Report of the
Comptroller and Auditor General of India
on Public Sector Undertakings

for the year ended March 2014

Government of Karnataka

Report No.9 of the year 2014

Table of contents

Preface

This report deals with the results of audit of Government companies and Statutory corporations for the year ended March 2014.

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

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

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 CAG is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, the 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, the 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 the CAG. In respect of Karnataka Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

The instances mentioned in this report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. The matters relating to the period subsequent to 2013-14 have also been included wherever felt necessary.

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

Preface

This report deals with the results of audit of Government companies and Statutory corporations for the year ended March 2014.

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

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

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 CAG is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, the 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, the 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 the CAG. In respect of Karnataka Electricity Regulatory Commission, the CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

The instances mentioned in this report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. The matters relating to the period subsequent to 2013-14 have also been included wherever felt necessary.

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

Overview

1. Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2014, the State of Karnataka had 81 working Public Sector Undertakings - PSUs (75 Companies and 6 Statutory Corporations) and 14 non-working PSUs (all Companies), which employed 1.93 lakh employees. The State PSUs registered a turnover of ₹ 44,908.32 crore during the year 2013-14 as per their latest finalised accounts. This turnover was equal to 7.46 *per cent* of the State Gross Domestic Product indicating the important role played by the PSUs in the economy. The PSUs had accumulated profit of ₹ 1,894.94 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2014, the investment (capital and long term loans) in 95 PSUs was ₹ 75,051.46 crore. Infrastructure Sector accounted for about 48.50 *per cent* of the total investment and Power Sector about 39.26 *per cent* in 2013-14. The Government contributed ₹ 13,511.65 crore towards equity, loans and grants/subsidies in 2013-14.

Performance of PSUs

The working State PSUs earned a profit of ₹ 1,906.09 crore in the aggregate and incurred loss of ₹ 1,028.27 crore as per their latest finalised accounts as at the end of September 2014. The major PSUs which contributed to the profit were Bangalore Electricity Supply Company Limited (₹ 432.77 crore) and Mysore Minerals Limited (₹ 313.35 crore). Huge losses were incurred by Chamundeshwari Electricity Supply Corporation Limited (₹ 268.35 crore), Gulbarga Electricity Supply Company Limited (₹ 194.56 crore) and Karnataka Neeravari Nigam Limited (₹ 172.54 crore).

Audit noticed various deficiencies in the functioning of the PSUs. Cases discussed in the subsequent Chapters of this Report show that there were controllable losses to the extent of ₹ 957.39 crore and infructuous investment of ₹ 86.65 crore. The losses could have been minimized or profits enhanced substantially with better management. There is a need for greater professionalism and accountability in the functioning of the PSUs.

Quality of accounts

The quality of accounts of working companies needs improvement. During the year, out of 73 accounts finalised, the Statutory Auditors had given unqualified reports on 24 accounts, qualified reports on 41 accounts, adverse reports (which means that accounts did not reflect a true and fair position) for one accounts and disclaimer of opinion on one accounts. The compliance of companies with the Accounting Standards remained poor as there were 117 instances of non-compliance in 34 Companies during the year. Reports of Statutory Auditors on internal control of the Companies indicated several weak areas.

Arrears in accounts and winding up

Forty one working PSUs had arrears of 48 accounts as at the end of September 2014. The arrears pertained to the years 2011-12 to 2013-14. There were 14 non-working PSUs including seven under liquidation. The Government may take a decision on these non-working Companies.

2. Performance Audits relating to Government Companies

The Report includes observations emanating from the Performance Audits of **'Construction and performance of Bellary Thermal Power Station of Karnataka Power Corporation Limited'** and **'Irrigation Projects in Karnataka' executed by three Irrigation Companies.** Executive summaries of the audit findings are given below:

➢ Performance Audit on 'Construction and performance of Bellary Thermal Power Station of Karnataka Power Corporation Limited' (BTPS)

The Company

The Karnataka Power Corporation Limited was incorporated (July 1970) as a wholly owned State Government company under the Companies Act, 1956, with the main objective of planning, promoting and organizing development of power including construction, generation and maintenance of power stations in Karnataka State.

As part of mitigating the power deficit, the Company commissioned two units at BTPS having a combined capacity of 1,000MW; 500 MW each in March 2009 (Unit I) and February 2013 (Unit II).

Audit objectives

The performance audit was conducted to examine and analyze the deficiencies in planning and execution of Unit II and the reasons for failure to achieve targeted generation and operational efficiency in respect of Unit I; verify, examine and analyze the cost of operations with a view to study the reasons for the losses incurred; and assess whether BTPS has been able to achieve environmental and pollution control norms.

Audit findings

Mega Power Project

The Mega Power Project (1,000 MW and above) Policy of GoI envisaged benefits such as exemption of customs duty, tax holiday *etc*., to bring down power tariffs.

Though, the Board and the Technical Committee of the Company had favoured implementing Unit II simultaneously with Unit I with a combined capacity of 1,000 MW, considering the expected benefits of substantial savings in project cost by ₹ 1,257 crore, the Company dropped the idea of implementation of both the units simultaneously due to the reason that this would delay the commissioning of Unit I. This has resulted in additional burden on consumers by ₹ 1,257 crore.

Non-availment of concessions under the Infrastructure policy

Notification about implementation of Infrastructure Policy of the GoK was announced in May 2009, which envisaged that power generation projects were exempt from payment of entry tax.

As the Company was late in getting exemption certificate from the GoK, the entry tax of ₹ 27.31 crore including avoidable tax of ₹ 5.88 crore considered in the project cost of Unit I and Unit II stands recovered through tariff, which is an additional burden on the consumers.

Coal supply

In the absence of coal supply arrangement from KECML for Unit II, the Company was forced to procure coal from other sources at higher rates than the rates at which coal was supplied by KECML. This resulted in additional expenditure of ₹ 377.95 crore.

Slippage of project schedule

The works of Unit II were completed with delay of 27 months from the scheduled date of completion due to delay in completion of certain critical works. The Company suffered loss of potential revenue amounting to ₹ 1,391.33 crore during the delayed period of completion.

The State had procured energy from private sources at higher rates to mitigate the shortfall imposing an additional burden of ₹ 1,518.69 crore during delayed period of 2010-13.

The actual expenditure capitalised included interest amounting to ₹ 178.70 crore paid on loan for the delayed completion period, which would ultimately be passed on to the consumers.

Failure to invoke contractual provisions

Award of contract without proper survey resulted in extra financial implications and delay in completion of works. The Company failed to levy penalty of ₹ 5.42 crore on the contractors for the delay in completion of works of Stage I and Stage II of raw water pond.

Underutilisation of capacity

The capacity utilization of Unit I had continuously decreased over the years from 84.67 *per cent* in 2009-10 to 80.86 *per cent* in 2013-14 due to the fact that the components of the plant, such as boiler, cooling tower *etc*., were not functioning at the optimum levels. The loss due to underutilization of capacity amounted to ₹ 102.28 crore.

Increased Station Heat Rate

The Station Heat Rate was much above the normative SHR of 2,450 kcal/kWh prescribed by CERC/PPA; the actual SHR ranged between 2,808 kcal/kWh and 3,093 kcal/kWh. The loss on account of increased station heat rate was ₹ 239.14 crore during 2009-13.

Debt-equity mix

The Company raised bills on ESCOMs considering debt-equity mix of 80:20 contemplated in the DPR instead of actual fund mix resulting in net excess recovery of ₹ 45.31 crore, which was an additional burden on the consumers during 2009-14. This would continue to burden the consumers by ₹ 181.24 crore during the remaining period of the PPA.

Non-compliance with the norms of Ministry of Environment and Forest

BTPS achieved fly ash utilization of only 45 *per cent* by March 2014 against 100 *per cent* prescribed by MoEF, as arrangements for evacuation of fly ash were not properly managed.

Conclusions

- **The Company had foregone the envisaged benefits under mega power project policy of GoI, thereby foregoing the opportunity of reducing the project cost and bringing down the cost of power generation by ₹ 1,257 crore.**

- **The delay in approaching the Government to avail exemption from entry tax under infrastructure policy and inclusion of the same in the project cost resulted in an additional burden on the consumers by ₹ 27.31 crore.**

- **The Company incurred an additional expenditure of ₹ 114.17 crore towards coal purchases for Unit II in the absence of coal supply arrangement from the captive coal blocks during the period from October 2013 to March 2014 and would continue to incur ₹ 263.78 crore during 2014-15.**

- **Despite the precedence of delay in commissioning of Unit I due to incompletion of certain critical works within the timeframe, the Company entrusted the EPC works through MoU through BHEL without going for a competitive bidding process.**

- **The Company could attain maximum generation of only 70 *per cent* of the installed capacity as against the targeted generation of 80 *per cent* during 2009-14. The shortfall in generation during this period was 2,717 MU.**

- **The capacity utilization of Unit I had continuously decreased from 84.67 *per cent* in 2009-10 to 80.86 *per cent* in 2013-14, indicating suboptimal performance of the plant. The loss due to underutilisation of capacity was ₹ 102.28 crore.**

- **The increased Station Heat Rate over the stipulated norms resulted in underrecovery of cost by ₹ 239.14 crore during 2009-13.**

- **The Company did not achieve the norms fixed by MoEF in respect of fly ash utilization.**

Recommendations

The Company may

- **consider obtaining competitive bids for future thermal power station works.**

- **adhere to strict regime of annual overhaul and preventive maintenance to ensure smooth running of the units for their optimum utilisation.**

- **ensure that the specific coal consumption and Station Heat Rate are well within the norms so as to keep the cost of generation at desired levels.**

- **identify more prospective buyers of fly ash like National Highways Authority of India, Central and State Public Works Departments to ensure hundred per cent evacuation as prescribed by MoEF.**

(Chapter 2.1)

➢ Performance Audit on 'Irrigation Projects in Karnataka'

Introduction

In order to mobilize financial resources for speedy implementation of the major and medium irrigation projects within the targeted period, the Government of Karnataka established three Special Purpose Vehicles *viz.*, Krishna Bhagya Jala Nigam Limited (KBJNL), Karnataka Neeravari Nigam Limited (KNNL) and Cauvery Neeravari Nigama Limited (CNNL) under the Companies Act, 1956.

Objectives of the Performance Audit

The performance audit was carried out to examine and analyse the reasons for non-achievement of the targeted creation of irrigation potential and socio-economic benefits as envisaged in the projects and to verify, examine and analyse whether the projects were executed as planned with a view to study reasons for cost and time overruns including extra financial implications (EFI).

Audit Findings

Non-achievement of objectives

Out of 78 works selected across 17 projects, 21 works were completed without any delay, 14 works were completed with a delay up to 57 months, 4 works were ongoing without any delay and 39 works were ongoing with a delay up to 62 months.

The objective of taking up these project *viz.*, improvement of efficiency, arresting seepages, providing water to the tail-end reaches, filling MI tanks and supply of drinking water have been only partially achieved as the works are not fully completed. Further, the contemplated irrigation potential (52,937 ha) was yet to be achieved.

Deficiencies in survey and design

There were delays in completion of works due to deficiencies in survey and design *viz.*, failure to propose an alternate alignment before taking up the work (KBJNL-NRBC distributory 9A); improper survey and design resulted in EFI (CNNL-CC lining for Km.0 to 20 of Kabini RBC); change in the alignment to achieve savings in the cost was defeated as there was increase in cost (KBJNL - ALBC Km. 68 to 77); award of work for preparation of DPR to the consultant after commencement of the original work (KBJNL-modernisation of NLBC) *etc*.

Deficiencies in estimation

The estimates were inflated due to non deduction of initial lead of one kilometre while calculating additional lead charges (CNNL-Kattepura Anecut Canals); errors in adoption of item rates (CNNL-Package-I & V of modernization of VC Canal system and modernisation of Devaraya Anecut Canals); inclusion of overheads and taxes on the wrong base and provision of higher sales tax (CNNL-Alambur DWS); absence of standard/basis for utilizing the excavated soil; adoption of the item of work for embankment under the head 'preliminary and maintenance works' of Schedule of Rates instead of 'canal and allied works' (KRBC Km.0 to 60); and allowing weightage even on items falling under the

heads 'CD works', 'Maintenance works' *etc.*, (TLBC Main canal and distributaries).

Deficiencies in tendering

There were instances of inviting short-term tender without approval of the competent authority, non finalization of tenders within the validity period (KNNL - Varahi Common canal CC lining Km.12 to 13 and Km.13 to 14), faulty tender evaluation process (KBJNL-NRBC distributary 9A), extra expenditure due to defective tender clause (CNNL-Gulur Hebbur DWS) and variation from the standard tender document prescribed by the Government.

Deficiencies in acquisition of land

Due to deficiencies in acquisition of land, there were delays in completion of work (KNNL-construction of minors under Kamatagi Distributary), award of work without acquiring land (KNNL-Varahi common Canal) and delay due to non availability of land for dumping excavated soil (KNNL-GRBC).

Deficiencies in execution

There were deficiencies in execution, non-achievement of desired irrigation potential (KNNL-Varahi Project), non-synchronization of the work of branch canal along with the work of distributary (KBJNL-NRBC 9A), execution of excess thickness of lining as compared with the prescribed standard in all the three companies, delay in providing work-slips for enhanced quantities and handing over the site (CNNL-CC lining from Km.83 to 84 of Tumkur Branch Canal), deeper excavation which was not need based (CNNL-PSC Bridge across Hemavathy River) and defective geo-technical survey by the consultant (KNNL-Interconnecting canal work of Kalasabandura Nala).

There were instances of extra/ineligible payments *viz*, payment of EFI at enhanced rates for erection of box type steel cribs support (KBJNL-aqueduct of distributory 9A of NRBC), extra expenditure due to payment made for the thickness and length of MS Pipes as envisaged in the contract than actually executed by the contractor (CNNL-Alambur DWS), payment of ineligible lead charges for dumping excavated soil and thereafter for re-use from dumping yard to the compaction area (KNNL-Construction of inter-connecting canal from Kalasa reservoir to Malapraba river from ch (-) 145 to 5005 metre (m)- Phase II), approval for ineligible price adjustment for steel and cement (KNNL-Malaprabha RBC with CD from Km.131 to 142) and application of wrong index for price adjustment (KBJNL-aqueduct of distributory 9A and box culvert of NRBC).

There were instances of non-recovery towards various charges during execution *viz*, non-recovery of the cost of stones and charges for non-stacking (CNNL-Package-II to V of VC Canal system, CC lining of Km.0 to 20 of Kabini RBC), non-recovery towards ledge cutting (CNNL-CC lining of Km.0 to 20, Km.20 to 40 of Kabini RBC), non recovery for shrinkage quantity and payment for slipped muck (KBJNL-Remodelling of NLBC); Non-recovery of penalty for delay in execution of the work (KBJNL-Package I, III and IV of NRBC distributary 9A and CNNL - KRBC Km.0 to 20, Km.20 to 40, Km.40 to 60 and KLBC Km.0 to 25.25).

Conclusions

In many works, proper survey and investigation had not been carried out. Estimates were inflated as there were errors in adoption of item rates and taxes. Process of acquisition of land was taken up after the works were awarded. There were instances where the works underwent major changes after the works were awarded. Different components/chainages were not synchronized. There was non-compliance to Statutes, contractual terms and conditions resulting in undue benefit to contractors and extra financial implications.

As a result, there was increase in the cost of the works and delays in the completion of projects leading to deprival of the expected benefits thus affecting the livelihood of the farmers in particular and public in general.

Recommendations

The Government may

- **institute a mechanism of the tender issuing authority certifying that acquisition of required land, payment of compensation and obtaining of forest/environmental clearances have been completed before issuing the tender.**

- **consider forming a cell to co-ordinate and expedite clearances from the statutory bodies.**

- **fix responsibility on the consultants for abnormal variations in survey so that extra financial implications are avoided.**
- **fix reasonable time limits for various stages in the tendering process in order to obtain competitive rates.**
- **direct the TSC to approve the tenders after ensuring that all related works in different chainages are synchronized to create the envisaged irrigation potential.**

(Chapter 2.2)

3. Compliance audit observations

The observations included in this Report highlight deficiencies in planning, investment and other activities in the management of PSUs, which resulted in financial consequences. The observations are broadly of the following nature:

Unproductive investment amounting to ₹ 75.88 crore.

(Paragraphs 3.2, 3.4, 3.6, 3.9, 3.11, 3.17)

Violation of contractual obligations/undue favours to contractors resulted in loss of ₹ 7.23 crore.

(Paragraph 3.8)

Non-recovery of dues amounting to ₹ 6.70 crore.

(Paragraph 3.12)

Extra /avoidable expenses amounting to ₹ 37.98 crore.

(Paragraphs 3.3, 3.10.7, 3.10.8, 3.13, 3.14, 3.15, 3.16)

Miscellaneous and other cases amounting to ₹ 44.22 crore.

(Paragraphs 3.1, 3.7)

Gist of some of the important audit observations are given below:

- Due to deficiencies in operation and financial management of the Golden Chariot, and inclusion of unfavourable terms in the Service Agreement in relation to the private Management Partner, the **Karnataka State Tourism Development Corporation Limited** was not able to meet even its operational cost after six years of operation.

(Paragraph 3.1)

- Infrastructure facilities created at Kemmangundi hill station by **Karnataka State Tourism Development Corporation Limited** at a cost of ₹ 19.41 crore could not be utilised for over a year due to non–payment of contractor's pending bills. Moreover, indecision regarding which agency should operate these facilities resulted in loss of revenue of ₹ 4.11 crore, besides depriving tourists of these facilities.

(Paragraph 3.2)

- Inspite of being aware of the fact that line works would encounter right of way problems, the **Karnataka Power Transmission Corporation Limited** awarded the work of construction of only the substation and delayed awarding the line works. As a result, the substation constructed at a cost of ₹ 32.04 crore is lying idle since January 2012 for want of transmission lines.

  (Paragraph 3.6)

- There were many deficiencies in the purchase of power by **Electricity Supply Companies** in the State.

  (Paragraph 3.10)

- **The Mysore Paper Mills Limited** took up a project to install a Rotary Kiln plant to comply with the directions of Karnataka State Pollution Control Board and the Charter on Environmental protection issued by the GoI. The project, which was scheduled to be completed by July 2011, has been lingering for the last three years without any concrete action plan rendering the investment of ₹ 33.36 crore idle.

  (Paragraph 3.11)

- The **Karnataka Renewable Energy Development Limited** failed to take timely action to register itself under the Service Tax Act, collect the tax from developers of renewable energy and remit it to Service Tax Department. This resulted in the Company bearing the avoidable liability of ₹ 6.70 crore.

  (Paragraph 3.12)

- The **Karnataka Forest Development Corporation Limited** awarded the work of aerial spraying of its rubber plantations to a firm, which did not meet the technical criterion specified in the tender, resulting in loss of revenue of ₹ 6.30 crore.

  (Paragraph 3.13)

- The **Karnataka State Coir Development Corporation Limited** set up a production unit to manufacture moulded trays at a cost of ₹ 33.50 lakh. Inspite of the fact that the Company was not able to sell similar products in the past, the Project was approved and implemented without conducting market survey. Poor sales of the product, even after a lapse of four years, has rendered the investment unfruitful.

  (Paragraph 3.16)

Chapter - I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) have an important place in the economy in Karnataka. Government of Karnataka (GoK) undertakes commercial activities through these PSUs, which are owned, managed and controlled by the State Government. They are basically categorized into Statutory Corporations and Government companies. Statutory Corporations are public enterprises that have come into existence by Special Acts of the Legislature. The Acts define the powers and functions, rules and regulations governing the employees and the relationship of the Corporation with the Government. Government companies refer to companies in which not less than 51 *per cent* of the paid up capital is held by Government(s). It also includes a subsidiary of a Company. Further, a Company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government is treated as if it is a Government company (deemed Government company).

1.2 The PSUs (Government companies and Statutory Corporations) operate mainly in three major sectors of the economy *viz*., Infrastructure, Power and Finance. The State PSUs were able to provide employment to about 1.93 lakh persons till 31 March 2014. Sector-wise summary of the investment in the PSUs is given below:

Table 1.1 : Sector-wise summary of the investment in the PSUs

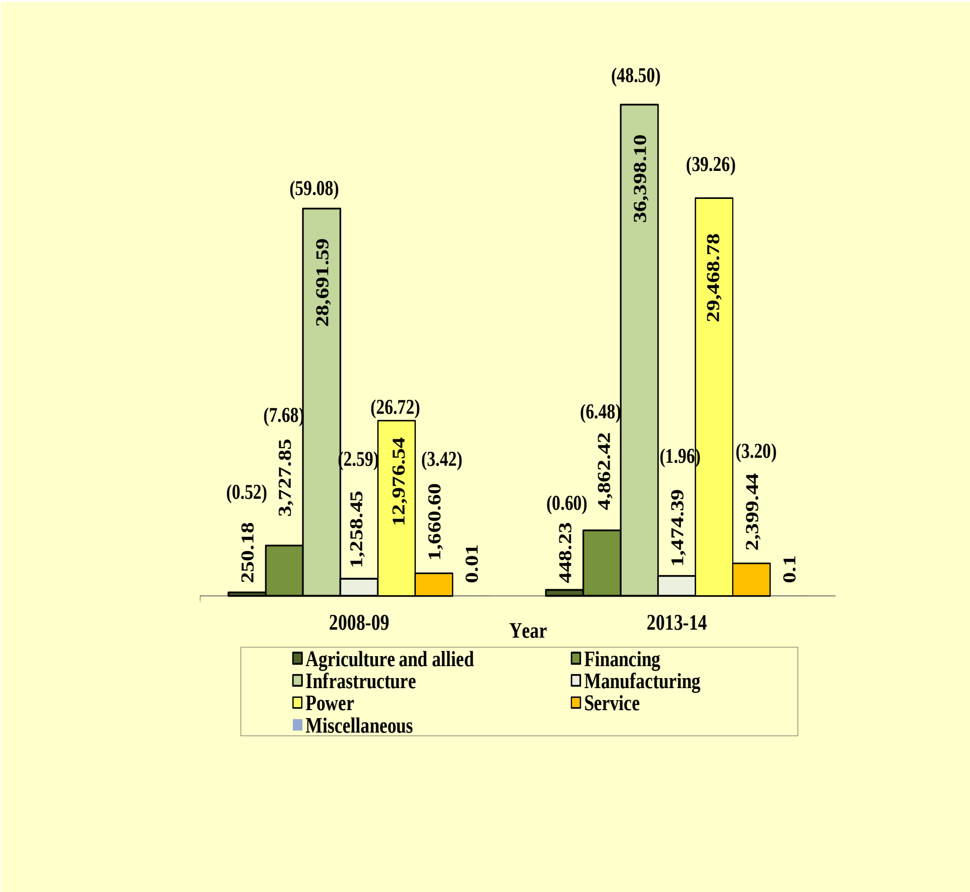
Name of sector	Government companies[1]		Statutory corporations	Total	Investment[2] (₹ in crore)
	Working	Non-working[3]			
Agriculture and allied	12	5	1	18	448.23
Financing	14	-	1	15	4,862.42
Infrastructure	12	-	-	12	36,398.10
Manufacturing	21	9	-	30	1,474.39
Power	11	-	-	11	29,468.78
Service	3	-	4	7	2,399.44
Miscellaneous	2	-	-	2	0.10
Total	**75**	**14**	**6**	**95**	**75,051.46**

[1] Includes 619-B companies.
[2] Investment includes capital and long-term loans.
[3] Non-working PSUs are those which have ceased to carry on their operations.

As on 31 March 2014, there were 95 PSUs, of which 81 were working and 14 were non-working. Of these, two Companies[4] were listed in the stock exchange(s). During the year 2013-14, two new PSUs (Karnataka Vishwakarma Community Development Corporation Limited and Bangalore Suburban Rail Company Limited) were established. One company (Karnataka EMTA Colleries Limited) filed (March 2014) an application before the Ministry of Corporate Affairs for striking off the name of the company from the register with the Registrar of Companies.

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in the bar chart. Out of total investments, the investment in power sector has seen its percentage share rising from 26.72 in 2008-09 to 39.26 in 2013-14.

Chart 1.1: Investment in various sectors



(Figures in brackets show the percentage to total investment - ₹ in crore)

Accountability framework

1.4 The accounts of the Government companies/Statutory Corporations for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September.

[4] The Mysore Paper Mills Limited and Mysore Paints and Varnish Limited.

Statutory Audit

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 The audit of Statutory Corporations follows different pattern as provided by their respective legislations.

- Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation are Statutory Corporations in which the CAG is the sole auditor.

- As per the State Financial Corporations (Amendment) Act, 2000, the 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 panel of Auditors approved by the Reserve Bank of India.

- In respect of Karnataka State Warehousing Corporation, the 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 the CAG.

Role of Legislature and Government

1.7 The State Government exercises control over the affairs of these PSUs through its administrative departments concerned. The Chief Executive and Directors to the Boards are appointed by the Government. The accounts of these PSUs are also subjected to scrutiny by the State Government.

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

Stake of Government of Karnataka

1.9 The financial stake of GoK in the PSUs is mainly of three types:

- Share capital and loans – In addition to the share capital contribution, GoK also provides financial assistance by way of loans to the PSUs from time to time.
- Special financial support – GoK provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees – GoK also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

1.10 As on 31 March 2014, the investment (capital and long-term loans) in 95 PSUs (including 619-B companies) was ₹ 75,051.46 crore as per details given below:

Table 1.2: Investment (capital and long-term loans) in PSUs

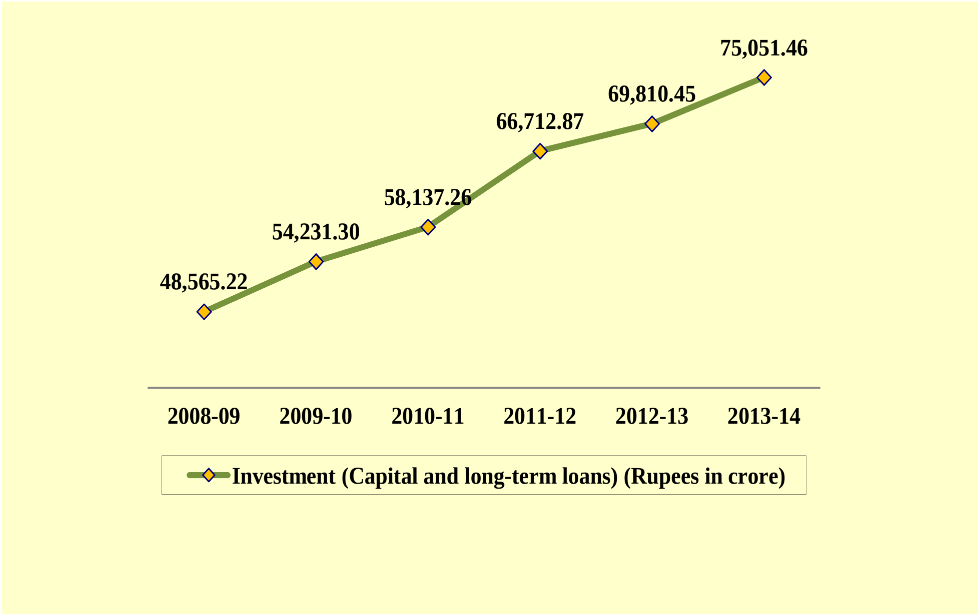
(₹ in crore)

Type	Government Companies			Statutory Corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	44,589.05	24,290.96	68,880.01	1,867.06	3,703.83	5,570.89	**74,450.90**
Non-working PSUs	161.35	439.21	600.56	-	-	-	**600.56**
Total	**44,750.40**	**24,730.17**	**69,480.57**	**1,867.06**	**3,703.83**	**5,570.89**	**75,051.46**

A summarised position of Government investment in PSUs is detailed in **Annexure 1**.

1.11 As on 31 March 2014, of the total investment in PSUs, 99.20 *per cent* was in working PSUs and the remaining 0.80 *per cent* in non-working PSUs. The total investment consisted of 62.11 *per cent* towards capital and 37.89 *per cent* in long-term loans. The investment has grown by 54.53 *per cent* from ₹ 48,565.22 crore in 2008-09 to ₹ 75,051.46 crore in 2013-14 as shown in the graph below:

Chart 1.2: Investment in PSUs during last six years



1.12 The capital investment as well as long-term loans increased by ₹ 22,139.79 crore and ₹ 4,346.45 crore respectively during 2008-2014. There was overall net increase in investment by ₹ 26,486.24 crore during the period.

1.13 As per the latest finalised accounts of the State PSUs, the capital investment was ₹ 42,268.70 crore and the accumulated profits there against were ₹ 1,894.94 crore.

Budgetary support to PSUs

1.14 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Annexure 2**. The summarised details are given below for three years ended 2013-14.

Table 1.3: Details regarding budgetary support to PSUs

(₹ in crore)

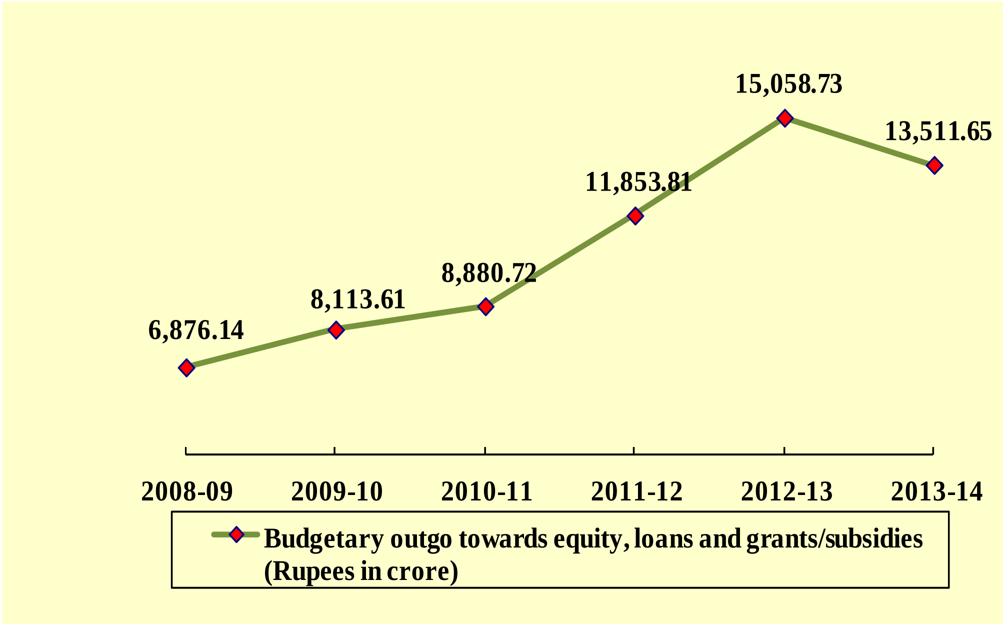
Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	19	4,442.57	23	4,660.59	21	4,078.15
2	Loans given from budget	2	46.60	3	11.08	3	67.55
3	Grants/Subsidy received	34	7,364.64	36	10,387.06	32	9,365.95
4	**Total outgo (Sl.No.1+Sl.No.2+Sl.No.3)**[5]	**42**	**11,853.81**	**51**	**15,058.73**	**42**	**13,511.65**
5	Guarantee commission converted into equity	7	148.27	1	101.50	-	-
6	Loans written off	-	-	-	-	-	-

[5] Indicates actual number of PSUs.

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
7	Guarantee commission written off	-	-	1	2.19	-	-
8	Guarantees issued	7	920.72	7	557.19	12	1,775.65
9	Guarantee commitment	19	3,353.86	20	3,500.88	21	4,542.73

1.15 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past six years are given in the graph below:

Chart 1.3: Budgetary outgo towards equity, loans, grants and subsidies



The budgetary support in respect of equity, loans and grants/subsidies increased from ₹ 6,876.14 crore in 2008-09 to ₹ 15,058.73 in 2012-13 and decreased to ₹ 13,511.65 crore in 2013-14.

Guarantees for loan and guarantee commission outstanding

1.16 As per Section 5(1) of the Karnataka Ceiling on Government Guarantees Act, 1999 (as amended by Act 15 of 2002), with effect from April 2001, the Government would charge a minimum of one *per cent* as guarantee commission which shall not be waived under any circumstances. During the year 2013-14, the PSUs paid guarantee commission of ₹ 27.20 crore. The guarantee commission remaining outstanding to be paid to the Government by all PSUs was ₹ 79.78 crore. The PSUs which had major arrears were, Rajiv Gandhi Rural Housing Corporation Limited (₹ 40.76 crore) and Karnataka Neeravari Nigam Limited (₹ 20.29 crore).

