released by the Government were for specific purposes and as such the Company should work out the expenditure incurred and the savings, if any, be surrendered to the Government.

  Audit, however, observed that the grants received for implementation of projects were invested in fixed deposits (FD) and the interest earned was utilised to meet its establishment expenses. As on March 2005, Rs.3.59 crore were invested in FD out of the grants received. The Company also availed loans of Rs.1.42 crore by furnishing FDs of Rs.2.59 crore as security. Due to diversion of funds, granted for specific purpose of providing facilities/additional facilities to tourists, the planned and projected facilities could not be created. The

Government stated (April 2005) that the Company has now started utilising the funds for the purpose for which it were sanctioned.

Construction of additional facilities at Hotel Mayura Riverview, Srirangapatna

2.3.14. The Hotel Mayura Riverview at Srirangapatna located on the banks of river Cauvery has a high occupancy rate. The Government of India sanctioned (July 2000) the scheme for construction of additional eight rooms in the hotel under the prioritisation scheme for 1999-2000, at an estimated cost of Rs.55 lakh, to be shared equally by both the Central and State Government. The Company received (August 2000) the first installment of Rs.8 lakh out of Central share of Rs.27.50 lakh. The work is yet to be taken up (November 2005). Due to non-execution of the project, the Company could not tap the tourist potential of this place.

Up-gradation and renovation work at Hotel Mayura Pine Top, Nandi Hills

2.3.15. The State Government submitted (August 1999) a project for development of infrastructure for attracting tourist at Nandi Hills near Bangalore to the Central Government. The project was approved at an estimated cost of Rs.28.60 lakh and the cost was to be shared equally by the Central and State Government.

Audit observed that though the first installment of Central share of Rs.4.50 lakh was released in October 2000, the Company took up the work in February 2004 only, i.e., after a lapse of four years. The work has not been completed so far (August 2005). Due to delay in executing the project, the Company could not tap the tourist potential at Nandi Hills to its capacity in full. The Government stated (April 2005) that due to frequent changes of officers in the organization and at Karnataka Land Army Corporation Limited, there was delay in taking up the work and the scope of work got changed. This indicates that there is no system of monitoring the progress of work.

Up-gradation of Hotel Mayura Vijayanagar, Tungabhadra Dam

2.3.16. The Government of India (GOI) sanctioned (February 1999) a project for expansion and up-gradation of Hotel Mayura Vijayanagar, Tungabhadra Dam, Hospet, at a total cost of Rs.68.23 lakh. The share of Central Government was Rs.50 lakh and that of the State Government was Rs.18.23 lakh. The grant was to be released as per the stages of completion of the project.

The Central Government released (March 1999) Rs.15 lakh to the State Government as advance for starting the work with a condition that the work should be executed through Karnataka Land Army Corporation immediately and that the amount released by the Central Government should not be kept unutilised for more than six months. In case of non-utilisation, the grant was required to be surrendered or a formal approval was to be taken to transfer/adjust the amount against other Centrally Assisted Projects. The completion time for the project was also fixed at 18 months from the date of sanction.

Even though, the State Government released (July 2000) Rs.15 lakh of Central share, the Company took three years to commence (June 2003) the project, mainly due to diversion of funds for another project (Kamalapur, Hampi). Subsequently, the Company received (October 2003) from the State Government Rs.33.23 lakh (Rs.18.23 lakh State share and Rs.15 lakh in anticipation of the second installment of the Central share). The work was completed in August 2005.

Failure to complete the work in time resulted in the decline in revenue from Rs.5.26 lakh in 2001-02 to Rs.3.11 lakh in 2003-04 as the hotel was not maintained in good condition. The Government stated (April 2005) that due to new deluxe hotel coming up around the tourist location and also due to Government policy of promoting private participation, there was decline in room occupancy and revenue. The reply is not acceptable as by upgrading the hotel, the Company would have been able to compete with the private sector effectively.

Non-Furnishing of Unit at Badami

2.3.17. The Company was operating its unit at Badami since 1972. Subsequently, the Department of Tourism handed over (June 1998) a new block consisting of four double rooms, two suites, a restaurant block and other facilities, situated near the existing hotel to the Company to provide additional facilities to the tourists. On a request by the Company, the Government sanctioned Rs.12 lakh (July 1998) as grant to furnish the new unit with a condition that necessary furniture and cloth items to be purchased from Karnataka State Forest Industries Corporation Limited or the Chief Inspector of Jails and Karnataka Handloom Development Corporation Limited, respectively. The other items were to be purchased as per the purchase procedure.

The Company requested (July 1998) the Government to exempt the Company from the purchase conditions, on the plea of difficulties in procuring modern furniture and clothing required for the hotel industry from the above mentioned Government agencies. The Government agreed (December 1999) to the request. Audit observed that the Company, however, did not take up the work of furnishing and the funds remained invested in fixed deposits till July 2005. Due to non-furnishing of the new block for the five years from the date of receipt of the grant, the Company could not attract tourists, leading to loss of revenue on boarding and lodging. The Government stated (April 2005) that the funds would now be utilized to complete the up-gradation work.

Construction

Entrustment of Civil Works

2.3.18. The Company decided (September 2000) to entrust the works on tender basis, to private registered contractors as the work executed by Karnataka Land Army Corporation Limited (KLAC) was unsatisfactory.

The Company, however, continued to entrust the works to KLAC without following tender formalities. The advances of Rs.1.96 crore paid between January 2001 and September 2004, remained unadjusted so far (August 2005).

Audit observed the following lapses in the internal controls:

- Formal work orders with detailed specification and time schedule were not issued.

- Running Account bills were not insisted for verification.
- Funds were released in instalments, based on the utilization certificate, without any check/joint measurements, irrespective of quantity and quality of the works executed.
- There was no system of monitoring the progress of works being executed by KLAC.

The Government stated (April 2005) that as the Company did not have qualified technical personnel, the works were not entrusted to private registered contractors; further, a project monitoring cell since created drawing technical personnel from Public Works Department. The fact remains that continued entrustment of work to KLAC adversely affected the progress of up-gradation and renovation of hotels.

Non-execution of Tourism Complex Building

2.3.19. A reference is invited to Para 2C.11 of the Report No.2 (Commercial) of the Comptroller and Auditor General of India for the year ended 31 March 1998 wherein delay in taking timely action to construct the Tourism Complex and a compound wall and consequent loss of 5,819 sq.ft. of land due to encroachment, etc., was reported. COPU recommended (August 2000) to initiate action to construct the Tourism Complex in the land at Millers Tank bed, Bangalore and to shift the office of the Company to the proposed building.

Audit observed that the Company did not comply with the recommendations and instead decided (December 2000) to surrender this land considering it being unsuitable for a tourist complex. Bangalore Mahanagar Palike (BMP) was asked (March 2001) to allot four acre of land identified at Central College ground in lieu thereof.

The Company, however, did not follow up the mater with BMP. As there was no response from BMP for the allotment of the identified land, the Company decided (October 2002) to retain the land proposed for surrender. No such decision was communicated to BMP, which later allotted (October 2003) this land to Karnataka Pradesh Congress Committee.

The construction of the Tourism Complex, thus, could not be executed, inspite of receipt of grant of Rs.1.20 crore from the Central and State Government. Failure to obtain alternative land/retain its own land not only resulted in losing a prime land but also resulted in payment of Rs.11 lakh per annum towards rent as the Company continued to remain in a rented building. The Government admitted (April 2005) its failure to obtain alternative land.

Construction of wayside facilities at Bannerghatta National Park, Bangalore

2.3.20. The Central Government (September 2000) sanctioned the project for construction of wayside facilities at Bannerghatta National Park at an estimated cost of Rs.54.70 lakh, to be shared equally between the Central and State governments. After receipt of first installment of Rs.8.45 lakh of Central share, the Company asked (July 2001) the Forest Department for allotment of 12 acre of land (approximately) for this project. As against this, the Forest Department allotted (September 2001) 1.528 acre only, on 30 years lease basis, at Rs.5,000 per month with annual increase of five per cent. The Company took over the land in May 2002 only.

The Company appointed (September 2002) EDP consultants to assist in preparation of plans and estimates. As the estimates (Rs.105.61 lakh) prepared by the consultant exceeded the sanction, the Board decided (October 2002) to enter into a joint venture with Jungle Lodges and Resorts Limited. Subsequently, the Company asked (August 2003) KLAC to empanel a reputed architect for preparation of revised plan and estimates. Accordingly, KLAC appointed (August 2003) Jaisim Fountain Head, Architects for preparation of fresh drawings, design, certification of works and overall monitoring of the above project. The Corporation while approving (October 2003) the project at an estimated cost of Rs.1.20 crore, directed to restrict the budget to Rs.1.10 crore without compromising on essential components.

After receipt (October 2003) of another installment of Rs.35.15 lakh, from the State Government (including Rs.12.50 lakh of Central share), the work was taken up (October 2003) for execution, which has not been completed so far (November 2005). The main reasons for the delay in completion of work was due to delay in taking possession of the land, appointment of consultants and approval of the estimates by the Company. The project, thus, could not be executed in time, thereby, depriving the Company to tap the tourist potential and improve its revenue.

Conclusion

The Company failed to achieve its primary objective of promoting/developing tourism in the State. The percentage of tourists availing its facilities was negligible. There was no system of preparing the Annual Plan for taking up the projects for up-gradation and renovation of hotels. The grants received for creating/developing tourism infrastructure were parked in fixed deposits; the utlisation of grants was very low and as such the projected facilities could not be created. There was no system of monitoring the progress of works, being executed which in turn resulted in delays in up-gradation and renovation of hotels; this led to lower level of occupancy and the Company was not able to tap the tourist potential to optimum level.

Recommendations

- **The Company should prepare Annual Plan to expedite the up-gradation and renovation works.**
- **The Company should closely monitor and ensure effective control in implementation of infrastructure development facilities.**
- **The Company should ensure utilization of the grants, received from the Central and State Governments for the up-gradation and renovation to tap the full tourist potential and consequential increase in revenue.**

CHAPTER III

3. TRANSACTION AUDIT OBSERVATIONS

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

GOVERNMENT COMPANIES

Karnataka Neeravari Nigam Limited

3.1 Non-utilisation of excavated hard rock

Failure to utilize the hard rock available from excavation of canal for dam and allied works resulted in extra expenditure of Rs.2.18 crore.

The construction of dam across Tunga river near Gajanur village and allied works was awarded (October 1999) to Mysore Construction Company. As at April 2005, the contractor executed 2.34 lakh cubic metre (cum) of concrete work using 2.57 lakh cum rubble. Audit observed that during the period of concrete work in the dam (April 2000 to July 2004), excavation works in canal of the Upper Tunga Project were in full swing and large quantity (more than 28 lakh cubic metre in all) of excavated hard rock was available for use. Even though the contract contained a provision for issue of rubble from excavation at the rates as per schedule of rates (Rs.90 per cum), the Company did not issue the rubble to the contractor for utilisation in the work.

Failure to issue the rubble excavated during canal excavation to the contractor by the Company in the dam works resulted in an extra expenditure of Rs.2.18 crore.

The Government stated (June 2005) that utilization of excavated hard rock of canal works was not considered at the time of estimation as it was not available at the time of entrustment and that the excavated hard rock was not suitable for concrete work.

The reply of the Government is not acceptable because, though the excavated hard rock was not available at the time of entrustment of work it was available during execution of concrete work. Further, the contractor purchased (October 2001) 1,09,715 cum hard rock in public auction from the Company and utilized it in the concrete work of the dam.

3.2 Avoidable expenditure

Avoidable delay by Company resulted in payment of higher rates for work done during extended period and a resultant extra expenditure of Rs.1.28 crore.

The work of Dasanal tunnel of Ghataprabha Right Bank Canal estimated to cost Rs.5.74 crore was awarded (November 1997) to a contractor for Rs.4.31 crore, with a stipulation to complete the work in 20 months time i.e., by July 1999. The work was completed only on 28 February 2002 and the final bill is yet to be paid (August 2005). During the delayed period of 31 months, extension was given thrice with a condition that no extra rate or claims would be paid for the work executed during the extended period.

The contractor, however, claimed (February 2001) compensation of Rs.7.22 crore for the delay in work. The Chief Engineer recommended (January 2002) for revision of rates for work executed beyond the original contract period. The Technical Sub-Committee (TSC) which examined the proposal observed (June 2002) that out of a total delay of 31 months, 17 months delay was attributable to the Company and 14 months delay to the contractor. The TSC recommended that for the period of delay attributable to the contractor, no claim or compensation was payable. For the period of delay attributable to the Company, it was decided to make payment at reasonable rates as the claims of compensation by the contractor were not easily verifiable. It was decided that payment for the work done beyond 1 October 2000 at Schedule of Rates of 1999-2000 would be just and fair. Accordingly, the Company paid (November 2002) Rs.1.28 crore to the contractor.

The following were the reasons for delay attributed by TSC to the Company:

- Delay in payment of Running Account bills - two months.
- Delay in supply of blasting material - three months.
- Delay in deciding the side slopes at the exit - five months.
- Delay in shifting the transmission lines - four months.
- Other reasons - two months.

All the above reasons attributed to the Company were avoidable. Failure of the Company to avoid such delays, thus resulted in extra expenditure of Rs.1.28 crore.

The Government while admitting the facts stated (August 2005) that the Officers of the Company have been instructed to avoid such delay in completion of work in future.

3.3 Undue benefit to contractor

The Company failed to deduct the full cost of rubble supplied/used for the work and the element of profit thereon from the rates payable to the contractor, resulting in undue benefit of Rs.59.09 lakh to the contractor.

The construction of dam and allied works of Markandeya project estimated at Rs.84.70 crore was entrusted (March 1998) to Karnataka State Construction Corporation Limited (KSCC) at 12 per cent premium over the schedule of rates of the year of execution. The project is in progress and the total expenditure incurred upto March 2005 was Rs.131.59 crore.

The rates for completed items of work in the schedule of rates included the cost of all materials and an element of contractors profit (considered at 10 per cent) on the materials supplied by him. In order to arrive at the rate payable to the contractor when material is supplied by the Company, cost of material and the element of contractor's profit thereon is required to be reduced from the completed item rates. As per terms of the contract, the rubble (excavated hard rock) was to be issued at the rates mentioned in the Schedule of Rates. Even though the hard rock excavated from foundation, etc., was used for construction work, there was no record of actual quantity issued to the work. The rate of excavated hard rock as per schedule of rates was Rs.61 per cubic metre. The Company deducted only Rs.53.68/51.85 per cubic metre of concrete work and Rs.61 per cubic metre of rubble and murrum filling, as against Rs.71.13/73.81♥ and Rs.67.10♣ deductible towards cost of rubble required for the work and the element of contractors profit thereon.

Non-deduction of the cost of actual quantity of rubble required for the work, and the element of contractors profit thereon, resulted in undue benefit of Rs.59.09 lakh in execution of 2.12 lakh cubic metres of concrete work and 1.08 lakh cubic metres of rubble and murrum filling using the excavated hard rock upto March 2005.

As against the above, the Government agreed (September 2005) to recover Rs.56.15 lakh at Rs.68.32 per cubic metre. The particulars of recovery is awaited (November 2005).

3.4 Defective estimation

Payment of higher rates for additional quantities due to defective estimates resulted in extra-expenditure of Rs.40.43 lakh.

Consultancy services for the works of investigation, survey, preparation of designs, drawings, etc. and estimates for Upper Tunga Project (UTP) main canal from km 124 to 297 was awarded (June 2000) to a private consultant for

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♥ **One cubic metre of concrete work requires 0.85/0.88 cum of graded jelly. The wastage in crushing the rubble into jelly is 20 per cent. Therefore rubble required to execute one cum of concrete is 1.06/1.10 cum. Cost of rubble @ Rs.61 per cum and contractors profit at 10 per cent =Rs.71.13/73.81 per cum**

♣ **One cubic metre of rubble and murrum filling requires one cubic metre of ruble. Cost of one cum of rubble at Rs.61 per cum and contractors profit at 10 per cent = Rs.67.10 per cum.**

Rs.75 lakh. The consultant finalised estimates for two packages of canal works in km.124 to 128 and km.133 and 135 falling under the jurisdiction of UTP Division, Rattihalli. Works on these two reaches were awarded to the lowest tenderers for their quoted price of Rs.1.26 crore and Rs.1.74 crore respectively, which were 52.06 per cent and 54.37 per cent respectively of the cost put to tender.

The quantities of canal excavation/embankment work increased during execution due to:

- variation in ground level from the Consultant's estimates,
- variation in soil strata from the Consultant's estimates,
- controlled blasting not provided for in the estimates anticipating shut down of power transmission at the time of blasting, which was not agreed to by the Karnataka Power Transmission Corporation Limited.

Consequent to these deviations from the estimates, the probable cost of completion of the works increased to Rs.1.68 crore and Rs.2.49 crore respectively. Audit observed that in the agreement with the consultant for the job of estimation, neither indicated any criteria as to how the estimation was to be done nor how accurate it should be. The payment of higher rates for quantities beyond 125 per cent of the estimated quantities resulted in extra-expenditure of Rs.40.43 lakh to the Company, which could have been avoided if the estimates were more accurate.

The Government stated (May 2005) that the consultant only prepares estimates based on normally accepted methodology of estimation; that while the over all quantities of excavation might not show significant variation, the actual quantities of individual strata might vary significantly due to practicable methodology adopted for sampling of strata for preparation of estimates.

The reply is not acceptable as due to defective estimates, the rates derived for higher quantities as per the contractual provisions were higher than the quoted rates, resulting in the extra expenditure.

3.5 Deviations from tender conditions

The Company incurred extra expenditure of Rs.18.73 lakh due to rejection of lowest tender in deviation of tender conditions.

The Company invited (January 2002) tenders for the work of raising of embankment in mile no.6 to 11 of Nargund Branch Canal, estimated to cost Rs.1.83 crore. The tender notifications issued both in Kannada and English required all the tenderers to enclose the additional performance bank guarantee, while submitting the tenders itself for the amount of difference between the cost as per quoted rates and 75 per cent of the estimated rates, in case their quoted rates fall below 75 per cent of the estimated rates and also stated that other wise the tender would be rejected. This was in deviation from the formal tender notice enclosed with the tender documents, according to which only the successful tenderers were required to furnish the additional performance security in the form of bank guarantee.

Out of six tenders received, four tenders including the lowest tender of Rs.1.15 crore were not considered as they had not furnished additional performance bank guarantee along with the tender as per the condition of tender notification and the work was awarded to V.I.Shetty, the second highest tenderer, who had enclosed the bank guarantee, at quoted price of Rs.1.34 crore.

Audit observed that the decision to reject four tenders including the lowest tender on the ground that additional performance guarantee was not submitted as per tender notification, was not correct as formal tender notification, which was a part of tender documents, required submission of additional performance bank guarantee by successful tenderers. This resulted in extra expenditure of Rs.18.73 lakh.

The Government while confirming the ambiguity stated (August 2005) that V.I.Shetty was the lowest eligible tenderer satisfying the conditions of tender notification. The reply is not acceptable as the tender notification was in deviation of condition contained in the tender document and as per the condition of tender document all the four rejected tenderers were also otherwise eligible.

Krishna Bhagya Jala Nigam Limited

3.6 Avoidable expenditure

Defective estimation and difference in standard adopted for measurement for estimation and work executed, resulted in an avoidable expenditure of Rs.53.37 lakh.

The work of construction of km.80 of Narayanpur Right Bank Canal estimated to cost Rs.2.05 crore, based on Schedule of Rates of 1996-97, was awarded (October 1998) to a contractor at his bid price of Rs.1.18 crore. The completed cost of the work was Rs.4.19 crore, which was settled in October 2003.

The major reason for increase in cost was increase in quantities of excavation in hard rock from the estimated 54,462 cubic metre to 2,00,652.50 cubic metre. i.e., an increase of 1,46,190.50 cubic metre.

Audit observed that out of above, 58,374.69 cum of extra quantities were due to:

- easening of Service road and inspection path as the slope originally proposed in the estimate was not considered safe in the hilly terrain, at the time of execution (20,831.47 cum),
- taking working levels at every 10 metre interval longitudinally and at five metre interval laterally as against the estimates prepared with only centre line levels taken at every 30 metre interval only (37,543.22 cum).

The above extra quantities could have been avoided had the Company conducted survey and investigation properly as prescribed in the design manual. Failure to do so resulted in extra expenditure of Rs.53.37 lakh due to payment at higher rates.

The Government stated (June 2005) that easening of service road and inspection path was purely in the interest of adequate safety to vehicular traffic on tricky hilly terrain; the procedure followed while determining quantities of earth work excavation at the time of estimation and payment was in conformity with the standard procedures prescribed in the design manual and the contract stipulations. It further stated that if all the essential technical provisions were made earlier, the estimate could have been on the higher side and therefore, the expenditure could not be treated as extra-expenditure.

The reply is not acceptable as the hilly terrain was known at the time of estimation and therefore the service road and inspection path could have provided adequate slope at the time of estimation itself and payment of higher rates for extra quantities above 125 per cent of the estimated quantities could have been avoided. Further, the design manual provided for taking trial pits for estimation at intervals closer than 30 metres if there was any appreciable change in soil strata.