Absence of accurate figures of the investments in PSUs

1.17 The figures in respect of equity, loans and guarantees outstanding as per the records of PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2014 is stated below:

Table 1.4: Equity, loans and guarantees outstanding as per records of Finance Accounts and PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
1	2	3	4 = 2-3
Equity	49,070.50	44,503.50	4,567.00
Loans	1,647.85	1,463.94	183.91
Guarantees	5,023.75	4,542.73[6]	481.02

1.18 We observed that the differences occurred in respect of 81 PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.19 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of the Statutory Corporations, the accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2014.

Table 1.5: Position relating to finalization of accounts of working PSUs

Sl.No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	Number of working PSUs & Statutory Corporations	75	75	76	79	81
2	Number of accounts finalised during the year	73	69	59	81	73
3	Number of accounts in arrears	20	25	42	40	48
4	Average arrears *per* PSU (3/1)	0.27	0.33	0.55	0.51	0.56
5	Number of working PSUs with arrears in accounts	20	24	37	36	41
6	Extent of arrears	1 year	1 to 2 years	1 to 2 years	1 to 2 years	1 to 3 years

1.20 The number of working PSUs with arrears in accounts increased from 20 as at the end of September 2010 to 41 as at the end of September 2014 indicating poor performance in finalization[7] of accounts.

[6] Does not include the guarantees given to Karnataka Minorities Development Corporation Limited and The Mysore Sugar Company Limited.

[7] Between October and November 2014, 15 PSUs finalized their 15 accounts. Thirty three accounts of 28 working PSUs were still pending finalization as of November 2014.

1.21 In respect of arrears in finalization of accounts by non-working PSUs, out of 14 non-working PSUs, liquidation process was underway in seven PSUs[8]. These accounts are in arrears for periods ranging from seven to eleven years. These Companies are also required to finalise their accounts for the broken period under Section 446A of the Companies Act, 1956. Out of the remaining seven PSUs, six had finalised their accounts for 2013-14 by September 2014[9] and in case of one PSU, finalization of accounts was due for 2013-14.

1.22 The State Government had invested ₹ 10,601.48 crore (equity: ₹ 3,350.50 crore, grants: ₹ 2,445.87 crore and subsidy: ₹ 4,805.11 crore) in 41 PSUs during the years for which accounts had not been finalised as at the end of 30 September 2014 as detailed in **Annexure 3**.

Impact of non-finalisation of accounts

1.23 Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

1.24 In the absence of accounts and their audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

1.25 Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2013-14 could not be ascertained. However, as per the latest finalized accounts the contribution of PSUs to State GDP was 7.46 *per cent*.

1.26 The Administrative departments have the responsibility to oversee the activities of these entities. Government must ensure finalisation and adoption of the accounts by these PSUs within the prescribed period.

Performance of PSUs

Problems in assessing performance

1.27 The actual performance of the PSUs, in view of the backlog in finalisation of accounts, could not be ascertained.

1.28 The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in **Annexure 4, 5 and 6** respectively**.** The ratios of PSU turnover to State GDP show the significant extent of PSU activities in the State economy. The table below provides the

[8] The Mysore Acetate and Chemicals Company Limited, NGEF Limited, Karnataka Telecom Limited, The Mysore Cosmetics Limited, The Karnatak State Veeners Limited, Chamundi Machine Tools Limited and Karnataka State Textiles Limited.

[9] One PSU *viz*., VSL finalised its accounts for 2013-14 in October 2014.

details of working PSUs' turnover *vis-a-vis* State GDP for the period 2009-10 to 2013-14.

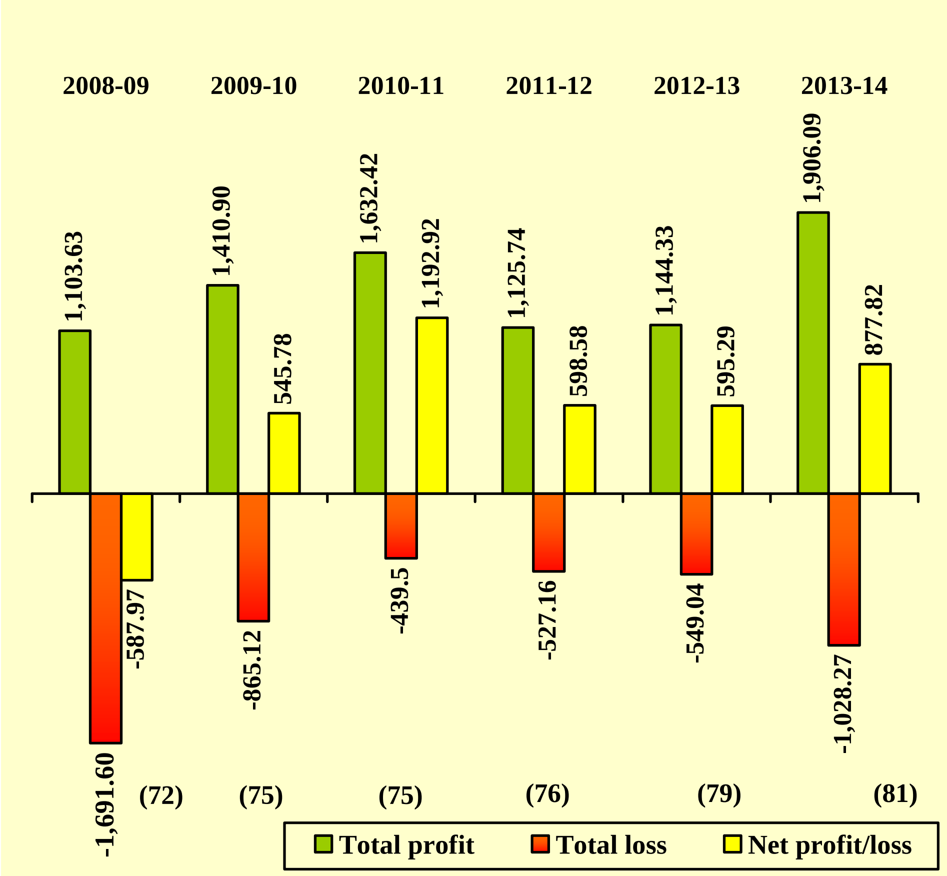
Table 1.6: Details of working PSUs' turnover *vis-a-vis* State GDP

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover[10]	36,369.48	41,493.51	34,490.58	37,867.13	44,908.32
State GDP[11]	3,35,747.00	3,80,871.00	4,34,270.00	5,22,650.00	6,01,633.00
Percentage of turnover to State GDP	10.83	10.89	7.94	7.25	7.46

1.29 Profit earned or loss incurred by working PSUs during 2008-09 to 2013-14 is given below in the bar chart.

Chart 1.4: The profits earned, losses incurred and the net profit/loss of the working PSUs for the period 2008-09 to 2013-14.



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

1.30 As per their latest finalised accounts, out of 81 working PSUs, 47 PSUs earned profit of ₹ 1,906.09 crore and 24 PSUs incurred loss of ₹ 1,028.27 crore. Karnataka Vishwakarma Community Development

---

[10] Turnover as per the latest finalised accounts.

[11] SGDP figures are as per Medium Term Fiscal Plan and figures of the State Government for 2011-12 are Quick Estimates, 2012-13 are Advance Estimates and 2013-14 are projected estimates.

Corporation Limited and Bangalore Suburban Rail Company Limited incorporated in February 2014 and March 2014 respectively have not finalized their first accounts. Five companies[12] did not prepare profit and loss account and had only pre-operative expenditure. One Company (Rajiv Gandhi Rural Housing Corporation Limited) prepared income and expenditure account and capitalized the excess of expenditure over income. Another Company (Karnataka Vocational Training and Skill Development Corporation Limited) prepared statement of income and expenditure. One Company (Karnataka Urban Infrastructure Development and Finance Corporation Limited) recorded zero profit by claiming management fee equal to the net administrative expenses incurred.

The major contributors to profit were Bangalore Electricity Supply Company Limited (₹ 432.77 crore) and Mysore Minerals Limited (₹ 313.35 crore). Huge losses were incurred by Chamundeshwari Electricity Supply Corporation Limited (₹ 268.35 crore), Gulbarga Electricity Supply Company Limited (₹ 194.56 crore) and Karnataka Neeravari Nigam Limited (₹ 172.54 crore).

Reasons for the losses

1.31 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, their operations and monitoring. Cases discussed in the subsequent Chapters of this Report show that there were controllable losses to the extent of ₹ 957.39 crore and infructuous investment of ₹ 86.65 crore. The losses could have been minimized or profits enhanced substantially with better management. Year-wise details from Audit Reports, for the last three years are given below:

Table 1.7: Controllable losses and infructuous investment commented in Audit Reports

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net Profit / Loss(-)	407.87	413.72	693.52	1,515.11
Controllable losses as per the CAG's Audit Report	1,890.63	1,075.66	957.39	3,923.68
Infructuous investment	112.95	524.48	86.65	724.08

1.32 The above losses pointed out in Audit Reports of the CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

[12] Cauvery Neeravari Nigama Limited, Raichur Power Corporation Limited, Karnataka State Mango Development and Marketing Corporation Limited, Tadadi Port Limited and Karnataka State Coal Mining Company Limited.

Capital employed, Debt, turnover and dividend

1.33 Some other key parameters pertaining to the PSUs are given below:

Table 1.8: Key parameters pertaining to PSUs

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on capital employed (*per cent*)	1.88	3.47	4.40	4.22	4.77	5.46
Debt	24,087.55	24,704.05	25,364.38	29,197.31	27,434.29	28,434.00
Turnover[13]	32,627.68	36,369.48	41,493.51	34,490.58	37,867.13	44,908.32
Debt-Turnover ratio	0.74:1	0.68:1	0.61:1	0.85:1	0.72:1	0.63:1
Interest payments	1,556.95	1,901.19	2,269.00	2,555.79	2,557.69	3,038.67
Accumulated profits / losses (-)	(-) 39.93	(-) 197.93	1,007.36	1,368.93	1,388.01	1,894.94

(Above figures pertain to all PSUs except for turnover, which is for working PSUs).

1.34 There was increase in turnover as compared to the previous year, contributed mainly by improvement in turnover of the Power Sector Companies, Transport Corporations, Karnataka Food and Civil Supplies Corporation Limited, Mysore Sales International Limited, Mysore Minerals Limited and Karnataka Rural Infrastructure Development Limited.

1.35 The State Government had issued (May 2003) guidelines according to which Government nominees on the Boards of Public Enterprises or Joint Ventures, where the State Government had equity holding, should insist on the declaration of minimum dividend of 20 *per cent* on share holding. As per their latest finalised accounts, 50 PSUs[14] earned an aggregate profit of ₹ 1,906.57 crore. But, only 19 PSUs declared dividend, which amounted to ₹ 65.84 crore.

Non-working PSUs

1.36 There were 14 non-working PSUs (all Companies) as on 31 March 2014. Of these, seven PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year for the past five years are given below:

[13] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2014.
[14] Including non-working Government companies.

Table 1.9: Number of non-working companies

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
No. of non-working companies	15	14	14	14	14

During 2013-14, seven non-working PSUs[15] incurred an expenditure of ₹ 1.35 crore towards establishment costs. This expenditure was met through rent, interest and other sources by these PSUs.

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

Table 1.10: Stages of closure of non-working PSUs

Sl. No.	Particulars	No of Companies
1	Total number of non-working PSUs	14
2	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	7
(b)	Voluntary winding up (liquidator appointed)	-
(c)	Closure *i.e.,* closing orders/ instructions issued but liquidation process not yet started.	7

1.38 The companies which have taken the route of winding up by Court order are under liquidation process for the last five to ten years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted / pursued vigorously. The Government may take a decision regarding winding up of the seven non-working PSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Comments on Accounts and Internal Audit

1.39 Sixty one working companies forwarded their 67 audited accounts to the Principal Accountant General (PAG) between 1 October 2013 and 30 September 2014. Of these, 43 accounts of 40 companies were selected for supplementary audit. Remaining 24 accounts were issued Non-review certificates. The audit reports of Statutory Auditors appointed by the CAG and the supplementary audits of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below:

[15] Karnataka Agro Industries Corporation Limited (₹ 0.15 crore), The Mysore Tobacco Company Limited (₹ 0.29 crore), Karnataka Pulpwood Limited (₹ 0.01 crore), The Mysore Match Company Limited (₹ 0.01 crore), The Mysore Lamps Works Limited (₹ 0.87 crore), Vijayanagar Steel Limited (₹ 0.04 crore), The Mysore Chrome Tanning Company Limited (₹ 0.03 crore).

Table 1.11: Details of aggregate money value of comments

(₹ in crore)

Sl. No.	Impact of comments	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	15	1,045.66	5	78.31	15	524.19
2	Increase in profit	2	2.86	5	3.33	6	11.72
3	Decrease in loss	1	1.56	10	1.97	3	37.19
4	Increase in loss	4	45.57	9	228.28	10	499.83

1.40 During the year 2013-14, the Statutory Auditors had given unqualified reports on 24 accounts, qualified reports on 41 accounts, adverse reports (which means that accounts did not reflect a true and fair position) on one accounts and Disclaimer of Opinion on one accounts. The compliance of companies with the Accounting Standards remained poor as there were 117 instances of non-compliance in 34 companies during the year.

1.41 Some of the important comments of the Statutory Auditors on the accounts of companies are stated below:

Karnataka State Construction Corporation Limited (2011-12)

- The accounts do not give the information required by the Companies Act 1956, in the manner so required and is not in conformity with the accounting principles generally accepted in India and do not give a true and fair view.

Karnataka Sheep and Wool Development Corporation Limited (2012-13)

- Considering the adverse comments on non-possession of title of land, non-reconciliation of advances/deposits/creditors/bank accounts, non-filing of Income tax returns upto 2006-07, we are unable to express an opinion on whether the accounts read with the schedules and notes thereon give the information required by the Companies Act, 1956, in the manner so required and whether they give a true and fair view in case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013 and in case of the statement of profit and loss of the Company, of the profit for the year ended on that date.

Hubli Electricity Supply Company Limited (2012-13)

- The Company generated assets are accounted through Capital Work-in-progress, which is valued at standard rate, which is not in accordance with Accounting Standard 10.

Gulbarga Electricity Supply Company Limited (2012-13)

- The cash balance stated in the books of the Company other than imprest cash, cash deposits from consumers, includes Cheques/DDs collected, Cash Suspense-advance/ salary and other allowance paid to employees but not regularised for the past several years and frauds pending enquiry which is not in compliance with Accounting Standard 3.

Chamundeshwari Electricity Supply Corporation Limited (2012-13)

- The difference in Consumer Security Deposit account of ₹ 32.91 crore had resulted in overstatement of interest to the extent of ₹ 1.97 crore and overstatement of liabilities and loss of the company to the extent of ₹ 32.91 crore.

Karnataka State Industrial and Infrastructure Development Corporation Limited (2013-14)

- Company has not recognized revenue during the year in respect of recovery of principal and interest against loan account in view of the borrowers contention that a writ petition was filed with the Hon'ble High court of Karnataka regarding eligibility for One Time Settlement scheme. As a result the profit of the Company was understated to the extent of ₹ 3.97 crore and liability was overstated to that extent.

Karnataka State Forest Industries Corporation Limited (2013-14)

- Provision and expenses for gratuity and leave encashment do not correspond to the actuarial valuation report, resulting in understatement of expenditure and loss by ₹ 3.48 crore and ₹ 1.08 crore respectively.

Karnataka Rural Infrastructure Development Limited (2012-13)

- The Company has not provided ex-gratia of ₹ 1.50 crore approved by the Board for the financial year 2009-10. This has resulted in overstatement of profit and understatement of provisions to this extent.

1.42 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 of India to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 13 Companies is given in **Annexure 7**.

Finalisation of accounts by Statutory Corporations

1.43 Separate Audit Reports (SARs) are audit reports of CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts.

Audit of the accounts of six Statutory Corporations for the year 2012-13 was completed during the year 2013-14. The SARs in respect of all Statutory Corporations for the period 2012-13 had been forwarded for placing before the State Legislature.

Four out of six Statutory Corporations forwarded (as at the end of September 2014) their accounts for the year 2013-14 to the Principal Accountant General. The audit of the accounts of all these Statutory Corporations was in progress (September 2014). Two Statutory Corporations (Karnataka State Warehousing Corporation and North Western Karnataka Road Transport Corporation) had not forwarded their accounts for 2013-14 till September 2014.

1.44 The SARs on the accounts finalised indicated that the quality of maintenance of accounts needed improvement. The details of aggregate money value of comments of the CAG are given below:

Table 1.12: Details of aggregate money value of comments on the accounts of Statutory Corporations

(₹ in crore)

Sl. No.	Impact of comments	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	-	-	4	35.39	2	12.03
2	Increase in profit	-	-	-	-	1	2.47
3	Decrease in loss	-	-	-	-	-	-
4	Increase in loss	1	10.90	2	21.37	3	27.15

1.45 Some of the important comments on the accounts of the Statutory Corporations are stated below:

Bangalore Metropolitan Transport Corporation (2012-13)

- No provision had been made for penal interest of ₹ 0.52 crore payable to the Government of Karnataka in respect of ways and means loan of ₹ 0.72 crore (transferred to BMTC consequent upon restructuring and division of KSRTC during the year 1997), which was repayable in five equal installments commencing from March 1997. Government of Karnataka had rejected (March 2011) the request of the KSRTC for waiver of penal interest in respect of KSRTC and BMTC. Non-provision has resulted in understatement of

Current liability and provisions and understatement of loss for the year to the extent of ₹ 0.52 crore.

- Capital work in progress-Civil Works included an amount of ₹ 4.10 crore being the civil works completed during the year 2012-13. This has resulted in over statement of CWIP- Civil Work and understatement of fixed asset to the extent of ₹ 4.10 crore, understatement of depreciation by ₹ 0.07 crore, understatement of prior period expenditure of ₹ 0.02 crore and understatement of loss for the year to the extent of ₹ 0.09 crore.

Karnataka State Road Transport Corporation (2012-13)

- Non provision of ₹ one crore being liability towards MVC cases (excluding interest) of Central office and ₹ 0.14 crore (including interest) relating to Mysore rural division where judgments have been received before 31 March 2013 and accepted by the Corporation resulted in understatement of liability; expenditure and consequential overstatement of profit to the extent of ₹ 1.14 crore.
- Non provision of ₹ 1.15 crore being the liability towards seven chassis received from Tata Motors and delivered to bus body builders (Veera Vahana Udyog Ltd) for bus body building in March 2013, resulted in understatement of liability and corresponding understatement of Capital work in progress by ₹ 1.15 crore.

Recoveries at the instance of Audit

1.46 During the course of compliance audit of PSUs in 2013-14, recoveries of ₹ 5.15 crore were pointed out to the Managements, of which no recovery has been effected during the year. Recoveries of ₹ 6.89 crore pointed out in the earlier years were, however, effected during the year 2013-14.

Disinvestment, privatisation and restructuring of PSUs

1.47 The State Government had approved and adopted (February 2001) a comprehensive policy on public sector reforms and privatisation of public sector undertakings in the State. Accordingly, the Government identified 31 PSUs for closure, privatisation and restructuring. Five companies[16] were dissolved /amalgamated as at the end of September 2014. The position about action taken by the Government in respect of the remaining 26 companies identified for closure/ privatisation/restructuring is as under:

[16] Karnataka Tungsten Moly Limited, Karnataka Agro Proteins Limited, Vishveswaraya Vidyuth Nigam Limited, Karnataka Film Industries Development Corporation Limited and Karnataka Small Industries Marketing Corporation Limited.

Table 1.13: Status of disinvestment / restructuring of PSUs

Particulars	No. of companies	Government order issued	Government order not yet issued
Non-working Government Companies decided for closure	14	14[Э]	-
Working Government Companies decided for closure	3	1[¢]	2[@]
Working Government Companies decided for privatization	8	6[♥]	2[♣]
Restructuring of Working Government Companies	1	1[Ω]	-

During October 2005, the Government adopted a comprehensive policy on Public Sector Enterprises Reforms, which enunciated an assessment on a case-to case basis including mechanism for its implementation by incorporating the earlier reform process. After the study, appropriate specific solution was to be considered. The present status of the recommendations of study on case-to-case basis of PSUs is awaited (September 2014).

Reforms in power sector

1.48 The State has Electricity Regulatory Commission (KERC) formed (August 1999) under the Karnataka Electricity Reform Act, 1999 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences.

1.49 Memorandum of Understanding (MoU) was signed in February 2000 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones by five Electricity Supply Companies[17] is stated below:

[Э] All the non-working companies as per Annexure 1.

[¢] Karnataka State Construction Corporation Limited.

[@] The Karnataka Fisheries Development Corporation Limited, Karnataka State 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, Sree Kanteerava Studios Limited.

[♣] The Mysore Sugar Company Limited, The Mysore Paper Mills Limited.

Ω The Karnataka State Forest Industries Corporation Limited to be merged with Karnataka Forest Development Corporation Limited.

[17] Bangalore Electricity Supply Company Limited (BESCOM), Chamundeshwari Electricity Supply Corporation Limited (CESCO), Gulbarga Electricity Supply Company Limited (GESCOM), Hubli Electricity Supply Company Limited (HESCOM), Mangalore Electricity Supply Company Limited (MESCOM).

Table 1.14: Status of Power Sector Reforms

Milestone	Achievement as at March 2014				
	BESCOM	**CESCO**	**HESCOM**	**GESCOM**	**MESCOM**
100 *per cent* electrification of all villages by 2012.	100 *per cent*	100 *per cent*	99 *per cent* (26 villages pending to be electrified)	100 *per cent*	99.90 *per cent* (Three villages pending to be electrified)
Commitment in the MoU to reduce the overall Transmission and Distribution (T&D) losses by 10 to 15 *per cent* with target reduction of five *per cent* every year from 2000-01.	13.96 *per cent*	14.73 *per cent*	18.05 *per cent*	Not available	11.93 *per cent*
Hundred *per cent* metering of all consumers by 2004-05.	Metering in respect of all other categories of consumers except Irrigation Pump (IP) sets was completed.	The overall percentage of achievement of metering in respect of all categories of consumers was 93.50.	Out of all categories of consumers, 5,05,407 Nos were to be provided with meters.	Metering of all other categories of consumers, except IP consumers was completed.	The overall percentage of achievement of metering in respect of all categories of consumers was 98.08 *per cent.*
Energy Audit at 11kV substation level by September 2001.	Information was not made available.	Done	Done	Done	Done

(Source : Information furnished by ESCOMs; Annual Accounts of ESCOMs.)

Chapter - II

2. Performance Audits relating to Government Companies

2.1 Performance Audit on 'Construction and performance of Bellary Thermal Power Station of Karnataka Power Corporation Limited'.

Executive Summary

The Company

The Karnataka Power Corporation Limited was incorporated (July 1970) as a wholly owned State Government company under the Companies Act, 1956, with the main objective of planning, promoting and organizing development of power including construction, generation and maintenance of power stations in Karnataka State.

As part of mitigating the power deficit, the Company commissioned two units at BTPS having a combined capacity of 1,000 MW; 500 MW each in March 2009 (Unit I) and February 2013 (Unit II).

Audit objectives

The performance audit was conducted to examine and analyze the deficiencies in planning and execution of Unit II and the reasons for failure to achieve targeted generation and operational efficiency in respect of Unit I; verify, examine and analyze the cost of operations with a view to study the reasons for the losses incurred; and assess whether BTPS has been able to achieve environmental and pollution control norms.

Audit findings

Mega Power Project

The Mega Power Project (1,000 MW and above) Policy of GoI envisaged benefits such as exemption of customs duty, tax holiday *etc.*, to bring down power tariffs.

Though the Board and the Technical Committee of the Company had favoured implementing Unit II simultaneously with Unit I with a combined capacity of 1,000 MW, considering the expected benefits of substantial savings in project cost by ₹ 1,257 crore, the Company dropped the idea of implementation of both the units simultaneously due to the reason that this would delay the commissioning of Unit I. This has resulted in additional burden on consumers by ₹ 1,257 crore.

Non-availment of concessions under the Infrastructure policy

Notification about implementation of Infrastructure Policy of the GoK was announced in May 2009, which envisaged that power generation projects were exempt from payment of entry tax.

As the Company was late in getting exemption certificate from the GoK, the entry tax of ₹ 27.31 crore including avoidable tax of ₹ 5.88 crore considered in the project cost of Unit I and Unit II stands recovered through tariff, which is an additional burden on the consumers.

Coal supply

In the absence of coal supply arrangement from KECML for Unit II, the Company was forced to procure coal from other sources at higher rates than the rates at which coal was supplied by KECML. This resulted in additional expenditure of ₹ 377.95 crore.

Slippage of project schedule

The works of Unit II were completed with delay of 27 months from the scheduled date of completion due to delay in completion of certain critical works. The Company suffered loss of potential revenue amounting to ₹ 1,391.33 crore during the delayed period of completion.

The State had procured energy from private sources at higher rates to mitigate the shortfall imposing an additional burden of ₹ 1,518.69 crore during delayed period of 2010-13.

The actual expenditure capitalised included interest amounting to ₹ 178.70 crore paid on loan for the delayed completion period, which would ultimately be passed on to the consumers.

Failure to invoke contractual provisions

Award of contract without proper survey resulted in extra financial implications and delay in completion of works. The Company failed to levy penalty of ₹ 5.42 crore on the contractors for the delay in completion of works of Stage I and Stage II of raw water pond.

Underutilization of capacity

The capacity utilization of Unit I had continuously decreased over the years from 84.67 *per cent* in 2009-10 to 80.86 *per cent* in 2013-14 due to the fact that the components of the plant, such as boiler, cooling tower *etc*., were not functioning at the optimum levels. The loss due to underutilization of capacity amounted to ₹ 102.28 crore.

Increased Station Heat Rate

The Station Heat Rate was much above the normative SHR of 2,450 kcal/kWh prescribed by CERC/PPA; the actual SHR ranged between 2,808 kcal/kWh and 3,093 kcal/kWh. The loss on account of increased station heat rate was ₹ 239.14 crore during 2009-13.

Debt-equity mix

The Company raised bills on ESCOMs considering debt-equity mix of 80:20 contemplated in the DPR instead of actual fund mix resulting in net excess recovery of ₹ 45.31 crore, which was an additional burden on the consumers during 2009-14. This would continue to burden the consumers by ₹ 181.24 crore during the remaining period of the PPA.

Non-compliance with the norms of Ministry of Environment and Forest

BTPS achieved fly ash utilization of only 45 *per cent* by March 2014 against 100 *per cent* prescribed by MoEF, as arrangements for evacuation of fly ash were not properly managed.

Our conclusions and recommendations are given at the end of the Performance Audit Report.

Introduction

2.1.1. The Karnataka Power Corporation Limited (Company) was incorporated (July 1970) as a wholly owned State Government company under the Companies Act, 1956, with the main objective of planning, promoting and organizing development of power including construction, generation and maintenance of power stations in Karnataka State.

With rapid industrialization, successful rural electrification and large scale use of electricity for irrigation purpose, the demand for electricity registered a steep increase in the Southern Region, particularly in Karnataka. The Sixteenth Electric Power Survey of India (2001-02) projected an increase in power deficit in the State from 702 MW in 2001-02 to 1,381 MW in 2005-06 and increase in the base energy deficit from 1,711 million kilowatt hour (kWh) in the year 2001-02 to 3,872 million kWh in 2005-06.

In order to meet the deficit of power, the Company proposed (December 2001) to set up a thermal power station at Bellary with a capacity addition of 1,000 MW (2x 500 MW), which was approved (January 2002/June 2002) by the Government of Karnataka. The Company commissioned two units at Bellary (Bellary Thermal Power Station-BTPS) having a combined capacity of 1,000 MW (2 x 500 MW) in March 2009 (Unit I) and February 2013 (Unit II).

The Management of the Company is vested with the Board of Directors (Board). The Chief Minister of the State is the ex-officio Chairman of the Board. As at the end of March 2014, there were 11 members on the Board including the Chairman. The Managing Director is the Chief Executive of the Company. The Executive Director, BTPS, assisted by four Chief Engineers and two Deputy General Managers, is responsible for the day-to-day operations and maintenance.

Audit Objectives

2.1.2. The objectives of the performance audit are to

- examine and analyse the deficiencies in planning and execution of Unit II and the reasons for failure to achieve targeted generation and operational efficiency in respect of Unit I;
- verify, examine and analyse the cost of operations with a view to study the reasons for losses incurred; and
- assess whether BTPS has been able to achieve environmental/pollution control norms.

Scope of Audit

2.1.3. The Performance Audit on the working of the Company was included in the Audit Report (Commercial), Government of Karnataka (GoK), of the Comptroller and Auditor General of India for the year ended 31 March 2010.

The Report covered the planning, award and execution of works relating to Unit I of BTPS and its performance up to March 2010.

Further, a Compliance Audit Paragraph on 'Mining in captive coal blocks' allocated for BTPS was included in the Audit Report on Public Sector Undertakings, GoK, of the Comptroller and Auditor General of India for the year ended 31 March 2013.

The Committee on Public Undertakings is yet to discuss the Performance Audit Report and the Compliance Audit Paragraph (October 2014).

The present Performance Audit deals with planning and execution of works relating to Unit II, operational performance of Unit I, and environmental issues relating to Unit I and Unit II during the period April 2009 to March 2014.

The works relating to each of the Units were bifurcated into (i) Engineering, Procurement and Construction (EPC) contracts, consisting of supply and service portion[18] of the Unit and (ii) Non-EPC contracts, which were ancillary to the working of the Units, which mainly included construction of Raw Water Pond, Ash Pond, Railway siding and laying of water supply pipeline to the Units.

While the EPC contracts for Unit II were through a Memorandum of Understanding (September 2007) with M/s.Bharat Heavy Electricals Limited (BHEL) based on the terms of contract concluded for Unit I, the non-EPC contracts of Unit I and Unit II were awarded to other agencies through tendering process.

Audit reviewed the EPC contracts for Unit II valued at ₹ 1,680 crore and Non-EPC contracts related to Unit I and Unit II using sampling technique. Out of 108 non-EPC contracts having contract value of ₹ 344.83 crore, audit selected[19] 52 works with contract value of ₹ 335.33 crore for review.

Audit Methodology

2.1.4. The methodology adopted for attaining the audit objectives involved explaining audit objectives to the top management, scrutiny of records at Head office and Units, analysis of data with reference to audit criteria and issue of audit observations. Besides, information available on the official websites of the Central Electricity Authority (CEA), Electricity Regulatory Commission (ERC) and Ministry of Power (MoP) were utilized.

---

[18] Supply included design, engineering, procurement, manufacturing, inspection & testing of all electrical & mechanical equipment / systems and design & engineering of civil works. Service included transportation, erection and testing, commissioning and other works till handing over of the unit.

[19] 21 works having the contract value of above ₹ 50 lakh each aggregating to ₹ 327.79 crore (100 *per cent* selection); 31 works with contract value of less than ₹ 50 lakh each totaling ₹ 7.54 crore (using simple random sampling).

We explained the objectives of the performance audit to the Government and to the Management of the Company during an 'Entry Conference' held in April 2014. The draft Performance Audit Report was issued to the Government in September 2014. The Exit Conference was held in November 2014 wherein the audit findings were discussed with the Government represented by the Additional Chief Secretary to the GoK, Energy Department and the Managing Director of the Company.

Audit Criteria

2.1.5. The following criteria were adopted for the achievement of audit objectives.

- Guidelines/norms/orders of Central Electricity Regulatory Commission (CERC), CEA, Karnataka Electricity Regulatory Commission (KERC) and Southern Regional Power Committee (SRPC), and instructions of the MoP, Government of India (GoI) and GoK;

- Detailed Project Reports (DPR), Feasibility Reports, Design specifications, Project implementation schedule, Power Purchase Agreements (PPA);

- The Karnataka Transparency in Public Procurements (KTPP) Act, 1999, Guidelines of the Central Vigilance Commission (CVC), tender documents, agreements;

- Internal targets of the Company, manuals/ guidelines of the Company, national averages on operational performance of thermal stations as published by CEA and CERC;

- Environmental norms fixed by the Central Pollution Control Board (CPCB) and Karnataka State Pollution Control Board (KPSCB).

Audit Findings

2.1.6. The audit findings are discussed in the succeeding paragraphs. The views of the Government have been considered while finalizing the Performance Audit Report.

Planning

2.1.7. The planning process plays a vital role in implementation of the Project. It involves setting up of milestones for each stage of implementation, project deliverables, identification of resources and their optimum utilisation, anticipation of potential delays and remedies so as to attain the project objectives. We observed the following shortfalls in planning.

Mega Power Project

2.1.7.1. GoI introduced (November 1995) the Mega Power Project (MPP) Policy aimed at improving the overall power supply scenario in the country by setting up power plants having a capacity of 1,000 MW or more. The policy envisaged certain benefit for MPPs such as exemption of customs duty for these projects, tax holiday for any block of ten years within the first fifteen years and exemption of sales tax and other local levies so that these concessions would bring down tariffs to provide much needed relief to State Electricity Utilities, both in the public and private sector. As per the policy, projects of capacity of 1,000 MW and more and catering to more than one State would fall under the category of Mega Power Projects.

- GoK accorded (January 2002/June 2002) approval for setting up of coal based thermal plant units of 500 MW each at Bellary. The total cost of the project (Unit I and Unit II) was estimated at ₹ 4,191.75 crore[20]. As the implementation of both the units simultaneously would entail mega power project status for BTPS, the Board decided (October 2003) to explore the possibility of obtaining MPP status. The Board further noted (April 2004) that other States had expressed their willingness to take power from Unit II of BTPS at the meeting of the Southern Regional Electricity Board (SREB) and subsequently approved (December 2004) to sell a part of the power from BTPS to other States, through Power Trading Corporation (PTC).

- The Technical Committee of the Company discussed (February 2004/ July 2004) the benefits that would accrue to the project and consumers at large through competitive tariff if BTPS got the MPP status and estimated the savings of ₹ 133 crore in the cost of the project and ₹ 1,124 crore by way of reduction in tariff for a period of 25 years. The Committee noted (April 2004) that creation of common infrastructure facilities would economise the cost, reduce implementation time and ease construction and maintenance.

We observed that

- the Department of Energy, GoK, addressed (October 2004) a letter to Central Electricity Authority (CEA) seeking MPP status for BTPS, without insisting on the condition of inter-state sale of power. CEA turned (November 2004) down the request of GoK stating that BTPS did not meet the criteria of MPP as the power from Unit II was allotted to Karnataka Power Transmission Corporation Limited (KPTCL).

- GoK had sought the exemption without making efforts for meeting the eligibility conditions of the MPP policy. Further, when other States were willing to buy power from Unit II, seeking exemption from the condition of inter-state sale of power did not have rationale.

- the Board and the Technical Committee of the Company had favoured implementing Unit II simultaneously with Unit I, considering the expected benefits of substantial savings in project cost and consequent reduction in tariff. The Company, however, dropped the idea of

[20] Unit I - ₹ 2,230.75 crore; Unit II - ₹ 1,961 crore.

implementation of both the units simultaneously stating that this would delay the commissioning of Unit I.

- the Company had neither completed the Unit I on schedule which was delayed by 15 months nor utilised the opportunity of economizing on the project cost and reduction in tariff.

The Government stated (November 2014) that it would be difficult for the State to agree to sell the power outside the State when the State had a power crisis. The Company further stated that its financial health did not support the concept of undertaking the projects on a bigger scale.

The reply is not tenable, as there was under-utilisation of available capacity of BTPS, as indicated in subsequent paragraph 2.1.11.3, and this power if generated could have been sold outside the state. The financial constraint of the Company was never discussed in any forum and the Government could have considered provision of finances in view of future benefits accruing to the consumers.

Hence, the expected savings of ₹ 1,257 crore could not benefit the consumers as the Company did not pursue the issue to its logical end.

Non-availment of concessions under the Infrastructure policy

2.1.7.2. The Infrastructure Policy (Policy) of the GoK envisaged (July 2007) that the power generation projects were exempt from payment of entry tax for capital goods and materials used in construction, for a period of three years from the date of commencement or till the date of completion of the project, whichever was earlier. The exemption was available for machinery, equipment and construction material used for the project.

In continuation to the Policy, the GoK issued (May 2009) a notification implementing the policy decision and requiring the project implementing agency to obtain certificate from the Secretary, Infrastructure Development, to the effect that the project taken up was recognized in terms of the policy.

We observed that

- though the policy implementation was announced in May 2009 itself, the Company approached GoK in October 2010, after a delay of one and half years, seeking exemption from payment of entry tax for Unit I and Unit II of BTPS. The GoK, after seeking (December 2010) certain clarifications from the Company, certified (July 2011) Unit I and Unit II as infrastructure projects under the policy and allowed the Company to seek exemption from entry tax.
- the Company paid (2004-11) entry tax of ₹ 27.31 crore for Unit I and Unit II. This included entry tax of ₹ 5.88 crore paid for Unit II during 2009-11 which could have been avoided, had the application for exemption been sought in May 2009 itself.
- the Company had included the entry tax of ₹ 15.60 crore and ₹ 11.71 crore in the project cost of Unit I and Unit II respectively for the

purpose of claiming through tariff. The tariff for Unit I was approved (November 2010) by KERC considering the entry tax, while the tariff for Unit II was pending approval (November 2014). As the Company had not got the refund of entry tax from the commercial tax department (November 2014), the expenditure on entry tax to the extent of ₹ 27.31 crore including avoidable tax of ₹ 5.88 crore stands recovered through tariff, which is an additional burden on the consumers.

The Government replied (November 2014) that the benefit of reduction of project cost would be passed on to the Electricity Supply Companies once the entry tax is refunded.

The reply is silent on the fact that as the project cost and tariff of Unit I had already been finalised, though GoK had certified the unit to be eligible under the policy, the benefit would not be passed on to the consumers. Further, because of the delay in seeking exemption, the project cost of Unit II included the avoidable expenditure of ₹ 5.88 crore.

Coal supply

2.1.7.3. The GoI allotted (November 2003) coal blocks under the command area of Western Coalfields Limited (WCL) for meeting the coal requirements of Unit I and Unit II of BTPS. Karnataka EMTA Coal Mines Limited (KECML), a joint venture (JV) of the Company was appointed for developing the captive mines and to supply coal to BTPS.

We observed that the mining plan for the allotted coal blocks was finalised and approved (December 2004) only for Unit I, though GoK had already approved setting up of Unit II in June 2002. The Company concluded (May 2007) the Fuel Supply Agreement (FSA) with KECML for supply of coal only to Unit I although the JV provided for increasing the quantity for supply to both the units, and by then the works for Unit II had been finalised. In the absence of coal supply arrangement from KECML for Unit II, the Company was forced to procure (December 2010) the coal from Mahanadi Coalfields Limited and Singareni Coal Company Limited at higher rates than that of KECML.

The extra expenditure up to September 2013 on account of failure to finalise the mining plan for Unit II and consequent procurement of coal at higher rates was commented in the Audit Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2013. The Company had incurred additional expenditure of ₹ 114.17 crore during October 2013 to March 2014 and would incur additional expenditure of ₹ 263.78 crore[21] during 2014-15[22].

[21] ₹ 1,552.15 (difference between average cost of coal ₹ 4,518 per MT charged by SCCL and MCL and ₹ 2,965.85 per MT charged by KECML in 2013-14) multiplied by the coal consumption (7,35,551.52 MTs from October 2013 to March 2014 based on actual consumption; 16,99,440 MTs in 2014-15 estimated based on previous year consumption).

[22] As per the judgement of Hon'ble Supreme Court (August 2014), the captive coal blocks allotted to the Company stands cancelled from April 2015.

The Government replied (November 2014) that the mineable reserves in the captive coal blocks were sufficient only for one unit for its life.

The reply is not tenable as the revised mining plan for Unit II was submitted in August 2011 to meet the requirement of Unit II from the captive mines which could have been done along with the mining plan of Unit I (May 2007) and the Company could have avoided additional expenditure of ₹ 377.95 crore.

Project execution

Slippage of project schedule

2.1.8.1. The cost of construction for Unit II of BTPS was estimated at ₹ 1,961 crore (inclusive of EPC and non-EPC works). The Letter of Intent for EPC contracts were issued to BHEL in August 2006 at a contract price of ₹ 1,680 crore. The works were to be completed in 38 months (November 2010), the zero date being 19 September 2007. The contracts provided for levy of liquidated damages, subject to a maximum of 15 *per cent* of the contract price for delay in the completion of works. The works were completed (February 2013) after incurring an expenditure of ₹ 2035.69 crore[23] with a delay of 27 months from the scheduled date of completion. The Company recovered liquidated damages (LD) of ₹ 240.66 crore from the contractor for the delay.

We observed that

- the delay in completion of the works was due to significant delay in commissioning of Ash Handling Plant, Coal Handling Plant and RCC chimney. The commencement of these critical works had been delayed by 5 to 18 months. Consequently, these works were completed with a delay ranging from 4 to 39 months.

- despite the precedence of delay in commissioning of Unit I by 15 months due to non-completion of these critical works within the timeframe, the Company entrusted the EPC works through MoU to BHEL without going for a competitive bidding process. BHEL continued to show the same tardiness in completion of works of Unit II and the levy of liquidated damages did not act as a deterrent. The reasons for delay in completion of Unit II were not discussed by the Board.

- the Company suffered loss of potential revenue amounting to ₹ 1,391.33 crore (after considering the liquidated damages recovered) due to loss of generation during the delayed period of completion.

- the delay in completion of the Units forced the State to procure energy from private sources at higher rates to mitigate the shortfall during the delayed period. This imposed an additional burden of ₹ 1,518.69 crore during 2010-13 on the State. Further, the actual expenditure

[23] The expenditure arrived at after considering liquidated damages and the sale of infirm power.

capitalised included interest amounting to ₹ 178.70 crore paid on loan for the delayed completion period. As this cost had gone into the cost of the project and the Company was allowed to recover this through tariff as per the PPA, the burden would ultimately be passed on to the consumers.

The Government replied (November 2014) that the benefit of lower cost due to LD recovered has been passed on to the consumers. The reply is not acceptable, as the cost of power purchased by the State Government during the delay and the interest element on borrowings was also included in the project cost which is an additional burden on consumers.

Construction of raw water pond

2.1.9. The annual water requirement of the BTPS (1,000 MW), estimated at 1.03 thousand million cubic (TMC) feet, was proposed to be met from the regenerated water at Maralihalla stream (tributary to Tungabhadra) located 37 kms from BTPS. Since the water was available only for eight to nine months in a year, impounding adequate water into the raw water pond was essential for its use during the off-season of three to four months. The works were completed in two stages. The deficiencies in execution are discussed below:

2.1.9.1. The construction of raw water pond involving embankment up to Reservoir Level (RL) 483.3 metres was awarded (October 2004) to RN Shetty and Company (contractor) for ₹ 25.13 crore, which was 43.81 *per cent* below the amount put to tender. The work was to be completed within 14 months from the date of award, *i.e.*, by December 2005.

Estimation without detailed survey

2.1.9.2. The estimate for the work was prepared with the presumption that the entire pond area had Black Cotton (BC) soil of required thickness based on preliminary survey (2002). During the course of execution, the need for bed treatment to the pond was found necessary (May 2005) as there was no BC soil in the pond area as estimated. The extra financial implication due to change in scope of work was ₹ 9.99 crore. Failure to conduct detailed investigation prior to entrustment of work had not only vitiated the estimate but also the work valuing ₹ 9.99 crore was entrusted to the contractor bypassing the tender process.

The Government replied (November 2014) that the estimate for these works were prepared based on trial pits taken at random locations and during the course of execution the need based bed treatment was found necessary based on site conditions.

The reply is not acceptable as the trial pits were to be taken at specified intervals instead of on random basis so as to have precise estimation of work and also to get the competitive quotes in the bid. Further, the soil strata of Sandur Taluk where BTPS was located consisted of red soil as per the existing geological conditions which the Company should have taken cognizance of.

This was also proved by the subsequent detailed investigation of the site conditions.

Failure to invoke contractual provisions

2.1.9.3. The Company extended the period of contract from the original stipulated period of December 2005 to October 2006 after considering the factors not attributable to the contractor *viz*., change in scope of work, delay in issue of drawings and delay in handing over of borrow area *etc*. The contractor, however, by the stipulated date of October 2006, completed the embankment work up to Reservoir Level (RL) 476 m as against RL 483.3 m which was awarded for construction.

We observed that

- the Company extended the contract up to March 2007 based on the request of the contractor that there was increase in quantities and change in designs and drawings. The Company gave extension up to October 2006 in the first instance. Hence, the second extension without levy of LD was in violation of contract conditions.

- the contractor had not shown any progress of work even in the extension period from November 2006 to March 2007. This indicated that the Company had not ensured the credentials of the contractor while extending the contract without levying the penalty. Considering the extension period of 150 days (November 2006 to March 2007), LD of ₹ 1.88 crore was leviable, but was not levied.

- the contract had been rescinded (April 2007) without invoking risk and cost clause and the balance works (RL 476 m to 483.3 m) valuing ₹ 4.70 crore was included in the second stage works at a cost of ₹ 12 crore at the revised schedule of rates (2007-08). Though the increase of ₹ 7.30 crore in cost was recoverable from the contractor as per contract provisions (Clause 5.03.04), the Company did not recover the same.

The Government replied (November 2014) that LD was not levied and contract was rescinded without risk and cost as the delay was not attributable to contractor.

The reply is not acceptable as the extension up to October 2006 was given considering the reasons not attributable to the contractor. The second extension without levy of LD for the same reasons up to March 2007 and cancellation of contract without the risk and cost, lacked justification and resulted in non-recovery of additional cost.

Undue benefit to contractor

2.1.9.4. The rate for the extra item of work involving BC soil, which was not in the original scope of the work, was to be derived from the schedule of rates. While arriving at the rate for such extra items, the basic cost of the item as per schedule of rates was to be added to other costs *viz.*, cost of BC soil, lead charges and royalty *etc*. Thereafter, tender discount was to be applied on the total cost so arrived. The Company, however, considered (May 2007) only the basic rate of the item, ignoring other costs while applying tender discount. This had unduly benefited the contractor by ₹ 1.73 crore. The payment was in deviation of the procedure followed by the Company in similar cases.

The Government replied (November 2014) that the rate for the work had been approved after observing all formalities. The reply is not correct as the tender discount was applied only on basic cost ignoring other related costs.

Non recovery of cost of BC soil

2.1.9.5. The contractor had utilised 0.41 lakh cum out of 4.14 lakh cum of BC soil from the Ash Pond area of the Company, for which the payment was made without deducting proportionate cost of ₹ 95.75 per cum[24] for the BC soil utilised from the Ash Pond. This had resulted in excess payment of ₹ 0.39 crore.

The Government replied (November 2014) that the Company paid ₹ 135 per cum which was less than the agreement rate of ₹ 150 per cum. The reply is not correct as the rate of ₹ 150 was for homogeneous soil while the payment was made for BC soil. Further ₹ 135 per cum included the cost of BC soil, lead and royalty amounting to ₹ 95.75 cum which should have been deducted while admitting the claim.

Refund of penalty to the contractor in violation of contractual provisions

2.1.10 The Company awarded (March 2010) the work of embankment of raw water pond up to RL 487.50 m to M/s.SEW Infrastructure Limited at a cost of ₹ 58.99 crore under stage II. The work was to be completed within a period of 18 months *i.e.* by September 2011. The contract provided for price variation and any delay in completion of specified milestones[25] beyond the stipulated date attracted penalty.

As per the milestones stipulated in the contract, the contractor was to complete embankment works up to RL 487.50 m by July 2011. The Company, however, revised (February 2012) the milestones for the works to be completed by July 2012. These milestones were revised considering the factors *viz.,* non-availability of soil, modification of designs and ban on excavation. The contractor did not complete the work even by July 2012, citing the same reasons such as non-availability of soil and sought extension (August 2012/June 2013). The Company extended (December 2012/October 2013) the contract period to December 2013. The embankment work up to RL 487.50 m was completed in June 2013, pending ancillary works such as drains and road works.

[24] Include lead charges of ₹ 80.75 per cum, cost of BC soil of ₹ 12 per cum and royalty of ₹ 3 per cum.

[25] October 2010 - RL 476 m; February 2011 – RL 479 m; July 2011 – RL 487 m; September 2011 - other works.

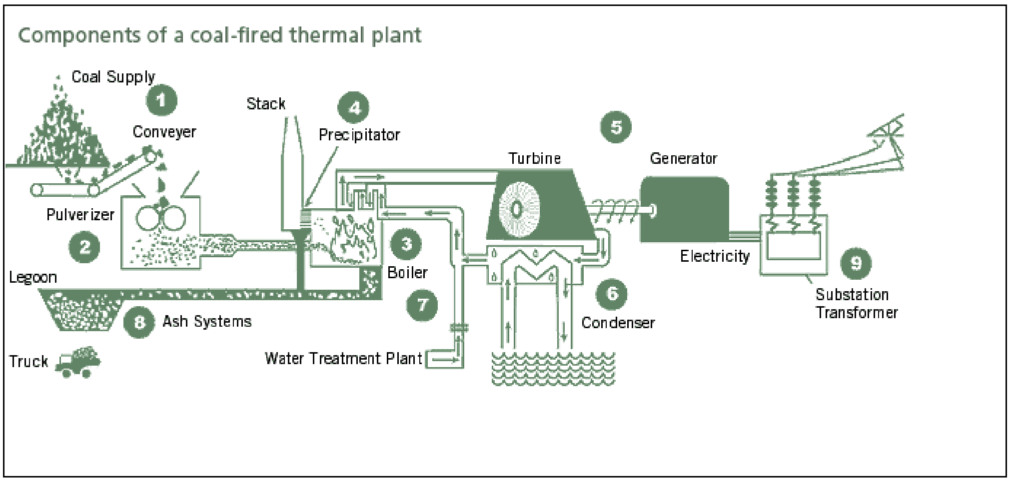
We observed that the Company refunded (December 2012/October 2013) the penalty of ₹ 3.54 crore recovered from October 2012 to August 2013, stating that the reasons for delay were not attributable to the contractor. The refund was in contravention of the terms of the contract due to the fact that the Company revised the targets twice up to July 2012, considering non-availability of soil, modification of designs and ban on excavation which were beyond the control of contractor. Hence, extension of contract period after July 2012 for the same reasons without penalty amounted to extension of undue benefit to the contractor by ₹ 3.54 crore.

The Government replied (November 2014) that the contract period was extended because the reasons for delay were not attributable to the contractor. The reply is not acceptable as the extension from July 2012 to December 2013 was based on the request of the contractor for the same reasons which were considered by the Company while extending the contract up to July 2012.

Operational efficiency

Working of Thermal Plant

2.1.11. The pictorial representation of generation of electricity by a thermal plant is depicted below:



In a thermal plant, water is taken initially into the boiler from a water source. The boiler is heated with the help of coal. The increase in temperature helps in the transformation of water into steam. The steam generated in the boiler is sent through a steam turbine. The turbine has blades which rotate when high velocity steam flows across them. This rotation of turbine blades is used to generate electricity. A generator is connected to the steam turbine. When the turbine rotates, electricity is generated and given as output by the generator, which is then supplied to the consumers through high-voltage power lines.

Low generation due to underutilization of capacity

2.1.11.1 The annual targets for generation were fixed by the Company considering planned and forced outages and expected availability of hydel power. The targets so fixed are forwarded to CEA for approval. The table below depicts the designed capacity of the plant (Unit I), targets fixed, and the actual generation for the five years period 2009-14.

Table No.2.1.1: Actual generation *vis-à-vis* designed capacity

Year	Installed capacity	Target fixed		Actual generation	
	(MU)	(MU)	(*per cent*)	(MU)	(*per cent*)
2009-10	4,380	3,281	75	2,861	65
2010-11	4,380	3,513	80	2,636	60
2011-12	4380	3,554	81	3,087	70
2012-13	4,380	3,487	80	2,991	68
2013-14	4,380	3,506	80	3,049	70
Total		**17,341**		**14,624**	

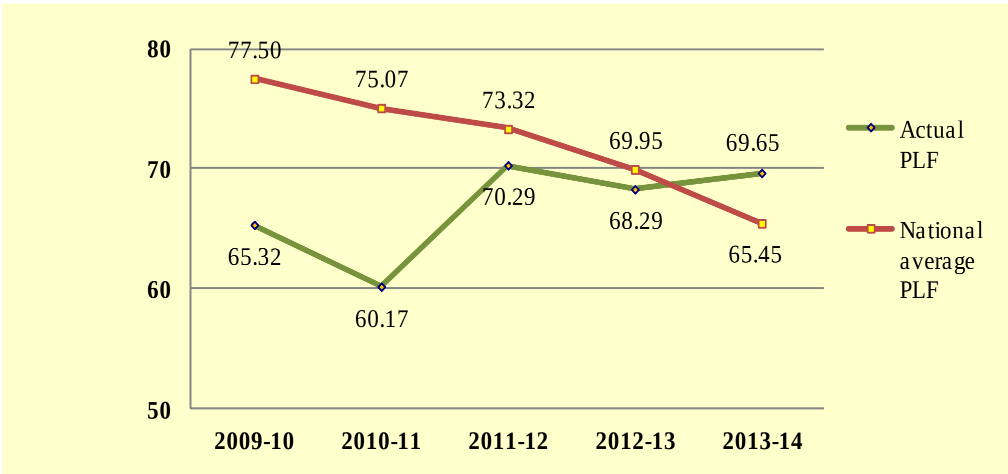
(**Source: Annual budgets, Annual reports and information furnished by the Company**)

We observed that the Company could not attain the targets in any of the years, maximum generation being 70 *per cent* of the installed capacity. Against the targeted generation of 17,341 Million Units (MU) during the five years ended March 2014, the actual generation was only 14,624 MU, resulting in shortfall of 2,717 MU. The lower generation as compared to the installed capacity contributed to lower Plant Load Factor as commented below:

Lower Plant Load Factor

2.1.11.2. Plant Load Factor (PLF) refers to the ratio between actual generation and maximum possible generation at installed capacity. The DPR relating to Unit I had projected Plant Load Factor (PLF) of 77 *per cent*. The comparative position of actual PLF achieved *vis-a-vis* national average PLF[26] is depicted graphically below.

Chart No. 2.1.1: Actual PLF of Unit I *vis-à-vis* national average PLF



We observed that

- the actual PLF recorded during five years 2009-14 was much below the projections made in the DPR. The plant could reach maximum

[26] CEA monthly report of August 2013 and July 2014.

PLF of 70.29 *per cent* in 2011-12 as against projected PLF of 77 *per cent*.

- the PLF of the plant fell short of even the average PLF achieved by the thermal plants at all India level in all the five years except in 2013-14.

The lower PLF with reference to the installed capacity indicated underutilisation of the capacity of the plant. The reasons for underutilisation of the capacity are discussed in the subsequent paragraphs.

Capacity utilization

2.1.11.3. The table below indicates the total available hours, operated hours, and the capacity utilization in respect of Unit I during the five years ended March 2014.

Table No. 2.1.2: Actual generation *vis-à-vis* possible generation

Sl. no.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	Total available hours	8,760.00	8,760.00	8,784.00	8,760.00	8,760.00
2	Operated hours	6,757.32	6,341.45	7,449.29	7,332.68	7,540.40
3	Possible generation during operated hours (MU)	3,378.66	3,170.73	3,724.64	3,666.34	3,770.20
4	Actual generation (MU)	2,860.83	2,635.53	3,087.13	2,990.59	3,048.73
5	Under utilization (MU)	517.83	535.20	637.51	675.75	721.47
6	Capacity utilization (*per cent*)	84.67	83.12	82.88	81.57	80.86

The capacity utilization continuously decreased over the years from 84.67 *per cent* in 2009-10 to 80.86 *per cent* in 2013-14. This was due to fact that the components of the plant, such as boiler, cooling tower *etc*., were not functioning at the optimum levels as indicated in the succeeding paragraphs. Considering average capacity utilisation at 83 *per cent* during 2009-14, the short fall in generation was 2,562.84 MU. The loss due to underutilisation of capacity amounted to ₹ 102.28 crore.

The Government replied (November 2014) that the Company had entrusted to Central Power Research Institute (CPRI), the task of analysing the technical reasons for the inefficiencies observed and the Company would review the measures suggested by CPRI to increase the efficiency.

Audit scrutiny of records revealed the inefficiencies in the various components of the plant. These are discussed in the following paragraphs.

Increased Station Heat Rate and lower boiler efficiency

2.1.11.4. The specific consumption of coal increased from 0.62 kg/kWh in 2009-10 to 0.70 kg/kWh in 2013-14 against the designed specific coal consumption of 0.4850 per kWh. This was mainly due to poor quality of coal.

Consequent to this, the Station Heat Rate[27] (SHR) was much above the normative SHR of 2,450 kcal/kWh prescribed by CERC/PPA, the actual SHR ranged between 2,808 kcal/kWh and 3,093 kcal/kWh. As a result, the efficiency of the boiler had come down to as low as 62.8 *per cent* and 69.2 *per cent* which was far less than 88.98 *per cent* considered by BHEL.

Since the energy charges were determined considering the fixed SHR of 2,450 kcal per kWh, the increased SHR beyond the specified SHR resulted in under-recovery of energy charges. The underrecovery, on account of increased station heat rate, was ₹ 239.14 crore during 2009-13[28].

Government replied (November 2014) that SHR variation was due to age of the plant, diminishing turbine and boiler efficiency, bad performance of cooling towers and non-operation of the plant at the rated capacity, and that for improving the efficiency, the plant needed an additional investment of ₹ 8.50 crore. Thus, the Government accepted that the performance was below desired levels and that there was need to implement additional measures to improve efficiency.

Sub-optimal performance of cooling tower

2.1.11.5. The primary task of the cooling tower in the plant is to reject heat absorbed in the hot water from heat exchangers into the atmosphere. The BTPS Units are equipped with Natural Draft Cooling Tower having PVC film type fill. The scrutiny of the records revealed that

- raw water analysis sourced from Maralihalla stream indicated (February 2004) turbidity and total dissolved solids (TDS) levels at 100 Nephelometric Turbidity Units (NTU) and 1313 parts per million (PPM) respectively.

- the Company noticed (September 2012) that the PVC fills of the cooling tower relating to Unit I were blocked due to turbidity of water and took note of the fact that this could affect the structural stability of the pre-cast beams and hence required replacement.

- the Company started evaluating the performance of the cooling tower of Unit I only with effect from November 2013 and the average reading up to March 2014 was as under:

Table No. 2.1.3: Performance of cooling tower

Parameters	Designed specification	Actual reading	Indicators of good performance
Range (ºC)	10.20	9.80	High range
Approach (ºC)	5.00	20.00	Low approach
Effectiveness(*per cent*)	67.10	32.88	High effectiveness
Liquid / Gas (Ratio)	1.873	3.29	Low ratio

(Source: BHEL agreement and information furnished by Company)

[27] Station Heat Rate is the heat energy input in kilocalories (kcal) required to generate one unit of electrical energy at generator terminals.

[28] The under recovery charges were as per the workings of the Company. The charges for 2013-14 were not available as the cost audit had not been finalised.

The actual readings varied adversely against the designed specification. The level of TDS remained as high as 1,500 PPM despite using clarified water. The performance of the cooling tower relating to Unit I was sub-optimal, thus negatively impacting the heat transfer process in the condenser.

Despite being aware of the fact, in May 2007 itself, that PVC film type fills could not be used in water with high turbidity, the Company decided to go in for PVC Film Fill instead of exploring the possibility of using some other types of Fills such as 'Low clog film fills' which were better equipped to handle high turbidity in the water, as per the Bureau of Energy Efficiency.

Excess auxiliary power consumption by cooling water pumps

2.1.11.6. Unit I had four cooling water pumps supplied by BHEL. Of these, three pumps were in operation at any point of time while one was held as stand-by. The combined capacity of the pumps as designed and performance guaranteed (April 2010) by BHEL was 57,300 cubic metres of water per hour with a power input of 4,260 kilowatt. The performance guarantee test of the pumps was conducted only in April 2010. Based on the designed and tested parameters, 7,435 units of energy were required to circulate one lakh cubic metres of water. We observed that the cooling water pumps had consumed auxiliary power in excess of the designed specifications during 2010-14 and the value of power consumed in excess of the designed specification amounted to ₹ 4.43 crore.

Government replied (November 2014) that action would be taken to maintain the salt and algae contents of the water to the minimum and during the annual overhaul of the unit all the choked nozzles and PVC fills would be replaced. The reply indicates that the Company had not taken cognizance of the effect of the raw water analysis done in 2004 which affected the performance of cooling towers resulting in excess consumption of power and recurring expenditure due to replacement of nozzles and fills.

Outages and Plant availability

2.1.11.7. Outages refer to the period for which the plant remained closed for attending to planned/forced maintenance. The plant availability is the average of the declared capacity for all the time blocks during the period, expressed as a percentage of the installed capacity.

We observed that

- forced outages, which represented 22.86 *per cent* of total available hours during 2009-10, had declined to 7.06 *per cent* in 2013-14. The forced outages were within the permitted levels.

- as per the norms of CERC and the PPA approved (November 2010) by KERC, the target for plant availability was 80 *per cent* of the installed capacity. The plant availability was 77 *per cent* and 72 *per cent* in 2009-10 and 2010-11 respectively. This had, however, improved during 2011-14, which ranged between 84 *per cent* and 86 *per cent*, conforming to the norms.

Ineffective maintenance

2.1.11.8. To ensure long term sustainable levels of performance of the plant, it is important to adhere to periodic maintenance schedules. The efficiency and availability of the equipment is dependent on strict adherence to annual maintenance and equipment overhauling schedules.

The table below indicates the details of the dates of annual overhauling of Unit I, forced outages during the year before and after overhauling work, for the four years ended March 2014.

Table No. 2.1.4: Forced outages before and after overhauling

Year	Period of planned shut down for overhaul	Total forced outage hours during the year	Forced outage hours after overhaul	Forced outage hours before overhaul	Percentage of column (4) to column (3)
1	2	3	4	5	6
2010-11	14 September 2010 to 30 October 2010	1,162.24	1,062.43	99.81	91.40
2011-12	2 September 2011 to 3 October 2011	515.95	244.38	271.57	47.40
2012-13	1 September 2012 to 30 September 2012	603.66	603.66	Nil	100.00
2013-14	2 August 2013 to 28 August 2013	484.65	263.35	221.30	54.34

(Source: Outage details furnished by the Company)

The incidence of outage hours after overhauling were abnormally high in 2010-11 and 2012-13 when compared to that of before overhaul. In 2011-12 and 2013-14, the outages had not come down substantially after the overhaul. This indicated ineffective execution of overhaul works. The main problems encountered after overhauling were boiler tube leakages and generator vibrations which could have been avoided with better maintenance.

Government accepted (November 2014) the audit observations.

Financial Management

Debt-equity mix

2.1.12. The DPR of Unit I envisaged debt-equity mix of 80:20. The PPA relating to the sale of energy generated by Unit I was approved by KERC in November 2010, based on which the PPAs were concluded (December 2010) with ESCOMs for a period of 25 years. The project cost, as per PPA, for fixation of tariff comprised a maximum equity component of 30 *per cent* and a minimum debt component of 70 *per cent*. The actual debt-equity mix of Unit I ranged between 84:16 and 89:11 during the five years ended March 2014.

We observed that

- the Company raised bills on ESCOMs considering a debt-equity mix of 80:20, as contemplated in the DPR instead of actual composition of debt and equity which was within the range indicated in the PPA, resulting in underrecovery of interest on debt amounting to ₹ 44.73 crore during 2009-14. Similarly, the return on equity exceeded the return that the Company would have been entitled to by ₹ 90.04 crore during the same period. Consequently, the additional burden imposed on the consumers amounted to ₹ 45.31 crore.

- based on the average interest and return on equity for the five years ended March 2014, the Company would suffer underrecovery of interest (₹ 178.92 crore) and claim return on equity in excess (₹ 360.16 crore calculated with respect to PPA) through the tariff mechanism during the remaining period of the PPA (20 years up to 2034), thus imposing an additional burden of ₹ 181.24 crore on the consumers.

The Government replied (November 2014) that as the project has been envisaged with a debt equity ratio of 80:20, the same ratio has been considered for the purpose of claiming the revenue irrespective of the loan availed for the project and had approached (October 2014) KERC for approval. The reply is not acceptable as the claim was in violation of the Power Purchase Agreement.

Under recovery of Fuel Escalation Charges

2.1.13. In accordance with the PPA for Unit I, the cost of primary fuel was to be arrived at after adding normative transit and handling loss of 0.8 *per cent.* We observed that the Company failed to include transit and handling loss as enunciated in the PPA, while determining the cost of coal for the period April 2009 to March 2012. The Company, however, included the transit and handling losses for the purpose of cost of fuel with effect from 2012-13.

Failure to include the transit and handling loss at 0.8 *per cent* during the period 2009-12, resulted in underrecovery of ₹ 10.90 crore towards primary fuel cost, which had to be absorbed by the Company.

The Government replied (November 2014) that the necessary action has been taken to claim the differential fuel escalation charges from ESCOMs for the period 2009-12.

Inclusion of demurrage charges in the cost of fuel

2.1.14. The supplies of primary fuel (coal) and secondary fuel (Heavy Furnace Oil (HFO) and Light Diesel Oil (LDO)) are received through railway wagons at BTPS. To facilitate unloading of these wagon receipts, the Railways permitted a detention time up to five hours per rake free of cost and levied demurrage charges thereafter.