3.7 Excess payment

Adoption of market rates instead of the rates specified in the schedule of rates for payment for additional quantities, in contravention of the terms of the agreements, resulted in excess payment of Rs.40.54 lakh.

As per clause 13(b) of contracts entered into by the Company, the additional quantity which exceeds 125 per cent of the tendered quantity shall be paid at the rates entered into or derived from the schedule of rates prevalent at the time of executing additions and alterations plus or minus the overall percentage of the original tendered rates, over the current schedule of rates of the year in which the tender was accepted.

Audit observed, that while deriving the rates payable for additional quantities in excess of 125 per cent of the tendered quantities of concrete works and hard rock excavation in respect of nine works executed by Rodalbanda Division during 1997-2003, the division adopted market rates instead of the rates specified in the schedule of rates for cement and blasting materials.

The payments were made, accordingly, between September 2002 and March 2004, which resulted in excess payment of Rs.40.54 lakh.

The Government stated (May 2005) that the Company has decided to recover the amount from the future bills of the contractors. The particulars of recovery are still awaited (August 2005).

3.8 Incorrect projection of tender conditions

Incorrect projection of tender condition resulted in additional financial burden of Rs.18.76 lakh.

The Company invited (June 2003) tender for 22 works of Field Irrigation Channels at an estimated cost of Rs.4.34 crore. The tender documents contained a 'Brief tender notification' in Kannada and a 'Formal tender notice' in English. As per item 13 of the Brief tender notification (Kannada), *"if any contractor quoted his rates below 75 per cent of the estimated cost, then the contractor should furnish an additional performance security along with bid document in the form of demand draft for an amount equivalent to the difference between the cost as per quoted rate and 75 per cent of the estimated cost, else the tender will be rejected."*. The Formal tender notice, in English, however, did not mention about any demand draft and specified only that the contractor shall furnish an additional performance security in the form of bank guarantee in such cases. There was no mention as to when the bank guarantee was to be furnished, and there was no mention about rejection of tender in the absence of bank guarantee, in the formal tender notice.

Audit observed (June 2004) that lowest bids for eight works were rejected as non-responsive for the reason that 'difference amount not furnished' in the form of demand draft as required under 'Brief tender notification' in Kannada. The rejection of lowest tenders resulted in additional financial burden of Rs.18.76 lakh.

The Government admitted (May 2005) the fact of difference in Kannada and English versions and assured to ensure similarity in Kannada and English versions in future.

Karnataka Soaps and Detergents Limited

3.9 Sale of 'All Fair' fairness cream

Failure of the Company to conduct market survey, resulted in loss of Rs.1.76 crore in sale of 'All Fair' fairness cream.

The Company entered (July 2001) into an agreement with Vale Exports Private Limited, Chennai ('firm'), for marketing of "All Fair" fairness cream being manufactured by the firm for five years. The agreement, interalia, provided that;

- the firm was to finalise advertising strategies, media plans for canvassing the products,
- the firm was to give post dated cheques to safeguard the company against premature closure of the agreement or very low level of sales,
- in case products remain unsold and consequently warrant sales return, the firm was to accept such returns.

The Company received (January and October 2002) a blank cheque and another post dates cheque of Rs.10 lakh from the firm. Audit observed that the Company decided (March 2002) to carry out advertisement by spending

Rs.50 lakh, on the products as the firm expressed its inability to do so even though it was firm's responsibility as per the agreement. The decision to spend on advertisement was taken after the firm accepted the conditions of increasing credit period from 60 days to 90 days and assigning the brand name to the Company.

Audit observed that though the Company was aware of the stiff competition for the product in the market, it did not conduct any market survey before venturing into this transaction and relied on the claims made by the firm. The Company procured (August 2001 to September 2002) 21,35,544 tubes of cream costing Rs.2.01 crore and paid Rs.1.43 crore through letter of credit. The Company stopped further procurement, thereafter, due to accumulation of stock. The Company was able to sell only 6,21,515 tubes (including 47,791 tubes issued as 'scheme' -free of cost with the product), leaving 15,14,029 tubes costing Rs.1.52 crore unsold. The Company was able to realise margin of Rs.8.58 lakh on the sale of tubes. Audit observed that the Company did not return the unsold tubes to the firm as envisaged in the agreement and instead issued these tubes as 'free' with the sale of its own products.

The Company could also not recover Rs.82.35 lakh (Rs.90.93 lakh minus margin of Rs.8.58 lakh) spent on the advertisement. Audit noticed that the Company did not encash the blank cheque and another post dated cheque of Rs.10 lakh available with it. This resulted in a loss of Rs.1.76 crore (after adjusting an amount of Rs.58 lakh not paid) to the Company.

The Government stated (November 2005) that due to diversion of its products from sandalwood based to non-sandalwood, the offer of the firm was accepted. The Government further stated that the sales promotion expenses cannot be treated as a financial loss. The reply is not acceptable since, as per the agreement the firm was responsible for sales promotion. Further, the Company failed to return the unsold tubes to the firm as provided under the agreement and encash the blank and post dated cheques available with it.

3.10 Avoidable extra expenditure

Hasty decision of the Company in placing the second order before the expiry of delivery period of first order resulted in avoidable extra expenditure of Rs.1.56 crore.

Palm Fatty Acid Distillate (PFAD) is the main raw material in the manufacture of soaps. The Company assessed (May 2003) a requirement of 2,000 metric tonne (MT) of PFAD for 2003-04 and floated (May 2003) limited tender enquiries. After negotiations (June 2003) with the two tenderers (who had only quoted against enquiry), the Company obtained revised offers for Rs.19,075 per MT (all inclusive) from Olivia Impex Private Limited, Mumbai, a new supplier and Rs.19,085 per MT from General Food Limited, Mumbai, who was a regular supplier. The Company placed (June 2003) order on lowest tenderer i.e. Olivia Impex (P) Limited, (firm) for the entire quantity. As per the conditions of the purchase order, the firm was to complete the supplies in two consignments of 1,000 MT each in September 2003 and November 2003.

The firm supplied the first consignment of 994.130 MT, as per the schedule and sought (2 December 2003) extension of time up to January 2004, to supply the balance quantity. The Company, however, extended the delivery schedule up to December 2003 only. The firm failed to supply within December 2003 due to non availability of ship and again sought extension (29 December 2003) up to 15 February 2004 for which the Company agreed (3 January 2004).

As the stock position became critical, which could hamper the production, the Company floated (31 January 2004) tender enquiry and placed (13 February 2004) order on General Food Ltd. for supply of 1,000 MT at the price of Rs.27,600 per MT with delivery schedule of March 2004 at the risk and cost of Olivia Impex (P) Ltd. As new tender was floated and finalised before the expiry of the extended period of first order, the first supplier refused to supply the balance quantity and the Company could not enforce risk purchase clause. In addition to this, the Company was forced to procure (21 February 2004) 500 MT of soap noodles, an alternative raw material to PFAD, at an additional cost of Rs.70.39 lakh, (after deducting savings of Rs.11.73 lakh in use of soap noodles for which caustic soda lye is not required).

The hasty decision to float fresh tenders and place order for 1,000 MT of PFAD on General Food Limited even before the expiry of extended supply period of Olivia Impex Pvt. Limited, resulted in avoidable extra expenditure of Rs.1.56 crore.

The Government stated (November 2005) that inspite of extending the delivery period the firm failed to supply. As the stock position was critical the Company was forced to procure at higher rates while finalising the second tender. The reply is not acceptable, as the Company placed the second order before the expiry of extended delivery period, which forced the supplier to back out. Moreover, the supply period for second supplier was in March 2004 only and as such the Company could have waited till. The reply indicated lack of proper planning in procurement by the Company.

3.11 Heavy damaged stock

Failure of the Company to monitor the stock held at various branches resulted in accumulation of damaged stock of Rs.1.31 crore.

As per Stores Manual, the Company is to review the stock once in six months and take action for their disposal through the disposal committee. Audit observed that the Company did not review the stock for the last six years which resulted in accumulation of damaged stock of Rs.1.31 crore at various branches/depots. In order to liquidate the damaged stock, the Company invited offers in 2003 and 2004, without any response. The damaged stock of Rs.1.31 crore is still lying with the Company (August 2005).

Failure of the Company to follow the prescribed procedure as laid down in the Manual resulted in accumulation of damaged stock of Rs.1.31 crore.

The Government stated (October 2005) that the damaged stock was more than five years old and it would be disposed off for the best price possible. The fact remains that the Company failed to follow the internal control mechanism to monitor the movement of finished stock held at various branches/depots.

3.12 Avoidable expenditure

The decision of the Company to procure sandalwood oil instead of resorting to in-house production resulted in extra expenditure of Rs.34.83 lakh.

The Company is having sandalwood oil production units with installed capacity of 114 tonnes per annum. The Company has been producing sandalwood oil mainly for its in-house consumption in the manufacture of soaps. The Company decided (November 2003) to procure 1 to 1.5 tonnes of sandalwood oil on the ground that procurement of sandalwood oil from outside was cheaper compared to in-house production, cost of which was worked to Rs.35,300 per kg. Accordingly, the Company procured 1.750 tonnes of sandalwood oil from outside at Rs.30,817.48 per kg (for 1000 kgs) and at Rs.34,008 per kg (for 750 kgs).

Audit observed that the in-house cost of production of sandalwood oil in 2003-04 was Rs.30,194 per kg as compared to the procurement rate of Rs.30,817 per kg. and Rs.34,008 per kg. As such the in-house production was cheaper compared to the cost of procurement.

The decision of the Company in procuring sandalwood oil at higher rates instead of resorting to in-house production, which was cheaper, thus, resulted in extra expenditure of Rs. 34.83 lakh.

The Government stated (November 2005) that no extra expenditure was incurred as the procurement cost of sandalwood oil was Rs.30,817.48 per kg. and Rs.34,008 per kg as the in-house manufacturing cost would work out to Rs.35,300 per kg considering the prevailing market rate of the sandalwood. The reply is to be viewed in the light of the fact that in-house cost of production of Rs.30,194 per kg. has been taken from the cost sheet prepared by the Company and certified by the Chartered Accountants.

The Mysore Sugar Company Limited

3.13 Loss of export incentive

The Company failed to claim export incentive of Rs.1.71 crore from the State Government for settlement of dues to farmers.

The Government announced (September 2003) an incentive of Rs.1,000 per tonne payable on export of sugar made from the date (10 September 2003) of the Government order, with a view to ensure early settlement of cane dues to farmers. The Government order, interalia, provided that the beneficiary (sugar mill) should have unsettled cane dues for the season 2001-02 and 2002-03, and the export realisation should be utilised for settling the dues of farmers. The details thereof were required to be submitted to the Commissioner of Cane Development. The incentive was applicable only till 31 March 2004.

The Company entered (August 2003) into an agreement with an exporter for export of 20,000 tonnes of sugar at Rs.9,000 per tonne, with a view to settle its dues of Rs.17 crore to farmers. The Company exported 17,086 tonnes of sugar from 17 September 2003 to 14 November 2003, entitling it for the export incentive as per the Government Order. The Company, however, did not claim for export incentive of Rs.1.71 crore from the Government. The Company lodged (June 2005) a claim for Rs.1.48 crore upon being pointed out by Audit in October 2004.

The Government stated (August 2005) that the claim of Rs.1.48 crore has been lodged for 14,771 tonne lifted by exporter after Government order as the balance quantity was lifted before the Government order. It was further stated that the claim of the Company was under consideration of the Government. The reply in respect of amount of claim is not acceptable as the entire quantity was actually exported after the date of Government order, as per the records made available to audit, and as such was eligible for incentive.

3.14 Bonds raised in anticipation of budgetary support

Raising bonds without prior consent of the Government for budgetary support resulted in locking up of the funds so raised and consequential loss of interest of Rs.86.84 lakh.

The Company decided (February 2001) to raise bonds by private placement for Rs.15 crore, with the guarantee of the State Government, in order to part finance the co-generation project. After receiving the approval of the Government for the guarantee in August 2001, three arrangers were appointed (October 2001), who could raise Rs.1.18 crore only up to February 2002.

The Company, therefore, appointed (February 2002) Investment Credit Rating Agency (ICRA) as the rating agency for the issue, who while assigning the credit rating to the bond put a condition (May 2002) that a tripartite agreement has to be executed between the Company, the Government and the Trustees (Canara Bank) to the bond holders; the amount of interest and/or principal payable by the Company to the bond holders shall be declared by the State Legislature by law as an expenditure charged to the Consolidated Fund of the State and shall also pass an Appropriation bill each year for appropriating the said expenditure out of the Consolidated Fund of the State. The Company forwarded (July 2002) the draft tripartite agreement to the Government for approval. The Company went ahead with raising the funds without awaiting the approval of the Government, even as the said condition of budgetary support was not in accordance with the concept of guarantee and could not be fulfilled without the approval of the Legislature. The Company raised Rs.15 crore through arrangers up to December 2002. The Government directed (April 2003) the Company to drop the condition of budgetary provision.

In the mean time, ICRA withdrew the rating (March 2003) for non-fulfilment of rating conditions and the trustees asked the Company to refund the proceeds of the issue with interest. The Company got (July 2003) the bond issue re-rated by Credit Analysis and Research Limited without budgetary support from the Government as decided in the meeting of the investors, ICRA, Trustees and the Government. It was also agreed to enhance the interest rate by half-a-per cent at the request of major investors and to refund Rs.16 lakh to small investors. Accordingly, the tripartite agreement was concluded on 7 October 2003 and the Company could draw the funds only on 15 October 2003.

The decision of the Company to raise funds on conditions not under its control and without awaiting the approval of the Government resulted in a extra payment of interest of Rs.86.84 lakh to the bond holders (net of interest earned on the funds kept in fixed deposits), for the period from February 2002 to October 2003.

The Government while confirming the facts stated (September 2005) that the loss of interest was due to unreasonable insistence of the credit rating agency for budgetary support for repayment of principal and payment of interest in State budget, and the circumstances was beyond the control of the Company. The reply is not acceptable as the decision to raise funds without obtaining the consent of the Government was not correct.

3.15 Loss due to irregular procurement

The procurement of non-oppige cane during the initial stages of crushing operations & consequent diversion of oppige cane due to shortage of water and poor follow up of dues resulted in a loss of Rs.85.36 lakh.

The cane procurement of the Company is based mainly on the annual agreement (oppige) entered into with the farmers in advance. While the Company is obliged to purchase the oppige cane, there is no such obligation to purchase cane from non-oppige farmers.

The Government of Karnataka had ordered (February 2003) for diversion of cane from Cauvery basin to nearest factories so as to avoid it drying up before crushing due to closure of various irrigation canals in Cauvery basin. As per the order, the respective sugar factories were to enter into agreement with the receiving factories and make all the necessary arrangements for transportation of the cane. The receiving factory was required to pay through the sending factory, the price for the cane at the rates they were paying to their own farmers.

During the crushing season 2002-03, as against total oppige quantity of 5.47 lakh tones of sugar cane, the Company procured 9.33 lakh tonnes of cane The Company stopped cane crushing from 7 April 2003 due to non-availability of water and diverted 17,723 tonnes of cane procured after March 2003 (after the end of crushing season in March) to other three private sugar mills without entering into any agreement with them. As against the procurement cost of Rs.1.60 crore and cost of transportation of Rs.13.38 lakh incurred on the cane so supplied, the Company received only Rs.87.53 lakh from the receiving factories. There was no further correspondence with the receiving factories after December 2003.

Audit observed that

- non-oppige cane was supplied in the guise of oppige cane by removing the control system in the computer;
- procurement of non-oppige cane in the initial stages of crushing forced the Company to purchase oppige cane even after end of crushing season, which was diverted to other sugar factories due to stoppage of crushing operations;
- the receiving factories paid Rs.87.53 lakh only as against Rs.148.40 lakh payable as per the Government order as there was no agreement with them regarding the price of the cane so diverted;

The procurement of non-oppige cane in the name of oppige cane during the initial stages of crushing operations and consequent diversion of oppige cane due to shortage of water and poor follow up of dues resulted in a loss of Rs.85.36 lakh.

The Government confirmed (August 2005) the facts and stated that the Company has initiated enquiries against the concerned officers and staff, which is in progress.

Karnataka State Industrial Investment and Development Corporation Limited

3.16 Implementation of Rajajinagar IT/BT park

The civil works contract for the project was awarded without obtaining prior approval of the Government. The work was stopped by the Government, for want of formal approval. This resulted in avoidable delay and consequential extra expenditure of Rs.4.20 crore.

A joint venture agreement as well as a lease agreement was entered into (March 2001) between the Company and Karnataka State Small Industries Development Corporation Limited (KSSIDC) to establish an information technology/bio-technology park at Rajajinagar Industrial Estate, Bangalore on a vacant land measuring 1.6 acres owned by KSSIDC. As per the agreement, the entire project was to be promoted, marketed, maintained and managed by the Company and the profit/cash accruals after all expenses was to be shared between the Company and KSSIDC in the ratio 70:30 during the initial lease period of 30 years.

As per the Articles of Association of the Company, the Board of Directors would reserve for the decision of the Government any programme of capital expenditure exceeding rupees three crore. The Board, however, without waiting for the approval of Government decided (July 2002) to award the contract for civil works to the lowest bidder, at Rs.29.30 crore. The work order was issued on 20 August 2002. The Government, however, directed (28 August 2002) the

Company not to proceed with the project in any manner including sanction /disbursal of any advance to the contractor, till such time further instructions are received from the Government. Inspite of this, the Company paid (September 2002) mobilisation advance of Rs.2.93 crore. The Government again directed (November 2002) the Company not to commence the construction work and to get back the advance paid to the contractors. The contractor was directed to stop the work only in March 2003.

The Government directed (March 2003) the Company to undertake market survey to assess the demand and viability and to explore the possibility of raising the required funds based on the project viability and securities offered by the Company and without insisting on Government guarantee, by engaging a consultant. Based on the feasibility report prepared by the consultant, the Government permitted (February 2004) the Company to take up the project subject to availability of funds without Government support/guarantee.

Due to delay in implementation of the project, the contractor demanded (May 2004) an escalation of 31 per cent over the original contract price. The architect of the project recommended an escalation of 14.3 per cent, which was approved by the Company. Thus not seeking approval of the Government in the first instance not only resulted in delay of the project (the construction has reached only the basement level as at July 2005) but also resulted in an extra-expenditure of Rs.4.20 crore due to cost escalation.

The Government while narrating (August 2005) the factual sequence of events did not reply to the specific points raised by audit.

Karnataka Forest Development Corporation Limited

3.17 Infructuous expenditure

Improper planting operations and failure to protect the agave seedlings resulted in the failure of the plantation raised at a cost of Rs.1.14 crore.

The Company raised (1995-96) agave plantations over 701 hectares. The expected life of the plant was 10 years with an annual yield per plant of 12-13 leaves from fourth year onwards.

Audit observed (October 2004) that the Company did not harvest the leaves as envisaged in the project report. It was reported (June 2003) that the project was a total failure due to (i) heavy wild boar attack on tender shoots soon after planting, (ii) adverse climatic conditions and other biotic interferences; and (iii) the agave plant was found only in helter skelter so that collection of leaves was not economical. It was also stated that there was no demand for agave leaves in the area. The Company instituted an inquiry on being pointed out by Audit.

The enquiry into the failure of the plantations by the Additional Principal Chief Conservator of Forest revealed (April 2005) that;

- the Company was not well equipped to execute the plantation works during 1995-96;
- the plantation pattern was not in accordance with the site conditions;
- the reason attributed for failure that "casting of shadow by the eucalyptus growth on the newly planted agave suckers" does not have logical support as the site was cleared of the growth before plantation and pruning of coppice growth was permitted;

Thus improper planting operations and failure to protect the agave seedlings resulted in infructuous expenditure of Rs.1.14 crore on the plantation.

The Government stated (August 2005) that the Company has been advised to submit an evaluation report highlighting the internal control system, reasons for failures and fixing of responsibility etc. The Company is yet to submit an evaluation report (November 2005).

Karnataka State Tourism Development Corporation Limited

3.18 Non-compliance of the recommendations of COPU

The Company not only failed to take action on the recommendations of COPU but extended similar benefit to another organisation.

The Government of Karnataka leased (May 1980) 124 acres of land at Chellaghatta tank bed to the Company for a period of 30 years at a nominal rent to enable the Company to develop and maintain a golf course in association with Karnataka Golf Association (KGA). The Company in turn leased the land to KGA for a period of 30 years in August 1980. As per the agreement the Company was entitled to the entire revenue and was required to meet the revenue deficits, if any. The lease rent was to be decided later on.

The agreement was revised on 25 July 1986 and according to which the lease rent was fixed at Rupee one per acre per annum. The revised agreement, however, deleted the clauses relating to entitlement of the Company to the income from the golf course and other amenities.

COPU in its 52^{nd} Report of 1991-92 recommended that the inclusion of one sided provision favouring KGA in the agreement and deletion of provisions favouring the Company may be probed and necessary follow-up action taken against those found responsible.