The Company incurred demurrage charges of ₹ 32.68 crore during the period from 2009-14.

We observed that

- the rake detention time allotted to Raichur Thermal Power Station (RTPS) was seven hours as against five hours allotted to BTPS. The minimum detention time of seven hours was required per rake as per estimation of the Company. Yet, the Company failed to pursue with the Railways for enhancement of detention time for BTPS.

- as per approved PPA of Unit I, recoverable cost of primary fuel and secondary fuel included only the cost of the commodity, taxes, transportation charges, port charges, insurance and other handling charges. Demurrage charges, though, paid due to inefficiency of the Company, were included as part of fuel cost and were passed on to ESCOMs, thus imposing additional burden of ₹ 32.68 crore on the consumers.

While accepting the audit observations, the Government replied (November 2014) that the Company would take up the matter with the Railways to increase detention time and take corrective action on the demurrage charges included in the fuel charges.

Environmental norms

Non-compliance with the norms of Ministry of Environment and Forest

2.1.15 With a view to restricting the excavation of top soil for manufacture of bricks and for other works which involve use of top soil and for promoting utilization of fly ash produced by coal or lignite based thermal power plants in the manufacture of building materials and construction activity, the Ministry of Environment and Forests (MoEF) notified (November 2009) that all thermal power stations in operation before the date of the notification were to achieve 100 *per cent* fly ash utilization on a graduated scale within five years from the date of the notification.

We observed that the BTPS achieved fly ash utilization of only 45 *per cent*, by March 2014, as arrangements for evacuation of fly ash were not properly managed as discussed below.

Evacuation of fly ash

2.1.15.1. The Company awarded (December 2008/June 2011) the contract for collection of dry fly ash from Unit I and Unit II to M/s.Rain Commodities Limited (RCL) and M/s.Ultra Tech Cements Limited (UTCL) respectively.

As per the terms and conditions of the agreements, RCL and UTCL was required to lift the entire quantity of fly ash generated in Unit I and Unit II and allotted to them on monthly basis, which was intimated at the beginning of each quarter at a contract price of ₹ 469 and ₹ 240 per Metric Tonne (MT) respectively to be escalated by 5 *per cent* annually. The contracts provided for levy of penalty at 125 *per cent* of the contract price for quantities of fly ash remaining unlifted.

We observed that

- RCL had lifted only 12.29 lakh MTs out of 18.21 lakh MTs of fly ash generated and allotted during 2009-14. Penalty of ₹ 44.17 crore (up to March 2014), though levied by the Company for non-lifting of the stipulated quantity of fly ash, was yet to be recovered from RCL (August 2014).

- UTCL lifted only 1.76 lakh MTs of the fly ash of 3.04 lakh MTs generated and allotted (September 2013 to March 2014) from Unit II, leaving a balance of 1.28 lakh MTs. The penalty of ₹ 3.04 crore levied on UTCL was yet to be recovered by the Company (August 2014).

- the accumulated and unlifted fly ash of 14.51 lakh MTs of Unit I and Unit II, having a market value of ₹ 64.49 crore, was pumped into the ash pond.

The Government replied (November 2014) that the Company would determine the quantity of unlifted fly ash in order to levy the penalty.

Maintenance of Ash Handling System

2.1.15.2. As per the terms of the Letter of Award (December 2008/June 2011), RCL and UTCL were to maintain the ash handling plant at their cost, including procurement of necessary spares at their cost. The spares that were procured by the Company and lying in inventory were to be taken over by them at cost.

We observed that the Company, instead of shifting the incidence of operation and maintenance expenditure on them as per contractual terms, absorbed ₹ 2.40 crore during 2009-14. We further observed that the Company procured and held the inventory of spares worth ₹ 2.97 crore required for Ash handling Plants of Unit I and Unit II, although the responsibility of holding these inventories rests with the contractors. Thus, funds to this extent which should have been the contractors' burden were borne by the Company.

The Government replied (November 2014) that as the contractors did not procure the spares in the initial stage, the Company had procured spares for smooth running of the plant and would pursue with the contractors to take over the spares. The fact, however, remains that recovery of ₹ 5.37 crore was yet to be made by the Company from the contractor.

Suspended Particulate Matter and Respirable Particulate Matter

2.1.15.3 Suspended Particulate Matter (SPM) in flue gas is a pollutant when its concentration in a given volume of atmosphere is high. Electrostatic Precipitator (ESP) is used to reduce SPM concentration in flue gases. Control of SPM level depends on the effective and efficient functioning of ESP of the thermal plant. ESPs installed at BTPS were designed to achieve an SPM level of 100 $\mu g/m^3$. We observed that the average SPM level exceeded the prescribed levels and ranged between 112.5 $\mu g/m^3$ and 125.5 $\mu g/m^3$ during 2009-12. The SPM levels were within the designed range thereafter.

2.1.15.4. Respirable Particulate Matter (RPM) is emitted directly into the atmosphere from elemental carbon and organic carbon compounds as a result of physical and chemical transformations during operation of the thermal plant, which could adversely affect human health and impact on climate and precipitation. We observed that the levels of RPM at Unit I had exceeded the permissible level of 40 $\mu g/m^3$ notified by CPCB. The average RPM levels at Unit I ranged between 42 and 64 $\mu g/m^3$ during 2009-12. The RPM levels, however, were within the norms from 2012-13 onwards.

The Government replied (November 2014) that the SPM and RPM levels, as tested during September 2014, were well within the norms.

Acknowledgement

We acknowledge the co-operation extended by the Energy Department of GoK and the Company in facilitating the conduct of performance audit.

Conclusions

We concluded that

- **the Company had foregone the envisaged benefits under mega power project policy of GoI, thereby foregoing the opportunity of reducing the project cost and bringing down the cost of power generation by ₹ 1,257 crore.**

- **the delay in approaching the Government to avail exemption from entry tax under infrastructure policy and inclusion of the same in the project cost resulted in an additional burden on the consumers by ₹ 27.31 crore.**

- **the Company incurred an additional expenditure of ₹ 114.17 crore towards coal purchases for Unit II in the absence of coal supply arrangement from the captive coal blocks during the period from October 2013 to March 2014 and would continue to incur ₹ 263.78 crore during 2014-15.**

- **despite the precedence of delay in commissioning of Unit I due to incompletion of certain critical works within the timeframe, the Company entrusted the EPC works through MoU through BHEL without going for a competitive bidding process.**

- **the Company could attain maximum generation of only 70 *per cent* of the installed capacity as against the targeted generation of 80**

per cent **during 2009-14. The shortfall in generation during this period was 2,717 MU.**

- **the capacity utilization of Unit I had continuously decreased from 84.67 *per cent* in 2009-10 to 80.86 *per cent* in 2013-14, indicating suboptimal performance of the plant. The loss due to underutilisation of capacity was ₹ 102.28 crore.**

- **the increased Station Heat Rate which was higher than the stipulated norms, resulted in underrecovery of cost by ₹ 239.14 crore during 2009-13.**

- **the Company did not achieve the norms fixed by MoEF in respect of fly ash utilization.**

Recommendations

We recommend that the Company

- **consider obtaining competitive bids for future thermal power station works.**

- **adhere to strict regime of annual overhaul and preventive maintenance to ensure smooth running of the units for their optimum utilisation.**

- **ensure that the specific coal consumption and Station Heat Rate are well within the norms so as to keep the cost of generation at desired levels.**

- **identify more prospective buyers of fly ash like National Highways Authority of India, Central and State Public Works Departments to ensure hundred *per cent* evacuation as prescribed by MoEF.**

2.2 Performance Audit on 'Irrigation Projects in Karnataka'

Executive Summary

Introduction

In order to mobilize financial resources for speedy implementation of the major and medium irrigation projects within the targeted period, the Government of Karnataka established three Special Purpose Vehicles *viz*., Krishna Bhagya Jala Nigam Limited (KBJNL), Karnataka Neeravari Nigam Limited (KNNL) and Cauvery Neeravari Nigama Limited (CNNL) under the Companies Act, 1956.

Objectives of the Performance Audit

The performance audit was carried out to examine and analyse the reasons for non-achievement of the targeted creation of irrigation potential and socio-economic benefits as envisaged in the projects and to verify, examine and analyse whether the projects were executed as planned with a view to study reasons for cost and time overruns including extra financial implications (EFI).

Audit Findings

Non-achievement of objectives

Out of 78 works selected across 17 projects, 21 works were completed without any delay, 14 works were completed with a delay up to 57 months, 4 works were ongoing without any delay and 39 works were ongoing with a delay up to 62 months.

The objective of taking up these project *viz*., improvement of efficiency, arresting seepages, providing water to the tail-end reaches, filling MI tanks and supply of drinking water have been only partially achieved as the works are not fully completed. Further, the contemplated irrigation potential (52,937 ha) was yet to be achieved.

Deficiencies in survey and design

There were delays in completion of works due to deficiencies in survey and design *viz*., failure to propose an alternate alignment before taking up the work (KBJNL-NRBC distributary 9A); improper survey and design resulted in EFI (CNNL-CC lining for Km.0 to 20 of Kabini RBC); change in the alignment to achieve savings in the cost was defeated as there was increase in cost (KBJNL - ALBC Km. 68 to 77); award of work for preparation of DPR to the consultant after commencement of the original work (KBJNL-modernisation of NLBC) *etc*.

Deficiencies in estimation

The estimates were inflated due to non deduction of initial lead of one kilometre while calculating additional lead charges (CNNL-Kattepura Anecut Canals); errors in adoption of item rates (CNNL-Package-I & V of modernization of VC Canal system and modernisation of Devaraya Anecut Canals); inclusion of overheads and taxes on the wrong base and provision of higher sales tax (CNNL-Alambur DWS); absence of standard/basis for utilizing the excavated soil; adoption of the item of work for embankment under the head 'preliminary and maintenance works' of Schedule of Rates instead of 'canal and allied works' (KRBC Km.0 to 60); and allowing weightage even on items falling under the heads 'CD works', 'Maintenance works' *etc.* (TLBC Main canal and distributaries).

Deficiencies in tendering

There were instances of inviting short-term tender without approval of the competent authority, non finalization of tenders within the validity period (KNNL - Varahi Common canal CC lining Km.12 to 13 and Km.13 to 14), faulty tender evaluation process (KBJNL-NRBC distributary 9A), extra expenditure due to defective tender clause (CNNL-Gulur Hebbur DWS) and variation from the standard tender document prescribed by the Government.

Deficiencies in acquisition of land

Due to deficiencies in acquisition of land, there were delays in completion of work (KNNL-construction of minors under Kamatagi distributary), award of work without acquiring land (KNNL-Varahi common

Canal) and delay due to non availability of land for dumping excavated soil (KNNL-GRBC).

Deficiencies in execution

There were deficiencies in execution, non-achievement of desired irrigation potential (KNNL-Varahi Project), non-synchronization of the work of branch canal along with the work of distributary (KBJNL-NRBC 9A), execution of excess thickness of lining as compared with the prescribed standard in all the three companies, delay in providing work-slips for enhanced quantities and handing over the site (CNNL-CC lining from Km.83 to 84 of Tumkur Branch Canal), deeper excavation which was not need based (CNNL-PSC Bridge across Hemavathy River) and defective geo-technical survey by the consultant (KNNL-Interconnecting canal work of Kalasabandura Nala).

There were instances of extra/ineligible payments *viz.*, payment of EFI at enhanced rates for erection of box type steel cribs support (KBJNL-aqueduct of distributory 9A of NRBC), extra expenditure due to payment made for the thickness and length of MS Pipes as envisaged in the contract than actually executed by the contractor (CNNL-Alambur DWS), payment of ineligible lead charges for dumping excavated soil and thereafter for re-use from dumping yard to the compaction area (KNNL-Construction of inter-connecting canal from Kalasa reservoir to Malapraba river from ch (-) 145 to 5005 metre (m)- Phase II), approval for ineligible price adjustment for steel and cement (KNNL-Malaprabha RBC with CD from Km.131 to 142) and application of wrong index for price adjustment (KBJNL-aqueduct of distributory 9A and box culvert of NRBC).

There were instances of non-recovery towards various charges during execution *viz*, non-recovery of the cost of stones and charges for non-stacking (CNNL-Package-II to V of VC Canal system, CC lining of Km.0 to 20 of Kabini RBC), non-recovery towards ledge cutting (CNNL-CC lining of Km.0 to 20, Km.20 to 40 of Kabini RBC), non recovery for shrinkage quantity and payment for slipped muck (KBJNL-Remodelling of NLBC); Non-recovery of penalty for delay in execution of the work (KBJNL-Package I, III and IV of NRBC distributary 9A and CNNL - KRBC Km.0 to 20, Km.20 to 40, Km.40 to 60 & KLBC Km.0 to 25.25).

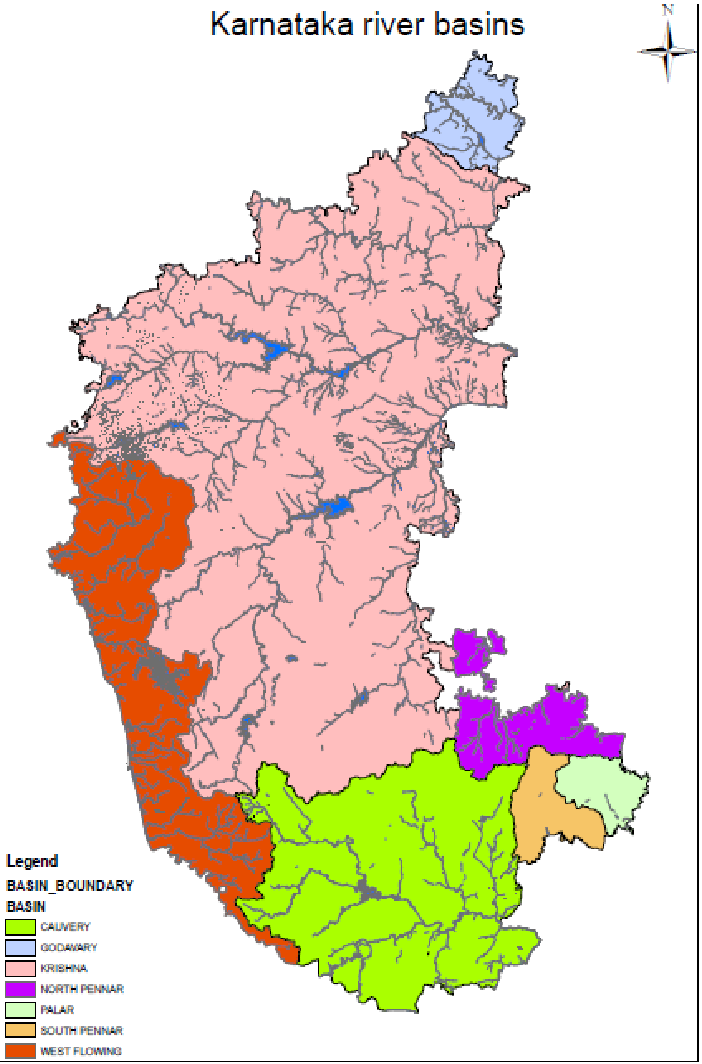
Our conclusions and recommendations are given at the end of the Performance Audit Report.

Introduction

2.2.1. The geographical area of Karnataka is 1.92 lakh square kilometre (sq. km.) with a cultivable area of 1.41 lakh sq km. As of March 2014, there were 211 major and medium irrigation projects[29] (60 completed and 151 ongoing) in the State with a gross command area of 28.37 lakh hectares (ha), against the ultimate potential of the State estimated at 35 lakh ha.

In order to mobilise financial resources for speedy implementation of the major and medium irrigation projects within the targeted period, the Government of Karnataka (GoK) established three Special Purpose Vehicles under the Companies Act, 1956.

- Krishna Bhagya Jala Nigam Limited (KBJNL) was incorporated in August 1994 for implementation of the Upper Krishna Project (UKP).
- Karnataka Neeravari Nigam Limited (KNNL) was incorporated in June 1998 to expedite the completion of ongoing irrigation projects of Krishna Valley.
- Cauvery Neeravari Nigama Limited (CNNL) was incorporated in June 2003 to accelerate the implementation of projects in the Cauvery Basin.



[29] Culturable command area (CCA) of 10,000 ha or more are major irrigation projects; CCA between 2,000 ha and 10,000 ha are medium irrigation projects.

Organisational set up

2.2.2. The Chief Minister of the State and the Minister of Water Resources are the Chairman and Deputy Chairman respectively of these three Companies. The administrative control of the Companies is with the Water Resources Department (WRD) headed by the Additional Chief Secretary. The Companies are headed by Managing Directors who monitor the day-to-day activities. The Technical Sub Committee (TSC) deliberates the projects/works, technical reports and approvals and submits its recommendations to the Board of Directors (BoD) for approval. The projects/works taken up are monitored at the field level by the Chief Engineers at the zonal offices. The circle offices and divisions assist the zonal offices. KBJNL has five zonal offices, six circle offices and 29 divisions, KNNL has seven zonal offices, 14 circle offices and 81 divisions, and CNNL has three zonal offices, eight circle offices and 28 divisions.

Audit Objectives

2.2.3. The objectives of the performance audit were to

- examine and analyse the reasons for non-achievement of the targeted creation of irrigation potential and socio-economic benefits as envisaged in the projects.

- verify, examine and analyse whether the projects were executed as planned with a view to study reasons for cost and time overruns including extra financial implications.

Scope and Methodology of Audit

2.2.4 The present Performance Audit covered the works of Construction, Modernization, CC lining of canals and distributaries, Drinking Water Supply Schemes and works with Extra Financial Implications (EFI) / Extra Item Rate List (EIRL)[30] undertaken by the three Companies during 2008-09 to 2013-14. The works were selected based on random sampling method and are as follows.

- **KBJNL:** 21 works[31] in seven divisions covering six projects *viz.*, Agasarahalla, Almatti, Almatti Left Bank Canal, Narayanpur Left Bank Canal, Narayanpur Right Bank Canal and Drinking Water Supply Schemes.

- **KNNL:** 60 works[32] in 22 divisions covering seven projects *viz.*, Varahi, Malaprabha, Tungabhadra, Bennithora, Kalasabandura Nala, Dandavathi and Hippargi.

[30] When the work exceeds the approved/tendered quantities either due to increase in quantities, change in designs, entrustment of additional items not awarded *etc.*, EFI and EIRL are proposed.
[31] 16 works and five EFIs.
[32] 28 works and 32 EFIs.

- **CNNL:** 41 works[33] in 15 divisions, covering four projects *viz*., Hemavathi, Harangi, Kabini and Krishna Raja Sagar.

We explained the objectives of the performance audit to the Government and to the Management of the Companies during an 'Entry Conference' held in April 2014. The draft Performance Audit Report was issued to the Government in September 2014. The 'Exit Conference' was held in November 2014 wherein the audit findings were discussed with the Government represented by the Additional Chief Secretary to the Government of Karnataka, Water Resources Department and the Managing Directors of the three Companies. The views of the Government have been considered while finalising the Performance Audit Report.

Audit Criteria

2.2.5. The Audit Criteria adopted for assessing the achievement of the audit objectives were derived from the following sources.

- Guidelines issued by WRD, Central Water Commission (CWC), Directions issued by TSC and BoD.
- Provisions of the Karnataka Transparency in Public Procurement (KTPP) Act, 1999, and KTPP Rules 2000, Land Acquisition Act, 1894. Guidelines issued by Central Vigilance Commission (CVC).
- Survey/ Investigation reports, specifications and targets in the Detailed Project Reports (DPR), Annual Work Programmes/Annual plans, Consultancy/third party reports, estimates and Bureau of Indian Standards (BIS)/specifications.
- Notice Inviting Tenders (NIT), agreement conditions, schedule of rates, bill of quantity.

Audit Findings

2.2.6 The audit findings are discussed in the succeeding paragraphs. The replies received from the Companies have been considered while finalizing the Performance Audit Report.

[33] 34 works and seven EFIs.

Status of works

2.2.7. The status of works selected for Performance Audit is given below.

Table 2.2.1: Status of selected works

Company	No of works test checked (excluding EFI)	No of works completed in time	No of works completed with delay (months)	Increase in cost of the delayed works as compared to original cost (₹ in crore)	No of works under progress but with delay	Increase in cost of the delayed works as compared to original cost (₹ in crore)
KBJNL	16[34]	5	Nil (0 to 6 months)	Nil	Nil (0 to 6 months)	Nil
			3 (6 months to 3 years)	3.05	2 (6 months to 3 years)	49.66
			1 (above 3 years)	48.87	2 (above 3 years)	Nil
KNNL	28	9	1 (0 to 6 months)	10.47	3 (0 to 6 months)	7.25
			5 (6 months to 3 years)	48.00	8 (6 months to 3 years)	60.38
			Nil (above 3 years)	-	2 (above 3 years)	6.13
CNNL	34[35]	7	1 (0 to 6 months)	1.01	3 (0 to 6 months)	72.11
			3 (6 months to 3 years)	14.38	14 (6 months to 3 years)	167.61
			Nil (above 3 years)	Nil	5 (above 3 years)	64.42

(Source: Data compiled from information obtained from the Companies)

We observed that there were delays in projects leading to time and cost overruns, which resulted in non-achievement of the objectives. The extent of achievement of objectives (project-wise) is given in the table below.

Achievement of objectives of the projects/works

2.2.8 The following table summarizes the number of projects test checked and its present position with regard to achievement of objectives.

[34] Three works are in progress, but without delay.
[35] One work is in progress, but without delay.

Table 2.2.2: Status of achievement of objectives of the selected works

Project	No. of works test checked	Status of works	Extent of achievement of objective
Krishna Bhagya Jala Nigam Limited			
Almatti Left Bank Canal	1	• Work in progress with a delay of 30 months.	Irrigation facilities to be provided for 4,035 ha were not yet achieved
Narayanpur Left Bank Canal	3	• All works were completed in time.	Objectives of restoration of slips in canal, improvement of canal efficiency, elimination of canal seepages were achieved.
Narayanpur Right Bank Canal	6	• 2 works were completed with delay up to 57 months. • 2 works were in progress without delay. • 2 works were in progress with delay up to 46 months.	Irrigation potential to the extent of 15,700 ha was not achieved.
Drinking Water Supply Scheme	2	• 1 work was in progress without delay. • 1 work was in progress with a delay of 31 months.	Objectives of filling up irrigation tanks by lifting water from the River Krishna and Bhima for the purpose of irrigation, drinking and raising ground water table were not achieved.
Agasarahalla	1	• Completed with a delay of 16 months.	Objective of improvement in canal efficiency was achieved, but after delays.
Almatti	3	• 2 works were completed in time. • 1 work was completed with a delay of 15 months.	Objective of providing security for dam and allied works was achieved.
Karnataka Neeravari Nigam Limited			
Bennitora	2	• Both works were ongoing with delay of 13 months.	Objective of Improvement of efficiency and arresting seepage is not achieved.
Dandavathi	1	• Not started - was to be completed by October 2011.	Irrigation facilities for 17,500 ha are yet to be achieved.
Hippargi	4	• One work completed with no delay. • Three works were completed with delay up to 28 months.	Irrigation facilities for 74,742 ha are yet to be achieved. System is under trial run.
Kalasa-bandura Nala	5	• All works were ongoing with a delay up to 49 months, out of which 2 works were rescinded.	Objective of diverting water to Malaprabha river was not achieved.
Malaprabha	3	• One work was completed without any delay. • 2 works were ongoing with delay up to 50 months.	Improvement of efficiency and arresting seepage were not achieved.

Project	No. of works test checked	Status of works	Extent of achievement of objective
Tungabhadra	8	• 7 works were completed with no delay. • 1 work ongoing with delay of one month.	Objectives of restoration of slips in canal, improvement of canal efficiency, elimination of canal seepages were achieved.
Varahi	5	• 3 works were completed with delay up to 20 months • 2 works ongoing with delay up to 18 months.	Providing irrigation facilities to 15,702 ha was not achieved.
Cauvery Neeravari Nigama Limited			
Hemavathi	9	• 4 works were completed without any delay. • 2 works were completed with a delay ranging up to 36 months. • 2 works were ongoing with delay up to 18 months • 1 work was ongoing within the original valid period.	The objectives of improvement of efficiency, arresting seepages, providing water to the tail-end reaches, filling MI tanks, supply of drinking water *etc*., have been partially achieved as the works are not fully completed.
Harangi	8	• 2 works were completed without any delay. • 2 works were completed with delay up to 24 months • 4 works were ongoing with delay up to 34 months.	Objectives of improvement of efficiency, arresting seepages, providing water to the tail-end reaches *etc*., have been partially achieved as the works are not fully completed.
Kabini	10	• All works were ongoing with delay up to 62 months.	The objectives of improvement of efficiency, arresting seepages, providing water to the tail-end reaches, filling MI tanks, supply of drinking water *etc*., have not been achieved as the works are yet to be completed.
Krishna Raja Sagar	7	• 1 work was completed without any delay. • 6 works were ongoing up to 13 months.	The objectives of improvement of efficiency, arresting seepages, providing water to the tail-end reaches *etc*., have been partially achieved as the works are not fully completed.

(Source: Data compiled from information obtained from the Companies)

Out of 78 works selected across 17 projects, 21 works were completed without any delay, 14 works were completed with a delay up to 57 months, 4 works were ongoing without any delay and 39 works were ongoing with a delay up to 62 months.

The objectives of taking up these projects *viz.*, improvement of efficiency, arresting seepages, providing water to the tail-end reaches, filling MI tanks and supply of drinking water have been only partially achieved as the works are not fully completed. Further, the contemplated irrigation potential (52,937 ha) were yet to be achieved.

2.2.9 A summary of the main reasons for not achieving the objectives in the 17 projects test checked is given in the table below.

Table 2.2.3: Nature of deficiencies in the selected projects

Description	KBJNL	KNNL	CNNL	Referred in paragraph at
Total number of projects in the three PSUs	**6**	**7**	**4**	
Nature of deficiencies	**No of test checked projects which had deficiencies**			
Deficiencies in survey and design	4	1	2	2.2.10
Deficiencies in estimation	1	1	3	2.2.14
Deficiencies in tendering	5	7	4	2.2.15
Deficiencies in land acquisition	-	2	-	2.2.21
Deficiencies in execution of work	2	6	4	2.2.25

The observations are given in the succeeding paragraphs.

Deficiencies in survey and design

2.2.10. Prior to taking up irrigation works, surveys, plans, measurements and specifications as may be necessary for assessment of the suitability of the designs are to be undertaken and completed. The survey and investigation work is carried out by in-house engineers or outsourced to consultants. Based on the details collected about the site conditions, the estimate and Detailed Project Report (DPR) of the works are prepared. The works are taken up after receipt of technical sanctions and administrative approvals.

There were deficiencies in the survey and investigation, resulting in cost and time overruns. These instances are given in **Sl. No. 1 to 6 of Annexure-8.** A few illustrative cases of the deficiencies in survey and design are given below.

Non-identification of seepage in the canal

2.2.11. The work of Kattepura Anecut canals (117 kms) in CNNL was awarded (May 2010) to SNC Power Corporation Limited (Contractor) for ₹ 121.39 crore. The excessive seepages in the canal over a length of 24.66 kms due to the presence of Harangi canal which passes in the vicinity were noticed by the contractor at the time of execution. This resulted in EFI of ₹ 12.99 crore.

Government stated (November 2014) that the sub-surface inflows during the monsoon period of canal networks occur, but it could not be noticed as the survey work was undertaken in the summer season.

The reply is not acceptable as CNNL was aware of the existence of Harangi canal in the vicinity and seepages existed in a vast length of 24.66 kms and hence the survey was deficient to that extent, resulting in extra expenditure.

Change in designs

2.2.12. The work of improvements from Km.61 to 65 and from Km.70 to 73 of Malaprabha Right Bank Canal in KNNL was proposed (March 2008) to be taken up to improve the flow of water.

We observed that though the tenders were invited[36] after approval of TSC in March 2008, the TSC visited the site in December 2008 and then approved (February 2009) the tender subject to the condition that the lining works were to be executed without steel reinforcement. This was because of the hard surface of the soil in the canal. This necessitated revision of contract with Sri.N.B.Hosmani (contractor), from ₹ 16.35 crore to (March 2010) ₹ 13.44 crore.

During the inspection (March 2010) of the work, the Chief Engineer observed variations in the top layer of the soil and also change in the side slope as against the design slope, necessitating concrete lining in hard embankment. The TSC approved (August 2010) the proposal for modifications.

The request of the contractor for higher rates was not agreed to by the KNNL and the contract was closed (January 2011). Thereafter, fresh tenders were invited twice (March 2011, November 2011[37]) and after the third attempt the tender was awarded (May 2012) to Sri.Kariyappa Devappa Chennur for ₹ 16.21 crore with completion date as May 2013. The contractor, however, commenced the work only in March 2014. The work was in progress in November 2014.

The proposal for changes after inviting tenders and awarding of the work indicates that the survey was deficient. These resulted in the work, which had to be completed by June 2010, not being completed as of November 2014 and thus defeated the objective of containing seepages for the last six years.

Government replied (November 2014) that the delay was due to sorting out technical problems faced during the process of finalising tenders as necessitated by the site conditions and could not be foreseen. The reply is not tenable, in as much as the condition of the site would have emerged during preliminary survey and this had not been factored in before preparing the estimates and inviting tenders.

Non-adherence to the recommendations of the expert committee

2.2.13 The Expert committee nominated by TSC of KBJNL, which inspected (1 March 2007) the aqueduct from Km.8.18 to 10.48 of Distributary No.9A of Narayanpur Right Bank Canal, had directed KBJNL to ascertain the techno-economic feasibility of the proposal and confirm that the proposed alignment would not pass through the mines area of Hutti Gold Mines Company Limited (HGML).

[36] In four packages: Km.61, 62 (package 11), Km.63, 64, 65 (package 12), Km. 70, 71 (package 14), Km.72, 73 (package 15).

[37] Together with additional works of ₹ 6.51 crore.

We observed that KBJNL, invited (22 March 2007) tenders without confirming from HGML and awarded the work to M/s.APR Construction Company for ₹ 25.78 crore. Subsequently, HGML informed (January 2008) that the proposed aqueduct was liable to be damaged due to vibration from heavy and secondary blasting from mining operations. The request of the contractor for enhanced rates was not agreed to and the work was rescinded (October 2010). The balance work was recast at ₹ 47.49 crore work and re-tendered (February 2011). The work was awarded (August 2011) for ₹ 67.27 crore to Sri.G.Shankar, who completed it at a cost of ₹ 73.21 crore in February 2014.

Thus, failure to take up the issue of the proposed alignment with HGML and propose an alternate alignment before taking up the work resulted in delay in execution by four years and consequent increase in cost of the project by ₹ 22.01 crore[38].

Government replied (November 2014) that the TSC had accorded clearance for the work and tender proposals as per original estimate. The reply is not acceptable because the TSC during inspection stated that KBJNL should confirm that the proposed alignment would not pass through the mines area and the instructions of the TSC had not been complied with before inviting the tenders.

Deficiencies in estimation

2.2.14 The key to effective contract management is the completion of all required preliminary steps before a contract is awarded *i.e.*, DPR should contain justification for taking up the work, details of survey and investigations conducted, estimates of cost and time prepared and availability of materials ensured.

We observed that the Companies failed to make proper estimation of costs, leading to undue delay and additional expenditure. The cases indicating the deficiencies in the estimation and its impact are given below.

Table 2.2.4: Deficiency in estimation

Deficiency	Inflating the estimate (₹ in crore)	Reply of the Government and remarks
Initial lead of one kilometre was not deducted while providing additional lead charges for two items[39] of work in Modernisation of Kattepura Anecut Canal in CNNL. In addition loading/unloading charges, which were already part of the rates were also included separately in the estimates.	1.00	Government accepted (November 2014) the observation and stated that recovery would be effected.

[38] ₹ 67.27 crore less (₹ 47.49 crore less 5 *per cent* below premium quoted by APR Constructions) less ₹ 0.13 crore savings.

[39] Providing impervious/pervious casing embankment with soil from borrow areas and providing and laying 80 mm thick in situ 'M15 grade' with 20 mm downsize for canal lining.

Deficiency	Inflating the estimate (₹ in crore)	Reply of the Government and remarks
There were errors in adoption of item rates[40], in respect of Package-I and Package-V of modernisation of Vishweswaraya Canal system and Devaraya Anecut Canals in CNNL.	0.72	Government replied (November 2014) that the rates arrived at were correct. The reply is not acceptable as difference in calculation was mainly due to the fact that negotiation in respect of Packages mentioned in the observation were held in the 3rd quarter (2012-13), while the rates considered for updation were of 4th quarter (2012-13) thereby overestimating the updated cost. Further, the adoption of basic rate in respect of grass turfing was incorrect.
While arriving at the item rate, the taxes (VAT) and other overheads were worked out on finished item rates instead of basic rates for the item of work[41] of construction of Raising main in Alambur DWS work of CNNL. In addition, a component of sales tax at 10.36 *per cent*, which was not envisaged under the Statute, was provided in addition to composite value added tax at 4 *per cent*, in the estimate on 'finished rate *less* fabrication charges of materials'. This resulted in inflating the cost per running metre (Rmtr) of MS pipes to ₹ 34,402 instead of ₹ 28,889 per Rmtr, thereby boosting the estimate by ₹ 24.23 crore for actual length of 43,953 Rmtr of raising main.	24.23	Government stated (November 2014) that while arriving at the estimated cost of MS Pipes, overheads, other charges, contractor's profit and a component of Sales Tax at 10.36 *per cent* were correctly considered. However, it is evident that the calculation of overheads, taxes on the final cost arrived at, and sales tax at 10.36 *per cent* in addition to the composite VAT at 4 *per cent* is incorrect. Hence, reply is not acceptable.
In respect of eight works[42], excavated soil was under-utilized and in three works[43], it was not utilized fully in CNNL. There was neither any standard/base proposed for utilizing the excavated soil nor were any soil test/quality control reports annexed to the estimates justifying the quantum of	8.68	Government replied (November 2014) that the excavated soil was not re-usable due to site conditions. In support of their claim, no soil test report or Quality control reports of the excavated soil and

40 Providing fabricating and placing in position steel bars, providing grass turfing to side slopes and filling murrum/gravel or by earth masters and power rollers.

41 Item of work of manufacturing, providing, transporting, rolling, levelling, laying and jointing, testing, commissioning of Mild Steel (MS) pipes.

42 Package-II, III, IV, V of Vishweshwaraya Canal system (30 *per cent*), Km.0 to 25.25 of Kabini Left Bank Canal (46.47 *per cent*) and CC lining to Km.0 to 20, Km.20 to 40 and Km.40 to 60 of Kabini Right Bank Canal (6.54 *per cent*).

43 Modernisation of Chamaraja Anecut Canals, Modernisation of Mirle and Ramasamudra Anecut Canals and Modernisation of Devaraya Anecut Canals.

Deficiency	Inflating the estimate (₹ in crore)	Reply of the Government and remarks
non-usable excavated soil. Had the excavated soil been re-used in the works, additional cost of ₹ 8.68 crore paid for getting the balance quantum of soil for the works could have been avoided.		the borrowed soil by the contractor were furnished to audit. In the absence of the said reports, audit is unable to verify the veracity of the claim.
Though the works[44] were in the nature of providing fresh CC lining works, CNNL adopted the item of work for embankment under the head 'preliminary and maintenance works' instead of 'canal and allied works'.	1.79	Government contended (November 2014) that the item of works under the head 'canal and allied works' is for fresh works. Hence suitable specification for the items under 'preliminary and maintenance work' head was adopted. During the review of works of modernization of Kattepura Anecut Canals, Mirle and Ramasaudra Anecut Canals, Chamaraja Anecut canals *etc.*, it was observed that the divisions adopted the correct item of work under 'Canal and allied works'. Hence, the reply is not acceptable.
During the execution (August 2008) of the work[45] in KBJNL, there were defects in estimate in working out the ground levels, quantities of surface boulders and strata classification. The Managing Director had also observed (January 2010) that although strata classification was done by a geologist; it was the ultimate responsibility of the Executive Engineers. The excavated quantity was 18.87 lakh cum as against the estimated quantity of 13.91 lakh cum, resulting in EFI/EIRL amounting to ₹ 7.82 crore.	7.82	Government replied (November 2014) that during the course of execution it was found necessary to carryout controlled blasting as per the actual site condition encountered and also mainly due to objection from the public in that area, due to which essential deviations were made in the alignment. Also, due to variation in ground levels, quantities of excavation exceeded the estimates. Reply is not acceptable as the correctness of the site conditions in the survey should have been ensured by KBJNL. Failure to do so resulted in EFI of ₹ 7.82 crore.
In respect of five works[46] in KNNL, weightage of 25 *per cent* was allowed even on items falling under the heads 'Cross Drainage works', 'Maintenance works' *etc* in Schedule of Rates	22.64	Government replied (November 2014) that CD works were also part of 'canal and allied works' and assured to look into the payment of weightage in final

[44] CC lining of Km.0 to 20, Km.20 to 40 and Km.40 to 60 of Kabini RBC.
[45] Construction of NRBC 9A Distributary Package-I, III & IV.
[46] Modernization of Tungabhadra LBC Main canal (Km.0 to 177) and distributaries of Tungabhadra LBC in five packages.
[47] Considering the period from last bill (January 2012/November 2012/June 2013) to till date (August 2014).

Deficiency	Inflating the estimate (₹ in crore)	Reply of the Government and remarks
instead of allowing only for the items under 'Canal and Allied works' resulting in additional financial burden of ₹ 11.25 crore. Further, in deviation to the SR stipulations, the payment of weightage was released in part bills resulting in interest loss of ₹ 11.39 crore[47].		bills. The reply is not acceptable as the SR has separate set of rates for CD works where the weightage was not provided.

Deficiencies in tendering

2.2.15 Tender means the formal offer made for supply of goods or services in response to an invitation for tender published in a Tender Bulletin. The Government of Karnataka enacted the Karnataka Transparency in Public Procurements Act, 1999, (KTPP), to ensure transparency in public procurement of goods and services by streamlining the procedure in inviting, processing and acceptance of tenders by Procurement Entities, and for matters related thereto.

2.2.16 As per rule 17 of KTPP Rules, the Tender Inviting Authority shall ensure minimum bidding time of 30 days for works costing up to ₹ two crore and 60 days for works costing above ₹ two crore. Any reduction in the time has to be specifically authorized by an authority superior to the tender inviting authority with reasons to be recorded in writing.

We observed that

- CNNL had allowed less than 60 days (for works costing over ₹ two crore) in respect of 30 works. In respect of four works CNNL had sought approval for reduction of time under 17 (2) of KTPP Rules. The reasons for reduction of time were also not kept on record.
- In KBJNL, the stipulated period of 60 days was not provided for eight works and in respect of three works, the stipulated period of 30 days was not provided.
- In KNNL, the stipulated period of 60 days was not allowed in respect of all the selected works.
- Further, none of the Companies had adopted the Standard Tender Document as directed by the Government of Karnataka.

Government stated (November 2014) that due to urgency of work, the time limit prescribed could not be adhered to and this had the approval of higher authorities. The reply is not acceptable as approval of the higher authorities had not been obtained for the short term tender. It also does not explain the fact that works had not been completed within the stipulated time even though the works were said to have been taken up on urgent basis.

The cases indicating deficiencies in tendering are given in the following paragraphs.

Non-acceptance of tender within the validity period

2.2.17. Tenders were invited (March 2006) for the work of earth work excavation, formation of embankment and providing CC lining in Km.12 to 13 and Km.13 to 14 respectively of Common Canal of Varahi Project of KNNL. Several corrigenda changing the scope of work were issued over the next one and a half years, which resulted in opening the bids only in September 2007. The lowest quotes of Ramkey Infrastructures Private Limited at ₹ 3.91 crore and ₹ 4.58 crore were found acceptable. KNNL accepted (June 2008) the tender after the validity date (six months). The contractor refused to enter into an agreement as the rates were not acceptable to him. Though there were delays in paying compensation to farmers and obtaining clearances from the Forest Department, KNNL proceeded with the tendering process.

Both the works were re-tendered (December 2009) and were awarded (April 2010) to Sri.G.Shankar and Sri Manjushree Constructions. These works were completed in May 2012 and June 2013 at a cost of ₹ 10.75 crore and ₹ 13.24 crore respectively.

Thus, non-finalisation of the two tenders in time resulted in an extra cost of ₹ 15.50 crore.

Government accepted (November 2014) that the tenders could not be finalised in time, which resulted in the extra expenditure.

Delay in award of work due to flaws in tendering

2.2.18 The Arkera branch canal which runs for 22.87 kms and Wadavatti branch canal which runs for 40 kms were proposed to be constructed on the distributary of NRBC of KBJNL with the objective of irrigating 5,522 ha and 8,678 ha respectively. The work of the main distributary of NRBC had been completed in February 2014.

The tenders for the work of construction of Arkera Branch Canal, in three packages, were invited in July 2011. However, the tenders were cancelled (January 2012) because of inclusion of a bidder in the financial bid even though the bidder had been disqualified in the technical bid.

Revised tenders were invited between March and July of 2012 and the works were awarded (June and September 2012) after a delay of 14 to 16 months. The work was to be completed in 12 months. However, it has not been completed till date (August 2014).

Similarly, tenders for works of Wadavatti branch canal were invited for ₹ 40.52 crore in four packages in March 2012 (package 1), March 2013 (package 2), November 2013 (package 3) and October 2013 (package 4). Package-1 should have been completed before September 2013 and the other packages by the end of December 2014. While the progress in respect of Package-1 up to March 2014 was ₹ 9.32 crore, work on the other packages was yet to start (August 2014).

Defective tender evaluation process and non-synchronization of works resulted in delaying the project. The objective of providing irrigation facilities to 14,200 ha in the drought prone area (Deodurga and Manvi taluk in Raichur district), had not been achieved even after seven years.

The reply (November 2014) of the Government was silent on non-synchronization of works which resulted in the delay of the project.

Extra expenditure due to defective tender clause

2.2.19 We observed that, in the work of providing drinking water to 52 villages of Gulur-Hebbur Hobli by CNNL at a cost of ₹ 55 crore, the part '*or at the rate entered in the agreement, which is / are lower*' in Clause 13(b) of the contract for regulating the payment beyond 125 *per cent* of estimated quantity, was deleted. This resulted in additional liability of ₹ 22.47 lakh.

Government replied (November 2014) that the deviation was due to oversight and the payment had been restricted to rates as per standard condition based on the audit observations, and that the Company should not bear any extra expenditure on this account.

Insurance

2.2.20 As per condition no.1 of the Financial Bid, the Contractor shall provide necessary insurance to cover loss of damage due to fire, lightning, collapse, defective workmanship, flood, storm, theft, burglary, malicious damage, third party liability *etc*. The insurance had to be taken in the joint names of the Companies and the Contractor and a copy of the policy should be furnished to the Companies within two weeks from the award of the Contract. We observed that in respect of the test checked works, the contractors had not furnished any insurance document.

Deficiencies in acquisition of land

2.2.21 The land required for the projects were acquired through Revenue Authorities and Special Land Acquisition Officers. The compensation for the land was paid to the landowners. The tender notification issued by the Companies included a condition that if any part or whole of land required for the work was not yet acquired, it should be the responsibility of the contractor to procure possession of such land by consent of the land owner before commencement of work at no extra cost to the Companies.

The cases where there were deficiencies in acquisition of land are given in the following paragraphs:

Delay in completion of work due to land acquisition issues

2.2.22 The KNNL prepared (December 2005) the estimates for the construction of minors[48] under Kamatagi distributary[49]. Tenders were invited

in January 2006 and the work awarded (January 2006) to Dhileep Constructions at ₹ 98.70 lakh with a stipulation to complete the work in four months (May 2006).

[48] Canal having discharge of less than 25 cusecs.
[49] B1-36 of Shirur direct minor Km.1, 2, 3 and Shirur minor Km.1, 2, 3 - earthwork, lining and Cross drainage works.

We observed that KNNL had not provided clear site for execution. The 4(1) and 6 (1) notifications under the Land Acquisition Act, for acquiring the land were issued in April 2006/September 2009[50] and August 2007/May 2010 respectively. The land compensation award was issued in July 2009 / June 2011 after a further delay of two to four years. The work was completed in May 2012, after a delay of six years at a cost of ₹ 1.25 crore.

Failure to provide clear site resulted in a delay of six years in completion of the project and non achievement of creating irrigation potential in 642.88 ha, apart from extra expenditure of ₹ 0.27 crore.

Government (November 2014) stated that the situation was unavoidable as there were delays in payment of compensation to land owners.

The reply is not acceptable as notifications for acquisition of land were issued after awarding the work.

2.2.23 KNNL invited (March 2006) tenders for the work of earthwork excavation, formation of embankment and providing lining including cross drainage works in Km.8.40 to 9 of Varahi Common Canal (VCC). After issue of six corrigenda for changes, KNNL entered into (June 2008) an agreement with the lowest bidder Durga Construction Company[51] (contractor) for ₹ 3.20 crore with a stipulation to complete the works by December 2009. Due to the problems encountered in land acquisition, completion of the work was delayed. KNNL extended the date of completion up to June 2011.

The work progressed very slowly as there was obstruction from Kumki landholders[52] due to non-payment of compensation and the financial progress achieved up to June 2011 was only ₹ 81.89 lakh. The matter of payment of compensation to Kumki landholders was taken up by KNNL with the Government in July 2011 and the Government approved (April 2012) the compensation.

The request (June 2011) of the contractor to pay the then current rates to complete the balance work was not accepted (September 2011) by KNNL and hence the contract was closed (June 2012). The balance work (₹ 2.38 crore) was put to tender by clubbing with other works[53] and awarded (March/April 2012) to SNC Power Corporation for ₹ 6.21 crore[54].

We observed that the decision to award the works before paying compensation to landholders resulted in time and cost overruns.

Government confirmed (November 2014) the facts and stated that the situation was unavoidable as there were delays in payment of compensation to land owners.

[50] For different stretches of land.
[51] Agreement was signed by Sri.K.Subsashchandra Shetty.
[52] Leased / un-authorised construction on government land.
[53] For Km.2 to 3, Km.3to 4, Km.8.4 to 9, Km.10 to 11, Km.14 to 18.725.
[54] Considering only the items related to the work.

Delay in work due to non-availability of land for dumping excavated soil

2.2.24 The estimate for earthwork and lining of Ghataprabha Right Bank Canal (KNNL) - Km.144 and Km.145 (balance works) was awarded (March 2005) to Shri B.J.Jogi (contractor) at ₹ 2.73 crore with a stipulation to complete the work by September 2005.

The contractor could not complete the work within the stipulated time and could achieve a financial progress of ₹ 59.01 lakh only. The contractor represented (February 2006) that the work could not progress due to obstruction by farmers for dumping excavated of soil and for blasting, as the farmers were under the apprehension that water in their bore wells would go dry.

The Chief Engineer granted extension of time sought by the contractor on three occasions for completing the works (up to March 2006, January 2007 and August 2009) with application of penalty on per day basis[55]. Two additional works (road crossing, hard rock) with an extra financial implication of ₹ 67.33 lakh were also entrusted (December 2006/June 2011) and supplementary agreement was entered into in July 2011.

The contractor was not in agreement with levy of penalty while extending the time for completion. The contractor requested for short closure of the work, which was accepted (August 2011). The contractor had shown a financial progress of ₹ 2.70 crore and balance work to be executed amounted to ₹ 70.25 lakh.

KNNL re-tendered (June 2013) the balance work in two packages (Km.144 and Km.145 separately) and awarded them to Sri R. H.Yadahalli for ₹ 69.13 lakh (Km.144) and Sri. M. M. Mundewadi for ₹ 67.46 lakh (Km.145). While the contractor for Km.145 entered into an agreement in June 2014, the contractor for Km.144 did not execute the agreement.

We observed that the work, which should have been completed in six months (by September 2005), is still pending even after eight years, as there was obstruction to the dumping of excavated soil. In the interest of completion of work, KNNL should have taken action to acquire/lease land for dumping the excavated soil. As a result of the delay in execution, the cost of the work increased by ₹ 66.34 lakh.

This was accepted (November 2014) by the Government.

Deficiencies in execution of works

2.2.25 Execution is an important phase of completing the work. Necessary care has to be taken to ensure that the sites are handed over in time, the men and machinery mobilized, periodical monitoring undertaken and work executed as per approved design. We observed that there were deficiencies in the execution of works. The cases are given in **Sl. No. 7 to 17 of Annexure-8.**

[55] ₹ 25 per day (up to March 2006) and ₹ 150 per day (January to August 2009).

A few illustrative cases of the deficiencies in execution of works and billing are given below.

Non achievement of desired irrigational potential in Varahi project

2.2.26 The Varahi Project (KNNL) was approved (March 1979) by the GoK for ₹ 9.43 crore pending approval of the Central Government. After several deliberations and consequent modifications, the final project cost of ₹ 569.53 crore was approved (March 2006) by GoK. Necessary clearance from the Ministry of Environment and Forests (MoEF) was also obtained as the modifications required environmental clearance. Thus, after 26 years of proposal and preparation of DPR, the project work was finally started only in March 2006.

According to the modified proposal, the Project consisted of construction of diversion weir, common canal (VCC) for 18.725 kms, left bank canal (VLBC, 44.35 kms from off take point), right bank canal (VRBC, 43.0 kms from off take point) and lift canal (VLIC for 33 kms starting from 4th Km. of VLBC) to irrigate 15,702 ha of land. By the time KNNL was formed in December 2003, preliminary survey, construction of office buildings and staff quarters, and VLBC works from Km.0 to 4 and Km.7 to 10 had started and ₹ 34.16 crore had been spent (by GoK).

The work of construction of weir was completed in April 2009 at a cost of ₹ 73.20 crore, the work of VLBC up to 29th Km. was in progress (22nd Km. was complete) and the works of VRBC and VLIC were yet to be taken up. The total expenditure on the works of weir, VLBC and VRBC as of March 2014 was ₹ 541.90 crore.

The work of common canal (VCC) was made into 14 packages and work commenced between July 2007 and April 2012. Of these, six works were completed and eight works were under progress. The delay in the execution of these works ranged between six and 72 months. Due to delay and change in design, as against the contracted amount of ₹ 234.46 crore, expenditure of ₹ 257.40 crore including EFI of ₹ 98.85 crore had already been incurred as on August 2014.

The Varahi project was envisaged to make use of tail race discharge from Varahi Hydel Scheme to benefit the villages of Udupi and Kundapura taluks. This project, approved by GoK in 1979, was brought under the Accelerated Irrigation Benefit Programme (AIBP) and had been in receipt of central assistance under AIBP since 2007-08. The extension of the target date for completion of the project from 2010-11 to 2012-13 was accorded as the project could not be completed on time. The completion date has now been extended to March 2015.

The objectives of AIBP were to accelerate ongoing irrigation projects and to realise bulk benefits from the completed projects. In spite of bringing the project under AIBP, KNNL failed to accelerate the works and ensure completion within the time-frame.

On a review of the works, it was noticed that there were instances of change in scope and design, deficiencies in tendering (Paragraph 2.2.17), not making available hindrance free land to the contractor and delay of compensation to the land owners by the revenue department (Paragraph 2.2.23). This led to adoption of subsequent Schedule of Rates, increased soil excavation and increased width of berm and consequent delay in completion of the project.

The project has been delayed and the amount of ₹ 541.90 crore spent (March 2014) on the project did not meet the intended objective of providing water to irrigate 15,702 ha of land in Udupi and Kundapura taluks.

Government accepted the above by stating (November 2014) that the delay was due to land acquisition issues, obtaining forest clearance, technical problems encountered on account of natural calamities and geological problems.

Unnecessary excavation for foundation

2.2.27 The work of construction of high level Pre-Stressed Concrete (PSC) Road Bridge across Hemavathy river with arrangements to ensure the existing drinking water supply to Holenarasipura town was technically sanctioned by the Chief Engineer, CNNL in January 2007. The work was awarded (April 2007) to Sri.S.Narayana Reddy for ₹ 28.36 crore, with stipulation to complete in 18 months.

During excavation, it was decided (May 2007) to excavate strata at foundation level at RL 823 further, and the additional cost worked out to ₹ 4.93 crore.

The proposals for extra expenditure were approved by the TSC and BoD in January 2011 and March 2012 respectively.

We observed that CNNL had *ex-post facto* referred (April 2010) the matter to the Superintending Engineer (Designs) to examine the necessity of going beyond the approved foundation level and the necessity of deepening the floor level in the same strata. The SE had opined (May 2010) that even under the worst loading conditions, jointed hard rock was capable of taking stress at designed level itself and excavation for foundation beyond RL 823 was not necessary. SE also opined that before going for further excavation in the foundation, a geologist should have inspected the site.

Referring the matter after the work was done to SE (Designs), who opined that it was not necessary, lacked justification and the expenditure of ₹ 4.93 crore was not need based.

Excess thickness for cement concrete lining

2.2.28 The code (BIS-IS 3873 of 1993) for CC lining for canals prescribed the thickness of lining based on capacity of canal and depth of water. We observed that the Companies had provided extra thickness than the prescribed norm in the following canals.

Table 2.2.5: Details of canals with excess thickness of CC lining

Canal	Discharge capacity (cumecs)	Depth of canal (in metre)	Thickness of CC lining to be provided (mm)	Thickness of CC lining provided (mm)	Extra cost (₹ in crore)
Wadavatti branch canal	Less than 5	1.25	60	100	2.17
Arkera branch canal	Less than 5	1.35	60	100	2.40
Tungabhadra Left Bank Canal (TLBC) from Km.177 to 200	5-50	2.70	80	100	2.60
Distributary Nos. 17,21,25,31 and 32 (of TLBC)[56]	Less than 5	1.70	60/80	80/100	3.43
Km.6 to 19 of distributary No.6 under Naragund Branch Canal	Less than 5	1.20	60	80	1.26
Halyal, Karimasuthi east and Ainapur combined canals in Athani Division	5-50	1.70/ 1.75	80	100	0.34
Mandagere Right Bank Canal, Mandagere Anecut Left Bank Canal and Hemagiri Anecut Left Bank Canal	5-50	1.80/ 0.80	80	100	15.32

Government replied (November 2014) that the BIS standards specify minimum thickness and varied depending on site conditions. The reply did not provide any justification for using excess lining than the norms prescribed under the standards.

Deficiencies in the construction of Inter-connecting Canal

2.2.29 The Inter-connecting Canal work of Kalasabandura Nala (KNNL) was awarded (August 2008 to February 2011) in four packages at a cost of ₹ 140.53 crore[57], and was to be completed in May 2012. But none have been completed till August 2014.

We observed that the Geo-technical survey for this project was done by Karnataka Power Corporation Limited by taking limited trial bores. However, the TSC directed that estimates be prepared after taking trial bores at 30 metre intervals. Accordingly, geological investigation was carried out and a geological report was obtained from Sri.G.R.Deshpande (consultants), who was a retired officer of KPCL. Both the surveys reported existence of hard rock, but the strata encountered during execution was different. As a result, a committee was formed to investigate, which again comprised of retired officers of KPCL who opined that soil investigation might sometimes be misleading. In view of the strata being different, KNNL had to change the method of execution from ‘open cut canal’ to ‘cut and cover’ from ch:750 to ch:2505, at a cost of ₹ 158.69 crore. This eventually led to additional

[56] The H.S.Chinival committee appointed to study the canal suggested (December 2005) provision of CC lining of 100 mm by paver means for main canal of TLBC between Km.0 to 73.60.

[57] Further, one additional work (no. V), as an extension of work no. IV, was awarded in December 2013 at a cost of ₹ 73.32 crore.

expenditure of ₹ 54.54 crore apart from delaying the work by two years as of August 2014.

Due to the incorrect/unreliable report, not only was there an unreasonable delay in completion of the project, but also an increase in cost. As a result of the delay, the drinking water requirements of 13 towns of Hubli and Dharwad District and villages of Malaprabha basin were not met (August 2014).

Government replied (November 2014) that the geotechnical survey done by the first consultant was deficient and hence the second report was based on the actual site conditions. It also stated that the consultants had opined that soil investigation had its own limitations. The reply is not acceptable as trial pit was resorted to, as the first report was prepared unscientifically with the trial bores being taken at only five places. In spite of carrying out the soil test again, the hard rock said to have been present did not exist and a different stratum was encountered. Had the report been correct, the presence of hard rock should have been seen at least in some stretches. The report of the consultants was, therefore, inaccurate. KNNL should have entrusted this important work to a reputed organisation like the Geological Survey of India instead of entrusting it to a consultant, who was a retired official of KPCL. This incorrect report resulted in the Company having to incur extra expenditure.

Non-recovery of penalty

2.2.30 Clause 2(d) of the tender agreement stipulates that in case of shortfall in progress of work, the contractor shall be liable to pay penalty equal to one *per cent* of the estimated cost of the balance work assessed according to the programme, for every day that the due quantity of work remains incomplete, provided that the amount of penalty to be paid shall not exceed 7.5 *per cent* of the estimated cost of the entire work.

In four works[58] executed by CNNL and three works[59] executed by KBJNL, the total penalty leviable as per above clause for delay in completion was ₹ 9.72 crore and ₹ 4.31 crore respectively. Against this, CNNL had recovered an amount of ₹ 5.40 lakh. The balance of ₹ 13.98 crore is yet to be recovered (August 2014).

Government accepted (November 2014) the observation and stated that the penalty amount would be recovered on case-to-case basis.

Acknowledgement

We acknowledge the co-operation extended by the WRD and the three Companies in facilitating the conduct of audit.

[58] Km.0 to 60 (three packages) of Kabini Right Bank Canal and Km.0 to 25.25 of Kabini Left Bank Canal.

[59] Package I, III and IV of NRBC distributary 9A.

Conclusions

We concluded that

In many works, proper survey and investigation had not been carried out. Estimates were inflated as there were errors in adoption of item rates and taxes. Process of acquisition of land was taken up after the works were awarded. There were instances where the works underwent major changes after the works were awarded. Different components / chainages were not synchronized. There was non-compliance to Statutes, contractual terms and conditions resulting in undue benefit to contractors and extra financial implications.

As a result , there was increase in the cost of the works and delays in the completion of projects leading to deprival of the expected benefits thus affecting the livelihood of the farmers.

Recommendations

We recommend that the Government

- **institute a mechanism of the tender issuing authority certifying that acquisition of required land, payment of compensation and obtaining of forest/environmental clearances have been completed before issuing the tender.**
- **consider forming a cell to co-ordinate and expedite clearances from the statutory bodies.**
- **fix responsibility on the consultants for abnormal variations in survey so that extra financial implications are avoided.**
- **fix reasonable time limits for various stages in the tendering process in order to obtain competitive rates.**
- **direct the TSC to approve the tenders after ensuring that all related works in different chainages are synchronized to create the envisaged irrigation potential.**

Chapter - III

3. Compliance Audit Observations

Important findings emerging from audit that highlight deficiencies in planning, investment and activities of the Management in the State Government Companies and Statutory Corporations, which had financial consequences, are included in this Chapter. These include observations on unproductive investment, violation of contractual obligations, undue favours to contractors, extra/avoidable expenditure, non-recovery of dues and cases where the intended objective of the Projects of the Government were not achieved.

Government Companies

Karnataka State Tourism Development Corporation Limited

3.1. *Implementation of Golden Chariot Project*

Due to deficiencies in operation and financial management of the Golden Chariot, and inclusion of unfavourable terms in the Service Agreement in relation to the private Management Partner, the Karnataka State Tourism Development Corporation Limited was not able to meet even its operational cost after six years of operation.

Introduction

3.1.1. With the intention to showcase unique tourist attractions and cultural heritage of Karnataka and to provide a captivating travel experience for the tourists, Government of Karnataka (GoK) conceived (2001-02) a project to operate a luxury tourist train named 'Golden Chariot' on the lines of 'Palace on Wheels' run by Rajasthan Tourism Development Corporation Limited. The project was implemented in collaboration with Indian Railways through Karnataka State Tourism Development Corporation Limited (KSTDC), an undertaking of GoK and nodal agency for promoting tourism in Karnataka.

Memorandum of Understanding with Indian Railways

3.1.2. KSTDC concluded (December 2002) a Memorandum of Understanding (MoU) with Indian Railways for implementing the project. As per the terms of the MoU, KSTDC was to act as the nodal agency for marketing, promotion, publicity and liaisoning with the Ministry of Tourism, Government of India

(GoI). The Railways was to provide bare shells of the coaches and to provide all facilities[60] necessary for the operation of the train, while KSTDC was to bear the cost of furnishing, provision of other coach equipment fittings and fixtures, air-conditioning of the rake *etc*. The MoU had also envisaged that Indian Railways and KSTDC should jointly finalise the revenue sharing mechanism through a Joint Working Group[61] within three months from the date of signing of the MoU.

Project feasibility and funding

3.1.3. Feasibility study was done (June 2002) by the Infrastructure Development Corporation (Karnataka) Limited (IDeCK), an agency of GoK. The financial viability was worked out by IDeCK on the assumption that the entire operational cost would be borne by the Indian Railways. However, the MoU with Indian Railways envisaged payment of haulage charges plus an element of profit. KSTDC had not revisited the viability of the project even though one of its basic assumptions *i.e.*, of the entire operational cost being borne by the Indian Railways, did not fructify.

Execution

3.1.4. The project which involved construction of eleven passenger coaches, one gym and spa coach, one bar coach, two restaurants, one staff coach and two power cars, was completed at a cost of ₹ 32.93 crore in February 2008.

Appointment of Management Partner

3.1.5. M/S Ninth Dimension Hotels & Resorts Private limited, a consortium of Ninth Dimension Hotels & Resorts Private limited and The Luxury Holidays (Marketing partner), was appointed (September 2007) as Management Partner by entering into a Service Agreement. According to the Agreement, the Management Partner should pay KSTDC a management fee every month during the management period of an amount equivalent to 10 *per cent* of

[60] Use of track, signalling, station premises, locomotives, telecommunication, train crew including maintenance staff, access to and from platforms, halts/stabling facilities.

[61] GoK constituted (April 2003/August 2007) a Joint Working Group (JWG) comprising officials/nominees of Indian Railways, GoK and KSTDC to decide matters related to operations, tariff setting, revenue collection and any other matter related to the operations of Golden Chariot.

KSTDC's Net Revenue, which is 50 *per cent* of the total net revenue with the balance 50 *per cent* being the share of Indian Railways. Besides, the Management Partner was entitled to collect and retain the other income[62]. KSTDC finalised the Service Agreement with the Management Partner, assuming revenue share of 50:50 between KSTDC and Indian Railways, without consent from Indian Railways to this effect.

Subsequently, Indian Railways informed (December 2007/January 2008) that as revenue sharing was not decided, KSTDC was to pay haulage charges to Indian Railways for running the train. A supplementary agreement was entered into (April 2008) with the Management Partner enabling KSTDC to receive 55 *per cent* of the total net revenue including management fee and the balance 45 *per cent* being payable to the Management Partner. This agreement also stipulated that KSTDC was responsible for payment of haulage charges to Indian Railways in accordance with the terms and conditions agreed between KSTDC and the Indian Railways. KSTDC, however, failed to factor in the haulage charges while finalising the revenue sharing agreement with the Management Partner, the impact of which is discussed in the subsequent paragraphs.

Undue benefit due to defective agreement

3.1.6. The Service Agreement provided for payment of commission to the Management Partner at the rate of 17 *per cent* on the gross sale value of tickets booked by them though the revenue share of the Management Partner was fixed at 45 *per cent* and contribution towards marketing fund was fixed at 2 *per cent* of the gross revenue. The necessity of offering additional commission over and above the revenue share was not justified. Moreover, as against 17 *per cent*, KSTDC paid the commission at the rates ranging from 20 to 25 *per cent* on the bookings made by them with effect from 2010-11, on par with General Sales Agents (GSA) in violation of the terms and conditions of the Service Agreement. The commission amounted to ₹ 3.27 crore during 2010-11 to 2013-14 which included ₹ 0.74 crore over and above the agreed percentage of commission.

3.1.7. Article 7.1 of the Service Agreement allowed the Management Partner to retain the entire income earned out of the services rendered[63] on board without the share of maintenance cost including haulage charges. Two out of eighteen coaches of the train were exclusively utilized for running bar/liquor sales and another for Health Club (Gym and Spa). Though, KSTDC incurred haulage cost of

[62] Other income as defined in the agreement means revenue and income derived directly or indirectly from other services including but not limited to advertising income, rental income and other receipts apart from sale of tickets/packages.

[63] Services included bar/liquor sales and gymnasium, beauty/ayurveda saloons, shops, massage parlours, and internal facilities available onboard.

₹ 1.29 crore for 75 trips operated during 2008-09 to 2010-11, the Management Partner was allowed to retain income of ₹ 1.07 crore for other services rendered and the income for the years 2011-12 to 2013-14 was not on record though KSTDC incurred haulage charges of ₹ 0.89 crore. KSTDC did not get the annual accounts of the Management Partner verified through an independent auditor, though authorized by the Service Agreement (Clause 7.2).