Audit observed that even after a lapse of more than 13 years, the Government/Company has not taken any action to comply with COPU recommendations. The Company, however, leased (March 2001) 167 acres and 35 guntas of land on a long-term lease (50 years) basis to the Belgaum Golf Association for development of a golf course of international standards and its subsequent running and maintenance with the same terms and conditions as that of KGA.

The Company, thus, not only failed to take action on the recommendation of COPU but extended the similar benefit to another organization.

The Government stated (July 2005) that, it has constituted a sub-committee consisting of the Government nominees on the KGA and would submit a report on this aspect to the Government. The Committee's report and action taken thereon is awaited (August 2005).

General

3.19 Corporate Governance in State Government companies

Introduction

3.19.1 Corporate Governance is the system by which companies are directed and controlled by the management in the best interest of the shareholders and others ensuring greater transparency and better and timely financial reporting. The Board of Directors are responsible for governance of their companies.

3.19.2 The Companies Act, 1956 was amended in December 2000 by providing, *inter alia*, Directors' Responsibility Statement (Section 217) to be attached to the Director's Report to the Shareholders. According to Section 217 (2AA) of the Act, the Board of Directors has to report to the shareholders that they have taken proper and sufficient care for the maintenance of accounting records; for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

Further, according to Section 292A of the Companies Act, 1956, notified in December 2000, every public limited company having paid up capital of not less than rupees five crore shall constitute an Audit Committee, at the Board level. The Act also provides that the Statutory Auditors, Internal Auditors, if any, and the Director in charge of Finance should attend and participate in the meetings of the Audit Committee, without any voting rights.

A similar concept has also been introduced through clause 49 of the listing agreements for listed companies as issued by Securities and Exchange Board of India (SEBI), which envisages that the Board of Directors shall have an optimum combination of executive and non-executive Directors with not less than fifty per cent of the Board of Directors comprising non-executive Directors. It also provides that listed companies having paid up capital of rupees three crore and above should have a qualified and independent Director in the Audit Committee.

3.19.3 The main components of Corporate Governance are:

- matters relating to the Board of Directors;
- Directors' Report; and
- constitution of the Audit Committee.

3.19.4 Out of 59 working Government Companies (PSUs), Audit reviewed 3* listed companies and 12◊ other companies, selected based on equity and turnover.

Listed Companies

Composition of the Board of Directors

3.19.5. As per clause 49 of the listing agreement of the Securities and Exchange Board of India (SEBI), the Board of listed companies should comprise at least one-third of independent Directors and the Chairman should be non-executive. In case of executive Chairman at least half of the Board should comprise of independent Directors. SEBI also clarified that Government nominee (official) Directors are not independent Directors.

KNNL has 12 Directors on its Board (September 2005). Except the Managing Director, all other Directors were non-executive Directors, who were nominees of the Government. The composition of the Board was, therefore, not in accordance with SEBI requirement.

Absence of Functional Directors

3.19.6. MPML and KNNL did not have any functional directors on its Board.

Deficiencies in Director's Responsibility Statement

3.19.7. In compliance with Section 217 (2AA) of the Companies Act, 1956, all the three listed companies had given a general statement that all applicable Accounting Standards have been followed while finalising the Annual Financial Statements of the companies (2002-03 and 2003-04) and proper/ sufficient care for the maintenance of adequate records was taken.

There was, however, non-compliance of various Accounting Standards (AS)♦ noticed by Audit in all the three listed companies.

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* **Mysore Paper Mills Limited (MPML), Karnataka Neeravari Nigam Limited (KNNL), Krishna Bhagya Jala Nigam Limited (KBJNL).**

◊ **Mysore Sugar Company Limited (Mysugar),Karnataka Soaps and Detergents Limited (KSDL),Karnataka Land Army Corporation Limited (KLACL),Karnataka Vidyuth Karkhane Limited (KAVIKA),Karnataka Silk Industries Corporation Limited (KSIC),Mysore Sales International Limited (MSIL),Karnataka Handloom Development Corporation Limited (KHDC),Karnataka State Industrial Investment and Development Corporation Limited (KSIIDC),Karnataka Power Corporation Limited (KPC),Karnataka Power Transmission Corporation Limited (KPTCL), Hubli Electricity Supply Company Limited (HESCOM) and Hutti Gold Mines Company Limited (HGMCL).**

♦ **AS-2, AS-10 in MPML, AS-2, AS-9, AS-10 and AS-15 in KBJNL and AS-2, AS-9 and AS-10 in KNNL**

Audit Committee

Role and functions

3.19.8. The main functions of the Audit Committee are to assess and review the financial reporting system, to ensure that the financial statements are correct, sufficient and credible. It follows up on all issues and interacts with the statutory auditors before finalisation of annual accounts. The Committee also reviews the adequacy of Internal Control System and holds discussion with Internal Auditors on any significant finding and follow up action thereon. It also reviews the financial and risk management and evaluates the findings of internal investigation where there is any suspected fraud or irregularities or failure of Internal Control System of material nature and reports to the Board.

Composition

3.19.9. As per the provisions of the listing agreement, all the members of the Audit Committee should be non-executive Directors and atleast one Director should have expertise in financial and accounting knowledge. In KNNL, none of the Directors had expertise in financial and accounting knowledge and hence the composition of the Audit Committee was defective.

Meetings

3.19.10. Though KNNL had a Finance and Audit Committee from September 2001, a separate Audit Committee, in pursuance to Section 292(A), was constituted only during August 2003 and it held only two meetings (on 29 January 2004 and 8 July 2004) so far (March 2005) as against three meetings to be held.

3.19.11. In MPML, neither external auditors nor internal auditors attended the last 17 Audit Committee meetings held between January 2001 to August 2004. Though, the Audit Committee expressed its displeasure repeatedly (from January 2001 onwards) regarding the quality of the Internal Audit reports and recommended specific guidelines/areas to improve the quality of such reports, no corrective action was initiated till date (July 2005). Further the Board was also not appraised about the facts in this regard.

3.19.12. In respect of KBJNL, Audit Committee held three meetings in 2002-03 of which two meetings were held within a span of 42 days (13 February 2003 and 27 March 2003). In 2003-04, only two meetings were held as against three meeting per annum. Statutory Auditors did not attend the Audit Committee meetings held on 27 March 2002 and 5 November 2003.

Attendance of the Chairman of the Audit Committee in the AGM

3.19.13. As per Section 292(A) of the Companies Act, the Chairman of the Audit Committee invariably has to attend the Annual General Meeting (AGM) to answer the queries of the shareholders, if any, and to make any representation to clarify the position. The Chairman of the Audit Committee however, did not attend AGM in KBJNL (2003-04) and KNNL (2002-03 and 2003-04).

Non-compliance of listing agreement

3.19.14. As per the provisions of the listing agreement, the Company should hold Board Meetings within a maximum gap of four months between the two meetings, whereas there was a gap of more than five to six months between two meetings (on two occasions) in 2001-02 and 2002-03 in KBJNL and on three occasions during the last three years ending 31 March 2004 in KNNL.

3.19.15. KBJNL and KNNL did not disclose the following mandatory requirement in their Directors' Report during the last three years ending 31 March 2004:

- Brief resume of all the Directors and their expertise in specific functional areas.

- Names of the companies in which the person also holds the directorship and the membership/chairmanship of the committees in other companies taken up by the Directors of the Company.

3.19.16. As per Section 292(A) of the Companies Act 1956 and clause 49(III)B of listing agreement of SEBI, the Audit Committee has to examine and suggest corrective action on the report submitted to it on Internal Audit/Internal Control Systems. But, the Audit Committee of KNNL did not review/discuss the adequacy of Internal Control Systems and Internal Audit with Management, External and Internal Auditors and the follow-up action taken on Internal Audit reports.

3.19.17. The accounts of all the listed companies were not discussed with external/statutory auditors before commencement of audit about the nature and scope of audit as well as the post audit discussions to ascertain any area of concern to suggest for corrective actions. It is also not clear whether any letter was issued by the auditor to management covering any area which they could not verify/weakness.

General/other issues

3.19.18. As a part of Corporate Governance, MPML in its Director's Report during the last three years ending 31 March 2004 stated that an action plan was drawn for *risk's and concerns and outlook, opportunities and threats* to reduce the cost and improve the quality of products and to face challenges of increasing trend in the international paper prices, supply and demand under "Management Discussion Analysis". A review of the working results of the Company, however, revealed that no concrete steps were taken in respect of the action plan and the Company continued to rely for its survival only on Government support, indicating lack of commitment and poor social responsibility on the part of its Board.

Unlisted Companies

Board of Directors

Meeting of Board of Directors

Board meetings were not held regularly.

3.19.19. Section 285 of the Companies Act, 1956, provides that "in the case of every company, a meeting of its Board of Directors shall be held at least once in every three months and at least four such meetings shall be held every year".

Audit revealed that there was a gap of more than five to six months between two meetings in HESCOM and KLAC during the period 2001-04.

Attendance of Directors in the meetings of the Board

Directors' participation in Board meetings was absent.

3.19.20. The attendance of the directors in the Board Meetings of KSDL, KSIIDC, MSIL, HGML and HESCOM was not regular and some of the Director's absence was continuous in more than five to six Board Meetings. As the Directors are the nominees of the Government to the Board, their continuous absence, defeated the very purpose of the nomination.

Vacancy position and frequent changes of Managing Directors and vacancies of Directors

3.19.21. The Board of KSDL had only seven Directors during 2001-02 and 2002-03 against the maximum strength of 12 directors.

3.19.22. Frequent changes of the top executives always adversely affect smooth functioning of the Company. Audit noticed that there were frequent changes in the post of Managing Director (in respect of KAVIKA) and there were four Managing Directors during April 2001 to December 2002. Further, the Company had an in-charge Managing Director during August 2002 to December 2002. This indicates the poor commitment to the principles of Corporate Governance.

Directors' Report to shareholders

3.19.23. The Companies Act, 1956 {Section 217 (2AA)} requires that a report of the Board of Directors including a Directors' Responsibility Statement is to be attached to every balance sheet laid before a company in Annual General Meeting. Audit noticed that except HGML and KPCL, in all the companies there was non-compliance of certain Accounting Standards which was contradictory to the statement given under Directors' Responsibility Statements in the respective Directors' Report.

3.19.24. Mysugar had not conducted the Annual General Meeting within the stipulated time during the last three years and its Director's Report for last three years ending 31 March 2004 is silent about the progress of its co-generation plant wherein a substantial investment of over Rs.76 crore was involved. As such, the share holders were not kept informed of the position of the co-generation plant.

Audit Committee

Composition

3.19.25. Out of 33 companies which have paid up capital of rupees five crore and above as on 31 March 2005, 26 companies have constituted the Audit Committee and seven* companies have not constituted Audit Committees. Following deficiencies were observed in the composition of Audit Committees.

Constitution of Audit Committee delayed in many cases.

- Though the provisions of Section 292(A) was effective from December 2000, there was delay in constitution of Audit Committee in respect of KAVIKA (May 2002), KHDC (September 2002), KSDL (April 2002) and MSIL (September 2003).

- The composition of the Audit Committee was not disclosed in the annual reports of KAVIKA and Mysugar as required by the Act.

Meetings

- Companies have to hold at least two meetings of the Audit Committee in a year. KSDL and MSIL did not hold any meeting from March 2003 and September 2003 respectively up to January 2005. Mysugar also failed to conduct any meetings between November 2001 to January 2005.

- In the Audit Committee meetings of KHDC (15 September 2004), KAVIKA (31 August 2002) and KSDL (five meetings held on 26 April 2002, 28 June 2002, 31 August 2002, 3 March 2003 and 2 December 2004) the Statutory Auditors and Internal Auditors were absent, though the attendance was mandatory. In these meetings, the issues relating to need to put in concerted efforts for the recovery of dues, to formulate a clear policy in respect of check bouncing and disproportionate inventory at unit offices were discussed in KSDL. In KHDC, the Committee recommended to take appropriate action for the improvement of internal controls. As these issues were directly related to internal auditors, their absence in audit committee meetings deprived the value addition.

- The Chairmen of the Audit Committee of KSIC, KSIIDC and Mysugar did not attend their Annual General Meetings.

Terms of reference

3.19.26. The Board of KSIC and KHDC had not framed any terms of reference/duties and responsibilities of the Audit Committee up to January 2005. Further, the terms of reference of Mysugar, KPTCL and KSDL did not

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*** Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited; Karnataka Togari Abhivridhi Mandali Limited; Karnataka Land Army Corporation Limited; The Karnataka Minorities Development Corporation Limited; Karnataka Forest Development Corporation Limited; Karnataka State Women's Development Corporation and The Karnataka Backward Classes Development Corporation Limited.**

contain Financial and Risk Management Policies and Fraud and Fraud Risks which are to be addressed. Thus, it could not be ensured that the committees had specifically dealt with frauds and fraud related risks.

Discussion by the Audit Committee

3.19.27. The Act (Section 292(A) (6)) requires that the Audit Committee should have discussions with the auditors periodically about the internal control systems , the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.

Audit scrutiny revealed that:

- The Audit committee did not review the accounts of KHDC (2003-04), KAVIKA (2002-03), KSDL (2002-03 and 2003-04) and Mysugar (2001-02 to 2003-04), before submission to the Board.
- Audit Committees in KSIC, KAVIKA, KLAC, KSDL, Mysugar, KHDC, KPTCL, KPC and KSIIDC failed to review the adequacy of the Internal Control System and Internal Audit periodically and no corrective action was, therefore, taken.

These irregularities were brought to the notice of the Government (April 2005). The Government stated (September-November 2005) that corrective action would be taken.

Sum up

- **The Government have not appointed independent directors in most of the companies.**
- **The attendance of the directors in the Board meetings was not regular in five companies, and the number of Board meetings were not held as required under Companies Act in four companies. Seven companies have not constituted Audit Committees. In most of the companies, the Audit Committee meetings were not held regularly associating the Statutory/Internal Auditors which indicated that the functioning of the Audit Committees were not effective.**

3.20 Implementation of pollution control measures in The Mysore Paper Mills Limited and The Mysore Sugar Company Limited

3.20.1. The Government of India has enacted various Acts to enforce effective environmental protection and established regulatory bodies to monitor and enforce the provisions of the Acts viz.,

- The Water (Prevention and Control of Pollution) Act, 1974,
- The Air (Prevention and Control of Pollution) Act, 1981,
- The Environment (Protection) Act, 1986,
- The Hazardous Waste (Management and Handling) Rules 1989.

3.20.2. The disposal of waste/effluent in to the atmosphere/water from paper and sugar industry is considered as a major source of pollution. In Karnataka, there are two State Government Undertakings viz., The Mysore Paper Mills Limited (MPML) at Bhadravathi and The Mysore Sugar Company Limited (Mysugar) in Mandya which are engaged in the manufacture of paper and sugar. These companies have been selected for detailed audit.

3.20.3. The nature of effluents from the pulping, washing, bleaching and soda recovery plants of MPML are highly coloured, alkaline in nature and have large amount of solids whereas effluent from paper machines are on the acidic side, less coloured but having large amount of suspended solids. The sugar mill effluents have low level of solids, but high level of Bio Chemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) contents. The waste generated during the course of production activities viz., waste oil and other chemical waste like, sugar press mud, fly ash, lime sludge, effluent sludge, chemical waste and wood/bamboo dust are classified as hazardous waste. The waste oil and wood/bamboo dust are being used as fuel in the boilers, sugar mill press mud and fly ash are being disposed to outsiders for use as manure and to manufacture bricks; lime sludge and effluent sludge are being used for land fill and chemical waste are being released to the river after treatment.

3.20.4. The environmental policy formulated by MPML and Mysugar, compliance to the various legislations and regulations prescribed by the regulatory bodies, the existing environmental management practices, significant environmental issues and concerns arising from operations and activities in the plants, waste prevention/control and waste management for the last four years up to 2004-05 were reviewed (March/ April 2005) in audit.

The findings of the Audit are discussed in succeeding paragraphs:

Water Pollution

The Mysore Paper Mills Limited

Abnormal variance in the analysis reports of treated effluents

3.20.5. As mandated by Central Pollution Control Board directions, the Company is having a self-monitoring system to analyse the treated effluents in its own laboratories on a day to day basis. The State Pollution Control Board (SPCB) also conducts random sampling and analyses the trade effluents on a regular basis to verify and to confirm that the chemical contents in the effluents are with in the permissible limits.

A test check of such reports of the Company as well as PCB revealed that there were abnormal variances in respect of certain parameters. As against the prescribed norm of BOD of 30 mg/ltr, the actual reported by SPCB during 2004-05 varied from 34 to 111 mg/ltr. Similarly as against the prescribed norm of COD of 250 mg/ltr, the actual reported by PCB varied from 278 to 453 mg/ltr, between August 2002 to March 2005. The chlorides and conductions reported by the PCB were also on higher side at 261 to 512 mg/ltr as against the prescribed norm of 350 mg/ltr, and 1,720 to 2,800 μmho/cm as against the prescribed norm of 2,250 μmho/cm respectively. This indicates that the Company failed to take remedial measures to adhere to the regulations.

Water Management

Failure to take action to recycle water resulted in foregoing the savings of Rs.3.10 crore.

3.20.6. One of the consultants suggested for recycling and reuse of waste water in March 1990 to reduce water consumption. SPCB also insisted for the same. The Company, however, took action only in September 2002 to recycle the water and to reuse it. Failure to recycle the waste water during the years 2000-01 to 2002-03 resulted in forgoing the savings of Rs.3.10 crore due to use of excess water.

Failure to avail rebate on Water Cess

3.20.7. As per the Water (Prevention and Control of Pollution) Cess Act, 1977, water cess is being levied on the Company by the SPCB for consuming water for carrying on the industrial activity. Section 7 of the Act provides for a 25 per cent rebate on the cess payable to those industries who consume water within the quantity prescribed for that category of industries and also to comply with the effluents standards prescribed under the Water Act and the Environment (Protection) Act.

Though the Company is having the Effluent Treatment Plant and sewage treatment plant, failure to comply with the specified parameters and using the water more than the prescribed limit, resulted in foregoing the rebate of Rs.36.98 lakh for the years 2001-02 to 2004-05.

Ground water contamination

The Company has failed to take remedial measures to avoid pollution by dumping of solid waste in an unscientific manner.

3.20.8. The Company is dumping its solid wastes like lime sludge, fly ash, sludge of ETP, press mud and bio sludge, etc., which contain harmful chemicals, in its own land out side the factory premises as land fill. This results in the leaching of effluents in to the ground, contaminating the water. The PCB has been repeatedly warning the Company that the above solid wastes were dumped in the open field in unscientific manner, without covering them with fresh earth. Repeated notices and adverse analysis reports indicates that the Company had not taken remedial measures in this regard (August 2005).

Upgradation of Effluent Treatment Plant

3.20.9. The Central Pollution Control Board declared (1991-92) Bhadravathi as one of the highly polluted towns in the country. This prompted the Company to appoint a consultant (Ramky Engineers Limited, Hyderabad) to study the system and suggest measures for up gradation of ETP to meet the pollution norms. The consultant submitted (July 1996) detailed tender specifications for the upgradation of ETP. After obtaining the State Pollution Control Board's approval, the Company invited (August 1996) tenders for the complete upgradation of the plant on turnkey basis. The work was awarded to Degermont India Limited on lowest offer basis for Rs.8.36 crore with a completion schedule of 10 months i.e., June 1998. Due to change in design, the scheduled completion date was revised (June 1999) to September 1999 with a revised price of Rs.9.31 crore. The work, however, was completed and put to trial run with full load in April 2000.

During trial runs the ETP failed and the operations of ETP were totally disrupted (July 2000). The ETP was put back into service only during January 2001 without meeting the stipulated norms for discharge of effluents.

A Sub-committee appointed (March 2001) by the Company after a Public Interest Litigation petition filed in the High court of Karnataka noticed (April 2002) that the consultants as well as the turnkey contractor did not possess the required exposure in paper industry, and suggested short term and long term measures to improve the efficiency of ETP to meet the norms. For carrying out the short term/ long term measures, the Company appointed another consultant at a fees of Rs.12.50 lakh. The Company carried out the modification as suggested by the consultant at Rs.1.42 crore except installation of CSRMP anaerobic digester costing Rs.1.50 crore.

The Company has not been able to meet the requirement of State Pollution Control Board even after investing Rs.14.46 crore.

Audit observed that even after huge investment of Rs.13.04 crore (capitalized cost of upgradation) towards up-gradation of ETP and additional expenditure of Rs.1.42 crore towards short term capital works to rectify/improve the system, the Company was not able to meet the requirements of State Pollution Control Board and continued to discharge effluents containing higher percentage of COD and BOD.

3.20.10 Further, it was envisaged in the upgradation plan to make use of Biological Sludge and ETP Sludge generated as fuel in the boiler to save coal consumption. As the performance of press deg system designed and erected by Degermont India Limited continues to be unsatisfactory and the dryness of the solids from the discharge is only around 18 to 19 per cent against 35 per cent specified, the sludge generated could not be burnt in the boiler resulting in additional expenditure on coal of Rs.5.60 crore for the last four years ending March 2005. In addition, the Company incurred extra expenditure of Rs.1.22 crore towards transportation of sludge from the plant to waste pit outside the factory.

Air pollution

The Mysore Sugar Company Limited

Non renewal of license in respect of air pollution

3.20.11. The PCB did not renew the industrial license of the Company for the years 2001 to 2004 as the percentage of suspended particulate matter (SPM) level in the emission of boilers was around 399.50mg/m^3 as against the permissible norm of 150mg/m^3 [ϕ] and causing air pollution. Pending renewal of the license, the Company however, continued the industrial operations during the period.

ϕ mg/m^3 means milligram per cubic metre.

Non conduction of air emission tests

3.20.12. Audit observed that neither the Company nor the Pollution Control Board attempted to check the air effluents green house gases released to the atmosphere from the boilers between February 2002 to March 2005. In the absence of these reports, the content of injurious items in the effluents released against specified norms could not be ensured. Further, as against the specified height of the chimney at 16.5 metres above the ground level, the actual height of the chimney was only six metres above ground level.

Waste Management

The Mysore Paper Mills Limited

Installation of Bagasse Anaerobic Digester to dilute the treated effluents

3.20.13. The Company, in order to meet the gap between the actual and specified parameters in respect of Bio Chemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) in the bagasse effluent decided (March 2002) to install Bagasse anaerobic digester at an estimated cost of Rs.96 lakh. The work of design, engineering, supply, erection and commissioning of the equipment was awarded (December 2002) to the lowest tenderer at Rs.93.81 lakh with a stipulation to complete/commission the system by December 2003.

Even after the delay of over 20 months from the targeted date of completion (December 2003), the digester is yet to be commissioned (August 2005). The trial runs, however, conducted during March 2005 revealed that the plant could cater only at about 35-40 per cent of capacity. The State Pollution Control Board has also felt that there may be some serious problems in the design or in the operation of the plant.

Non-commissioning of Bagasse Anaerobic Digestor has resulted in foregoing savings of Rs.84.25 lakh besides non-compliance to statutory requirements.

Apart from meeting the standard prescribed in respect of BOD and COD, the cost benefit analyses of the project envisaged generation of the minimum guaranteed gas of 0.5 m^3 per kg of COD or 600 cum/day to be used as fuel to save coal consumption. Due to non-commissioning of the Bagasse Anaerobic Digester, the Company not only failed to comply with the statutory requirement but also foregone the benefit of Rs.84.25 lakh towards the anticipated fuel savings.

Lime Sludge Reburning Plant

3.20.14. The Company consumes about 80 to 100 tonnes per day (TPD) of burnt lime in the process of caustisizing and in Hypo Plant to prepare chemicals for pulping operations. At caustisizing plant, green liquor from chemical recovery boiler is slaked[€] with burnt lime to produce white liquor, which is used for pulping process. In this process, lime sludge is generated which is presently being disposed off as solid waste material. The lime sludge generated at caustisizing plant contains Calcium Carbonate, which can be recovered by

[€] **Slake means mixing of quicklime with water to produce Calcium hydroxide.**

burning with make up limestone or seashell in a lime sludge-reburning kiln. Apart from minimizing the environmental pollution in the solid waste disposal, the installation Lime Sludge Reburning Plant envisaged savings of Rs.1.02 crore in the cost of burnt lime, in addition to savings in the cost of transportation of lime sludge.

The installation of the Lime Sludge Plant before the financial year 2006 is committed to PCB, the Board accorded (October 2002) approval for the implementation of the project at an approximate cost of Rs.12 crore. The Company had invited (December 2002) global tenders for supply and erection of 100 TPD lime sludge re-burning plant. However, the tenders were not finalised due to paucity of funds.

Pending commissioning of the plant, the Company continued to dispose the lime sludge by transporting the same outside the factory. Thus, delay in installation resulted in continued discharge of solid waste to the environment. This not only resulted in additional expenditure but also defeated the aim of waste management.

These were brought to the notice of the Government (June 2005). The Government stated (July/October 2005) that corrective action would be taken.

3.21 Follow-up action on Audit Reports

Explanatory note outstanding

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

Though the Audit Reports for the years 2000-01 and 2003-04 were presented to the State Legislature in March 2002 and July 2005 respectively, six out of 11 departments, which were commented upon, did not submit explanatory notes on 21 out of 56 paragraphs/reviews as on November 2005, as indicated below:

Year of the Audit Report (Commercial)	Total paragraphs and reviews in Audit Report	No. of paragraphs and reviews for which explanatory notes were not received
2000-01	32	1
2003-04	24	20
Total	**56**	**21**

Department wise analysis is given below:

Name of the department	2000-01	2003-04
Commerce and Industries	-	2
Energy	-	5
Food Civil Supplies and Consumer Affairs	-	1
Water Resources	-	10
Finance	-	1
General	1	1
Total	**1**	**20**

Department largely responsible for non-submission of explanatory notes was Water Resources Department.

Compliance to reports of Committee on Public Undertakings (COPU) outstanding

3.21.2. The replies to paragraphs were required to be furnished within six months from the presentation of the Reports. Replies to 113 paragraphs pertaining to 11 Reports of the COPU, presented to the State Legislature between April 1998 and July 2005, had not been received as on November 2005, as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received.
1997-1998	3	56
1998-1999	1	06
1999-2000	2	23
2001-2002	1	01
2002-2003	1	13
2003-2004	1	02
2004-2005	2	12
Total	**11**	**113**

3.22 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2005 pertaining to 70 PSUs disclosed that 4,675 paragraphs relating to 1,125 inspection reports remained outstanding at the end of September 2005; of these, 18 inspection reports containing 198 paragraphs were pending due to non-receipt of even first replies. Department wise break-up of inspection reports and audit observations outstanding as on 30 September 2005 is given in **Annexure 16.**

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

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

BANGALORE
The

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

COUNTERSIGNED

NEW DELHI
The

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

ANNEXURES

ANNEXURE 1

Statement showing particulars of up-to-date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2005 in respect of Government companies and Statutory corporations.
(Referred to in Paragraphs 1.3,1.4,1.5,1.16 and 1.17)

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

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A	WORKING GOVERNMENT COMPANIES												
	AGRICULTURE AND ALLIED SECTOR												
1	Karnataka State Agro Corn Products Limited	223.37	-	-	50.00	273.37	-	-	-	-	-	-	-
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited	50.00	-	-	-	50.00	-	-	-	-	-	-	-
3	Karnataka Togari Abhivridhi Mandali Limited	500.00	-	-	-	500.00	-	-	-	-	-	-	-
4	The Karnataka Fisheries Development Corporation Limited	453.64	-	-	-	453.64	-	-	-	75.00	-	75.00	0.17:1 (0.17:1)
5	Karnataka Sheep and Wool Development Corporation Limited	5.00	-	-	-	5.00	-	-	-	-	-	-	-
	SUBSIDIARIES												
6	Karnataka Compost Development Corporation Limited	-	-	26.00	24.00	50.00	-	-	-	-	331.95	331.95	6.64:1 (6.64:1)
	Sectorwise Total	**1232.01**	-	**26.00**	**74.00**	**1332.01**	**0.00**	**0.00**	**0.00**	**75.00**	**331.95**	**406.95**	
	INDUSTRY SECTOR												
7	Karnataka Leather Industries Development Corporation Limited	334.67	-	-	-	334.67	-	-	-	354.57	34.28	388.85	1.16:1 (0.96:1)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
8	Karnataka Soaps and Detergents Limited	3182.21	-	-	-	3182.21	-	-	-	2144.06	-	2144.06	0.67:1 (0.86:1)
9	Karnataka State Coir Development Corporation Limited	301.15	-	-	-	301.15	-	-	-	46.60	-	46.60	0.15:1 (0.14:1)
10	Karnataka State Small Industries Development Corporation Limited	2466.36	-	-	-	2466.36	-	-	-	1501.76	-	1501.76	0.61:1 (0.62:1)
11	The Mysore Paper Mills Limited	7706.46 (155.75)	-	-	4178.02	11884.48 (155.75)	-	-	-	9100.01	7182.18	16282.19	1.35:1 (1.36:1)
	Sectorwise Total	**13990.85 (155.75)**	**0.00**	**0.00**	**4178.02**	**18168.87 (155.75)**	**0.00**	**0.00**	**0.00**	**13147.00**	**7216.46**	**20363.46**	
	ENGINEERING SECTOR												
12	Karnataka Vidyuth Karkhane Limited	561.92	-	-	-	561.92	-	-	-	183.13	-	183.13	0.33:1 (0.33:1)
13	The Mysore Electrical Industries Limited	766.51	-	-	175.96	942.47	-	-	-	2854.00	50.80	2904.80	3.08:1 (3.08:1)
	SUBSIDIARIES												
14	NGEF (Hubli) Limited	-	-	320.00	-	320.00	-	-	-	70.00	-	70.00	0.22:1 (0.22:1)
	Sectorwise Total	**1328.43**	**0.00**	**320.00**	**175.96**	**1824.39**	**0.00**	**0.00**	0.00	**3107.13**	**50.80**	**3157.93**	
	ELECTRONICS SECTOR												
15	Karnataka State Electronics Development Corporation Limited	787.20	-	-	-	787.20	-	-	-	685.00	6000.00	6685.00	8.49:1 (8.49:1)
	Sectorwise Total	**787.20**	**0.00**	**0.00**	**0.00**	**787.20**	**0.00**	**0.00**	0.00	**685.00**	**6000.00**	**6685.00**	
	TEXTILES SECTOR												
16	Karnataka Silk Industries Corporation Limited	3600.47	-	-	-	3600.47	-	1271.10	-	2556.30	51.49	2607.79	0.72:1 (0.36:1)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
17	Karnataka Silk Marketing Board Limited	3145.00	-	-	-	3145.00	-	-	-	-	-	-	
18	Karnataka State Power loom Development Corporation Limited	151.00	-	-	-	151.00	-	-	-	-	-	-	-
	Sectorwise Total	**6896.47**	**0.00**	**0.00**	**0.00**	**6896.47**	**0.00**	**1271.10**	**0.00**	**2556.30**	**51.49**	**2607.79**	
	HANDLOOM AND HANDICRAFTS SECTOR												
19	The Karnataka Handloom Development Corporation Limited	3918.46	519.75	-	-	4438.21	-	700.00	-	951.02	210.90	1161.92	0.26:1 (0.11:1)
20	Karnataka State Handicrafts Development Corporation Limited	283.81	121.50	-	-	405.31	-	-	-	68.12	92.67	160.79	0.40:1 (0.40:1)
	Sectorwise Total	**4202.27**	**641.25**	**0.00**	**0.00**	**4843.52**	**0.00**	**700.00**	**0.00**	**1019.14**	**303.57**	**1322.71**	
	FOREST SECTOR												
21	Karnataka Cashew Development Corporation Limited	415.03	44.00	-	-	459.03	-	-	-	-	152.67	152.67	0.33:1 (0.33:1)
22	Karnataka Forest Development Corporation Limited	931.41	-	-	-	931.41	-	-	-	-	616.84	616.84	0.66:1 (1.05:1)
23	The Karnatak State Forest Industries Corporation Limited	266.58	-	-	-	266.58	-	-	-	8.00	-	8.00	0.03:1
	Sectorwise Total	**1613.02**	**44.00**	**0.00**	**0.00**	**1657.02**	**0.00**	**0.00**	**0.00**	**8.00**	**769.51**	**777.51**	
	MINING SECTOR												
24	Mysore Minerals Limited	296.62	-	-	3.38	300.00	-	-	-	1950.92	-	1950.92	6.50:1 (5.60:1)
25	The Hutti Gold Mines Company Limited	220.19	-	72.50	3.51	296.20	-	-	-	9.97	1200.00	1209.97	4.08:1 (9.73:1)
	Sectorwise Total	**516.81**	**0.00**	**72.50**	**6.89**	**596.20**	**0.00**	**0.00**	**0.00**	**1960.89**	**1200.00**	**3160.89**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CONSTRUCTION SECTOR												
26	Karnataka State Construction Corporation Limited	205.00	-	-	-	205.00	-	-	-	553.11	-	553.11	2.70:1 (2.70:1)
27	Karnataka Land Army Corporation Limited	25.00 (1200.00)	-	-	-	25.00 (1200.00)	-	-	-	-	14375.90	14375.90	11.74:1 (12.29:1)
28	Karnataka State Police Housing Corporation Limited	12.00	-	-	-	12.00	-	-	3003.75	-	25556.15	25556.15	2129.68:1 (2062.50:1)
29	Rajiv Gandhi Rural Housing Corporation Limited	300.00	-	-	-	300.00	-	-	35040.53	-	73603.61	73603.61	245.35:1 (155.51:1)
30	Karnataka Road Development Corporation Limited	1873.00 (18189.65)	-	-	-	1873.00 (18189.65)	8296.62	-	12827.17	-	48544.42	48544.42	2.42:1 (5.74:1)
	Sectorwise Total	**2415.00 (19389.65)**	**0.00**	**0.00**	**0.00**	**2415.00 (19389.65)**	**8296.62**	**0.00**	**50871.45**	**553.11**	**162080.08**	**162633.19**	
	AREA DEVELOPMENT SECTOR												
31	Krishna Bhagya Jala Nigam Limited	670678.95 (178301.61)	-	-	-	670678.95 (178301.61)	211936.50	-	-	-	341507.22	341507.22	0.40:1 (0.58:1)
32	Karnataka Neeravari Nigam Limited	198473.74 (13519.80)	-	-	-	198473.74 (13519.80)	48414.97	-	30800.00	-	118973.00	118973.00	0.56:1 (0.77:1)
33	Cauvery Neeravari Nigam Limited	80005.00 (7497.24)	-	-	-	80005.00♣ (7497.24)	7497.24	-	16593.10	610021.64	41548.10	651569.74	7.45:1 (7.92:1)
	Sectorwise Total	**949157.69 (199318.65)**	**0.00**	**0.00**	**0.00**	**949157.69 (199318.65)**	**267848.71**	**0.00**	**47393.10**	**610021.64**	**502028.32**	**1112049.96**	
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
34	Karnataka Backward Classes Development Corporation Limited	7438.91	-	-	-	7438.91	300.00	-	1034.84	-	4478.93	4478.93	0.60:1 (0.58:1)

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

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
35	Karnataka State Women's Development Corporation	853.75 (48.75)	297.84	-	-	1151.59 (48.75)	48.75	-	-	-	-	-	-
36	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	7231.66	6313.51	-	-	13545.17	954.47	-	1921.88	-	6659.40	6659.40	0.49:1 (0.47:1)
37	The Karnataka Minorities Development Corporation Limited	4556.45	-	-	-	4556.45	300.00	-	737.50	-	2706.99	2706.99	0.59:1 (0.55:1)
	Sectorwise Total	**20080.77 (48.75)**	**6611.35**	**0.00**	**0.00**	**26692.12 (48.75)**	**1603.22**	**0.00**	**3694.22**	**0.00**	**13845.32**	**13845.32**	
	PUBLIC DISTRIBUTION SECTOR												
38	Karnataka Food and Civil Supplies Corporation Limited	325.00	-	-	-	325.00	-	-	-	-	944.46	944.46	2.91:1 (4.65:1)
	Sectorwise Total	**325.00**	**0.00**	**0.00**	**0.00**	**325.00**	**0.00**	**0.00**	**0.00**	**0.00**	**944.46**	**944.46**	
	SUGAR SECTOR												
39	The Mysore Sugar Company Limited	780.75	-	-	92.68	873.43	-	-	446.48	-	7581.68	7581.68	8.68:1 (1.70:1)
	Sectorwise Total	**780.75**	**0.00**	**0.00**	**92.68**	**873.43**	**0.00**	**0.00**	**446.48**	**0.00**	**7581.68**	**7581.68**	
	TOURISM SECTOR												
40	The Karnataka State Tourism Development Corporation Limited	500.00 (141.36)	-	-	-	500.00 (141.36)	-	-	276.78	200.00	323.57	523.57	0.82:1 (0.43:1)
41	Jungle Lodges and Resorts Limited	49.69	-	-	42.06	91.75	-	-	100.00	4.00	246.60	250.60	2.73:1 (1.88:1)
	Sectorwise Total	**549.69 (141.36)**	**0.00**	**0.00**	**42.06**	**591.75 (141.36)**	**0.00**	**0.00**	**376.78**	**204.00**	**570.17**	**774.17**	
	CHEMICALS SECTOR												
42	The Mysore Paints and Varnish Limited	94.73	-	-	8.92	103.65	-	-	-	-	-	-	-
	Sectorwise Total	**94.73**	**0.00**	**0.00**	**8.92**	**103.65**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	POWER SECTOR												
43	Karnataka Power Corporation Limited	66298.15	-	-	-	66298.15	-	-	59079.97	-	245916.53	245916.53	3.71:1 (3.55:1)
44	Visveswaraya Vidyuth Nigam Limited	8028.75 (234.49)	-	0.07	-	8028.82 (234.49)	-	-	-	91.00	5477.28	5568.28	0.67:1 (0.92:1)
45	Karnataka Renewable Energy Development Limited	50.00	-	-	-	50.00	-	-	-	-	9700.00	9700.00	194.00:1 (232.80:1)
46	Karnataka Power Transmission Corporation Limited	69032.25 (-777.45)	-	-	-	69032.25 (-777.45)	-	656.50	64721.35	971.29	127360.79	128332.08*	1.88:1 (1.30:1)
47	Bangalore Electricity Supply Company Limited	20595.00 (265.21)	-	-	-	20595.00 (265.21)	-	6749.71	12835.49	6947.25	39810.60	46757.85	2.24:1 (1.70:1)
48	Hubli Electricity Supply Company Limited	5.00 (23328.16)	-	-	-	5.00 (23328.16)	-	7682.00	17324.00	5993.65	33355.12	39348.77	1.69:1 (1.17:1)
49	Mangalore Electricity Supply Company Limited	5.00 (12914.58)	-	-	-	5.00 (12914.58)	-	1392.36	6064.45	3541.56	29884.28	33425.84	2.59:1 (2.52:1)
50	Gulbarga Electicity Supply Company Limited	5.00 (13008.61)	-	-	-	5.00 (13008.61)	-	-	4723.36	2016.85	9880.73	11897.58	0.91:1 (0.98:1)
	SUBSIDIARIES												
51	KPC Bidadi Power Corporation Private Limited	-	-	5.00	-	5.00	-	-	-	-	2578.89	2578.89	515.78:1 (481.11:1)
	Sectorwise Total	**164019.15 (48973.60)**	**0.00**	**5.07**	**0.00**	**164024.22 (48973.60)**	**0.00**	**16480.57**	**164748.62**	**19561.60**	**503964.22**	**523525.82**	
	FINANCING SECTOR												
52	Karnataka State Industrial Investment and Development Corporation Limited	19032.51 (7331.43)	-	-	- (19063.41)	19032.51 (26394.84)	975.66	-	-	15.00	86377.34	86392.34	1.90:1 (3.70:1)

* Net of loan shown in the accounts of the Company as receivable from the Government and the Electricity Supply Companies (ESCOMs) for want of detailed Government order specifying the institution-wise details of loan to be transferred.