Extension of additional benefit to the marketing partner not envisaged in the agreement

3.1.8. KSTDC appointed (April 2008) M/s Palace Tours as exclusive worldwide marketing partner for the Golden Chariot replacing 'The Luxury Holidays', which was acting as marketing partner in the consortium of Ninth Dimension Hotels & Resorts Private Limited.

Aggrieved by this, the Luxury Holidays filed (May 2008) a case in the High Court of Delhi seeking relief from the Court to pass a decree in its favour directing that the Golden Chariot should be run in accordance with the Service Agreement. A compromise formula was arrived at (February 2010) to settle the issue out of court, entitling The Luxury Holidays to continue as exclusive marketing partner for the Golden Chariot and also to get six cabins in the Golden Chariot as complementary per year.

Audit observed that though they wanted only the enforcement of the terms and conditions of the Service Agreement for restoring its status as the marketing partner, additional six cabins were provided to the Luxury Holidays. As a result, KSTDC lost revenue of ₹ 0.69 crore during the years 2011-12 to 2013-14 from these six cabins, thereby extending undue benefit to the marketing partner. In addition, KSTDC would lose further revenue of ₹ 0.81 crore for the period from April 2014 to September 2017 calculated at the rates paid during 2013-14.

Operations

Loss in Operations

3.1.9. The commercial operations of the train commenced in March 2008. The itinerary of the train included two trips *viz*., 'Pride of South' and 'Southern Splendour'. The 'Pride of South' covers places in Karnataka and Goa with a total distance of 1,891 kms for each round trip (seven nights). The 'Southern Splendour' trip of seven nights introduced in March 2010 covers places in Karnataka, Tamilnadu, Puducherry and Kerala for a distance of 2,111 kms. Despite running 131 trips[64] during 2008-09 to 2013-14, KSTDC incurred losses until 2012-13. There was marginal dip in loss during 2013-14 (provisional). Though, GoK released grants of ₹ 13.22 crore during 2009-10 to 2013-14 to partly compensate the haulage charges, yet the operations were under loss.

[64] Excluding one trip for trial run made during March 2008.

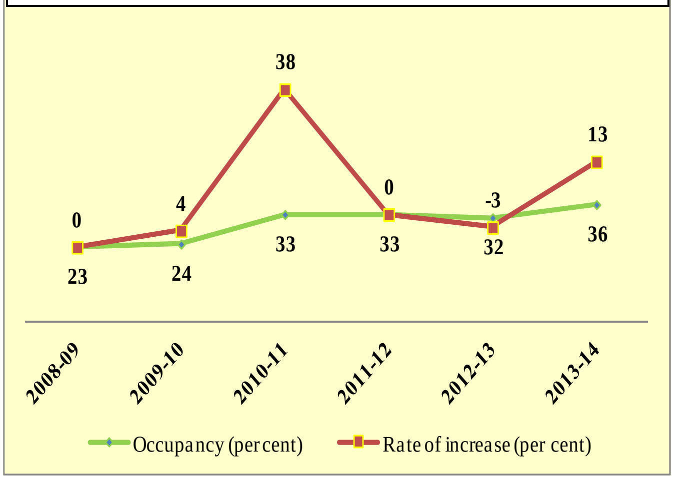
Undue benefit to Management Partner by not apportioning Haulage Cost

3.1.10. During 2008-14, KSTDC earned gross revenue of ₹ 43.24 crore from 131 trips. Considering total haulage cost of ₹ 37.20 crore for this period, the net loss was ₹ 27.08 crore, which could have been reduced to ₹ 10.34 crore, had the haulage charges been apportioned with the Management Partner proportionate to its revenue share of 45 *per cent*. As the service agreement did not provide for share of haulage cost in proportion to revenue share, the Management Partner was allowed to benefit by ₹ 16.74 crore[65] over a period of six years of operations.

Occupancy rate

3.1.11. Though the overall occupancy increased from 23 *per cent* in 2008-09 to 36 *per cent* in 2013-14, the rate of increase in occupancy was very erratic and not indicative of improvement of operations. The steep increase in occupancy rate in 2010-11 was due to operation of less trips (26 trips) as compared to 2009-10[66]. Despite exclusive marketing fund and provision of six cabins per year earmarked for promotions to the marketing partner, the occupancy rate was not encouraging as KSTDC had not formulated any marketing strategy for improving occupancy. There were no effective advertisements through print and digital media. Also, familiarization trips arranged for people primarily hailing from print and electronic media, travel writers, journalists *etc*., had not achieved the desired results with regard to occupancy.

Chart 3.1: Occupancy of the Golden Chariot



3.1.12. Full occupancy in all the 11 coaches was 88. As per policy of KSTDC, minimum number of passenger occupancy for operating a trip was ten. If the number of passengers was less than 10 in any particular trip, the trip had to be cancelled. We observed that the KSTDC had run 18 trips during 2008-09 to 2013-14, where the number of passengers was less than ten. In respect of 4 out of 18 trips, the train was operated with just one or two passengers. KSTDC, by operating uneconomical trips, incurred a loss of ₹ 4.03 crore.

---

[65] The difference amount of ₹ 16.74 crore (₹ 27.08 crore - ₹ 10.34 crore) is benefit to the Management Partner.

[66] The train was operated throughout the year in 2008-09 and 2009-10. As the occupancy was low, the operations were restricted to one season of the year (October to March) with effect from 2010-11. Hence, the rate of increase was abnormal in 2010-11.

Operation of excess coaches than required

3.1.13. The Golden Chariot consists of 11 passenger coaches with a capacity of eight passengers each and seven coaches for services which have to invariably run in every trip irrespective of the number of passengers travelling. However, KSTDC had the option to run either eleven or nine passenger coaches depending on occupancy. As the Indian Railways fix haulage charges in proportion to the number of coaches run in a trip, it was advantageous for KSTDC to opt for lesser number of passenger coaches when there was lower occupancy.

We observed that the KSTDC had operated all the 11 passenger coaches in respect of 85 trips during 2008-09 to 2013-14, though the occupancy ranged from 1 to 68 passengers, for which running of nine passenger coaches would have been sufficient. Thus, KSTDC had ended up paying additional haulage charges of ₹ 0.86 crore as a result of running coaches in excess of requirement. Further, KSTDC did not explore the possibility of operating the train with less than nine passenger coaches, when the occupancy was much less, so as to take advantage of paying reduced haulage charges.

Passengers travel on Familiarization and Complimentary passes

3.1.14. Familiarization[67] Trips (FAM) were arranged for people primarily hailing from print and electronic media, travel writers, journalists *etc*., from India and various parts of the world for showcasing the Golden Chariot across the globe and in turn to attract people to travel in the train. Similarly, passengers treated as VIPs on case to case basis were allowed to travel on complementary passes on behalf of KSTDC, Management Partner and GSA.

As per policy of KSTDC on FAM/Complimentary guests, the Complimentary guest would not be levied any charges for travel on the Golden Chariot but charges on use of other facilities such as bar, business centre, health club would be levied and such expenditure would be shared equally between KSTDC and the Management Partner. The policy also stipulated that a maximum of five members per trip would be allowed on complimentary basis.

We observed that

- against 155 passengers for 31 trips to be allowed, 286 passengers were allowed in 2008-09 and against 130 passengers to be allowed for 26 trips, 153 passengers were allowed this facility in 2009-10.

- in 10 trips operated between 7 April 2008 and 10 October 2011, the number of FAM/Complementary guests outnumbered the paid passengers. A loss of ₹ 1.30 crore[68] was incurred by KSTDC for operating these 10 trips after meeting haulage cost. In 4 cases, the

[67] Generally people from media such as BBC, National Geographic channel *etc*., and also people from print media are allowed to travel in the Golden Chariot so as to publicize the train across the globe. The request for such trips normally comes from the media themselves. These passengers are called FAM.

[68] Excluding loss on trip no.2, 3, 35 and 70 commented in paragraph no.3.1.12.

number of passengers was less than the minimum stipulated and there was no justification for operating these trips.

- the prescribed conditions in respect of those travelling on FAM trips were not fulfilled. The profiles of individuals and the company/media represented by the individuals and post tour reports/write-ups on the travel experience were not on record. Thus, there was nothing on record to indicate that the individuals on the FAM trips were professionals in the area of tourism to give wide publicity about the Golden Chariot so as to improve occupancy.

- during 2008-09 to 2010-11, KSTDC reimbursed ₹ 0.45 crore to the Management Partner towards on-board and off-board expenses incurred on FAM/Complementary passengers. Since there was no explicit condition for sharing of expenditure on FAM/Complementary travel, the decision of KSTDC to share this expenditure resulted in extending undue favour to the Management Partner in violation of the service agreement. Such an arrangement has been made without considering the expenses towards haulage in the operational costs.

Further, for off-board transport expenses, KSTDC collected ₹ 65,000 per trip for Pride of South and ₹ 1,50,000 per trip for Southern Splendour from the Management Partner. The charges per trip were fixed during 2008-09 and continued at the same rates even in 2013-14 without any revision although the operating costs such as fuel, maintenance and other administrative expenses had increased.

General Sales Agents

3.1.15. KSTDC appointed (2008-09) General Sales Agents (GSA), both in India and abroad for the purpose of arranging booking of tickets for the tourists travelling in the Golden Chariot. KSTDC had also entered into agreements with the GSAs setting out the terms and conditions. The agreements were being renewed as and when the term expired.

Extension of benefit in violation of terms of agreement

3.1.16. The terms of the agreement with GSAs provided that for every booking of fifteen passengers in a single trip, one complimentary seat shall be provided to the GSA. On a test check, we observed that KSTDC violated this condition on five occasions.

Though, the terms of the agreement with GSAs provided for a commission of 17 *per cent* on the value of tickets booked, KSTDC had paid commission at the rate of 20 to 25 *per cent*, extending additional benefit of ₹ 0.38 crore.

Providing Complementary/Familiarization trip passes

3.1.17. We observed that 29 passengers were allowed to travel on Complementary and Familiarization (FAM) trips on behalf of GSAs though they were not entitled for any such facility as per the agreements entered into with KSTDC. This placed additional financial burden of ₹ 0.52 crore on KSTDC.

Non-confirmation of Bank Guarantees

3.1.18. The terms of the agreements required GSAs to furnish performance security of ₹ 4 lakh in the form of security deposit or irrevocable bank guarantee in favour of KSTDC for a period of two years to be extended for further one year. As of 31 March 2014, the agreements with eight GSAs were in currency.

We observed that KSTDC had not obtained independent confirmation of the bank guarantees furnished by GSAs from the respective banks for their validity and genuineness. Further, bank guarantees in respect of three GSAs[69] were not kept on record.

We also observed that KSTDC had neither obtained security deposit nor bank guarantee from the Luxury Holidays, who also arranged ticket booking for the train similar to other GSAs. The cheques issued by the Luxury Holidays against the bookings had bounced in many instances resulting in non-recovery of dues. The Luxury Holidays owed ₹ 0.29 crore against bookings as on 31 March 2014.

Fund management

Acceptance of bookings without receipt of money

3.1.19. The tariff structure of the Golden Chariot stipulated that 20 *per cent* of the ticket value should be paid at the time of confirmation of booking and the remaining 80 *per cent* to be paid thirty days prior to departure.

The Management Partner, the Luxury Holidays and GSAs who arranged booking of tickets for the train remitted ticket value after the departure of the train with delay up to 6 months. The value of delayed remittance for 2009-10 to 2013-14 amounted to ₹ 9.80 crore.

We observed that KSTDC had to pay haulage charges to the Indian Railways fifteen days prior to the departure of the train for each trip of the Golden Chariot. The amount of haulage charges payable per trip ranged from ₹ 0.19 crore to ₹ 0.40 crore, which was paid out of funds drawn from Over Draft account of KSTDC. As a result, KSTDC had to bear the interest on haulage charges paid until the ticket value was remitted. This indicated lack of proper fund management.

Absence of internal controls leading to possible temporary misappropriation of funds

3.1.20. The passengers travelling in the Golden Chariot could book their tickets directly through KSTDC or GSAs or through Travel Agents. The

[69] The India Experience, SDU Travel Pvt Ltd, Royal India Train Journeys.

amount so realised from the ticket booking was to be remitted directly to the Axis Bank Account opened exclusively for the Golden Chariot operations.

An instance was observed in which Lions Club, Bangalore, had booked 59 tickets for the trip conducted on 1 November 2012 and ₹ 43.45 lakh was remitted through cash and cheques to KSTDC. An amount of ₹ 17.28 lakh out of ₹ 43.45 lakh received (October 2012 and November 2012) in cash was remitted to the bank after six to 21 days of receipt.

There was no system in place to reconcile the amount received and remitted to the bank against the ticket sales on a day-to-day basis. The recorded reasons for non-remittance on the same day or on the next day of receipt of money were not available. This reflected absence of internal controls. Delayed remittance is fraught with the risk of possible temporary misappropriation of funds.

Violation of tariff policy

3.1.21. As per the tariff structure of the Golden Chariot, different rates were charged depending upon various factors *viz*., nationality (Indian or Foreigner), occupancy (single, double, triple), and itinerary (Pride of South, Southern Splendour).

During 2013-14, KSTDC operated Pride of South trip (120^{th}/25.11.2013) wherein 68 passengers of Japanese nationality had booked tickets as a group. KSTDC charged a lump sum amount of ₹ 0.75 crore, which included service tax, against ₹ 1.37 crore as per the prevailing tariff of the Golden Chariot with applicable discounts. By this act, KSTDC had foregone a revenue of ₹ 0.62 crore.

Payment of Service tax and TDS through the Management Partner

3.1.22. KSTDC was collecting Service tax at prescribed rates on the sale value of the tickets booked by GSAs and other travel agents. Similarly, it had deducted tax at source (TDS) on the Commission payable to GSAs and travel agents. During the period 2008-14, KSTDC collected service tax of ₹ 1.13 crore and deducted tax at source to the extent of ₹ 0.72 crore.

We observed that KSTDC deposited the taxes collected with the Management Partner and did not ensure remittance of taxes to the Government account within the prescribed time.

Comparative study

3.1.23. On similar lines of operations of the Golden Chariot, Rajasthan Tourism Development Corporation (RTDC) and Maharashtra Tourism Development Corporation (MTDC) have also been operating Royal Rajasthan on Wheels and Deccan Odyssey respectively.

A comparative study of important parameters incorporated in the Service Agreements entered into by the three Tourism Development Corporations with the Management/Hospitality Partner showed the following:

Table 3.1: Comparative study of important parameters in service agreements entered by three Tourism Development Corporations

Sl. No	Parameter	KSTDC	RTDC	MTDC
1	Tenure of agreement	10 years extendable for further 5 years	-	Three years extendable for further three years at the sole discretion of MTDC
2	Revenue share	55:45 between KSTDC and Management Partner	-	75:25 between MTDC and Management Partner. In addition, management fee of ₹ 65 lakh for one operational year escalated by 5 *per cent* every year payable to the Management Partner
3	Other income (Gym, Spa and bar sales)	Management Partner was entitled to retain entire 'other income'. No license fee	A separate agreement was entered in to for the purpose. Licensee should pay license fee of ₹ 1.06 lakh to RTDC. The revenue should be shared between RTDC and Licensee in the ratio of 48:52	No such arrangement/ Sharing
4	Haulage charges	KSTDC should bear the entire cost of haulage. Revenue shared between KSTDC and Management Partner without factoring haulage cost.	-	Haulage cost met from gross revenue of operations and the balance shared between MTDC and Management Partner.
5	Profitability 2008-14	Operations incurred cumulative loss.	Operations running on profits from 2011-12. Profit earned (2011-12 to 2013-14) was ₹ 4.52 crore.	Operations running on profits except in 2008-09 and 2012-13. Profit earned (2008-09 to 2013-14) was ₹ one crore.

We observed that

- as the tenure of agreement for 10 years was unreasonably long, KSTDC did not have any option to revise the terms of agreement until the lapse of the agreement, though the present arrangement of revenue sharing was not favourable to it. This being a new venture, KSTDC should have fixed shorter tenure like MTDC to have reasonable assessment of operations.

- the revenue share fixed by KSTDC was not linked to the haulage cost, which was a major operational expenditure. On the other hand, MTDC had paid fixed management fee and share of revenue after meeting haulage cost. As KSTDC finalised (September 2007) the Service Agreement much after (December 2003) MTDC, this should have been taken into cognizance.

- in the Golden Chariot project, the 'other income' derived from services such as Gym, Spa and Bar sales *etc*., were allowed to be retained by the Management Partner. RTDC was collecting fixed license fee and share of revenue and MTDC had not envisaged revenue sharing for such services.

The matter was brought to the notice of Government in June 2014; their reply is awaited (November 2014).

Conclusion

The objective of the Golden Chariot project to promote tourism and showcase unique tourist attractions was not achieved as the project had not been well thought out and planned. The Company also paid excess commission to the Management Partner and the General Sales Agents. The longer tenure of the Service Agreement with the Management Partner meant that the Company had no option but to continue until the expiry of the term of agreement, even though the terms were unfavourable for the Company. Operational deficiencies included running of more coaches than required, resulting in unnecessary haulage charges, operating the train even when occupancy was less than that stipulated for running it *etc*. The various deficiencies contributed to the Company not even recovering its operating cost despite receiving financial assistance of ₹ 13.22 crore from the Government.

The result was a loss of ₹ 27.11 crore (March 2014) sustained by the Company.

Recommendations

- **The Company should renegotiate with the Management Partner for sharing the haulage charges in proportionate to its revenue share thereby driving the partner to improve the occupancy rate. A fixed amount out of 'other income' earned by the Management Partner should also be shared by the Company.**

- **The commission on the sale value of tickets booked by the Management Partner and the Marketing Partner should be paid in accordance with the terms of Service Agreement.**

- **The Company should adhere to the tariff policy on ticket bookings and the discount allowed on bulk ticket bookings should be rational and uniform.**

- **The conditions attached to the Familiarisation trips on the maximum number of passengers and post tour write-ups should be strictly adhered to so that the Company realises not only fair revenue, but also facilitate promotion of heritage tourism.**

- **The Company should institute a reporting mechanism for getting inputs of marketing and publicity expenditure incurred by the Management Partner before release of his share of marketing fund.**

- **The Service Agreement should be renewed every three years and the terms and conditions reassessed at the time of renewal based on the performance of the Management Partner and considering the financial interest of the Company.**

Karnataka State Tourism Development Corporation Limited

3.2 *Non-utilisation of infrastructure created*

Infrastructure facilities created at Kemmangundi hill station at a cost of ₹ 19.41 crore could not be utilised for over a year due to non–payment of contractor's pending bills. Moreover, indecision regarding which agency should operate these facilities resulted in loss of revenue of ₹ 4.11 crore, besides depriving tourists of these facilities.

Karnataka State Tourism Development Corporation Limited (Company) was entrusted (November 2010) with various developmental works[70] to improve the infrastructural facilities for tourists visiting Kemmangundi, a hill station in Karnataka. The Department of Tourism (DoT) forwarded (December 2010) estimates to the Company for nine works costing ₹ 12.78 crore.

The Company invited (December 2010-April 2011) tenders for nine works and awarded the works for execution to a contractor (April-June 2011) at a total cost of ₹ 14.99 crore. The Company awarded (April/July 2012) three more works to the contractors for ₹ 4.43 crore which were entrusted by the DoT to the Company for execution. The DoT had released only ₹ 9.18 crore for the project during the year 2011-12. Since the works were suspended due to non-release of funds by DoT, the Company borrowed money from banks (July 2012 to April 2013) funds amounting to ₹ 7.23 crore[71] and paid to the

[70] Expansion and upgradation of cottages/rooms in various blocks.
[71] The interest of ₹ 0.92 crore (up to March 2014) on the borrowed funds was borne by the Company.

contractor. The interest of ₹ 0.92 crore (up to March 2014) on the borrowed funds was borne by the Company. The works were completed between February 2012 and May 2013 at a cost of ₹ 19.42 crore[72].

We observed that though the works were completed by May 2013, the possession of the assets was taken over only in July 2014 after a lapse of more than a year[73], and the balance payments of ₹ 3.35 crore was not released to the contractor (October 2014) due to non-release of funds by DoT.

We also observed that in a meeting held in October 2010, which was also attended by Director, Horticulture Department, the Principal Secretary, DoT, had directed that upon completion of works, the maintenance of three projects were to be entrusted to Horticulture Department and six projects were to be maintained by the Company. The Horticulture Department expressed inability (November 2013) to maintain the assets owing to shortage of skilled manpower and opined that the tourism facilities could be maintained by the Company through a mutual agreement. The DoT requested (February 2014) the Horticulture Department to issue necessary orders. However, it was only after the instructions of the Minister of Higher Education & Tourism at a meeting on 22 July 2014, that the assets were taken over on 26 July 2014 by the Horticulture Department. But, these assets were not made functional to generate revenue.

Thus, infrastructure created at Kemmangundi hill station at a cost of ₹ 19.42 crore could not be utilised for more than a year due to non-payment of bills to the contractor and indecision about running the operations of the assets/project. This resulted in loss of revenue of ₹ 4.11 crore[74] (June 2013 to July 2014). Importantly, the objective of providing better facilities to the tourists visiting the hill station has not been achieved so far (October 2014).

The matter was referred to the Government in June 2014; their reply is awaited (November 2014).

Karnataka State Tourism Development Corporation Limited

3.3 *Idling of assets due to ill-planning*

Improper planning for reusing the sets/components of sound and light show programme resulted in idling of assets worth ₹ 2.12 crore.

The Department of Tourism (DoT) of Government of Karnataka (GoK) directed (December 2009) the Karnataka State Tourism Development Corporation Limited (Company) to arrange temporary sound and light shows in 20 districts of the State to commemorate the 500th anniversary celebration of Sri Krishnadevaraya's coronation.

[72] Cost of work order as final payments are yet to made (August 2014).
[73] Two works (construction of fountain and allied works, and glass house) were stated (April 2014) to have been handed over to the Horticulture Department.
[74] Calculated at 60 *per cent* occupancy of rooms and income from commercial activities, as worked out by the Company.

For this purpose, the Company entered into (April 2010) an agreement with M/s. Innovative Lighting Systems Corp., (contractor), the single responsive bidder, at a cost of ₹ 3.99 crore[75]. As per Article 7 of the agreement, the contractor had to hand over the technical components, sound track and sets to the Company, on completion of the project.

The contractor conducted shows between November 2010 and March 2011. On completion of the shows, the contractor requested (April 2011) the Company to take custody of the sets and technical components. As the Company did not have any arrangements for storage of materials, it requested (April 2011) Karnataka State Warehousing Corporation for storage space, which did not materialise. Later, at the request of the Company (April 2011), the contractor hired (April 2011) a shed at ₹ 22,500 per month for storing the materials. The cost of storage worked out to ₹ 9.45 lakh (September 2014), which was yet to be paid.

The Company sought (May 2011) instructions from DoT for handing over of the assets created. Even after a lapse of three years, the Company is yet to take possession of the sets and technical components (September 2014).

It was observed that the Company did not have any plan to re-use the sets and technical components valued at ₹ 2.12 crore. Incidentally, it was observed that the Company invited tenders in December 2011 for setting up of a sound and light show at Srirangapatna Fort. As the technical components used were identical, the same valued at ₹ 0.80 crore could have been utilised in this show, thus reducing the project cost to that extent. Further, the Company did not plan for usage of materials returned by the contractor.

The Company replied (May 2014) that inspite of repeated requests, no action has been initiated by the DoT regarding handing over of the assets created. However, it is observed that besides having no plan for reuse of the assets, the Company also did not take any measures for ensuring usage of these assets for the sound and light show at Srirangapatna fort.

Thus, lack of planning for reuse of the materials resulted in idling of assets worth ₹ 2.12 crore with possible deterioration in value and condition over the last three years.

The matter was referred to the Government in July 2014; their reply is awaited (November 2014).

[75] Comprised of ₹ 1.32 crore for supply of sets, ₹ 0.80 crore for technical components, ₹ 0.57 crore for creative component and ₹ 1.30 crore for associated infrastructure.

Karnataka State Tourism Development Corporation Limited

3.4 *Unfruitful expenditure*

The Karnataka State Tourism Development Corporation Limited spent ₹ two crore on creating infrastructure to run a sound and light show at Kittur Fort, Belgaum but failed to operate the completed project, defeating the objective of promoting tourism.

The Department of Tourism (DoT) of Government of Karnataka (GoK) directed (January 2010) the Karnataka State Tourism Development Corporation Limited (Company) to implement a project for sound and light show at Kittur Fort in Belgaum district for promoting tourism in the state.

The Company invited (July 2010) short term tenders and awarded (August 2010) the work to M/s. Innovative Lighting Systems Corp. (contractor) for ₹ 1.95 crore. The contractor completed the project in December 2011, however the project was not in operation as of September 2014.

We observed that there was no power supply to the project to run the shows regularly. The source of power was not mentioned in the project report nor its cost included in the estimates. It was only in March 2012 that the Company invited tenders for supply and erection of 180 kV Diesel Generation (DG) set, which was installed in July 2012 at a cost of ₹ 13.10 lakh and was cleared for operation by the Electrical Inspectorate in September 2012. It is pertinent to mention here that at the request of the Company, the contractor had conducted *temporary* sound and light show for three days each in October 2010 and October 2011 during Kittur *Utsav* (festival) and for this purpose, a 180 kV and 160 kV DG set had been hired. This indicated that though the Company was aware that a DG set was necessary to run the shows, action to procure the DG set was initiated only after completion of the project. The contractor was asked to take care of the entire set up awaiting the decision as to which authority should manage the project including the manpower and operating costs.

The Company replied (May 2014) that after obtaining approval from the authority concerned, the facility would be handed over to the Kittur Authority. However, Government order for handing over of the project was not issued (September 2014).

The above facts along with the Company's reply indicate that the project had not been properly planned as no provision was made for power supply manpower and running costs.

Thus, the infrastructure created at a cost of ₹ two crore remained idle from September 2012 and the objective of promoting tourism was not attained.

The matter was referred to the Government in July 2014; their reply is awaited (November 2014).

Karnataka State Tourism Development Corporation Limited

3.5 *Inappropriate acquisitions and inaction on court pronouncements*

The Karnataka State Tourism Development Corporation Limited acquired lands using the power vested with the sovereign Government only to transfer them for the benefit of private parties. In spite of the Court quashing the acquisitions, the Company has not taken any action to annul the transfers and take possession of the lands. No action has been initiated against the Officers in the Company and the State Government for the unlawful actions ignoring the directives of various courts including the Apex Court.

The Hon'ble Supreme Court of India in its judgment (September 2011) dismissed the Special Leave Petition (SLP) filed by the Karnataka State Tourism Development Corporation Limited (Company) against the judgment (April 2005) of the Hon'ble High Court of Karnataka, quashing the land acquisition for the purpose of establishing Golf-cum-Hotel Resort near Bangalore Airport. The Hon'ble Supreme Court of India had observed that the Company diverted the land acquired for public purposes and handed over the same to private individuals and accused the Company of indulging in fraudulent activity.

We observed that

- the State Government had issued (December 1981) notification under Section 4(1) of Land Acquisition Act for acquisition of land in Kodihalli and Challaghatta Villages, in Bangalore South Taluk for public purposes, for the Company to establish a Golf-cum-Hotel Resort near Bangalore Airport. The Company took possession of land (at a cost of ₹ 45.54 lakh) to the extent of 23 acres and 36 guntas, against 39 acres and 27 guntas for which notification was issued. The Land Acquisition Officer passed the award in 1986. The possession of the acquired land was taken in July 1987. The Company had obtained a loan of ₹ 45.54 lakh from Canara Bank in 1987 for acquiring the land, which was repaid.

- instead of utilizing the land for the purpose specified in the notifications or for any other public purpose, the Company transferred the land to private parties for their possession and enjoyment in spite of Court orders (September/October 1991) quashing the notifications issued under Section 4(1) and declaration under Section 6 of the Act as detailed below:

    - Sold (March 1988) 14 acres and 8 guntas for ₹ 8.51 lakh to Sri Dayananda Pai, a private developer implementing private housing as decided (January 1987) in a meeting by Bangalore Development Authority (BDA) and the Company.

- Leased 5 acres and 9 guntas to M/s Universal Resorts Ltd., initially for 30 years (August 1992), which was later amended (August 1997) to 60 years.

➢ between 1987 and 1995 many owners of different parcels of the land filed writ petitions alleging illegal transfer of land and misuse of the Land Acquisition Act with the sole intention of favouring private persons and therefore demanded re-delivery of possession of land.

➢ the fifty-second report of the Committee on Public Undertakings on the working of the Company, presented before the Karnataka Legislature (February 1992), had recommended a thorough investigation into the fiasco in relation to the projects in the Challaghatta area, fixation of responsibility for the consequences and losses within six months and quick action against those found guilty.

➢ in August 2007, the Hon'ble High Court of Karnataka had ordered the State to take action in accordance with the law for the recovery of public property and to file necessary report.

We conclude that

➢ the Company did not adhere to either COPU's directions or Court orders.

➢ eminent domain, an attribute of sovereignty, the right of a Government or its agent to expropriate private property for public use, with payment of compensation, was used to acquire land from owners for use by private parties. The Company, thus, indulged in inappropriate actions to help private parties. The Company defied the verdict of the Hon'ble High Court of Karnataka quashing the award passed by the Land Acquisition Officer, which was upheld by the Apex Court in September 2011. Only land measuring 1 acre and 3 guntas in Kodihalli Village, Bangalore was transferred back (February 2012) in view of the judgment in a case filed by the owner of the property.

➢ prime land valued at ₹ 147.00 crore[76] continued to be in possession and enjoyment of the private parties. The Company has not taken any action to annul all the agreements and transfers and take possession of the land, in spite of court judgments quashing the acquisition.

➢ the beneficiaries to whom land was sold or leased for possession and enjoyment constructed commercial complex, apartments, luxurious star hotel, *etc*. As the land was transferred to private parties through deeds and agreements declaring marketable titles, compensation payable to them for taking back possession as per Supreme Court judgment is not assessable.

---

[76] At the rate of ₹ eight crore per acre as per the valuer's valuation for 18 acres and 14 guntas.

- neither the Company nor the State had initiated action against the officers of the Company and the State Government for their unlawful actions and for ignoring the directives of various courts, including the Apex Court.

- the objective of promoting and maximizing Golf tourism by offering catering, lodging, recreational, picnic and other facilities was not achieved.

The matter was referred to the Government in August 2014; their reply is awaited (November 2014).

Karnataka Power Transmission Corporation Limited

3.6 *Non-synchronisation of substation and associated line works*

Inspite of being aware of the fact that line works would encounter right of way problems, the Karnataka Power Transmission Corporation Limited awarded the work of construction of only the substation and delayed awarding the line works. As a result, the substation constructed at a cost of ₹ 32.04 crore is lying idle since January 2012 for want of transmission lines.

With a view to ensure all the intended benefits are derived as a result of execution of projects, there should be proper synchronisation of various components of works. The transmission lines should be planned to sychronise with the completion of substation works to achieve the objective of establishing a substation.

The Karnataka Power Transmission Corporation Limited (Company) undertakes the construction of substations alongwith the transmission lines to evacuate power. The Company approved (December 2009) the Detailed Project Report (DPR) for establishing a 220kV substation at Yelahanka with the objective of reducing the load on the existing substations at Peenya, Hebbal and Doddaballapura, besides providing alternate source of power supply to nearby substations[77]. The source of power to the substation at Yelahanka was from the substation at Singanayakanahalli of Power Grid Corporation of India Limited (PGCIL).

The work of construction of the substation at Yelahanka awarded (June 2010) to M/s Larsen & Toubro Limited was completed in January 2012, at a cost of ₹ 32.04 crore[78]. We observed that the substation at Yelahanka is idling till date (August 2014) due to lack of synchronization of the work of construction of lines connecting Yelahanka substation to PGCIL substation and substation at Yelahanka to nearby substations.

[77] Yelahanka, Rajanukunte, Kanasawadi, Sahakarnagar and Soladevanahalli and Substations dependent on the 66 kV lines between Peenya DG Plant 1,2,3 and 4.
[78] Including civil works of ₹ 4.40 crore.

The DPR (December 2009) did not envisage the construction of 220 kV transmission lines to synchronise the evacuation of power from the substation as ‘Right of way’[79] was considered as a main constraint for evacuation lines. The DPR for the lines (five) was prepared only in June 2010 and tenders invited in March 2011. Attempts on five occasions (March 2011 to August 2013)[80] to tender the line works did not materialize. The work had not been awarded as of June 2014. As of August 2014, only two lines out of five have been awarded and estimates for the remaining three works were under preparation.

Government replied (October 2014) that in order to avoid the idling of the station, the two works had been awarded (July 2014) for construction of 220/66 kV lines.