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
53	Karnataka Urban Infrastructure Development and Finance Corporation Limited	600.00	-	-	206.48	806.48	-	-	-	-	-	-	-
	Sectorwise Total	**19632.51 (7331.43)**	**0.00**	**0.00**	**206.48 (19063.41)**	**19838.99 (26394.84)**	**975.66**	**0.00**	**0.00**	**15.00**	**86377.34**	**86392.34**	
	MISCELLANEOUS SECTOR												
54	Karnataka State Beverages Corporation Limited	200.00	-	-	-	200.00	-	-	1247.40	269.77	1335.37	1605.14	8.03:1 (1.39:1)
55	Bangalore Mass Rapid Transit Limited	5.00	-	-	-	5.00	-	2316.64	-	32072.12	-	32072.12	6414.42:1 (2895.80:1)
56	Karnataka Film Industries Development Corporation Limited	90.00	-	-	12.38	102.38	-	121.00	-	173.00	-	173.00	1.69:1 (0.51:1)
57	Sree Kanteerava Studios Limited	82.08	-	-	5.90	87.98	-	75.00	-	106.51	-	106.51	1.21:1 (0.36:1)
	SUBSIDIARIES												
58	Marketing Consultants and Agencies Limited	-	-	357.25 (345.74)	-	357.25 (345.74)	-	-	-	-	-	-	-
59	Mysore Sales International Limited	-	-	366.23 (2397.76)	-	366.23 (2397.76)	-	-	-	500.00	114.78	614.78	0.22:1 (0.38:1)
	Sectorwise Total	**377.08**	**0.00**	**723.48 (2743.50)**	**18.28**	**1118.84 (2743.50)**	**0.00**	**2512.64**	**1247.40**	**33121.40**	**1450.15**	**34571.55**	
	TOTAL A (All sector wise Government companies)	**1187999.43 (275359.19)**	**7296.60**	**1147.05 (2743.50)**	**4803.29 (19063.41)**	**1201246.37 (297166.10)**	**278724.21**	**20964.31**	**268778.05**	**686035.21**	**1294765.52**	**1980800.73**	**1.32:1 (1.57:1)**
B	WORKING STATUTORY CORPORATIONS												
	TRANSPORT SECTOR												
1	Karnataka State Road Transport Corporation	17128.94	4909.76	-	-	22038.70	1200.00	4200.00	-	4436.29	17913.65	22349.94	1.01:1 (0.85:1)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
2.	Bangalore Metropolitan Transport Corporation	6471.73	-	-	-	6471.73	-	-	160.00	-	2893.42	2893.42	0.45:1 (0.54:1)
3.	North Western Karnataka Road Transport Corporation	10263.67	-	-	-	10263.67	900.00	-	4500.00	104.66	12192.59	12297.25	1.20:1 (1.13:1)
4.	North Eastern Karnataka Road Transport Corporation	9250.05	-	-	-	9250.05	900.00	-	769.65	86.95	3190.02	3276.97	0.35:1 (0.49:1)
	Sectorwise Total	**43114.39**	**4909.76**	**0.00**	**0.00**	**48024.15**	**3000.00**	**4200.00**	**5429.65**	**4627.90**	**36189.68**	**40817.58**	
	FINANCING SECTOR												
5.	Karnataka State Financial Corporation	6837.88 (2683.00)	-	-	2946.66 (917.69)	9784.54 (3600.69)	-	-	17597.00	245.00	181253.00	181498.00	13.56:1 (14.18:1)
	Sectorwise Total	**6837.88 (2683.00)**	**0.00**	**0.00**	**2946.66 (917.69)**	**9784.54 (3600.69)**	**0.00**	**0.00**	**17597.00**	**245.00**	**181253.00**	**181498.00**	
	AGRICULTURE AND ALLIED SECTOR												
6.	Karnataka State Warehousing Corporation	410.00 (240.00)	340.00	-	-	750.00 (240.00)	-	-	438.95	1280.00	2875.58	4155.58	4.20:1 (4.00:1)
	Sectorwise Total	**410.00 (240.00)**	**340.00**	**0.00**	**0.00**	**750.00 (240.00)**	**0.00**	**0.00**	**438.95**	**1280.00**	**2875.58**	**4155.58**	
	TOTAL B (all sector wise Statutory corporations)	**50362.27 (2923.00)**	**5249.76**	**0.00**	**2946.66 (917.69)**	**58558.69 (3840.69)**	**3000.00**	**4200.00**	**23465.60**	**6152.90**	**220318.25**	**226471.16**	**3.63:1 (3.88:1)**
	Grand total (A + B)	**1238361.70 (278282.19)**	**12546.36**	**1147.05 (2743.50)**	**7749.95 (19981.10)**	**1259805.06 (301006.79)**	**281724.21**	**25164.31**	**292243.65**	**692188.11**	**1515083.78**	**2207271.89**	**1.41:1 (1.68:1)**
C	**NON WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED SECTOR												
1.	Karnataka Agro Industries Corporation Limited	754.09 (4836.32)	-	-	-	754.09 (4836.32)	-	3885.94	-	6810.37	-	6810.37	1.22:1 (0.53:1)
2	Karnataka Agro Proteins Limited	33.54	-	-	27.39	60.93	-	-	-	-	-	-	-

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	SUBSIDIARIES												
3	The Mysore Tobacco Company Limited	2.00 (58.52)	-	11.05	5.81	18.86 (58.52)	-	-	-	-	-	-	-
	Sectorwise Total	**789.63 (4894.84)**	**0.00**	**11.05**	**33.20**	**833.88 (4894.84)**	**0.00**	**3885.94**	**0.00**	**6810.37**	**0.00**	**6810.37**	
	INDUSTRY SECTOR												
4	Karnataka Small Industries Marketing Corporation Limited	136.00	-	35.00	-	171.00	-	-	-	-	-	-	-
5	The Mysore Lamp Works Limited	1075.58	-	-	105.44	1181.02	-	402.00	-	8139.58	1586.43	9726.01	8.24:1 (8.24:1)
6	Vijayanagar Steel Limited	1290.58	-	-	-	1290.58	-	-	-	58.35	-	58.35	0.05:1 (0.05:1)
	SUBSIDIARIES												
7	The Mysore Cosmetics Limited	- (1.14)	-	15.00	-	15.00 (1.14)	-	-	-	-	-	-	-
8	Karnataka Telecom Limited	78.00	-	222.00	-	300.00	-	-	-				-
9	The Mysore Chrome Tanning Company Limited	-	-	72.09	3.65	75.74	-	-	-	12.03	38.56	50.59	0.67:1 (0.67:1)
10	Karnataka Tungsten Moly Limited	-	-	-	0.01	0.01	-	-	-	-	-	-	-
	Sectorwise Total	**2580.16 (1.14)**	**0.00**	**344.09**	**109.10**	**3033.35 (1.14)**	**0.00**	**402.00**	**0.00**	**8209.96**	**1624.99**	**9834.95**	
	ENGINEERING SECTOR												
11	NGEF Limited	4198.70	-	-	452.00	4650.70	-	-	-	22724.00	-	22724.00	4.89:1 (4.89:1)
12	Chamundi Machine Tools Limited	63.50	-	-	-	63.50	-	-	-	248.53	44.32	292.85	4.61:1 (4.61:1)
	Sectorwise Total	**4262.20**	**0.00**	**0.00**	**452.00**	**4714.20**	**0.00**	**0.00**	**0.00**	**22972.53**	**44.32**	**23016.85**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2004-05			Debt equity ratio for 2004-05 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	TEXTILES SECTOR												
13	Karnataka State Textiles Limited	50.00	-	-	-	50.00	-	-	-	1493.59	-	1493.59	29.87:1 (29.87:1)
	Sectorwise Total	**50.00**	**0.00**	**0.00**	**0.00**	**50.00**	**0.00**	**0.00**	**0.00**	**1493.59**	**0.00**	**1493.59**	
	FOREST SECTOR (SUBSIDIARIES)												
14	Karnataka Pulpwood Limited	-	-	125.00	-	125.00	-	-	-	-	-	-	-
15	The Karnatak State Veeners Limited	-	-	51.00	49.00	100.00	-	-	-	-	99.98	99.98	1.00:1 (1.00:1)
16	The Mysore Match Company Limited	0.50	-	2.95	1.55	5.00	-	-	-	-	-	-	-
	Sectorwise Total	**0.50**	**0.00**	**178.95**	**50.55**	**230.00**	**0.00**	**0.00**	**0.00**	**0.00**	**99.98**	**99.98**	
	CHEMICALS SECTOR												
17	The Mysore Acetate and Chemicals Company Limited	995.70	-	-	221.82	1217.52	-	-	-	1311.00	-	1311.00	1.08:1 (1.08:1)
	Sectorwise Total	**995.70**	**0.00**	**0.00**	**221.82**	**1217.52**	**0.00**	**0.00**	**0.00**	**1311.00**	**0.00**	**1311.00**	
	TOTAL C (All sectorwise Government companies)	**8678.19 (4895.98)**	**0.00**	**534.09**	**866.67**	**10078.95 (4895.98)**	**0.00**	**4287.94**	**0.00**	**40797.45**	**1769.29**	**42566.74**	**2.84:1 (2.59:1)**
	Grand Total (A + B + C)	**1247039.89 (283178.17**	**12546.36**	**1681.14 (2743.50)**	**8616.62 (19981.10)**	**1269884.01^ (305902.77)**	**281724.21**	**29452.25**	**292243.65**	**732985.56**	**1516853.07**	**2249838.63**	**1.43:1 (1.69:1)**

Note: Except in respect of companies and corporations, which finalised their accounts for 2004-05 (Sl.No. A- 1 to 3, 6,9,11,13 to 17, 19 to 21, 23,25, 28 to 38, 40 to 43 46,48,49,51 to 57,59, B-1,2,5, C-3,6,9,12,15&16) figures are provisional and as given by the companies/corporations.

*** Loans outstanding at the close of 2004-05 represent long term loans only.**

^ - State Government's investment in PSU's was Rs.22,632.04 crore (Others: Rs.15,624.22 crore). Figures as per Finance Accounts, 2004-05 is Rs.11,905.53 crore. The difference is under reconciliation.

ANNEXURE 2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to in Paragraphs 1.6,1.7,1.8,1.13,1.19,1.20 and 1.26)

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

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A	**WORKING GOVERNMENT COMPANIES**														
I	**AGRICULTURE AND ALLIED SECTOR**														
1	Karnataka State Agro Corn Products Limited	Agriculture & Horticulture	Apr. 73	2004-05	2005-06	-238.56	-	273.37	1051.94	1551.79	-209.39	-	-	3184.36	374
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited	Agriculture & Horticulture	Apr. 96	2004-05	2005-06	22.87	-	50.00	473.91	564.78	20.89	3.70	-	312.46	11
3	Karnataka Togari Abhivridhi Mandali Limited	Agriculture & Horticulture	May 02	2004-05	2005-06	1.04	-	500.00	9.57	510.73	1.04	0.20	-	-	3
4	The Karnataka Fisheries Development Corporation Limited	Animal Husbandry and Fisheries	Oct .70	2003-04	2004-05	-107.88	-	453.64	-945.94	-115.55	-88.73	-	1	1437.80	221
5	Karnataka Sheep and Wool Development Corporation Limited	Animal Husbandry and Fisheries	Dec. 01	2002-03	2005-06	-1.63	-	5.00	-1.63	541.48	-1.63	-	2	6.19	263
	SUBSIDIARY														
6	Karnataka Compost Development Corporation Limited	Agriculture & Horticulture	Aug .75	2004-05	2005-06	4.32	-	50.00	-70.47	523.35	14.34	2.74	-	193.71	46
	Sectorwise Total					**-319.84**		**1332.01**	**517.38**	**3576.58**	**-263.48**	**-**		**-**	**-**

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INDUSTRY SECTOR														
7	Karnataka Leather Industries Development Corporation Limited	Commerce & Industries	Oct. 76	2001-02	2005-06	-193.08	-	334.67	-1220.98	-145.51	-168.89	-	3	552.19	284
8	Karnataka Soaps and Detergents Limited	Commerce & Industries	July 80	2003-04	2004-05	62.63	-	3182.21	17.10	6726.92	52.86	0.79	1	9274.50	1024
9	Karnataka State Coir Development Corporation Limited	Commerce & Industries	Feb. 85	2004-05	2005-06	-92.80	-	301.15	-251.73	390.43	-86.07	-	-	168.08	47
10	Karnataka State Small Industries Development Corporation Limited	Commerce & Industries	June 64	2003-04	2004-05	168.38	-	2466.36	869.15	5218.61	189.19	3.63	1	4016.94	455
11	The Mysore Paper Mills Limited	Commerce & Industries	May 36	2004-05	2005-06	-817.37	-	12040.23	-5663.16	23772.46	1698.78	7.15	-	33937.15	2753
	Sectorwise Total					**-872.24**		**18324.62**	**-6249.62**	**35962.91**	**1685.87**	-	-	-	-
	ENGINEERING SECTOR														
12	Karnataka Vidyuth Karkhane Limited	Commerce & Industries	Oct. 76	2003-04	2004-05	-1105.83	-	561.92	-1291.45	1701.44	-603.86	-	1	10595.60	288
13	The Mysore Electrical Industries Limited	Commerce & Industries	Feb.45	2004-05	2005-06	274.57	-	942.47	-2610.56	4555.37	321.46	7.06	-	4369.58	292
	SUBSIDIARY														
14	NGEF (Hubli) Limited	Commerce & Industries	Dec. 88	2004-05	2005-06	39.23	-	320.00	161.61	869.07	63.21	7.27	-	1296.11	157
	Sectorwise Total					**-792.03**		**1824.39**	**-3740.40**	**7125.88**	**-219.19**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS SECTOR														
15	Karnataka State Electronics Development Corporation Limited	Information Technology	Sep. 76	2004-05	2005-06	66.40	-	787.20	-1573.62	6079.90	79.08	1.30	-	958.22	189
	Sectorwise Total					**66.40**		**787.20**	**-1573.62**	**6079.90**	**79.08**	-	-	-	-
	TEXTILES SECTOR														
16	Karnataka Silk Industries Corporation Limited	Commerce & Industries	Apr. 80	2004-05	2005-06	-504.84	-	3600.47	-5597.42	1675.45	-406.32	-	-	2057.61	845
17	Karnataka Silk Marketing Board Limited	Commerce & Industries	Nov. 79	2004-05	2005-06	-186.41	-	3145.00	-902.16	2345.19	-186.86	-	-	1100.37	163
18	Karnataka State Power loom Development Corporation Limited	Commerce & Industries	Feb. 94	2003-04	2004-05	117.08	-	151.00	320.06	924.96	76.20	8.24	1	2587.90	11
	Sectorwise Total					**-574.17**		**6896.47**	**-6179.52**	**4945.60**	**-516.98**	-	-	-	-
	HANDLOOM AND HANDICRAFTS SECTOR														
19	Karnataka Handloom Development Corporation Limited	Commerce & Industries	Oct. 75	2004-05	2005-06	-785.17	-	4438.21	-5279.06	4748.30	-175.36	-	-	7643.44	1074
20	Karnataka State Handicrafts Development Corporation Limited	Commerce & Industries	Mar .64	2004-05	2005-06	117.45	-	405.31	23.88	689.84	67.16	9.74	-	3025.86	248
	Sectorwise Total					**-667.72**		**4843.52**	**-5255.18**	**5438.14**	**-108.20**	-	-	-	-
	FOREST SECTOR														
21	Karnataka Cashew Development Corporation Limited	Forest ecology and Environment	Feb. 78	2004-05	2005-06	95.82	-	459.03	-31.59	574.46	95.82	16.68	-	427.58	120

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
22	Karnataka Forest Development Corporation Limited	Forest ecology and Environment	Jan. 71	2003-04	2004-05	161.57	-	931.41	815.06	5751.97	266.50	4.63	1	2024.73	2783
23	The Karnatak State Forest Industries Corporation Limited	Forest ecology and Environment	Mar .73	2004-05	2005-06	456.57	-	266.58	176.77	497.39	267.71	53.82	-	2552.98	293
	Sectorwise Total					**713.96**		**1657.02**	**960.24**	**6823.82**	**630.03**	-	-	-	-
	MINING SECTOR														
24	Mysore Minerals Limited	Commerce & Industries	May 66	2003-04	2004-05	185.75	-	300.00	-3910.80	-1059.25	-275.53	-	1	5856.28	2435
25	The Hutti Gold Mines Company Limited	Commerce & Industries	July 47	2004-05	2005-06	7323.79	-	296.20	8368.31	8265.09	4558.39	55.15	-	18059.78	4028
	Sectorwise Total					**7509.54**		**596.20**	**4457.51**	**7205.84**	**4282.86**	-	-	-	-
	CONSTRUCTION SECTOR														
26	Karnataka State Construction Corporation Limited	Public works	Sep. 68	2003-04	2005-06	-343.59	-	205.00	1912.18	2543.77	-273.53	-	1	412.27	215
27	Karnataka Land Army Corporation Limited	Rural development & Panchayat Raj	Aug. 74	2003-04	2005-06	202.38	-	1225.00	1560.44	18455.44	181.70	0.98	1	33605.17	1132
28	Karnataka State Police Housing Corporation Limited	Home	June 85	2004-05	2005-06	£	-	12.00	-	25600.83	-	-	-	#	71
29	Rajiv Gandhi Rural Housing Corporation Limited	Housing	April 2000	2004-05	2005-06	£	-	300.00	-	21226.82	-	-	-	#	26
30	Karnataka Road Development Corporation Limited.	Public works	July 99	2004-05	2005-06	-1338.47	-	20062.65	-4605.90	67949.94	-460.81	-	-	107.33	52
	Sectorwise Total					**-1479.68**		**21804.65**	**-1133.28**	**135776.80**	**-552.64**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Number of employees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AREA DEVELOPMENT SECTOR														
31	Krishna Bhagya Jala Nigam Limited	Irrigation	Aug. 94	2004-05	2005-06	$	-	848980.56	-	796710.43	-	-	-	-	4445
32	Karnataka Neeravari Nigam Limited	Irrigation	Nov. 98	2004-05	2005-06	$	-	211993.54	-	246165.01	-	-	-	-	17
33	Cauvery Neeravari Nigam Limited	Irrigation	June 03	2004-05	2005-06	$	-	87502.24	-	708214.99	-	-	-	-	4679
	Sectorwise Total					-		**1148476.34**	**0.00**	**1751090.43**	**0.00**	-	-	-	-
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR														
34	Karnataka Backward Classes Development Corporation Limited	Social welfare	Oct. 77	2004-05	2005-06	-344.30	-	7438.91	-1906.23	11608.16	-246.74	-	-	379.86	80
35	Karnataka State Women's Development Corporation	Women & Child Development	Sep. 87	2004-05	2005-06	35.80	-	1200.34	368.81	2972.24	35.80	1.20	-	127.51	55
36	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	Social welfare	Mar. 75	2004-05	2005-06	-59.75	-	13545.17	-68.08	19081.42	195.87	1.03	-	955.97	314
37	The Karnataka Minorities Development Corporation Limited	Social welfare	Feb. 86	2004-05	2005-06	-280.86	-	4556.45	-1417.07	7558.39	-169.36	-	-	115.66	27
	Sectorwise Total					**-649.11**		**26740.87**	**-3022.57**	**41220.21**	**-184.43**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	PUBLIC DISTRIBUTION SECTOR														
38	Karnataka Food and Civil Supplies Corporation Limited	Food Civil Supplies & Consumer Affairs	Sep. 73	2004-05	2005-06	1282.60	-	325.00	6425.56	13767.53	1483.08	10.77	-	102173.72	1445
	Sectorwise Total					**1282.60**	-	**325.00**	**6425.56**	**13767.53**	**1483.08**	-	-	-	-
	SUGAR SECTOR														
39	The Mysore Sugar Company Limited	Commerce & Industries	Jan. 33	2003-04	2004-05	-1253.21	-	873.43	-4021.86	8944.83	-1640.66	-	1	13112.40	1189
	Sectorwise Total					**-1253.21**	-	**873.43**	**-4021.86**	**8944.83**	**-1640.66**	-	-	-	-
	TOURISM SECTOR														
40	The Karnataka State Tourism Development Corporation Limited	Information, Tourism & Youth Services	Feb. 71	2004-05	2005-06	206.32	-	641.36	-379.73	1086.76	274.64	25.27	-	1547.20	394
41	Jungle Lodges and Resorts Limited	Information, Tourism & Youth Services	Mar .80	2004-05	2005-06	89.24	-	91.75	175.53	1172.15	76.65	6.54	-	1096.61	175
	Sectorwise Total					**295.56**		**733.11**	**-204.20**	**2258.91**	**351.29**	-	-	-	-
	CHEMICALS SECTOR														
42	The Mysore Paints and Varnish Limited	Commerce & Industries	Nov .47	2004-05	2005-06	92.43	-	103.65	783.68	910.63	98.07	10.77	-	855.43	73
	Sectorwise Total					**92.43**		**103.65**	**783.68**	**910.63**	**98.07**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	POWER SECTOR														
43	Karnataka Power Corporation Limited	Energy	July 70	2004-05	2005-06	26745.00	-	66298.15	158589.90	630399.01	48565.51	7.70	-	248317.56	6453
44	Visveswaraya Vidyuth Nigam Limited	Energy	July 99	2003-04	2004-05	467.53	-	8262.56	2128.34	18940.61	1043.82	5.51	1	16954.25	550
45	Karnataka Renewable Energy Development Limited	Energy	Mar.96	2003-04	2004-05	2.04	-	50.00	136.10	12418.70	29.92	0.24	1	143.93	34
46	Karnataka Power Transmission Corporation Limited	Energy	July 99	2004-05	2005-06	13241.99	-	68254.80	19575.77	466546.78	35980.10	7.71	-	661541.19	5627
47	Bangalore Electricity Supply Company Limited	Energy	Apr. 02	2003-04	2004-05	2147.11	-	20103.69	3068.84	81098.14	5556.72	6.85	1	324426.70	11118
48	Hubli Electicity Supply Company Limited	Energy	Apr. 02	2004-05	2005-06	2015.64	-	23333.61	3209.83	111511.04	5066.43	4.54	-	94090.56	7083
49	Mangalore Electricity Supply Company Limited	Energy	Apr. 02	2004-05	2005-06	1756.55	-	12919.58	4096.70	99863.15	4821.67	4.83	-	144000.74	8102
50	Gulbarga Electicity Supply Company Limited	Energy	Apr. 02	2003-04	2004-05	382.55	-	13439.35	635.60	45166.04	2069.97	4.58	1	65731.42	4161
	SUBSIDIARY														
51	KPC Bidadi Power Corporation Private Limited	Energy	Apr. 96	2004-05	2005-06	$	-	5.00	-	1756.55	-	-	-	-	Nil
	Sectorwise Total					**46758.41**		**212666.74**	**191441.08**	**1467700.02**	**103134.14**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	FINANCING SECTOR														
52	Karnataka State Industrial Investment and Development Corporation Limited	Commerce & Industries	July 64	2004-05	2005-06	-7353.57	-	45427.36	-53291.73	134724.13	900.40	0.67	-	6307.81	135
53	Karnataka Urban Infrastructure Development and Finance Corporation Limited	Urban Development	Nov. 93	2004-05	2005-06	9.54	-	806.48	2761.23	21800.63	0.41	-	-	333.90	19
	Sectorwise Total					**-7344.03**		**46233.84**	**-50530.50**	**156524.76**	**900.81**	-	-	-	-
	MISCELLANEOUS SECTORS														
54	Karnataka State Beverages Corporation Limited	Commerce and Industries	June 03	2004-05	2005-06	661.04	-	200.00	439.03	2260.83	493.96	21.85	-	222819.65	234
55	Bangalore Mass Rapid Transit Limited	Urban Development	Sep. 94	2004-05	2005-06	$	-	5.00	-	15099.07	-	-	-	-	19
56	Karnataka Film Industries Development Corporation Limited	Information, Tourism & Youth Services	Feb. 68	2004-05	2005-06	-154.22	-	102.38	-442.99	12.48	-156.35	-	-	25.67	Nil
57	Sree Kanteerava Studios Limited	Information, Tourism & Youth Services	Mar. 66	2004-05	2005-06	-9.40	-	87.98	-130.00	17.81	-9.40	-	-	87.84	13
	SUBSIDIARIES														
58	Marketing Consultants and Agencies Limited	Commerce & Industries	Sep. 72	2003-04	2004-05	106.67	-	702.99	403.99	1360.90	80.34	5.90	1	762.94	59

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
59	Mysore Sales International Limited	Commerce & Industries	Mar. 66	2004-05	2005-06	4296.55	-	2763.99	10192.46	13055.76	2742.52	21.01	-	189504.00	408
	Sectorwise Total					**4900.64**	**-**	**3862.34**	**10462.49**	**31806.85**	**3151.07**	**-**	**-**	**-**	**-**
	TOTAL A (All sector wise Government companies)					**47667.51**		**1498081.40**	**133137.19**	**3687159.64**	**112310.72**	**3.05**	**-**	**-**	**-**
B	**WORKING STATUTORY CORPORATIONS**														
	TRANSPORT SECTOR														
1	Karnataka State Road Transport Corporation	Transport	Aug.61	2004-05	2005-06	2663.29	-361.00	22038.70	-22667.75	24854.00	3973.92	15.99	-	79899.21	24989
2	Bangalore Metropolitan Transport Corporation	Transport	Aug.97	2004-05	2005-06	8001.33	-306.00	6471.73	17207.23	29045.00	8186.00	28.18	-	57219.00	17759
3	North Western Karnataka Road Transport Corporation	Transport	Nov.97	2003-04	2004-05	-968.98	-80.00	9363.67	-11796.63	11315.00	-81.44	-	1	54408.70	20507
4	North Eastern Karnataka Road Transport Corporation	Transport	August 2000	2003-04	2004-05	-1290.34	-	8350.05	-15076.42	-489.00	-1805.51	-	1	32440.57	10073
	Sectorwise Total					**8405.30**	**-**	**46224.15**	**-32333.57**	**64725.00**	**10272.97**	**-**	**-**	**-**	**-**
	FINANCING SECTOR														
5	Karnataka State Financial Corporation	Finance	Mar.59	2004-05	2005-06	274.37	-2236.00	13385.23	60315.91	201078.00	17944.74	8.92	-	21795.97	1299
	Sectorwise Total					**274.37**		**13385.23**	**60315.91**	**201078.00**	**17944.74**	**-**	**-**	**-**	**-**

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AGRICULTURE AND ALLIED SECTOR														
6	Karnataka State Warehousing Corporation	Co-operation	Nov.57	2003-04	2005-06	257.88	-	990.00	3741.87	9246.86	656.63	7.10	1	2634.48	460
	Sectorwise Total					**257.88**	**0.00**	**990.00**	**3741.87**	**9246.86**	**656.63**	-	-	-	-
	TOTAL B (all sectorwise Statutory Corporations)					**8937.55**		**60599.38**	**31724.21**	**275049.86**	**28874.34**	**10.50**	-	-	-
	Grand total (A+B)					**56605.06**		**1558680.78**	**164861.40**	**3962209.50**	**141185.06**	**3.56**	-	-	-
C	**NON WORKING GOVERNMENT COMPANIES**														
	AGRICULTURE AND ALLIED SECTOR														
1	Karnataka Agro Industries Corporation Limited	Agriculture & Horticulture	Sep. 67	2002-03	2003-04	-290.92	-	5590.41	-11803.85	-1619.22	-39.72	-	2	8982.39	Nil
2	Karnataka Agro Proteins Limited	Agriculture & Horticulture	Apr .75	2002-03	2003-04	233.92	-	60.93	-219.61	5.45	233.92	4292.11	1	Under liquidation since June 2004	NIL
3	The Mysore Tobacco Company Limited	Agriculture & Horticulture	Apr .37	2004-05	2005-06	-34.55	-	77.38	-1122.20	127.34	17.77	13.95	-	-	NIL
	Sectorwise total					**-91.55**		**5728.72**	**-13145.66**	**-1486.43**	**211.97**	-	-	-	-
	INDUSTRY SECTOR														
4	Karnataka Small Industries Marketing Corporation Limited	Commerce & Industries	Sep. 84	2003-04	2005-06	-61.98	-	171.00	286.65	457.08	-61.98	-	1	1.08	12
5	The Mysore Lamp Works Limited	Commerce & Industries	Aug.36	2003-04	2005-06	-2468.94	-	1181.02	-17798.26	-1592.26	-1016.66	-	1	849.19	NIL
6	Vijayanagar Steel Limited	Commerce & Industries	Dec. 82	2004-05	2005-06	-0.92	-	1290.58	-6.76	1352.88	-	-	-	-	5

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	SUBSIDIARIES														
7	The Mysore Cosmetics Limited	Commerce & Industries	Mar .66	2003-04	2004-05	-95.77	-	16.14	-311.72	-23.11	-4.05	-	Under liquidation since September 2003		NIL
8	Karnataka Telecom Limited	Commerce & Industries	July 85	2003-04	2004-05	5.01	-	300.00	-3610.93	-2923.17	5.00	-	Under liquidation since April 2002		NIL
9	The Mysore Chrome Tanning Company Limited	Commerce & Industries	Mar .40	2004-05	2005-06	-3.17	-	75.74	-1004.47	-524.42	-2.62	-	Under liquidation since December 2003		50
10	Karnataka Tungsten Moly Limited	Commerce & Industries	Dec .86	2002-03	2003-04	-	-	0.01	-	-	-	-	2	NIL	NIL
	Sectorwise Total					**-2625.77**		**3034.49**	**-22445.49**	**-3253.00**	**-1080.31**	-	-	-	
	ENGINEERING SECTOR														
11	NGEF Limited	Commerce & Industries	Apr. 65	2002-03	2003-04	-15747.89	-	4650.70	-40885.00	9820.81	-15769.57	-	Under liquidation since December 2002		50
12	Chamundi Machine Tools Limited	Commerce & Industries	Oct. 75	2004-05	2005-06	-1.51	-	63.50	-794.92	-148.20	-1.50	-	Under liquidation since February 2001		NIL
	Sectorwise Total					**-15749.40**		**4714.20**	**-41679.92**	**9672.61**	**-15771.07**	**-**	**-**	**-**	
	TEXTILES SECTOR														
13	Karnataka State Textiles Limited	Commerce & Industries	Dec. 84	1998-99	1999-00	-87.78	-	50.00	-891.46	431.91	-47.09	-	Under liquidation since November. 1996		NIL
	Sectorwise Total					**-87.78**	**-**	**50.00**	**-891.46**	**431.91**	**-47.09**	**-**	**-**	**-**	
	FOREST SECTOR (SUBSIDIARIES)														
14	Karnataka Pulpwood Limited	Forest ecology and Environment	Feb. 85	2003-04	2004-05	-143.66	-	125.00	-2402.44	-522.84	-143.38	-	1	10.46	187
15	The Karnatak State Veeners Limited	Forest ecology and Environment	Aug. 74	2004-05	2005-06	-45.06	-	100.00	-885.28	26.19	-45.06	-	-	-	Nil

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
16	The Mysore Match Company Limited	Forest ecology and Environment	May 40	2004-05	2005-06	-0.61	-	5.00	-26.00	-19.42	-0.61	-	Under liquidation since August 2002		NIL
	Sectorwise Total					**-189.33**		**230.00**	**-3313.72**	**-516.07**	**-189.05**	-	-	-	
	CHEMICAL SECTOR														
17	The Mysore Acetate and Chemicals Company Limited	Commerce & Industries	Dec .63	2002-03	2003-04	-45.90	-	1217.52	-2532.70	8.69	-85.94	-	2	44.31	78
	Sectorwise Total					**-45.90**	-	**1217.52**	**-2532.70**	**8.69**	**-85.94**	-	-	-	
	TOTAL C (Non working Government companies)					**-18789.73**		**14974.93**	**-84008.95**	**4857.71**	**-16961.49**	-	-	-	
	Grand Total (A+B+C)					**37815.33**		**1573655.71**	**80852.45**	**3967067.21**	**124223.57**	**3.13**	-	-	

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

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

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

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

ANNEXURE – 3

Statement showing subsidy/grants received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2005

(Referred to in Paragraphs 1.5 and 1.17)

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

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year				Loans on which Morotorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	**WORKING GOVERNMENT COMPANIES**															
	AGRICULTURE AND ALLIED SECTOR															
1	Karnataka State Agricultural Produce Processing and Export Corporation Limited	-	167.00 (Grants)	-	167.00 (Grants)	-	-	-	-	-	-	-	-	-	-	-
	INDUSTRY SECTOR															
2	Karnataka Leather Industries Corporation Limited	-	145.00 (Grants)	-	145.00 (Grants)											
3	The Mysore Paper Mills Limited	-	3859.62 (Grants)	-	3859.62 (Grants)	-	-	-	-	-	-	35.60	-	35.60	-	-
	ENGINEERING SECTOR															
4	The Mysore Electrical Industries Limited	-	-	-	-	730.00 (163.80)	-	-	-	730.00 (163.80)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	ELECTRONICS SECTOR															
5	Karnataka State Electronics Development Corporation Limited	81.21 (Grants) 79.08 (Subsidy)	-	-	81.21 (Grants) 79.08 (Subsidy)	-	- (6000.00)	-	-	- (6000.00)	-	-	-	-	-	-
	HANDLOOM AND HANDICRAFTS SECTOR															
6	The Karnataka Handloom Development Corporation Limited	-	65.90 (Project subsidy) 73.23 (Subsidy)	-	65.90 (Project subsidy) 73.23 (Subsidy)	- (2703.87)	- (210.90)	-	-	- (2914.77)	-	-	-	-	-	-
7	Karnataka State Handicraft Development Corporation Limited	20.40 (Grants)	32.64 (Grants)	-	53.04 (Grants)	-	- (92.67)	-	-	- (92.67)						
	FOREST SECTOR															
8	Karnataka Forest Development Corporation Limited	-	-	-	-	-	- (616.84)	-	-	- (616.84)	-	-	-	-	-	-
	MINING SECTOR															
9	The Hutti Gold Mines Company Limited	-	-	-	-	-	1200.00 (12.89)	-	-	1200.00 (12.89)	-	-	-	-	-	-
	CONSTRUCTION SECTOR															
10	Karnataka Land Army Corporation Limited	-	-	-	-	-	480.00 (2080.00)	-	-	480.00 (2080.00)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
11	Karnataka State Police Housing Corporation Limited	-	5488.19 (Grants)	-	5488.19 (Grants)	-	3303.00 (25556.15)	-	-	3303.00 (25556.15)	-	-	-	-	-	-
12	Rajiv Gandhi Rural Housing Corporation Limited	172.98 (Grants)	100.00 (Grants) 20230.16 (Project subsidy)	-	272.98 (Grants) 20230.16 (Project subsidy)	-	6585.60 (73103.61)	-	-	6585.60 (73103.61)	-	-	-	-	-	-
13	Karnataka Road Development Corporation Limited	-	-	-	-	-	16000.00 (48544.42)	-	-	16000.00 (48544.42)	-	-	-	-	-	-
	AREA DEVELOPMENT SECTOR															
14	Krishna Bhagya Jala Nigam Limited	-	-	-	-	-	11375.00 (332930.97)	-	-	11375.00 (332930.97)	-	-	-	-	-	-
15	Karnataka Neeravari Nigam Limited	-	-	-	-	-	30800.00 (118973.00)	-	-	30800.00 (118973.00)	-	-	-	-	-	-
16	Cauvery Neeravari Nigam Limited	-	-	-	-	-		25000.00 (50000.00)	-	25000.00 (50000.00))	-	-	-	-	-	-
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR															
17	Karnataka Backward Classes Development Corporation Limited	-	532.85 (Grants) 275.00 (Project subsidy)	-	532.85 (Grants) 275.00 (Project subsidy)		100.00 (4478.93)	-	-	100.00 (4478.93)		-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
18	Karnataka State Women's Development Corporation	200.00 (Grants)	384.15 (Grants)	-	584.15 (Grants)	-	-	-	-	-	-	-	-	-	-	-
19	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	-	5926.03 (Grants)	-	5926.03 (Grants)	-	- (6713.61)	-	-	- (6713.61)	-	-	-	-	-	-
20	The Karnataka Minorities Development Corporation	-	700.00 (Grants)	-	700.00 (Grants)	-	500.00 (2567.32)	-	-	500.00 (2567.32)	-	-	-	-	-	-
	PUBLIC DISTRIBUTION SECTOR															
21	Karnataka Food and Civil Supplies Corporation Limited	-	-	-	-	28.00 (588.92)	-	-	-	28.00 (588.92)	-	-	-	-	-	-
	SUGAR SECTOR															
22	Mysore Sugar Company Limited	-	-		-	- (166.00)	446.48 (7207.76)	-	-	446.48 (7373.76)	-	-	-	-	-	-
	POWER SECTOR															
23	Karnataka Power Corporation Limited	-	-	-	-	11000.00 (11000.00)	- (65436.74)	-	-	11000.00 (76436.74)	-	-	-	-	-	-
24	Visveswaraya Vidyut Nigam Limited	-	-	-	-	-	- (5477.28)	-	-	- (5477.28)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
25	Karnataka Power Transmission Corporation Limited	-	1297.10 (Subsidy)	-	1297.10 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
26	Bangalore Electricity Supply Company Limited	-	4664.18 (Grant)	-	4664.18 (Grant)	-	711.67 (8667.85)	-	-	711.67 (8667.85)	-	-	-	-	-	-
27	Hubli Electricity Supply Company Limited	-	8952.83 (Grant) 83096.91 (subsidy)	-	8952.83 (Grant) 83096.91 (subsidy)	-	-	-	-	-	-	-	-	-	-	-
28	Mangalore Electricity Supply Company Limited	-	3870.83 (Grant) 27060.43 (Subsidy)	-	3870.83 (Grant) 27060.43 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
29	Gulbarga Electricity Supply Company Limited	-	2903.37 (Grant) 46971.97 (Subsidy)	-	2903.37 (Grant) 46971.97 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
	FINANCING SECTOR															
30	Karnataka State Industrial Investment and Development Corporation Limited	-	934.00 (Project Subsidy)	-	934.00 (Project Subsidy)	-	(17437.00)	-	-	(17437.00)	-	-	-	-	-	-
	TOTAL A (All sectorwise Government companies)	**474.59 (Grants) 79.08 (subsidy)**	**37726.69 (Grants) 21505.06 (Project subsidy) 158499.64 (Subsidy)**	**0.00**	**38201.28 (Grants) 21505.06 (Project subsidy) 158578.72 (Subsidy)**	**11758.00 (14622.59)**	**71501.75 (726107.94)**	**25000.00 (50000.00)**	**0.00**	**108259.75 (790730.53)**	**0.00**	**35.60**	**0.00**	**35.60**	**0.00**	**0.00**

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Morotorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
B.	**WORKING STATUTORY CORPORATIONS**															
	TRANSPORT SECTOR															
1.	Karnataka State Road Transport Corporation	-	6353.20 (Subsidy)	-	6353.20 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
2.	Bangalore Metropolitan Transport Corporation	-	3621.04 (Subsidy)	-	3621.04 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
3	North Western Karnataka Road Transport Corporation	-	2786.28 (Subsidy)	-	2786.28 (Subsidy)	-	264.00 (264.00)	-	-	264.00 (264.00)	-	-	-	-	-	-
4	North Eastern Karnataka Road Transport Corporation	-	1120.67 (Subsidy)	-	1120.67 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
	FINANCING SECTOR															
5	Karnataka State Financial Corporation	-	-	-	-	-	- (50872.68)	-	-	- (50872.68)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	AGRICULTURE AND ALLIED SECTOR															
6	Karnataka State Warehousing Corporation	-	266.41 (Subsidy)	-	266.41 (Subsidy)	-	438.95 (634.72)	-	-	438.95 (634.72)	-	-	-	-	-	-
	TOTAL B (all sector wise Statutory Corporations)	0.00	14147.60 (Subsidy)	0.00	14147.60 (Subsidy)	0.00	702.95 (51771.40)	0.00	0.00	702.95 (51771.40)	0.00	0.00	0.00	0.00	0.00	0.00
	Grand Total (A + B)	474.59 (Grants) 79.08 (Subsidy)	37726.69 (Grants) 21505.06 (Project subsidy) 172647.24 (Subsidy)	0.00	38201.28 (Grants) 21505.06 (Project subsidy) 172726.32 (Subsidy)	11758.00 (14622.59)	72204.70 (777879.34)	25000.00 (50000.00)	0.00	108962.70 (842501.93)	0.00	35.60	0.00	35.60	0.00	0.00
C.	NON WORKING GOVERNMENT COMPANIES															
	AGRICULTURE AND ALLIED SECTOR															
1	Karnataka Agro Industries Corporation Limited	-	-	-	-	-	- (90.89)	-	-	- (90.89)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	INDUSTRY SECTOR															
2	The Mysore Lamp Works Limited	-	-	-	-	1400.00 (698.00)	-	-	-	1400.00 (698.00)	-	14.00$	-	14.00$	-	-
	Grand Total (C)	**0.00**	**0.00**	**0.00**	**0.00**	**1400.00 (698.00)**	**- (90.89)**	**0.00**	**0.00**	**1400.00 (788.89)**	**0.00**	**14.00**	**0.00**	**14.00**	**0.00**	**0.00**
	Grand Total of (A+B+C)	**474.59 (Grants) 79.08 (Subsidy)**	**37726.69 (Grants) 21505.06 (Project subsidy) 172647.24 (Subsidy)**	**0.00**	**38201.28 (Grants) 21505.06 (Project subsidy) 172726.32 (Subsidy)**	**13158.00 (15320.59)**	**72204.70 (777970.23)**	**25000.00 (50000.00)**	**0.00**	**110362.70 (843290.82)**	**0.00**	**35.60 14.00$**	**0.00**	**35.60 14.00$**	**0.00**	**-**

Note:

Except in respect of companies and corporations, which finalised their accounts for 2004-05 (Sl.no. A- 1,4,5,6,7,9,11 to 23,25,27,28, B-1,2&5) figures are provisional and as given by the companies/corporations.