Thus, even though the Company was aware of the right of way problems while approving the work of the substation in December 2009, the Company went ahead with awarding the work for substation without ensuring its synchronisation with the award of contract for line works. The instances of power interruptions in Peenya, Hebbal and Doddaballapura substations during 2012-14 also continued, affecting the quality of power supply and resultantly having an economic cost due to its effect on a largely industrial belt.

Thus, failure to synchronise construction of the transmission lines with the substation at Yelahanka resulted in the substation constructed at a cost of ₹ 32.04 crore, lying idle due to ill-planning.

Karnataka Power Transmission Corporation Limited

3.7 *Lacuna in the system of procurement of cables and usage of cables returned to stock*

Despite having decided to use cables of higher capacity in the Bangalore Urban Area, the Karnataka Power Transmission Corporation Limited invited tenders and procured cables of lower capacity. Moreover, inspite of the conditions in the contract providing for use of cables lying in stock, new work orders were issued allowing procurement by the contractor to supply the cables.

Karnataka Power Transmission Corporation Limited (Company) awards contracts for the work of laying Underground (UG) cables for its transmission network on total turnkey basis[81], through private contractors.

---

[79] Right of way refers to path through which the power lines pass.

[80] All the five line works were tendered in March 2011 but tender was rejected due to defective methodology of evaluation; tender for two (of the five) line works were invited October 2011, which was cancelled as it was a single offer; tender for two works were called for in November 2012 but no offers were received; tender for five line works (in two separate notifications) were invited in February 2013, but was cancelled as it was single offer; tender for five line works (in two separate notifications) were invited in August 2013 was cancelled.

[81] Including design, testing, supply of material, civil and erection works and commissioning.

The conditions in the turnkey contracts *inter-alia* provided that the contractor should return the excess quantity of UG cables to the stores of the Company after completion of the works. The conditions in the contracts also provided that the Company could supply available material from its stores and the scope of supply of material by the contractor would be reduced in the contract to that extent.

During 2009-2014, the contractors returned 32.754 kms of 630 sq. mm of excess UG cables, which was stored at the Peenya stores of the Company at Bangalore. Of this quantity, during the same period, the stores issued 14.365 kms of cable for other works leaving a balance of 26.48 kms[82] of cable in the stores (March 2014).

We observed the following system failures in the procurement and utilisation of cables:

Failure to procure materials as per approved specification

- The Technical Advisory Committee (TAC) of the Company decided (July 2006) to use 1,000 sq mm cables in the Bangalore Urban area considering the concentrated load growth in Bangalore and for transfer of load in case of stations trouble to avoid load shedding. Despite this decision of TAC, the Company placed Detailed Work Awards in June 2007 for three evacuation line works of lower capacity (630 sq mm) from Vrushabhavathi valley (Bangalore Urban area) to various locations, with a combined length of 31.860 kms for ₹ 79.90 lakh which lacked justification. The materials so procured were returned to stores in November 2009, as it was decided to utilize 1,000 sq mm in place of 630 sq mm in this work.

- The Company subsequently failed to utilise the cables, which were lying in stores since November 2009, for other works. It is pertinent to mention that the Central Purchase Committee, had noted in December 2007 itself that there were chances of sabotage and mechanical damage to cables from water entering into the conductor during the monsoon period, which would lead to failure of cables. However, cables (valued at ₹ 17.11 crore) were lying in the open yard of the Peenya stores since the last four years, and its condition could not be ascertained.

The Government replied (October 2014) that cable to the extent of 5.22 kms (630 sq mm) has been drawn and utilised for the work between National College and Victoria sub stations. The reply further stated that balance cables had been allotted for two other works/spares and the same was yet to be drawn from the stores, as road cutting permission for the work was awaited.

[82] Including 8.088 kms of cables, which were in stock prior to 2009.

Failure to utilise 1,000 sq mm cables lying in stock

- During 2009-14, contractors had returned 10.134 kms of 1,000 sq mm[83] of UG cable to the stores at Peenya. The stores had issued 0.28 kms cables leaving a balance of 9.86 kms (valued at ₹ 12.53 crore) lying in stores (March 2014).

- We observed that the Company could have utilized the cables in the work orders issued (10 numbers) during the period 2011-14, at least to the extent it was available in stores by issuing partial turnkey contracts, wherein the Company would supply the cables.

The Government replied (October 2014) that in order to obtain guarantee/warranty benefit in the partial turnkey tenders, entire cable required was to be supplied by the Company. Further, it was replied that it was now proposed to utilise 4.75 kms of cable for the work between Kondasapura and Hosakote line and the balance was proposed to be utilised for maintenance works.

The reply does not consider the fact that during February 2013, the Company had issued letter of intent for new work of laying cable for length of 3.5 kms and though 9.26 kms[84] of cables (valued at ₹ 12.66 crore) was available in stock, it was not utilised.

Thus, purchase of 630 sq mm cables despite decision to use only 1,000 sq mm cables in the Bangalore Urban area and absence of a system to utilise surplus stock of cables available in stores when new works were executed, resulted in idling of stock worth ₹ 29.64 crore. After being pointed out in audit, the cables lying in stock were proposed to be allotted / issued for new works.

Karnataka Power Transmission Corporation Limited

3.8 *Undue benefit to the contractor*

The Karnataka Power Transmission Corporation Limited accepted the tender in US Dollars overlooking the bid conditions, which stipulated quoting in Indian Rupees for the services performed in India, resulting in undue benefit of ₹ 7.23 crore to Deepak Cables (India) Limited.

Karnataka Power Transmission Corporation Limited (Company) invited tenders (April 2007/January 2008) for design, engineering, supply, installation, testing and commissioning of 220 kV 1,000 sq mm Underground

[83] The length of UG cable in each drum ranged from 310 meters to 425 metres, and the cables are joined together using cable joints.
[84] Position of stock of cables as at beginning of February 2013. Subsequently, 0.70 kms of cable was received between February 2013 to March 2014.

(UG) cable for a total route length of 33.016 kms at six work sites[85] of the Company. The contracts involved supply of both indigenous and imported materials. The works were awarded (January 2008/April 2008/May 2009/July 2009) in four packages (TL-287, 288, 322 & 323) to Deepak Cables (India) Limited (Contractor).

Instructions to Bidders (ITB), which formed part of tender/bid document, stipulated *inter-alia* that bidders should quote the prices of imported goods in United States Dollars (USD) or Indian Rupees (INR) and the indigenous materials were to be quoted in INR only. ITB further stipulated that the cost of services to be performed in India such as clearance and handling at port, inland transportation, insurance, unloading, storage, handling at site, installation, testing and commissioning should be quoted in INR.

We observed that the Contractor had quoted (August 2007/February 2008) in USD for the services to be performed in India *viz.*, Import duty, Transport to site and Loading and unloading, which was not as per ITB which stipulated that indigenous materials and services to be performed in India should be quoted in INR. The Company also failed to indicate while awarding the work that USD prevalent at the time of opening of bids would be admitted.

The Contractor claimed bills for these services in USD and the Company admitted (between 2008-09 and 2013-14) the bills at the prevalent rates of USD[86]. The company atleast while admitting the bills, should have adopted rates of USD prevalent at the time of opening of the bids which ranged from INR 39.93 and INR 41.34. Instead, the Company adopted rate of USD prevalent at the time of payment of bills which ranged from INR 41.92 to INR 48.20.

The action of the Company in accepting the tender in USD in contravention of the bid conditions and adoption of the rates prevalent while making payment of bills resulted in undue benefit of ₹ 7.23 crore to the Contractor.

While admitting the audit observation, the Government replied (October 2014) that on receipt of final bills, the variation would be worked out and recovered, subject to verification.

---

[85] 220 kV East division compound substation to 220 kV ‘A station’ and 220 kV East division compound substation to 220 kV NIMHANS substation (TL:287- 8.97 kms); 220 kV East division compound substation to 220 kV substation at HAL (TL:288- 7.9 kms); 220 kV NRS Rajajinagar to 220 kV Anand Rao circle station and Cable terminating tower point to 220 kV HSR layout station (TL:322- 5.466 kms); 220 kV HSR layout station to NIMHANS station (TL:323- 10.68 kms).

[86] As per Clause 13.0 of ITB, the payment for imported goods quoted in US$ should be made in equivalent Indian rupees at the TT Buying card exchange rate notified by the State Bank of India on the date of dispatch, scheduled or actual, whichever is the least.

Karnataka Power Transmission Corporation Limited

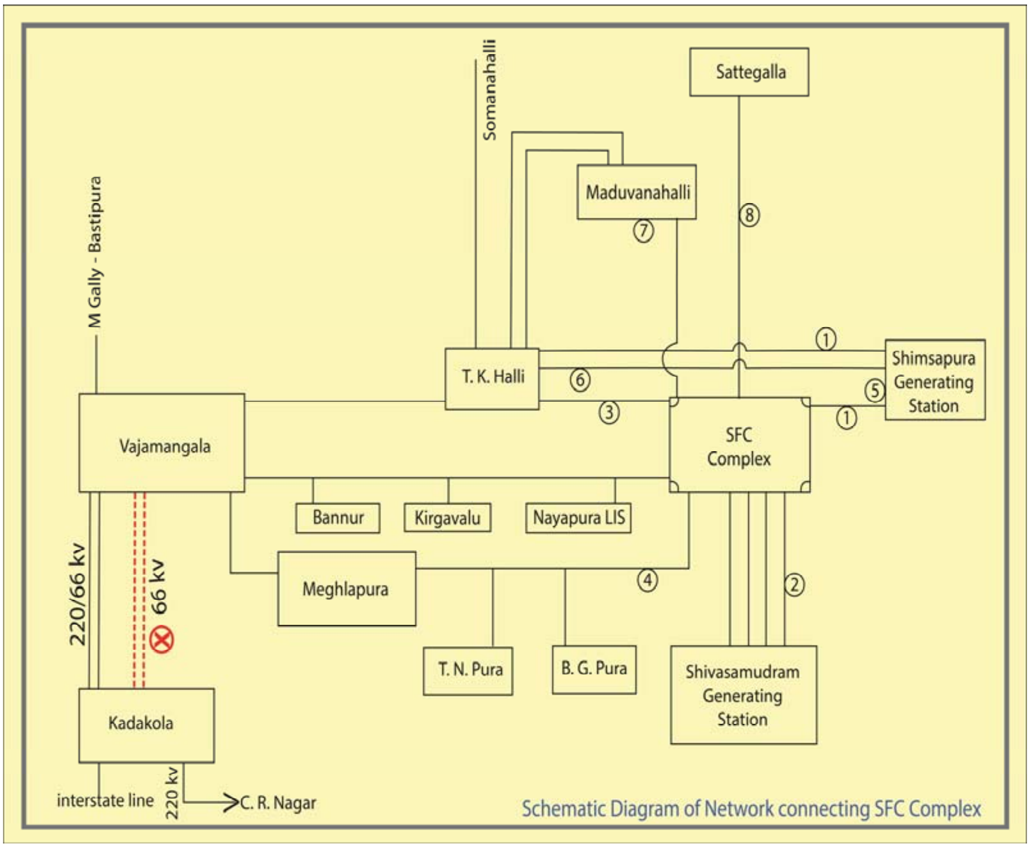
3.9 Creation of excess infrastructure

The Karnataka Power Transmission Corporation Limited created infrastructure at a cost of ₹ 3.57 crore, which was not need based.

The Karnataka Power Transmission Corporation Limited (Company) approved (February 2007) the Detailed Project Report for construction of a 66 kV double circuit line (*i.e.*, two lines) between Vajamangala and Kadakola substations with an objective to evacuate power from Static Frequency Converter[87] (SFC) complex and provide stand by line in case of exigency.

The work of constructing the double circuit line was awarded (August 2009) to Sharavathy Conductors Private Limited at a cost of ₹ 3.60 crore with scheduled completion date of February 2010. As of September 2014, expenditure of ₹ 3.57 crore had been incurred by the Company, but work had not been completed due to Right of Way problems.

The schematic diagram of the network connection around SFC complex is given below:



Schematic Diagram of Network connecting SFC Complex

[87] Static Frequency Convertor was used for converting power evacuated from Shivanasamudram and Shimshapura hydro generating stations into required frequency levels before pumping the power to the grid.

We observed that

- the SFC station was designed to evacuate power from two Hydro power generating stations *viz.*, Shimshapura (17.2 MW) and Shivasamudram (42 MW). Power from Shimshapura could be evacuated to T.K Halli substation also (refer diagram at 1).

- the power generated (maximum of 59.2 MW) by the two hydro generating stations and received at SFC complex was further transmitted through the following lines to other connected substations:

Table 3.2: Transmission lines at SFC complex

Lines	Substations connected to the line	Refer diagram at
SFC-Vajamangala	Kirgavalu, Bannur, Nanjapura Lift Irrigation Scheme pumps, Vajamangala	3
SFC-Meghlapura	BG pura, TN Pura, Meghlapura	4
SFC-Shimsapura	Shimsapura	5
SFC -TK Halli	TK Halli	6
SFC -Madhuvanahalli	Madhuvanahalli	7
SFC -Sattegala	Sattegala	8

The combined peak load on the substations (mentioned in table above) in 2008-09, *i.e.*, before the work was awarded, was 70 MW[88], which far exceeded the available power of 59.2 MW generated by the two hydro generating stations. Obviously, there was enough demand for the power in these lines/stations and in case of exigency in one line, the load could be distributed to other lines/stations (mentioned in the table). Hence, there was no need for a stand by line as envisaged.

In view of the above, the decision to construct a double circuit line between Vajamangala and Kadakola substations (marked as X in the diagram) with the objective of '*evacuating power from SFC complex'* was not justified.

Government replied (October 2014) that the line was proposed for providing a standby line in case of exigencies, as a security condition required for maintaining specific degree of reliability and to facilitate evacuation of power from SFC complex.

The reply is not acceptable as the combined peak load on the existing substations as indicated in the above table far exceeded the available power from SFC complex. There existed other lines/stations, as indicated in the diagram, to distribute the load in case of exigency, for maintaining reliability. The amount of ₹ 3.57 crore spent on the infrastructure was, therefore, not need based, which calls for fixing of responsibility.

[88] Peak load was 88 MW in 2013-14.

Electricity Supply Companies

3.10. *Purchase of Power in the State*

The ESCOMs had not prepared annual load forecasts to assess the demand-supply gap, which would have facilitated the planning for purchase of power. There was no optimum utilisation of power generated from the thermal generating stations in the State. The terms and conditions of PPAs were not adhered to resulting in additional financial burden to ESCOMs. The State had not implemented the intra-state Availability Based Tariff (ABT) mechanism for maximization of power generation during peak hours.

Introduction

3.10.1. Electricity is essential for overall development of the economy. In Karnataka, the Karnataka Power Transmission Corporation Limited (KPTCL) manages transmission of power and five Electricity Supply Companies (ESCOMs)[89] manage distribution in the State. Power Company of Karnataka Limited (PCKL) facilitates the establishment of various power generation projects and coordinates procurement of power from different sources for allocation among distribution companies (ESCOMs), facilitates trading and related activities and prepares Power Purchase Agreements (PPAs) on behalf of ESCOMs. The Karnataka Electricity Regulatory Commission (KERC) regulates the power sector in the State.

The State is dependent upon Central and State Public Sector power generating companies, which together contributed 60.74 *per cent* in 2012-13 of the total power supply for the State. The shortfall is met by purchasing power from independent power producers (IPPs) including traders, power generators from renewable energy sources, *etc*., on long, medium and short term basis.

Audit findings

Power generation

3.10.2 The table below summarises the peak hour demand of the State and the power purchased from different sources during the five years up to 2012-13.

Table 3.3: Peak hour demand of the State and the power purchased from different sources.

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Peak hour demand (MW)	6,892.00	7,942.00	8,430.00	10,545.00	10,124.00
Peak hour availability (MW)	6,548.00	6,897.00	7,815.00	8,549.00	8,761.00
Power deficit (MW)	(344.00)	(1,045.00)	(615.00)	(1,996.00)	(1,363.00)

[89] Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Gulbarga Electricity Supply Company Limited (GESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Chamundeshwari Electricity Supply Corporation Limited (CESCO).

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Power purchases (MUs)					
Central Sector Generators	9,789.80	10,420.30	10,397.27	11,228.28	11,771.19
State Sector Generators	23,843.37	24,728.19	21,473.17	26,823.17	22,944.88
Independent Power Producers					
Renewable Energy Sources	3,961.20	5,205.44	4,917.71	5,733.72	5,411.73
UPCL, GMR, Tata and Rayalseema Alkalies and Chemicals Company Limited	720.71	532.68	2,020.00	3,419.92	6,107.99
Traders					
Medium term, Short term basis and IEX/PXIL	1,218.94	1,548.16	7,248.66	5,702.68	10,253.05
Section 11 and Others	2,298.59	874.26	1,229.79	781.91	666.61
Total	**41,832.60**	**43,309.03**	**47,286.60**	**53,689.67**	**57,155.45**

(Source: Details furnished by GoK)

3.10.3. The State Load Despatch Center (SLDC) obtains the details of cost of power (fixed and variable cost) and short/medium term agreements from ESCOMs every month. Based on the fixed cost and short term/medium term commitments, dispatch instructions are issued. Priority is given to the dispatch of power from private parties since PPAs/Letters of Intent (LsOI) are entered/issued.

We observed that the power deficit in 2008-09 was 344 MW, which increased to 1,363 in 2012-13. The drawal of energy from State Generating Stations reduced from 23,843.37 MUs to 22,944.88 MUs in 2012-13. At the same time, purchase of medium and short term power from traders steadily increased from 1,218.94 MUs in 2008-09 to 10,253.05 MUs in 2012-13 indicating increased dependence on procurement from private sources as against the power available from State Generating stations.

The reasons for shortdrawal of energy from State Generating Stations were reviewed. We observed that the energy available as per the availability declared by the State Generating Stations (BTPS-Unit 1 and RTPS Units 1 to 8) was not fully utilised by the ESCOMs. The energy available for ESCOMs as per the declaration by the State Thermal Generating Stations for the period from 2009-10 to 2012-13 was 54,435.695 MUs. Against this the drawal was 46,605.227 MUs, resulting in under drawal of available energy to the extent of 7,830.468 MUs.

Thus, not purchasing cheaper power from the State Generator to the extent available, and resorting to purchase at higher costs from other sources, resulted in extra expenditure of ₹ 1,434.13 crore[90] to ESCOMs, which was passed on to the ultimate consumers. Even considering 50 *per cent*, the extra expenditure worked out to about ₹ 700 crore.

[90] The energy available in respect of RTPS Unit 8 was not considered as PAF was very low.

The Government replied (November 2014) that loss of generation attributable to KPCL was due to generation system constraints which include equipments/process problems, wet coal, poor quality of coal, trip loss due to grid disturbances, boiler tube leakage, latent defects noticed in the units, delay in commissioning of units, *etc*., and back down instructions issued by LDC.

The reply is not acceptable due to the fact that the capacity was declared by the generating stations after taking into account all factors and the reasons stated by the Government, which was not fully utilised.

3.10.3.1. As per Karnataka Electricity Regulatory Commission (Condition of License for ESCOMs) Regulations 2004, the Licensee has to prepare the load forecast on annual basis:

We observed that

- the annual load forecast was not prepared in any of the years by ESCOMs. The Government replied (November 2014) that annual load forecast as per KERC Regulations, was prepared periodically by KPTCL for planning the transmission line network for every 10 years. Further, Central Electricity Authority (CEA) also conducted annual load forecast. The reply is not acceptable as KPTCL's forecast was for construction of transmission lines while CEA's forecast was for the country as a whole. Annual load forecast has to be done by ESCOMs to assess the demand supply gap which would facilitate the planning for purchase of power to mitigate the shortages. No load forecast has been done by the ESCOMs as envisaged in the KERC Regulation, for analysing the demand in their area of supply.

- GESCOM stated (March 2011) that assuming the existing generating units of State Generating Stations, Central Generating Stations and other long term PPAs and with the present regime of hours of supply of power and energy requirement for High Tension (HT) industrial consumers based on HT growth in the last three years, there was no shortage of energy in any month except during March 2012 and January to March 2013 and there was no need for it to go in for Round the Clock (RTC) purchase of any power from June 2011 onwards. GESCOM also requested that it need not be included in any short term or medium term RTC procurements until the end of the financial year 2013-14.

Government replied (November 2014) that GESCOM's views were not correct as it had overdrawn the power from other ESCOMs during 2011-12 and 2012-13.

The reply is not acceptable as the demand supply gap analysis was not done by GESCOM. The ESCOMs did not have any contracted capacity and scheduling of power with State Load Despatch Centre (SLDC). The drawal of power by ESCOMs depended on allocation made by Government and not as per its requirement. Hence, the over drawal and under drawal of power cannot be determined.

Purchase of power from State Sector Generators

3.10.4. On a review of the Power Purchase Agreements entered into with State Generation Stations during the last four years, the following observations are made.

Non-adoption of Gross Calorific Value as per PPA

3.10.4.1. Article 1.1 (an) of PPA in respect of 7 units of 210 MWs at Raichur Thermal Power Station (RTPS), defined 'Gross Calorific Value' (GCV) as the weighted average gross calorific content of one kilogram of primary fuel *received at RTPS* for a particular billing month in respect of primary fuel for the purpose of calculating energy charges for each billing month.

We observed that KPCL preferred the claim for energy charges based on GCV of the coal on *'as fired'* basis in violation of the terms of PPA which was on the basis of GCV *'received at RTPS'* This resulted in extra expenditure of ₹ 523.91 crore[91] by all ESCOMs for the period from 2009-10 to 2012-13.

The Government did not offer any comments on the mention about the term 'received at RTPS' in the PPA. The fact remains that by not billing as per the terms of the PPA, the extra expenditure was passed on to the consumers.

Excess payment of Capacity Charges towards O&M Expenses

3.10.4.2. The KERC (Terms and Condition of Generation Tariff) Regulations 2009 provided the normative operation and maintenance expenses for Coal based generating stations. Further, for stations with more than seven units, only 85 *per cent* of the normative expenses are allowed. We observed that O&M expenses for RTPS Unit 8 were paid at 100 *per cent* resulting in excess payment of capacity charges of ₹ 12.21 crore for 2011-12 and 2012-13.

The Government replied (November 2014) that the tariff application for RTPS Unit 8 filed (October 2013) was still pending with KERC. The reply is not acceptable as application was filed only for fixation of tariff and RTPS Unit 8 being additional unit of RTPS and that the tariff regulations provided for payment of O&M expenses at 85 *per cent* only.

Capacity Charges without considering Plant Availability Factor (PAF)

3.10.4.3. As per Regulation 22 (2)(a) of KERC Regulations, 2009, where PAF achieved during a financial year (PAFY) was less than 70 *per cent*, payment of total capacity charges for the year shall be arrived by a certain formula[92].

---

[91] In the absence of actual data on GCV of coal as received basis, we derived the GCV as received basis by applying the Dulong's formula, where the difference between gross and net calorific value for typical bituminous coal with 10 *per cent* moisture and 25 *per cent* of volatile matter was worked at 260 kcal/kg.

[92] AFC x (0.5 + 35 / NAPAF) x (PAFY / 70) (in Rupees), where:
- -AFC is annual fixed cost specified for the year in Rupees;
- -NAPAF is normative annual plant availability factor in percentage;
- -PAFY is Plant availability factor achieved during the year, in *per cent*.

The PAFY achieved by the RTPS Unit 8 in the years 2010-11 to 2012-13 was less than 70 *per cent*[93], but failure of ESCOMs to restrict the capacity charges as per formula resulted in excess expenditure of ₹ 153.83 crore. Government replied (November 2014) that KPCL had filed Tariff application before KERC in October 2013 and the matter was pending. Reply is not acceptable as application was filed only for fixation of tariff and the claim was not as per the Regulations for payment for PAFY less than 70 *per cent*.

Excess claim of Income Tax

3.10.4.4. As per PPAs, Minimum Alternate Tax (MAT)/Income Tax (IT) to be considered as a pass-through shall be restricted to tax on ROE or on actuals.

We observed that while the actual income tax of KPCL for the period 2009-10 and 2012-13 was ₹ 327.10 crore, tax on ROE worked out to only ₹ 154.27 crore. However, ESCOMs had paid an amount of ₹ 462.77 crore to KPCL, resulting in excess payment of ₹ 308.50 crore.

Government replied (November 2014) that as against the actual expenditure incurred towards O&M expenses and fuel charges, there was under recovery of ₹ 1,541.89 crore, over the norms stipulated in the PPAs. It was also stated that if the entire actual O&M expenditure and fuel costs were recovered in tariff mechanism, the revenue would increase and KPCL would have paid Corporate tax.

The reply is not acceptable as O& M expenses and fuel charges incurred beyond the norms of PPA had to be borne by KPCL and should not be passed on to consumers. Further, as IT was a pass-through in PPA, only the applicable tax incurred by KPCL should be admitted.

Purchase of power from other sources

3.10.5. The details of purchase of electricity from various other sources for the last five years ended March 2013 are given in **Annexure-9.**

The rates at which power was purchased from other sources had declined from ₹ 6.76 per kWh in 2008-09 to ₹ 4.38 per kWh in 2012-13. The reduction from 2011-12 onwards was partly due to purchase of power on medium term basis. However, we observed that PPAs were not entered into between ESCOMs and the suppliers/traders. Purchases up to September 2011 were made only on the basis of LOI. Audit observations in respect of purchases on medium and short term are given below:

Purchase of Power on medium term

3.10.6. Procurement of power for a period up to seven years but exceeding one year is termed as medium term Procurement. ESCOMs purchased 16,140.14 MUs on three occasions during 2008-09 to 2013-14 (December 2013) by entering into nine PPAs.

[93] 37.6, 42.91 and 28.41 *per cent*.

The MoP stipulated 120 days from zero date for bidding process for Case I. As per Central Electricity Regulatory Commission (CERC) Regulation 19 (2), application for medium term open access, the start date of the medium-term open access shall not be earlier than five months and not later than one year from the last day of the month in which application has been made.

We observed that PCKL decided (June 2011) to procure 500 MW of RTC power for the period from 1 September 2011 to 15 June 2013, for the requirement of BESCOM. Tender was issued in July 2011. LsOI were placed (August/September 2011) on four firms at rates ranging from ₹ 4.10 per unit to ₹ 4.39 per unit (at KPTCL periphery).

Bidders did not get the required corridor for full quantity. Against 3,816 MUs to be supplied, only 2,441 MUs was supplied by suppliers outside the Southern Region.

We observed that the main reasons for short supply of power were constraints in obtaining the corridor. This had arisen as there was delay in initiating the tender process. For the supplies to commence from September 2011, the tender process should have been completed by February 2011, so as to enable the bidders to apply for corridor *i.e.,* transmission lines for supply of power by March 2011, as the applications for medium term open access would be processed on first come first served basis. However, the tender process started only in May 2011.

The Government replied (November 2014) that PCKL initiated bidding process for 700 MW in December 2010 for three years from June 2011 to June 2014. Since the rates received were substantially higher (₹ 4.893 to ₹ 5.884 per unit), decision was taken to cancel the notification. Subsequently, in the meeting held in May 2011 under the Chairmanship of Hon'ble Chief Minister it was decided to procure 500 MW for the period August 2011 to May 2013[94].

We observed that sufficient time was not available for the successful bidders to apply for corridor (as they required five months time) and this contributed to the non-supply of power.

Procurement of power under short term

3.10.7. The PCKL tendered (January 2010) for requirement of 500 MW for February and March 2010. Four offers were received. Orders were placed on JSW Power Trading Company Limited (JSWPTCL) for 200 MW at ₹ 4.50 per kWh for February 2010 and March 2010 while orders were placed with Tata Power Trading Company Limited (TPTCL) for supply of 95.3 MW at ₹ 4.48 and ₹ 4.50 per kWh for February 2010. As TPTCL had quoted ₹ 5.422 for March 2010, it was decided to negotiate with the firm for supply of power at the same rate for March 2010. Other two suppliers did not agree for reduction in quoted rates (₹ 5.161 per kWh to ₹ 6.445 per kWh) and hence orders were not placed. JSWPTCL supplied the quantum of power, but TPTCL did not

[94] This was revised to meet the requirement from 1 September 2011 to 15 June 2013.

schedule the power as its request to amend the conditions regarding deletion of compensation clause was not agreed to.

In order to meet the shortage, PCKL again invited tender (February 2010) for supplies during February and March 2010. Against this, two quotes were received. But, LOI was placed only on Reliance Energy Trading Limited (RETL) for 100 MW of power for the period from 12.02.2010 to 28.02.2010 at ₹ 5.10 per kWh. The other quotes of RETL at ₹ 5.65 per kWh for supply (100 MW) and PTCIL at ₹ 6.56 per kWh (200MW) for supply in March 2010 were not accepted as the rates were found to be higher than the offered rates of another tender by JSWPTCL. During negotiation, the bidders did not agree to reduce the rates.

The requirement of the State for February and March 2010 was not met even after the second tender of February 2010. Consequently, the company contacted (21.02.2010) several bidders over telephone for supply of power during the remaining days of February and March 2010. Based on the offers received, eight LsOI were placed on two suppliers (PTCIL and NTPC-VVNL) for February and March 2010 at rates ranging from ₹ 5.629 per kWh to ₹ 6.588 per kWh. The offer of RETL, which had followed tender conditions was rejected with the reasoning that its rates were too high. Thus, emergent purchase in March 2010, became inevitable which was made at much higher rates than that offered by RETL. The extra expenditure paid for supplies made during March 2010 worked out to ₹ 4.85 crore.

Inadmissible payment

3.10.8. For supply of power between September 2010 and March 2013, ESCOMs entered into one PPA under Medium Term Procurement and three Letters of Acceptance (LsOA) on short term procurement with JSWPTCL.

As per PPAs under Medium Term Procurement, there existed a clause for variation in injection of power between scheduled energy and actual energy supplied at the interconnection point. The clause stipulated the accounting of variation through UI as per the provisions of the Grid code and Availability Based Tariff (ABT).

On the other hand, LsOA on short term procurement did not contain such stipulation for accounting the variation through Unscheduled Interchange (UI). The SLDC had fixed ₹ 2.85 per unit for the over injection of power.

We observed that the variation in injection by JSWPTCL in supply was accounted as UI considering it as supplies under Medium Term Procurement. As there were both Medium Term Procurement and LsOA of short term procurement, considering the entire supplies under UI of Medium Term and making payment of ₹ 14.08 crore was not in order.

The Government replied (November 2014) that provisions of Grid code and Standard bidding documents *inter alia* provides for UI charges whenever there were variations. The reply is not acceptable as it was against the terms and conditions of LsOA on short term procurement.

Impact of Audit

3.10.9. Government informed (November 2014) that based on the audit observations, BESCOM had recovered ₹ 15.83 crore on account of adjusted recoverable capacity charges, Operation and Maintenance expenses and disincentive charges.

Monitoring of purchase and distribution

3.10.10. KERC has nominated (June 2006) KPTCL for its implementation of intra-state Availability Based Tariff (ABT) in the State. Owing to non implementation of intra-state ABT the following benefits did not accrue:

- Maximization of generation during peak hours with incentives and discouragement of same during off peak hours with penalties were not achieved.
- Optimum utilization of available resources and generation capacities were not achieved.
- Encouraging backing down of generation as per merit order during off peak hours.

Government replied (November 2014) that intra-state ABT was not yet formulated by KERC. The reply is not acceptable as KERC had already formulated (June 2006) the action plan for intra-state ABT.

3.10.11. As per Section 31 of the Electricity Act, 2003, the State Government shall establish a State Load Despatch Centre operated as a Government Company or any authority or corporation established or constituted by or under any State Act, for the purpose of optimum scheduling and despatch of electricity within a State, to monitor grid operations, keep accounts of the quantity of electricity transmitted through the State grid, supervising and controlling the intra-state transmission system and carrying out real time operations for grid control and dispatching electricity within the state through secure and economic operation. Even after 11 years of the Electricity Act, 2003, coming into existence, State Load Despatch Centre (SLDC) was still working under the State Transmission Utility (KPTCL) which affected the autonomy of SLDC for optimum operation and control of the intra-state transmission system.

Government replied (November 2014) that establishment of independent SLDC is under consideration of Government.