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

$ **Guarantee commission waived.**

ANNEXURE 4
(Referred to in Paragraph 1.7)

Statement showing financial position of Statutory corporations

Working Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	208.39	208.39	220.39
	Borrowings (Government)	2.36	2.36	44.36
	(Others)	177.37	160.99	179.13
	Funds*	29.64	31.66	34.34
	Trade dues and other current liabilities (including provisions)	173.47	180.65	188.38
	Total	**591.23**	**584.05**	**666.60**
B.	**Assets**			
	Gross Block	498.20	531.01	634.97
	Less : Depreciation	293.42	309.99	345.16
	Net fixed assets	204.78	221.02	289.81
	Capital works-in-progress (including cost of chassis)	15.07	25.94	49.74
	Investments	0.10	0.12	1.80
	Current assets, loans and advances	91.09	82.65	97.37
	Deferred Cost	1.01	1.01	1.20
	Accumulated losses	279.18	253.31	226.68
	Total	**591.23**	**584.05**	**666.60**
C.	**Capital employed #**	**137.47**	**148.96**	**248.54**

* **Excluding depreciation fund.**

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

2. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	64.72	64.72	64.72
	Borrowings (Government)	0.72	0.72	-
	(Others)	40.07	34.97	28.93
	Funds*	22.14	103.43	197.24
	Trade dues and other current liabilities (including provisions)	52.39	58.56	64.02
	Total	**180.04**	**262.40**	**354.91**
B.	**Assets**			
	Gross Block	229.90	279.71	379.67
	Less : Depreciation	110.46	124.00	152.53
	Net fixed assets	119.44	155.71	227.14
	Capital works-in-progress (including cost of chassis)	6.80	33.49	27.01
	Current assets, loans and advances	53.20	72.52	100.32
	Deferred Cost	0.60	0.68	0.44
	Accumulated losses	-	-	-
	Total	**180.04**	**262.40**	**354.91**
C.	**Capital employed #**	**127.05**	**203.16**	**290.45**

* **Excluding depreciation fund.**

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

3. North Western Karnataka Road Transport Corporation, Hubli

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05 (provisional)
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	93.64	93.64	102.63
	Borrowings (Government)	1.05	1.05	1.05
	(Others)	105.93	111.86	121.92
	Funds*	19.83	22.04	24.76
	Trade dues and other current liabilities (including provisions)	116.09	110.86	120.03
	Total	**336.54**	**339.45**	**370.39**
B.	**Assets**			
	Gross Block	345.99	358.21	377.61
	Less: Depreciation	215.37	221.76	236.85
	Net fixed assets (Goodwill)	130.62	136.45	140.76
	Capital works-in-progress (including cost of chassis)	8.32	11.84	8.99
	Current assets, loans and advances	91.85	75.72	56.55
	Deferred revenue expenditure	0.38	0.38	0.41
	Accumulated losses	105.37	115.06	163.69
	Total	**336.54**	**339.45**	**370.39**
C.	**Capital employed #**	**114.70**	**113.15**	**86.30**

* **Excluding depreciation fund.**

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

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05 (provisional)
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	83.50	83.50	92.50
	Borrowings (Government)	0.87	0.87	0.87
	(Others)	60.48	44.47	36.14
	Funds*	14.43	17.63	20.69
	Trade dues and other current liabilities (including provisions)	79.26	93.41	136.77
	Total	**238.54**	**239.88**	**286.97**
B.	**Assets**			
	Gross Block	189.09	184.62	178.72
	Less: Depreciation	135.64	132.15	136.56
	Net fixed assets	53.45	52.47	42.16
	Capital works-in-progress (including cost of chassis)	7.23	6.02	12.15
	Investments	0.05	0.05	0.05
	Current assets, loans and advances	39.60	30.03	41.02
	Deferred revenue expenditure	0.35	0.55	0.52
	Accumulated losses	137.86	150.76	191.07
	Total	**238.54**	**239.88**	**286.97**
C.	**Capital employed #**	**21.02**	**(-) 4.89**	**(-) 41.44**

* **Excluding depreciation fund.**

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

5. Karnataka State Financial Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05
A.	**Liabilities**			
	Paid up capital	97.85	97.85	97.85
	Share application money	26.83	26.83	26.83
	Reserve fund and other reserves and surplus	4.25	4.25	4.25
	Borrowings			
	i) Bonds and Debentures	743.84	713.85	739.45
	ii) Fixed Deposits	14.51	14.61	24.85
	iii) Industrial Development Bank of India & Small Industries Development Bank of India	1088.82	1084.46	945.12
	iv) Reserve Bank of India	30.05	29.11	0.00
	v) Loan towards Share Capital- Industrial Development Bank of India	9.18	9.18	9.18
	(vi) Others (including State Government)	159.77	56.63	145.75
	Other liabilities and Provisions	479.13	421.15	486.11
	Total	**2654.23**	**2457.92**	**2479.39**
B.	**Assets**			
	Cash and Bank balances	61.69	61.06	133.52
	Investments	83.98	77.70	70.09
	Loans and Advances	1831.63	1635.26	1589.13
	Net fixed Assets	11.18	9.63	9.00
	Other assets	51.24	60.64	66.76
	Miscellaneous expenditure	614.51	613.63	610.89
	Total	**2654.23**	**2457.92**	**2479.39**
C.	**Capital Employed***	**2225.27**	**2100.84**	**2010.78**

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

6. Karnataka State Warehousing Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
A.	**Liabilities**			
	Paid-up capital	9.90	9.90	9.90
	Reserves and Surplus	31.70	37.37	40.11
	Borrowings (Government)	12.80	12.80	12.80
	(Others)	3.20	21.23	29.77
	Trade dues and Current liabilities (including provisions)	16.03	20.07	19.63
	Total	**73.63**	**101.37**	**112.21**
B.	**Assets**			
	Gross block	36.74	58.60	87.33
	Less: Depreciation	4.92	5.88	7.16
	Net fixed assets	31.82	52.72	80.17
	Capital work-in-progress	21.40	24.28	3.44
	Investment	0.12	0.12	0.12
	Current assets, loans and advances	20.16	24.25	28.48
	Miscellaneous	0.13	-	-
	Total	**73.63**	**101.37**	**112.21**
C.	**Capital employed ****	**57.35**	**81.18**	**92.46**

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

ANNEXURE 5

(Referred to in Paragraph 1.7)

Statement showing working results of Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05
1	**Operating:**			
	a) Revenue	680.63	749.16	798.99
	b) Expenditure	651.92	716.58	830.99
	c) Surplus (+) / Deficit (-)	(+) 28.71	(+) 32.58	(-) 32.00
2	**Non-operating:**			
	a) Revenue	47.18	41.67	96.47
	b) Expenditure	45.92	40.80	36.65
	c) Surplus (+)/Deficit (-)	(+) 1.26	(+) 0.87	(+) 59.82
3	**Total**			
	a) Revenue	727.81	790.83	895.46
	b) Expenditure	697.84	757.38	867.64
	c) Net prior period Expenses/credits(-)	(-)2.77	7.58	(+) 1.19
	c) Net profit (+)/ Loss (-)	(+) 32.74	(+) 25.87	26.63
4	Interest on capital and loans	25.83	17.57	13.11
5	Total return on capital employed*	58.57	43.44	39.74
6	Percentage of return on capital employed	42.61	29.16	15.99

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

2. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05
1	**Operating:**			
	a) Revenue	341.97	441.16	506.18
	b) Expenditure	331.24	397.06	479.52
	c) Surplus (+)/Deficit (-)	(+) 10.73	(+) 44.10	(+)26.66
2	**Non-operating:**			
	a) Revenue	31.36	45.06	66.01
	b) Expenditure	14.44	9.02	12.66
	c) Surplus (+)/Deficit (-)	(+) 16.92	(+) 36.04	(+)53.35
3	**Total**			
	a) Revenue	373.33	486.22	572.19
	b) Expenditure	345.68	406.08	492.18
	c) Net prior period Expenditure	-	-	-
	d) Net profit (+)/loss (-)	(+) 27.65	(+) 80.14	(+) 80.01
4	Interest on capital and loans	5.45	3.34	1.85
5	Total return on Capital employed*	33.10	83.48	81.86
6	Percentage of return on capital employed	26.05	41.09	28.18

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

3. **North Western Karnataka Road Transport Corporation, Hubli**

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05 (provisional)
1	**Operating :**			
	a) Revenue	507.83	543.67	556.76
	b) Expenditure	517.43	567.11	619.83
	c) Surplus (+)/deficit (-)	(-) 9.60	(-) 23.44	(-) 63.07
2	**Non-operating :**			
	a) Revenue	48.67	41.21	45.04
	b) Expenditure	26.79	27.46	30.59
	c) Surplus (+)/deficit (-)	(+) 21.88	(+) 13.75	(+) 14.45
3	**Total**			
	a) Revenue	556.50	584.88	601.80
	b) Expenditure	544.22	594.57	650.42
	c) Net profit (+)/loss (-)	(+) 12.28	(-) 9.69	(-) 49.42
4	Interest on capital and loans	13.51	10.50	8.81
5	Total return on Capital employed*	25.79	0.81	(-)40.61
6	Percentage of return on capital employed	22.48	0.72	-

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

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05 (provisional)
1	**Operating :**			
	a) Revenue	264.33	307.49	324.7
	b) Expenditure	283.92	322.75	371.7
	c) Surplus (+)/deficit (-)	(-)19.59	(-)15.26	(-) 46.9
2	**Non-operating :**			
	a) Revenue	19.25	16.91	21.1
	b) Expenditure	13.95	12.39	10.5
	c) Surplus (+)/deficit (-)	(+)5.30	(+)4.52	(+)10.6
3	**Total**			
	a) Revenue	283.58	324.40	345.8
	b) Expenditure	297.87	335.14	382.2
	c) Net prior period Expenditure	0.69	2.16	3.9
	c) Net profit (+)/loss (-)	(-)14.98	(-)12.90	(-) 40.3
4	Interest on capital and loans	7.51	5.07	2.9
5	Total return on Capital employed*	(-)7.47	(-)7.83	(-) 37.3
6	Percentage of return on capital employed	-	-	

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

5. Karnataka State Financial Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2002-03	2003-04	2004-05
1	**Income**			
	a) Interest on Loans	181.05	207.98	205.31
	b) Other Income	18.34	24.00	12.64
	Total (1)	**199.39**	**231.98**	**217.95**
2	**Expenses**			
	a) Interest on long term and short term loans	238.89	187.40	176.70
	b) Other Expenses	53.47	45.59	40.46
	c) Provision for non performing assets	44.77	(1.88)	(1.95)
	Total (2)	**337.13**	**231.11**	**215.21**
3	Profit (+)/Loss (-) before tax (1-2)	(-)137.74	(+) 0.87	(+) 2.74
4	Provision for tax	-	-	-
5	Other appropriations	-	-	-
6	Amount available for dividend	-	-	-
7	Dividend	-	-	-
8	Total return on Capital Employed	101.15	188.27	179.44
9	Percentage of return on Capital employed	4.54	8.96	8.92

6. Karnataka State Warehousing Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	**Income:**			
	a) Warehousing charges	21.42	22.54	24.65
	b) Other income	3.46	2.37	1.69
	Total (1)	**24.88**	**24.91**	**26.34**
2	**Expenses:**			
	a) Establishment charges	5.75	5.87	6.13
	b) Other expenses	9.72	9.95	17.69
	Total (2)	**15.47**	**15.82**	**23.82**
3	Profit before tax	9.41	9.09	2.52
4	Provision for tax	0.06	3.30	-
5	Amount available for dividend	9.35	5.79	2.52
6	Dividend for the year	0.45	0.75	0.26
7	Total return on Capital employed	10.87	9.73	6.57
8	Percentage of return on Capital employed	18.95	11.98	7.10

ANNEXURE 6
(Referred to in Paragraph 1.12)

Statement showing operational performance of Statutory corporations

Working Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

Particulars	2002-03	2003-04	2004-05
Average number of vehicles held	4259	4396	4567
Average number of vehicles on road	4053	4189	4347
Percentage of utilisation of vehicles	95.2	95.3	95.2
Number of employees	23655	23626	24989
Employees vehicle ratio	5.55	5.37	5.47
Number of routes operated at the end of the year	4876	4501	4608
Route kilometres	362725	380964	398380
Kilometres covered (in lakh) – Own buses only			
a) Gross	5466.41	5428.04	5608.62
b) Effective	5366.23	5276.00	5445.90
c) Dead	100.18	152.04	162.72
Percentage of dead kms. to gross kilometres	1.83	2.80	3.00
Average kilometres covered per bus per day	362	367	367
Average operating revenue per kilometre (in paise)	1361.40	1406.80	1541.30
Increase in operating revenue per kilometre over previous year's income	44.10	45.40	134.50
(per cent)	(3.35)	(3.33)	(9.56)
Average expenditure per kilometre (paise)	1300.40	1360.80	1495.50
Increase in operating expenditure per kilometre over previous year's expenditure	14.90	60.40	134.70
(per cent)	(1.16)	(4.64)	(9.90)
Profit/Loss per kilometre (paise)	61.00	46.00	45.80
Number of operating depots	48	49	50
Average number of breakdowns per lakh kilometres	0.9	0.5	0.5
Average number of accidents per lakh kilometres	0.17	0.16	0.17
Passenger kilometres operated (in crore)	2089.75	2169.31	2291.25
Occupancy ratio	68.44	69.7	70.7
Kilometres obtained per litre of :			
Diesel oil	5.02	5.08	5.38
Engine oil	2626	4128	6678

2. Bangalore Metropolitan Transport Corporation, Bangalore

Particulars	2002-03	2003-04	2004-05
Average number of vehicles held	2372	2515	3048
Average number of vehicles on road	2253	2409	2863
Percentage of utilisation of vehicles	95.00	95.80	93.90
Number of employees	14367	15615	17759
Employees vehicle ratio	6.06	6.21	5.60
Number of routes operated at the end of the year	NA	1523	1690
Route Kilometers	26959	31821	35371
Kilometers operated (in lakh) – Own buses only			
a) Gross	1923	2075	2484
b) Effective	1867	2022	2400
c) Dead	56	53	84
Percentage of dead kms. to gross Kilometers	2.90	2.60	3.38
Average Kilometers covered per bus per day	227	229	230
Average operating revenue per kilometre (in paise)	1684.91	1869.67	1924.31
Increase in operating revenue per kilometre over previous year's income	215.51	184.76	54.64
(per cent)	(14.67)	(10.97)	(2.92)
Average expenditure per kilometre (paise)	1560.13	1561.50	1655.22
Increase in operating expenditure per kilometre over previous year's expenditure	127.03	1.37	93.72
(per cent)	(8.86)	(0.09)	(6.00)
Profit/Loss per kilometre (paise)	124.78	308.17	269.09
Number of operating depots	20	24	24
Average number of breakdowns per lakh kilometres	1.50	1.20	1.20
Average number of accidents per lakh kilometres	0.22	0.23	0.18
Passenger kilometres operated (in crore)	785	893	1275
Occupancy ratio	67.80	69.00	67.00
Kilometers obtained per liter of:			
Diesel oil	4.60	4.76	4.74
Engine oil	988.80	1099.00	1258.70

NA: Not available.

3. North Western Karnataka Road Transport Corporation, Hubli

Particulars	2002-03	2003-04	2004-05 (provisional)
Average number of vehicles held	3579	3590	3290
Average number of vehicles on road	3440	3415	3150
Percentage of utilisation of vehicles	96.10	95.10	95.30
Number of employees	20812	21330	20507
Employees vehicle ratio	5.82	5.94	5.55
Number of routes operated at the end of the year	5493	5523	5594
Route kilometres	429700	433228	440922
Kilometres operated (in lakh) - Own buses only			
a) Gross	4447.84	4433.56	3869.70
b) Effective	4381.68	4361.41	3794.62
c) Dead	66.16	72.15	75.08
Percentage of dead kms. to gross kilometres	1.49	1.63	1.60
Average kilometres covered per bus per day	348.90	349.00	341.00
Average operating revenue per kilometre (in paise)	1262.30	1269.20	1326.19
Increase in operating revenue per kilometre over previous year's income	151.20	6.90	56.99
(per cent)	(13.61)	(0.55)	(4.49)
Average expenditure per kilometre (paise)	1234.50	1290.20	1370.55
Increase in operating expenditure per kilometre over previous year's expenditure	56.90	55.70	80.35
(per cent)	(4.83)	(4.51)	(6.23)
Profit/Loss per kilometre	(+) 27.80	(-) 21.00	44.36
Number of operating depots	46	48	48
Average number of breakdowns per lakh kilometres	1.22	0.10	0.12
Average number of accidents per lakh kilometres	0.14	0.14	0.15
Passenger kilometres operated (in crore)	1887.75	1948.31	1658.60
Occupancy ratio	71.80	74.50	73.10
Kilometres obtained per litre of:			
Diesel oil	5.13	5.35	5.36
Engine oil	892.40	1024.20	1036.00

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

Particulars	2002-03	2003-04	2004-05 (provisional)
Average number of vehicles held	2070	1934	2386
Average number of vehicles on road	1915	1818	2291
Percentage of utilisation of vehicles	92.50	94.00	96.00
Number of employees	11343	10943	10410
Employees vehicle ratio	5.48	5.66	4.36
Number of routes operated at the end of the year	2436	2532	2888
Route Kilometres	232000	226605	235544
Kilometres operated (in lakh) – Own buses only			
a) Gross	2201	2052	1759
b) Effective	2155	2007	1718
c) Dead	46	45	41
Percentage of dead kms. to gross kilometres	2.09	2.19	2.40
Average kilometres covered per bus per day	309.00	321.00	316
Average operating revenue per kilometre (in paise)	1134.60	1161.90	1230.10
Increase in operating revenue per kilometre over previous year's income (per cent)	59.00 (5.49)	27.30 (2.41)	68.20 (5.87)
Average expenditure per kilometre (paise)	1249.60	1274.60	1384.70
Increase in operating expenditure per kilometre over previous year's expenditure (per cent)	26.80 (2.19)	25.00 (2.00)	110.10 (8.64)
Profit/Loss per kilometre	(-) 115.00	(-) 112.70	(-) 154.60
Number of operating depots	27	28	29
Average number of breakdowns per lakh kilometres	3.30	2.20	0.22
Average number of accidents per lakh kilometres	0.13	0.12	0.14
Passenger kilometres operated (in crore)	719.77	946.03	1000.46
Occupancy ratio	71.50	70.00	72.80
Kilometres obtained per litre of:			
Diesel oil	4.97	5.38	5.44
Engine oil	870.00	3817	1109

5. Karnataka State Financial Corporation, Bangalore

(Rupees in crore)

Particulars	2002-03		2003-04		2004-05	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	80	27.11	47	15.89	62	37.68
Applications received	1397	433.59	1382	392.55	1319	391.01
Total	**1477**	**460.70**	**1429**	**408.44**	**1381**	**428.30**
Applications sanctioned	1345	333.03	1307	299.69	1242.00	241.75
Applications cancelled/ withdrawn/rejected/reduced	85	117.78	60	71.05	77	162.19
Applications pending at the close of the year	47	15.89	62	37.70	62	24.75
Loans disbursed	-	261.25	1126	242.86	992	239.83
Loan outstanding at the close of the year	-	2617.18	-	1576.75	-	1455.74
Amount overdue for recovery at the close of the year :						
a) Principal	-	675.34	-	718.54	-	630.16
b) Interest	-	1664.15	-	1980.47	-	2300.52
Total	-	**2339.49**	-	**2699.01**	-	**2930.68**
Amount involved in recovery certificate cases	-	1121.86	-	858.24	-	1025.19
Percentage of overdue to the total loans outstanding	-	25.88	-	45.57	-	43.29

6. Karnataka State Warehousing Corporation, Bangalore

Particulars	2001-02	2002-03	2003-04
Number of stations covered	107	109	113
Storage capacity created up to the end of the year (tonne in lakh)			
a) Owned	3.29	3.46	4.05
b) Hired	3.73	3.07	2.42
Total :	**7.02**	**6.53**	**6.47**
Average capacity utilised during the year (tonne in lakh)	6.40	5.44	4.35
Percentage of utilisation	91.16	83.30	65.50
Average revenue per tonne per year (Rupees)	281.25	414.34	566.67
Average expenses per tonne per year (Rupees)	170.31	290.81	546.21

ANNEXURE 7

(Referred to in Paragraph 1.28)

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

(Rupees in crore)

Sl. No	Name of the Company	Status (working/ non-working)	Year of accounts	Paid-up capital	Equity by			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit (+)/ loss (-)	Accumulated profit (+)/accumulated loss (-)
					State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies		
1	Karnataka State Seeds Corporation Limited	Working	2004-05	3.24	1.35 (41.67 per cent)	--	0.62 (19.14 per cent)	0.68	--	--	1.34	--	6.85	3.37	--	7.47	0.57	4.72
2	Karnataka Asset Management Company Private Limited	Working	2004-05	0.50	--	0.50 (100 per cent)	--	--	--	--	--	--	--	--	0.50	--	(+) 0.05	(+) 0.29
3	Karnataka Trustee Company Private Limited	Working	2004-05	0.01	--	0.01 (100 per cent)	--	--	--	--	--	--	--	--	0.01	--	(a)	(b)
4	Food Karnataka Limited	Working	2004-05	0.10	0.05 (50 per cent)	--	--	--	--	--	--	--	--	0.05 (equity) 7.50 (grants)	--	--	0.06	0.04

(a) Profit for the year Rs.11,387

(b) Accumulated profit – Rs.20,706

ANNEXURE – 8

(Referred to in Paragraph 2.1.8)

Statement showing list of Schemes operated by social welfare companies

Sl No.	Schemes /Operated by-->	KSCSTDC	KBCDC	KMDC	KSWDC
1	Land Purchase Scheme	Yes	-	-	-
2	Ganga Kalyana Scheme	Yes	Yes	Yes	-
3	Self-Employment Programme	Yes	-	-	-
4	Devadasi Rehabilitation Programme	Yes	-	-	Yes
5	Safai Karamacharis Rehabilitation Programme	Yes	-	-	-
6	Margin Money Schemes/Term Loan/ Direct Loan sponsored by Central Agencies like NSCFDC, NSTFDC, NBCFDC, NMDC, NHFDC	Yes	Yes	Yes	-
7	Job–oriented Training Programme	-	Yes	-	-
8	Educational loan (Arivu) Schemes	-	-	Yes	-
9	Udyogini Scheme	-	-	-	Yes
10	Women Training Programme	-	-	-	Yes
11	Urban Stree Shakti Scheme	-	-	-	Yes
12	NORAD Scheme (Centrally Sponsored)	-	-	-	Yes
13	Swashakti Project (World Bank assisted scheme)	-	-	-	Yes

ANNEXURE - 9
(Referred to in Paragraph 2.1.8)

Statement of physical and financial targets set and achievements recorded for the five years in Social welfare companies

Year	Targets		Achievement	
	Financial (Rupees in lakh)	Physical (Nos)	Financial/percentage (Rupees in lakh)	Physical (Nos)/percentage
Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited				
2000-01	4,495.00	25,283	7,870.68/(175.00)	21,154/(83.61)
2001-02	12,773.79	28,655	5,584.39/(43.71)	20,035/(69.91)
2002-03	9,152.13	18,161	6,227.75/(68.04)	17,974/(98.97)
2003-04	10,666.46	25,369	5,484.87/(51.42)	26,737/(105.00)
2004-05	5,669.40	22,380	5,532.60/(97.58)	17,165/(76.69)
The Karnataka Minorities Development Corporation Limited				
2000-01	1,698.00	8,678	1,476.18/(86.94)	10,869/(125)
2001-02	2,470.35	13,713	1,565.23/(63.36)	9,961/(72.64)
2002-03	1,470.00	12,696	1,575.20/(107.15)	11,173/(88)
2003-04	4,108.90	9,989	1,405.46/(34.20)	7,981/(79.9)
2004-05	1,737.50	9,035	1,428.64 / (82.22)	7,282 /(80.60)
Karnataka Backward Classes Development Corporation Limited				
2000-01	2,202.66	12,650	2,290.07/(103.96)	14,793/(116.94)
2001-02	2,610.98	11,705	2,378.86/(91.10)	12,982/(110.90)
2002-03	2,406.00	17,895	3,160.06/(131.34)	22,938/(128.18)
2003-04	2,973.04	12,869	3,031.36/(101.96)	14,093/(109.51)
2004-05	2,109.84	12,515	2,432.69 /(115.30)	12,390 / (99.00)
Karnataka Women Development Corporation				
2000-01	241.64	2,175	235.57/(97.48)	3,115/(143.21)
2001-02	238.00	3,398	246.98/(103.77)	3,070/(90.34)
2002-03	313.10	3,727	271.17/(86.60)	4,520/(121.27)
2003-04	325.00	5,581	302.87/(93.19)	6,189/(110.89)
2004-05	480.05	28,739	450.97 / (93.32)	35,117 / (122.19)

ANNEXURE – 10

(Referred to in Paragraph 2.1.9)

Statement showing un-utilised funds in Social welfare companies

(Rupees in lakh)

Scheme	Unspent funds
Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	
Safai Karmachari Rehabilitation Scheme	2,187.73
Devadasi Rehabilitation Programme	51.46
Special Central Assistance to Tribal Sub Plan	105.47
Micro Credit Scheme	3,227.63
Land Purchase Scheme	520.33
Self-employment programme	540.88
Total	**6,633.50**
The Karnataka Minorities Development Corporation Limited	
Vocational Training Scheme	108.00
Subsidy scheme	546.09
Total	**654.09**
Karnataka Backward Classes Development Corporation Limited	
Ganga Kalyana Scheme	895.80
New – Swarnima Scheme	131.08
Job-oriented Training	19.16
Subsidy schemes	60.48
Total	**1,106.52**
Karnataka Women Development Corporation	
Devadasi Rehabilitation Scheme	570.43
State Resource Centre	51.23
Marketing Assistance	21.39
Mahila Arthika Swavalambana Yojane (MASY)	185.96
RWDEP/State	83.17
Lambani Training Programme	19.34
Santhwana	22.26
SCP Grant	46.92
Nagara Stree Shakthi	87.92
WTP	2.32
Udyogini	90.91
Total	**1,181.85**

ANNEXURE-11
(Referred to in Paragraph 2.1.21)

Details of implementation of other schemes and audit observation in Social welfare companies.

Salient features	Audit observations
Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	
Land Purchase Scheme	
This scheme introduced in 1990 under the name "Bhoo Odetana Yojane" is to make vast landless Scheduled Castes and Scheduled Tribes communities to own land to earn self respect and economic independence. The scheme was to operate on 50 per cent loan and 50 per cent subsidy (to be given by the State Government)	• The annual targets have been scaled down drastically from 8,800 families to 2,000 families. The company failed to achieve even these low targets. The performance was only 50 percent in case of Scheduled Tribes. • The Company could not achieve the target of assistance mainly due to its failure to raise the matching loans from NSCFDC/NSTFDC. • Even though the chances of striking water in the proposed dry land has to be done by Senior Geologist, the same was, however, not done. • The certificates produced by the beneficiaries were accepted without any verification from the issuing authorities. • Legal opinions on the lands to be purchased only were available and no survey showing the extent of land were conducted. • There is no system of purchase and distribution of the land, to the beneficiaries. Both the buyer and seller approach the Company for financing the deal
Micro Credit Scheme	
The project cost was Rs.10,000-per unit (upto 2002-03), out of which Rs.5,000 was subsidy to be released only after the repayment of loan. The unit cost was revised in 2002-03 to Rs.25,000, out of which Rs.15,000 was loan and Rs.10,000 was subsidy	• The utilisation in respect of scheduled castes was 50 per cent only . • The subsidy being a back-end subsidy, should be released to beneficiaries only after repayment of loan in full. The subsidies were, however, adjusted/appropriated to the loan accounts, which was against the scope of the scheme. • At Kolar district, Rs.3.75 lakh was disbursed during November 2001 to Sri. Venkateshwara Rural Development Organisation, Bangalore, in which 25 beneficiaries of the scheme were the members. But when the company tried to recover the loan, it was found that there was no such organisation and the beneficiaries were non-existent. The Government stated that the said organisation was in existence and company would be directed to take legal action. • Out of un-utilised funds of Rs.4.94 crore, only Rs.1.50 crore was returned to NSCFDC. The operation of the scheme through Karnataka Leather Industries Development Corporation (LIDKAR) resulted in locking up of funds to the extent of Rs.54.50 lakh. LIDKAR has been incurring heavy losses and as such chances of recovery of this amount is remote.

Salient features	Audit observations
Karnataka Backward Classes Development Corporation Limited	
New Swarnima Scheme	
The scheme launched for women of Backward Classes living below the poverty line is implemented through Self-help groups (SHG's) or NGO's in which beneficiaries should be a member	• The selection of SHGs/NGOs as per the list of Women and Child Welfare Department is adopted and ratification of District Committee obtained subsequently; thus the selection is not made by District Committees. • The business units which should have been insured for the entire repayment period, were not insured except cows. • The scheme was not implemented in Bidar District for want of staff
Karnataka State Women's Development Corporation	
NORAD Scheme	
The Scheme gives assistance to projects sponsored by Public Sector undertakings/ Companies/ Women's Development Centre of Universities/Autonomous Organisations/ Voluntary Organisations for taking up of 'Employment and Income-generating training-cum-Production units for Women'.	The projects implemented so far do not indicate that the Company has focused on one of the main objective of the loan assistance under NORAD i.e., setting up of ancillary industries on their own or absorbing them in the sponsor's projects after training. Progress achieved since 2000-01 on 17 projects involving Rs.32.85 lakh was also very meagre for four years
Karnataka Backward Classes Development Corporation Limited and The Karnataka Minorities Development Corporation Limited	
Arivu Scheme	
The Government of Karnataka introduced (October 1999) the Arivu scheme with an intention to help the students belonging to Backward Classes. Under this scheme students of backward classes who are doing professional courses such as medical and engineering will be given education loan of Rs.10,000 per annum during the normal duration of the course at the rate of two per-cent per annum to be repaid after the completion of the course or taking of the employment	• As against the target of 1,400 the Company was able to assist only 156 students (11 per cent) Further, out of 156 students who availed the loan only 8 students have drawn all four installments of the loan. The reason for such poor performance has not been analyzed by the Company.

ANNEXURE – 12
(Referred to in Paragraph 2.1.30)
Statement showing the irregularities noticed in Social welfare companies.

Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited
Auto Loan- Based on certain allegations of misappropriation in the scheme District Manager Bangalore (Urban) conducted the enquiry and found that there was no proper documentation, release of two autos to the same beneficiary, interference of recovery agents in approval process, high incidence of proposal from banks and about 75 per cent of the owners of the autorikshaws were not the original beneficiaries. On the basis of the report, an enquiry committee was formed, in August 2004 which selected 112 cases, out of 2500 cases (sanctioned between 1997-2003). The committee found that only 30 beneficiaries had got the autos; in 52 cases autos were sold; in 4 cases beneficiaries were not found at the given address; in 14 cases caste certificates were found to be forged and in 12 cases benefits were given to the same beneficiary. The Company during December 2004 requested the Government to conduct a COD enquiry into the entire operation of the scheme.
The Karnataka Minorities Development Corporation Limited
The following mis-appropriation cases by the co-operative banks were noticed : **Thygaraja Co-op Bank, Bangalore:** An amount of Rs.27.55 lakh sanctioned to the bank for disbursement of loan/subsidies to 106 beneficiaries on 21 July 1999, was found to be misappropriated by the bank officials. **Millath Co-op. Bank, Davangere:** Loans amounting to Rs.42.08 lakh sanctioned, was misused by the bank and a sum of Rs.30.00 lakh is still due from that bank. Company has stated that in case of Millath Co- op Bank the money is recovered at the rate of Rs 50, 000 per month. **PLD Bank, Chincholi:** A case of misappropriation was reported but the Company does not have the details of money misappropriated. RBI had seized the records and investigation was under progress. **Gownapalli Vyavasaya Abhivrudhi Sahakara Bank Niyamita:** In respect of loans sanctioned during 1997-98 a sum of Rs.12.01 lakh is still due from the society and in view of gross irregularities taken place the society, the matter is under investigation by Registrar of Co-operative Societies.
Karnataka Backward Classes Development Corporation Limited
A sum of Rs.16.53 lakh misappropriated by the District Manager, Bangalore Urban during 2003-04, by short remitting the money collected from beneficiaries into the bank. Though the amount was refunded on 10 April 2004, the main reason for this was the failure to write cash book daily; failure to obtain required documents of sanction; sanctioning of loan to non-applicants and non-maintenance of disbursement and receipt registers.
• Although common loan documents and securities obtained by banks have to be forwarded to the companies, the Company received documents only in respect of 9,415 loans as against 26,042 loans sanctioned during 2000-2003.
• Where loans were to be given through co-operative societies, such societies should have been established exclusively for the members of the respective communities whereas, in contravention to this, loans were released to various societies, including credit societies. Further, three societies misappropriated Rs.1.85 crore by including fictitious names.
• Test check of records of Bangalore (Urban) district office in respect of New Swarnima Scheme revealed that loan was released without proper documentary evidence, to beneficiaries of same family, to families having income more than Rs.75000 per annun. Scrutiny of available documents indicated mismatches in names/caste of beneficiaries and non-authentication of agreements with self help groups. The Company had placed the Manager under suspension and the matter was under investigation by a retired District and Sessions Judge.

• On a test check of loan registers of various schemes of Bangalore Urban and Rural district, it was observed that out of 2,837 loans granted even first installment of re-payments were not received in 1,430 cases.
• The Chartered Accountants who conducted inspection of the Company on behalf of National Backward Classes Finance Development Corporation noticed a difference of Rs.1.15 crore as at 31 March 1999, between individual loan accounts and General Ledger control accounts. Audit, however, observed that reconciliation was still pending and the difference had increased to Rs.2.16 crore as on 31 March 2005. The Company replied that the Demand drafts/cheques were being received without beneficiary details and special drive would be taken for reconciliation of accounts
Karnataka State Women's Development Corporation
A sum of Rs.80.62 lakh remained with the district offices as un-spent balances as at 31 March 2005 without returning to Head Office at the end of the year. The company has not exercised any control over the submission of periodical accounts by the District Officers, for the funds placed at their disposal and for the refund of balances.

ANNEXURE - 13

Statement showing the year wise Annual work plan and amount spent * on various projects of the Karnataka Neeravari Nigam Limited

(Referred to in Paragraph 2.2.7)

Projects	1999-2000			2000-01			2001-2002			2002-003			2003-2004			2004-2005			TOTAL		
	BE	AE	%	BE	AE	%	BE	AE	%	BE	AE	%	BE	AE	%	BE	AE	%	BE	AE	%
Ghataprabha	107.75	49.72	46.14	235.00	54.40	23.15	155.00	108.89	70.25	150.00	102.10	68.07	135.00	78.83	58.39	120.00	87.67	73.06	902.75	481.61	53.35
Malaprabha	89.00	60.25	67.70	83.00	44.43	53.53	75.00	74.88	99.84	70.00	59.44	84.92	40.00	45.24	113.10	40.00	41.28	103.20	397.00	325.52	82.00
Hippargi	42.00	9.07	21.60	75.00	4.33	5.77	25.00	9.48	37.92	70.00	9.58	13.69	35.00	19.10	54.57	65.00	53.23	81.89	312.00	104.79	33.59
Markandeya	50.00	9.83	19.66	75.00	48.83	65.11	50.00	50.90	101.80	50.00	41.41	82.81	40.00	59.33	148.33	30.00	37.76	125.87	295.00	248.06	84.09
Harinala	12.65	15.66	123.79	12.71	11.54	90.79	17.00	5.39	31.71	7.00	4.20	59.99	4.00	1.45	36.25	3.00	13.70	456.67	56.36	51.94	92.16
U.T.P	47.61	10.98	23.06	200.00	50.06	25.03	100.00	95.29	95.29	140.00	61.32	43.80	122.00	115.11	94.35	92.00	131.50	142.93	701.61	464.26	66.17
Singatalur	43.34	7.50	17.31	79.29	5.48	6.91	35.00	4.17	11.91	40.00	1.14	2.84	40.00	1.73	4.33	18.00	7.24	40.22	255.63	27.26	10.66
Bhima Lift	15.42	1.99	12.91	13.00	1.43	11.00	10.00	2.62	26.20	25.00	2.12	8.46	20.00	3.32	16.60	23.00	13.94	60.61	106.42	25.42	23.88
Gandorinala	-	8.16	0.00	25.00	27.08	108.32	25.00	16.02	64.08	28.00	16.19	57.82	20.00	10.87	54.35	30.00	11.22	37.40	128.00	89.54	69.95
Tunga Lift	-	-	-	2.00	0.00	0.00	2.00	0.00	0.00	5.00	0.00	0.00	5.00	-	-	0.20	-	-	14.20	-	-
Kalasa Nala	-	-	-	-	0.01	0.00	3.00	0.00	0.00	10.00	0.00	0.00	15.00	0.34	2.27	0.40	0.40	100.00	28.40	0.75	2.64
Bandhura Nala	-	-	-	-	0.02	0.00	3.00	0.00	0.00	5.00	0.00	0.00	15.00	0.02	0.13	0.40	0.10	25.00	23.40	0.14	0.60
Doodhganga	-	-	-	-	-	-	-	-	-	-	7.55	0.00	20.00	4.84	24.20	12.00	13.26	110.50	32.00	25.65	80.14
Basapura	-	-	-	-	-	-	-	-	-	-	-	-	2.50	0.10	4.00	5.00	1.57	31.40	7.50	1.67	22.27
Itagi-Sasalwad	-	-	-	-	-	-	-	-	-	-	-	-	2.50	-	-	4.00	0.17	4.25	6.50	0.17	2.62
Bennithora	-	-	-	-	-	-	-	-	-	-	-	-	-	8.96	-	45.00	15.80	35.11	45.00	24.76	55.02
Lower Mullamari	-	-	-	-	-	-	-	-	-	-	-	-	-	4.53	-	22.00	8.22	37.36	22.00	12.75	57.95
Varahi	-	-	-	-	-	-	-	-	-	-	-	-	-	2.74	-	21.00	16.60	79.05	21.00	19.34	92.10
Amarja Proejct	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**407.77**	**173.16**	**42.47**	**800.00**	**247.61**	**30.95**	**500.00**	**367.64**	**73.53**	**600.00**	**305.04**	**50.84**	**516.00**	**356.51**	**69.09**	**531.00**	**453.66**	**85.44**	**3354.77**	**1,903.62**	**56.74**

BE – Budget Estimates; AE – Actual Expenditure; % - Actual as percentage of budget

*** excluding interest on borrowing, asset maintenance expenditure and other general headoffice and regional office overheads.**

ANNEXURE-14

(Referred to in Paragraph 2.2.9)

Statement of mobilisation of funds compared with actual expenditure in Karnataka Neeravari Nigam Limited

(Rupees in crore)

Year	Opening Balance	Planned			Actual Mobilisation			Actual funds available	Actual Expenditure			Closing balance
		Borrowings	Others	Total	Borrowings	Others#	Total		Works	Others*	Total	
1999-00	11.61	600	-	600.00	475.32	100.83	576.15	587.76	173.16	63.27	236.43	351.33
2000-01	351.33	580	175.00	755.00	185.65	67.9	253.55	604.88	247.61	81.02	328.63	276.25
2001-02	276.25	350	103.00	453.00	274.98	246.61	521.59	797.84	367.64	103.68	471.32	326.52
2002-03	326.52	350	337.67	687.67	221.10	314.03	535.13	861.65	305.04	134.62	439.66	421.99
2003-04	421.99	250	386.68	636.68	200.00	206.44	406.44	828.43	356.51	159.17	515.68	312.75
2004-05 (provisional)	312.75	250	420.00	670.00	308.00	491.36	799.36	1112.11	453.66	544.23	997.89	114.22
Total		**2380**	**1422.35**	**3802.35**	**1665.05**	**1427.17**	**3092.22**	**4792.67**	**1903.62**	**1085.99**	**2989.61**	

**Represents net expenditure on Interest, Asset maintenance, Overheads etc of Registered office and Central office*

#Represent s mobilisation through share capital, income from interest/mutual funds etc

ANNEXURE - 15
(Referred to in Paragraph 2.3.11)

Statement showing the room occupancy in hotels of The Karnataka State Tourism Development Corporation Limited.

Sl.No	Name of the hotel	Room occupancy (per cent)				
		2000-01	2001-02	2002-03	2003-04	2004-05
1	Adil Shahi, Bijapur	32	40	38	40	26
2	Mayura Vijayanagar,Tungabhadra Dam	42.4	26.2	30	36	26
3	Apoorva, Mulbagal	32	27	24	24	13
4	Sapthagiri, Tirumala	48	38	58	53	X
5	Samudra, Gokarna	52	46	28	17	A
6	Cauvery, Krishnaraja Sagar	37.94	52	49	49.23	49
7	Kamalapur, Hampi	25	42	43	40.07	38
8	Pavithra, Yediyur	50	37	37	43	44
9	Velapuri, Belur	43.44	41.83	32.62	28	37
10	Jog falls	56	60	66	42	32
11	Valley View, Madikere	36	35	41	53.5	33
12	Hoysala, Mysore	65	66	61	62.9	62
13	Chalukya, Badami	50	50	44	35	34
14	Sudarshan, Ooty	46	51	46.74	41	31
15	Pine top, Nandi Hills	48	37	50	61	5
16	Malaprabha, Belgaum	43.8	29	29.7	26.25	P
17	Shantala, Halebeedu	43	48	39	32	38
18	Riverview, Srirangapatna	57.6	73.65	47.27	60	59
19	Yatri Nivas, Mysore	42	51	48.41	52	49
20	Prakruthi, M.K. Halli	34	39	30	32	P
21	Bahamani, Gulbarga	Not available	P	P	P	P
22	Netravathi, Mangalore	28	18	P	P	P
23	Barid Shahi, Bidar	16.30	2.18	P	P	P
24	Bhagamandala	-	-	-	30#	24
25	Yatrinivas, Aihole	-	-	-	36#	16
Over all occupancy		**42.20**	**41.36**	**42.14**	**40.63**	**34.22**
# 2 Hotels Viz., Aihole and Bhagamandala were opened during 2003-04						

X – Under total renovation; A – Unit closed; P – Privatised;

ANNEXURE - 16

(Referred to in Paragraph 3.22)

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

Sl. No	Name of the Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Year from which outstanding
1	Agriculture and Horticulture Department	6	10	64	1999-2000
2	Animal Husbandry, Fisheries and Forest Department	4	13	89	1995-1996
3	Commerce and Industries Department	31	69	490	1994-1995
4	Co-operation Department	1	3	29	1998-1999
5	Energy and Labour Department	3	254	1,348	1993-1994
6	Finance Department	2	8	107	1998-1999
7	Food and Civil Supplies, Institutional Finance and Statistical Department	1	3	15	2000-2001
8	Home and Transport Department	5	59	217	1997-1998
9	Department of Housing	1	1	4	2002-2003
10	Urban Development Department	1	3	8	1998-1999
11	Information, Tourism and Youth Services Department	4	10	17	1996-1997
12	Irrigation Department	3	669	2,126	1990-1991
13	Public Works Department	2	3	26	1999-2000
14	Rural Development and Panchayat Raj Department	1	3	11	1999-2000
15	Social Welfare Department	4	14	97	1995-1996
16	Information Technology Department	1	3	27	1999-2000
	TOTAL	**70**	**1125**	**4,675**	