Conclusions

We concluded that

- **annual load forecast was not done by ESCOMs to assess the demand supply gap which would facilitate the planning for purchase of power to mitigate the shortages.**

- **optimum utilization of available resources and generation capacities were not achieved.**

- **the terms and conditions of PPAs were not implemented, resulting in additional financial burden.**

- **intra-state Availability Based Tariff (ABT) has not been implemented in the State for maximization of generation during peak hours with incentives.**

Recommendations

- **Government should ensure that ESCOMs assess the demand supply gap by annual load forecast in their jurisdiction of supply to facilitate advance planning to address the shortages and for transmission network for procurement of power from other regions.**

- **Government should take action to implement the intra-state ABT mechanism as per the action plan approved by KERC.**

- **Government should ensure the optimum utilisation of available power from State and Central generators to reduce the burden due to power purchases from other sources.**

- **Government should establish a State Load Despatch Centre as envisaged under the Electricity Act, 2003.**

The Mysore Paper Mills Limited

3.11 *Idle investment and failure to comply with the Charter on Environmental protection*

The Mysore Paper Mills Limited took up a project to install a Rotary Kiln plant to comply with the directions of Karnataka State Pollution Control Board and the Charter on Environmental protection issued by the GoI. The project, which was scheduled to be completed by July 2011, has been lingering for the last three years without any concrete action plan, rendering the investment of ₹ 33.36 crore idle.

The Mysore Paper Mills Limited (Company) operates a Paper and Sugar mill at Bhadravathi in Karnataka. In the pulp and paper mill, Rotary Lime Sludge Re-burning Kiln (Rotary Kiln) was to be installed to convert the calcium carbonate back into burnt lime for reuse to overcome the problems faced in solid waste disposal. The Board of Directors (BoD) approved (October 2002) the proposal for installation of the Rotary Kiln and to seek approval of the Government of Karnataka (GoK) for incurring the capital expenditure.

The Ministry of Environment and Forests, Government of India (GoI), formulated (March 2003) a Charter on Corporate Responsibility for Environmental Protection (CREP), mandating installation of Lime Kiln projects in all large pulp and paper mills in the country within four years (by

2007). Further, the KSPCB issued (May 2004) show cause notice to the Company for non-compliance with the Water[95] and Air[96] Acts.

The Managing Director informed (August/November 2006) the GoK that it was the only paper industry in the country which was yet to comply with the Charter. GoK approved the project in January 2007. The KSPCB issued (December 2007) a consent refusal order for operating the plant for 2007-09, as Rotary Kiln was not installed, implying that the Company should stop discharge of effluents and emissions and any violation would attract penalty.

The Company invited (July 2008) tenders and issued (July 2009) Letter of Intent (LoI) to FLSmidth (supplier) for design, engineering, manufacture, supply, erection, commissioning and performance testing of Rotary Kiln for ₹ 25.47 crore[97]. The supplier had to complete the supply of the equipment within 18 months from LoI, so as to commission the plant by March 2011.

In order to synchronise the erection of equipment with the civil works, the Work Order for civil works was issued (August 2010) to High Parra Constructions Pvt. Ltd (L2 bidder)[98] for ₹ 5.40 crore, with the stipulation to complete the work by July 2011.

The Company raised (October 2009) ₹ 35 crore by issue of bonds to finance the project. The amount was to be redeemed in four installments from October 2013 onwards. The GoK released (October 2013) ₹ 10 crore for redemption of the first instalment of ₹ 8.75 crore. Company paid interest on bonds amounting to ₹ 13.81 crore up to 15 October 2014 and ₹ 1.50 crore as guarantee commission on bonds. Further, funds of ₹ 17.52 crore raised through bonds for the project were diverted to other maintenance works of sugar mill and boiler without necessary regulatory approvals, affecting payments to suppliers.

The Supplier supplied (March 2010 to October 2012) the equipment (parts) valued at ₹ 17.14 crore against which the Company made payments of ₹ 15.34 crore. The balance equipment had not been supplied (October 2014) as the Company did not make payments.

The civil works were also delayed due to formation of sludge in the excavated area and failure of the contractor to mobilize the required resources. The contractor suspended the work in November 2012 due to disputes regarding payments of statutory dues. The contractor had been paid ₹ 4.21 crore.

We observed that the equipment valued ₹ 17.14 crore was dumped in the open yard for the past three years and had started rusting[99]. The Board approved (June 2014) ₹ 10 lakh for cleaning the area and equipment and for properly

[95] The Water (Prevention and Control of Pollution) Act, 1974.
[96] The Air (Prevention and Control of Pollution) Act, 1981.
[97] Equipment valued at ₹ 23.93 crore and erection and commission of works at ₹ 1.54 crore.
[98] The contract placed (April 2010) on M/s. Ssivana Developers (L1 bidder) to be completed by February 2011, was cancelled (June 2010) as the documents submitted were found to be fabricated.
[99] Joint Inspection Report by Audit and Management.

storing the equipment received. The Civil works were also pending completion and the Company was pursuing with the contractor to resume the work (October 2014).

Thus, the project, which was scheduled to be completed by July 2011, has not been completed till date and is lingering for the last three years without any concrete action plan for its completion. Moreover, the investment of ₹ 33.36 crore has yielded no output and is idle, nor has it achieved its objective of Environmental Protection as the discharge of effluents has not been stopped or reduced.

The matter was referred to the Government in July 2014; their reply is awaited (November 2014).

Karnataka Renewable Energy Development Limited

3.12 *Failure to comply with provisions of Service Tax Act*

The Karnataka Renewable Energy Development Limited failed to take timely action to register itself under the Service Tax Act, collect the tax from developers of renewable energy and remit it to Service Tax Department. This resulted in the Company bearing the avoidable liability of ₹ 6.70 crore.

The Karnataka Renewable Energy Development Limited (Company) was a nodal agency of the Government of Karnataka (GoK) for development of renewable energy sources in the State. The Company collects application fee, Draft Project Report (DPR) processing fee, transfer fee *etc*., from developers of renewable energy as per the Government orders issued from time to time.

The Company received (July 2010) a notice from the Additional Commissioner of Service Tax, Anti Evasion, to register itself with the Service Tax Department and to remit the service tax for the services rendered. Though the Company had appointed a tax consultant (February 2010) for expert advice on tax matters, it sought legal opinion from another advocate (June 2010) about the applicability of service tax for the Company. No decision, however, was taken on payment of service tax by the Company.

The Commissioner, Service Tax Department, issued (October 2011) a show cause notice for failure to pay service tax for the period 2006-11, contending that the activities of the Company were included under the definition of 'Business Auxiliary Services' as per the provisions of Section 65(19) of the Finance Act 1994. The notice was referred to the tax consultant, who advised (January 2012) that the Company, being a service provider, should get itself registered with the service tax authorities and also collect service tax for all future transactions as otherwise liability would be cumulative in nature.

Instead of acting on the advice of tax consultant, the Company decided (March 2012) to seek exemption from paying service tax and took up (July 2012) the matter with GoK. The matter was referred by GoK (September 2012) to the Ministry of New and Renewable Energy, Government of India (GoI), to take up the matter with the Ministry of Finance, GoI, seeking exemption. The response of the Ministry was not received (August 2014). The Service Tax Commissioner (Adjudication) issued (November 2012) demand notice for failure to pay service tax during 2006-07 to 2010-11, and levied tax of ₹ 4.94 crore. The tax consultant again informed (February 2013) that the Company would come under the ambit of service tax. The Company however, filed an appeal before the service tax appellate authorities (February 2013) against the demand of November 2012, contending that it did not share the relation of principal and agent and the fees collected were essential for the development of renewable energy projects. While the appeal was still pending, the Service Tax Commissioner again issued (October 2013) demand notice to pay ₹ 2.38 crore as service tax for 2011-12.

The Company decided (December 2013) to register with Service Tax Department and again filed an appeal in December 2013 against the tax demand. Accordingly, the Company registered and remitted (February 2014) service tax of ₹ 11.64 crore[100] for the period 2006-14. It also started (May 2014) correspondence with the developers for recovering the service tax paid.

Timely action to register with the Service Tax Department, collection of taxes from developers and its remittance to the Service Tax Department, would have saved the company from bearing the liability of ₹ 6.70 crore for the period 2011-14.

The Government replied (July 2014) that the Service Tax Department had issued the show cause notice classifying the activities of the Company under 'Business Auxiliary services' without specifying under which sub-clause the classification was done and hence liability did not evolve. Further, the Government replied that ₹ 31.31 lakh (out of ₹ 11.64 crore) has been recovered so far from the developers and orders have been issued in June 2014 to collect fee *plus* service tax.

The reply is silent on the issue as to why the Company did not act on the advice of the tax consultant in January 2012 who had advised the Company to get itself registered with Service Tax Department to pay service tax to avoid cumulative tax liability.

Failure to take timely action by the Company despite receipt of the advice of expert tax consultant, resulted in the Company bearing a liability of ₹ 6.70 crore for the period 2011-14, which was avoidable.

[100] ₹ 4.94 crore (2006-11) and ₹ 2.38 crore (2011-12) and ₹ 4.32 crore for 2012-14. This excludes interest and penalty, which is yet to be intimated by the Service tax Department.

Karnataka Forest Development Corporation Limited

3.13 *Faulty tender evaluation*

The Karnataka Forest Development Corporation Limited awarded the work of aerial spraying of its rubber plantations to a firm, which did not meet the technical criterion specified in the tender, resulting in loss of revenue of ₹ 6.30 crore.

The Karnataka Forest Development Corporation Limited (Company) invited (December 2010) tenders for carrying out aerial spraying (by helicopter) of its rubber plantations for the year 2011-12, at Sullia and Puttur taluks, covering an area of 2,742.69 hectares (ha). The tender stipulated that the tenderer was to furnish a copy of the operator's permit[101] to undertake aerial spraying operations. The spraying was to commence on 10th May to be completed by 25th May 2011 before the onset of monsoon.

M/s. Pushpaka Aviation Private Limited (PAPL), which had quoted ₹ 1,603.67 per ha (L1) was awarded (April 2011) the contract, though they did not furnish a copy of the operator's permit to undertake aerial spraying operations along with the bid documents. Hence PAPL's bid should have been rejected as it was not fulfilling the basic eligibility conditions prescribed in the tender.

PAPL did not undertake the work within the laid down time schedule as it had failed to obtain the requisite operator's permit resulting in abnormal leaf fall in the rubber plants, leading to shortfall in yield. The Company could not take up the work later as rainy season had already set in by June 2011. The Company attached (June 2011/February 2012) the proceeds of PAPL's security deposit and earnest money deposit totalling ₹ 3.36 lakh, but could not recover penalty of ₹ 4.40 lakh, for which it had filed (November 2012) a civil suit in the Court.

The Board of Directors (BoD) directed (July 2012) to constitute a sub-committee[102] to analyse the reasons for reduction in production of rubber during 2011-12. The sub-committee attributed (November 2012) loss of 350 Metric Tonnes (MTs) of yield of rubber due to failure to carry out aerial spraying.

Audit observed (February 2013) that the tender evaluation had not been done properly, as PAPL had been awarded the contract inspite of the fact that it was not even eligible for award of work. Therefore, lack of due diligence in scrutiny of tender documents resulted in loss of yield of ₹ 6.30 crore[103].

The Company replied (March 2014) that during tender evaluation the Management had thought that obtaining operator's license was only a minor

---

[101] Refers to permission from Director General of Civil Aviation, Government of India.

[102] Joint Managing Director of the Company, Executive Director (Rubber) of the Company and a Scientist from the Rubber Board.

[103] Considering the then prevailing selling price of rubber ₹ 180 per kg for 350 MTs (₹ 180*350 MTs=₹ 6.30 crore).

technical matter. The BoD, however, noted (March 2014) that Officers and field staff have to share the blame for shortfall in yield and the Company had initiated (September 2014) disciplinary proceedings against the officials concerned.

The matter was referred to the Government in June 2014; their reply is awaited (November 2014).

Karnataka Silk Industries Corporation Limited

3.14 *Extra expenditure*

The Karnataka Silk Industries Corporation Limited procured gold lace with varied terms and conditions in different years, which resulted in extra expenditure of ₹ 6.01 crore.

Gold lace is one of the raw materials for manufacturing silk sarees. It contains gold, silver, copper and silk in different proportions[104]. The Company procures gold lace through open tenders for supply an annual basis. Prior to 2004-05, the Company procured gold lace on quarterly basis. The Company floated tenders (May 2005) for procurement of gold lace incorporating price variation clause. The price variation clause in the agreements *inter-alia* included increase in the overheads and profit based on the increase in price of raw materials. This was objected to by Audit contending that increase in price of gold did not have bearing on the overheads and profits.

The Company changed the terms and conditions of tender (April 2012) citing pressure from the suppliers and objection by Audit. Accordingly, the suppliers were allowed to quote lumpsum amount of overheads separately.

We observed that

- introduction of a clause for increase of overhead and profit commensurate with the increase in cost of raw materials was not justified, as the price variation clause was to meet the increase in price of raw materials. Between July 2005 and May 2012, 90,412 marcs of gold lace were supplied at increased prices. The extra expenditure due to allowing increase in overhead and profit for every variation in price of gold and silver, worked out to ₹ 1.17 crore.

- the change in terms and conditions of tender from April 2012 asking the bidders to quote for 'manufacturing and handling cost' separately resulted in substantial increase in the price of gold lace. The bidders quoted lump sum amount for manufacturing, transportation, handling, *etc.*, without giving details for each element of cost. The rates were agreed to without assessing the impact of the change on cost of gold lace with reference to the earlier method of arriving at prices. The lump sum amount towards 'manufacturing and handling cost' quoted

[104] The standard content of the gold, silver, copper and silk in gold lace is 0.65 *per cent*, 65 *per cent*, 10.35 *per cent* and 24 *per cent*.

separately against the tender enquiry floated in April 2012 was on the higher side compared to March 2012 prices. Between June 2012 and July 2014, 41,900 marcs of gold lace were supplied. The extra expenditure on this quantity worked out to ₹ 4.84 crore.

The Government replied (November 2014) that their ability to negotiate the price was limited as the number of suppliers was few. The increase was dependent on the variation in the price of the basic raw material. The change in the terms and conditions in the subsequent tender asking the bidders to quote for 'manufacturing and handling cost' separately was effected due to frequent demands of the vendors for increase in overheads and profit. The Government also stated that a Technical Committee of experts from Private and Public Sectors would be formed to determine the actual wastages and reasonable prices.

The reply is not tenable as the change in rates in the bullion market should not affect overheads and profit. Instead of negotiating these terms, the Company accepted lump sum manufacturing and handling cost without analysing the impact on prices which resulted in extra expenditure of ₹ 6.01 crore.

Hubli Electricity Supply Company Limited

3.15 *Avoidable payment of interest*

The Hubli Electricity Supply Company Limited had to bear avoidable interest burden of ₹ 4.28 crore due to wrong projections in RAPDRP works.

Government of India (GoI) approved (December 2008) the Restructured Accelerated Power Development and Reforms Programme (RAPDRP) during the XI plan with revised terms and conditions. The main objective was reduction of Aggregate Technical and Commercial (AT&C) losses to below 15 *per cent* over a period of five years covering urban areas, towns and cities having more than 30,000 population.

Hubli Electricity Supply Company Limited (Company) prepared (April 2010) a Detailed Project Report (DPR) covering 31 towns with a project cost of ₹ 278.36 crore which was approved (June 2010) by the RAPDRP Steering Committee. The Company availed (May 2011) loan of ₹ 41.75 crore from Power Finance Corporation (PFC).

Central Power Research Institute (CPRI), nominated by the Ministry of Power (MoP) as a Third Party Independent Agency, found (December 2011) that six towns with less than 15 *per cent* AT&C losses were also included in the DPR. The project estimate was, therefore, reduced to ₹ 115.96 crore after deducting the estimated cost by ₹ 162.40 crore relating to these six ineligible towns. While consolidating the town-wise quantities, as the DPR quantities were found to be abnormal, the estimated project cost for 24 towns[105] was further reduced to ₹ 56.53 crore.

PFC directed (August 2012) the Company to refund the loan amount with interest for the ineligible towns. The Company refunded (November 2012) the principal amount of ₹ 24.36 crore pertaining to the six towns and also paid (February 2013) interest of ₹ 3.41 crore. PFC further requested (April 2014) the Company to refund the loan amount of ₹ 8.91 crore with interest of ₹ 2.42 crore due to reduction in the project cost.

We observed that

- as per the RAPDRP guidelines, losses of three billing cycles of the base year were to be considered while computing the AT&C losses according to the specified formulae[106]. But, the Company had calculated the loss by considering the billing of the entire year instead of three billing cycles. There was no justification on record for deviation from the procedure prescribed.

- wrong projection of six towns with less than 15 *per cent* AT&C loss and inflated estimates resulted in avoidable interest dues of ₹ 4.28 crore[107] on refund of loan amount of ₹ 33.27 crore.

The Government replied (September 2014) that

(i) the AT&C losses were calculated on yearly basis to have realistic aggregate value by considering different seasonal consumption and sales;

(ii) the estimates were prepared based on the then existing network and requirements in the year 2009. Based on the action taken in each town to reduce AT&C loss, the estimated cost was revised to avoid duplication of works.

The reply establishes the fact that

(i) the Company did not adopt the RAPDRP guidelines to compute the AT&C losses;

(ii) the Company failed to consider the regular action being taken to improve the network and reduce AT&C losses while preparing the estimates and noticed the abnormal variations only while consolidating the town-wise quantities.

Thus, non-adoption of RAPDRP guidelines while computing the AT&C losses and failure to prepare realistic estimates resulted in avoidable interest burden of ₹ 4.28 crore for which responsibility of the persons concerned may be fixed who did not follow prescribed parameters while preparing DPR.

---

[105] 31 towns were revised to 29 towns treating Hubli-Dharwad and Rabkavi-Banahatti as two towns instead of four as considered in DPR. After rejection of five ineligible towns (including Hubli-Dharwad), total number of towns became 24.

[106] AT&C loss = 1- (Billing efficiency x Collection efficiency) x 100 where Billing efficiency is arrived at by dividing 'Total units sold' with Total input; and Collection efficiency is calculated by dividing 'Revenue collected' with 'Amount billed'.

[107] ₹ 5.83 crore - ₹ 1.55 crore, being the interest earned on RAPDRP funds.

Karnataka State Coir Development Corporation Limited

3.16 *Unfruitful investment*

The Karnataka State Coir Development Corporation Limited set up a production unit to manufacture moulded trays at a cost of ₹ 33.50 lakh. Inspite of the fact that the Company was not able to sell similar products in the past, the Project was approved and implemented without conducting market survey. Poor sales of the product, even after a lapse of four years, has rendered the investment unfruitful.

The Karnataka State Coir Development Corporation Limited (Company) proposed (July 2007) to the Government of Karnataka (GoK), to establish a Needle Felt[108] and Moulded Tray Unit in Gandasi, Hassan District. The Company invited (November 2007) tenders for the work of supply, erection, installation, commissioning of coir moulded tray machine and the contract was awarded (February 2008) to M/s.2M Enterprises (contractor) at a cost of ₹ 33.50 lakh. The amount was released by GoK in August 2007 and February 2008. The contractor completed the work and the trial production was successfully conducted in January 2009.

We had observed (February 2011) that the Unit was non-functional from March 2009. In response to our observation, the Management had stated (May 2011) that due to non-availability of raw materials and lack of working capital, the production activities could not continue. The Management added that the machinery would be utilised to produce trays and other products such as fibre, yarn, mats, curled rope, coco poles, hanging baskets *etc.*, and the Company was making all efforts to make the unit profitable and viable.

The operation of the unit was reassessed (February 2014) for the period after March 2011. We noticed that the Units were not operational from August to December 2011 and again from May to September 2013, which the Company attributed to defects in machinery. The production of moulded trays and coasters commenced in October 2013 but no efforts were made to produce more marketable products such as yarn, mats *etc.*, as was stated to have been planned by the Company, in its reply of May 2011.

The cumulative sales (₹ 2.42 lakh) was only two *per cent* of sales projections in the last four years made in the Project Report (refer table alongside).

Table 3.4: Projected and Actual sales

(₹ in lakh)

Year	Projected sales	Actual sales (*per cent*)
2010-11	20.40	0.05 (0.25)
2011-12	24.48	0.06 (0.25)
2012-13	28.56	0.93 (3.26)
2013-14	32.64	1.24 (3.80)
2014-15 (up to July 2014)	11.56	0.14 (1.21)
Total	117.64	2.42 (2.06)

We observed that even before setting up of the project, the Company had procured (2007-08) moulded trays from other

[108] Coir fibre (made from husk) is first cleaned and made in the form of web. The webs are needle punched and made in the form of sheet which is called Needle Felt, which is then utilised for manufacture of moulded trays.

agencies valued at ₹ 1.48 lakh, of which trays worth ₹ 0.27 lakh remained unsold (February 2011). Marketing surveys for the product (as a substitute for plastic trays) was not conducted. Evidently, the project was ill-conceived as the sales projected in the Project Report was not realistic, resulting in unfruitful investment of ₹ 33.50 lakh.

The Government replied (August 2014) that there was no dearth of raw material for engaging the tray unit for full production capacity and working capital was sanctioned by GoK as and when required for continuous production. It was further replied that the assets created were utilised and it planned to enlarge the market base to increase the turnover of moulded tray unit.

The reply of the Government is not tenable as observed from its sales record. Moreover the Company could not even recover its variable cost of ₹ 3.70 lakh (up to July 2014) since the introduction of its products. Therefore, due to the Company's failure to assess the market demand for the products, the ill-conceived project rendered the investment of ₹ 33.50 lakh largely unfruitful.

Statutory Corporations

Karnataka State Road Transport Corporation

3.17 *Additional burden*

Delay by the Karnataka State Road Transport Corporation in acting on its decision to shift the Divisional Office to Ramanagara resulted in additional burden of ₹ 80.28 lakh.

The Karnataka State Road Transport Corporation (Corporation) decided (March 2010) to shift its Bangalore Rural division situated at Deepanjalinagar, Bangalore to Ramanagara, a newly carved district and renamed it as Ramanagara Division effective from March 2010. The Bangalore Rural division comprised a Divisional office, workshop, stores and six bus depots[109].

The workshop and stores were shifted to Ramanagara in April 2010, but the Divisional office is yet to be shifted (August 2014) even after four years. The Corporation had its own bus station at Ramanagara, where they could have constructed the Divisional office, however no action was taken.

The workshop undertakes minor and major repairs for complying with the requirements for issue of Fitness Certificates, reconditioning of vehicles and accident cases. These works were done either departmentally or through contracts which involved drawal and accountal of stores and spares, diesel accounting and payments, emergent purchases, accident/ insurance claims. In addition the division is also responsible for other personnel issues. Functioning of the Divisional office at Bangalore, which is 40 kms away from the associated workshop, stores and six bus depots, for a period of four years is not in the interest of logistical and efficiency issues, as such an adhoc arrangement would certainly impact the working of the division.

We observed that there are about 80 employees working in the Divisional office who are being paid House Rent Allowance (HRA) at 30 *per cent* of basic pay[110] and City Compensatory Allowance (CCA) of ₹ 350 to ₹ 400 per month. Those working at Ramanagara are eligible for HRA at 10 *per cent* only with no CCA. Failure of the Corporation to shift the Divisional Office to Ramanagara has resulted in additional burden on HRA and CCA amounting to ₹ 80.28 lakh for 2011-12 to 2013-14.

The Corporation replied (July 2014) that shifting was delayed due to non availability of building space and as decision was taken (April 2014) to construct the Divisional Office on the existing bus station at Ramanagara, works had been entrusted (July 2014) to a contractor at ₹ 99.40 lakh and was scheduled to be completed by March 2015. The Government endorsed the same reply in November 2014.

Thus, the delay by the Corporation to act in a timely manner on its decision to shift the Division resulted in an additional expenditure of ₹ 80.28 lakh.

---

[109] At Ramanagar, Channapttana, Kanakapura, Harohally, Magadi and Anekal.
[110] 25 *per cent* of Basic pay up to September 2013 and at 30 *per cent* thereafter.

Follow-up action on Audit Reports

3.18 Explanatory notes outstanding

3.18.1 The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Karnataka, had 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).

Audit Reports for the years 2011-12 and 2012-13 were presented to the State Legislature in February 2013 and February 2014 respectively. As of October 2014, one of the departments[111], which was commented upon, had not submitted explanatory notes for one out of the 20 Paragraphs which appeared in the Audit Reports.

Compliance with reports of Committee on Public Undertakings (COPU)

3.18.2 As per the instructions, the compliance (Action Taken Notes-ATN/ Action Taken Report - ATR) with recommendations of COPU was required to be furnished within six months of placement of the Report in the Legislature. Replies to five Reports[112] of the COPU presented to the State Legislature between December 2011 and November 2013 have not been received as on October 2014.

Response to Inspection Reports, Draft Paragraphs and Reviews

3.19 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 one month. Department-wise break-up of Inspection Reports and audit observations outstanding as on 31 March 2014 is given in **Annexure-10.**

Draft Paragraphs and Reviews on the working of Public Sector Undertakings are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially, seeking confirmation of facts and figures and their comments thereon. Two Performance Reviews and seventeen Compliance audit paragraphs were forwarded to various departments during June to September 2014. Government had furnished replies in respect of both the Performance Reviews. However, reply in respect

[111] Department of Women and Child Development.
[112] Report Nos. 125 to 129 of COPU.

of seven compliance audit paragraphs pertaining to Department of Tourism, Department of Commerce and Industries and Department of Forest, Ecology, and Environment has not been received. Both the Performance Reviews have been discussed in the Exit Conferences with the Government. The views of the Government/Department have been taken into consideration while finalising the Reviews/Paragraphs, wherever replies have been received.

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

Bengaluru **(L. Angam Chand Singh)**
The **Principal Accountant General**
Economic and Revenue Sector Audit
Karnataka

Countersigned

New Delhi **(Shashi Kant Sharma)**
The **Comptroller and Auditor General of India**

Annexure 1

Statement showing particulars of up- to-date paid-up capital, loans outstanding and manpower as on 31 March 2014 in respect of Government Companies and Statutory Corporations.

(Referred to in Paragraph 1.10, 1.47)

Figures in column 5 (a) to 6 (d) are Rupees in crore

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED SECTOR													
1	Karnataka State Agro Corn Products Limited (KSACPL)	Agriculture & Horticulture	Apr. 73	2.73	-	-	2.73	24.32	-	-	24.32	8.91:1 (8.91:1)	40
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)	Agriculture & Horticulture	Apr. 96	0.50	-	-	0.50	-	-	-	-	-	19
3	Karnataka Togari Abhivridhi Mandali Limited (KTAML)	Agriculture & Horticulture	May 02	5.00	-	-	5.00	-	-	-	-	-	2
4	The Karnataka Fisheries Development Corporation Limited (KFDC)	Animal Husbandry and Fisheries	Oct. 70	16.16	-	-	16.16	-	-	3.26	3.26	0.20:1 (0.05:1)	126
5	Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL)	Animal Husbandry and Fisheries	Dec. 01	6.05	-	-	6.05	-	-	-	-	-	63
6	Karnataka Compost Development Corporation Limited (Subsidiary of Company at C-1) (KCDCL)	Agriculture & Horticulture	Aug.75	-	-	0.50	0.50	-	-	2.28	2.28	4.56:1 (6.92:1)!	34
7	Karnataka Cashew Development Corporation Limited (KCDC)	Forest Ecology & Environment	Feb. 78	7.15	0.44	-	7.59	-	-	-	-	-	106
8	Karnataka Forest Development Corporation Limited (KFDCL)	Forest Ecology & Environment	Jan. 71	9.31	-	-	9.31	-	-	-	-	-	550
9	The Karnataka State Forest Industries Corporation Limited (KSFIC)	Forest Ecology & Environment	Mar. 73	2.67	-	-	2.67	0.55	-	-	0.55	0.21:1 (0.21:1)	118
10	Karnataka State Seeds Corporation Limited (KSSCL)	Agriculture & Horticulture	Aug.73	1.43	0.62	1.63 (0.12)	3.68 (0.12)	0.18	-	-	0.18	0.05:1 (0.05:1)	249
11	Food Karnataka Limited (FKL)	Agriculture & Horticulture	April 03	-	-	0.10	0.10	-	-	-	-	-	2

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
12	Karnataka State Mango Development and Marketing Corporation Limited (KSMDMCL)	Agriculture & Horticulture	Jan 12	0.01			0.01	-	-	-	-	-	9
	Sector-wise total			**51.01**	**1.06**	**2.23 (0.12)**	**54.30 (0.12)**	**25.05**	**-**	**5.54**	**30.59**	**-**	**1318**
FINANCING SECTOR													
13	The Karnataka Handloom Development Corporation Limited (KHDCL)	Commerce & Industries	Oct. 75	46.68	5.20	-	51.88	14.40	-	1.31	15.71	0.30:1 (0.31:1)	779
14	Karnataka State Handicrafts Development Corporation Limited (KSHDCL)	Commerce & Industries	Mar. 64	2.80	1.22	-	4.02	0.68	-	0.46	1.14	0.28:1 (0.30:1)	155
15	D. Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	Social welfare	Oct. 77	211.71 (25.00)	-	-	211.71 (25.00)	8.76	-	72.78	81.54	0.39:1 (0.43:1)	55
16	Karnataka State Women's Development Corporation (KSWDC)	Women & Child Development	Sep. 87	10.91 (0.33)	2.98	-	13.89 (0.33)	-	-	4.45	4.45	0.32:1 (0.23:1)	50
17	Dr.B.R. Ambedkar Development Corporation Limited (BRADCL)	Social welfare	Mar. 75	141.47 (22.08)	80.00	-	221.47 (22.08)	-	-	248.01	248.01	1.12:1 (1.07:1)	269
18	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited (KMVSTDC)	Social welfare	July 06	13.47 (9.65)	17.19 (17.19)	-	30.66 (26.84)	-	-	75.94	75.94	2.48:1 (2.50:1)	21
19	The Karnataka Minorities Development Corporation Limited (KMDC)	Social welfare	Feb. 86	234.49 (134.71)	-	-	234.49 (134.71)	-	-	27.20	27.20	0.12:1 (0.12:1)	42
20	Karnataka State Industrial Infrastructure and Development Corporation Limited (KSIIDC)	Commerce & Industries	July 64	430.10 (8.01)	-	197.63	627.73 (8.01)	3.65	0.92	22.83	27.40	0.04:1 (0.16:1)	89
21	Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)	Urban Development	Nov. 93	6.06	-	2.00	8.06	-	-	-	-	-	422
22	Sree Kanteerava Studios Limited (KSL)	Information, Tourism & Youth Services	Mar. 66	4.82 (4.00)	-	0.06	4.88 (4.00)	0.71	-	-	0.71	0.15:1 (0.14:1)	8

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$ State Govern-ment	Paid-up Capital$ Central Govern-ment	Paid-up Capital$ Others	Paid-up Capital$ Total	Loans** outstanding at the close of 2013-14 State Govern-ment	Loans** Central Govern-ment	Loans** Others	Loans** Total	Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
23	Karnataka Asset Management Company Private Limited (KAMCPL)	Finance	April 98	-	-	0.50	0.50	-	-	-	-	-	5
24	Karnataka Trustee Company Private Limited (KTCPL)	Finance	April 98	-	-	0.01	0.01	-	-	-	-	-	1
25	Karnataka Thanda Development Corporation Limited (KTDCL)	Social Welfare	Feb. 09	0.01	-	-	0.01	-	-	-	-	-	
26	Karnataka Vishwakarma Community Development Corporation Limited (KVCDCL)	Social welfare	Feb.2014	0.01	-	-	0.01	-	-	-	-	-	
	Sector-wise total			**1102.53 (203.78)**	**106.59 (17.19)**	**200.20**	**1409.32 (220.97)**	**28.20**	**0.92**	**452.98**	**482.10**	**-**	**1896**
INFRASTRUCTURE SECTOR													
27	Karnataka State Construction Corporation Limited (KSCCL)	Public works	Sep. 68	2.05	-	-	2.05	5.53	-	-	5.53	2.70:1 (2.70:1)	125
28	Karnataka Rural Infrastructure Development Limited (KRIDL)[1]	Rural Development & Panchayat Raj	Aug. 74	12.25	-	-	12.25	-	-	21.30	21.30	1.74:1 (2.76:1)	975
29	Karnataka State Police Housing Corporation Limited (KSPHCL)	Home	June 85	0.12	-	-	0.12	-	-	94.52	94.52	787.67:1 (994.42:1)	235
30	Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL)	Housing	April 2000	3.00	-	-	3.00	597.40	-	814.11	1411.51	470.50:1 (288.69:1)	39
31	Karnataka Road Development Corporation Limited (KRDCL)	Public works	July 99	1102.70 (842.70)	-	50.00 (50.00)	1152.70 (892.70)	-	-	193.36	193.36	0.17:1 (0.16:1)	80
32	Krishna Bhagya Jala Nigam Limited (KBJNL)	Water Resources	Aug. 94	7102.64 (224.76)	-	217.14	7319.78 (224.76)	-	-	1191.50	1191.50	0.16:1 (0.10:1)	2233
33	Karnataka Neeravari Nigam Limited (KNNL)	Water Resources	Nov. 98	16448.89 (2931.32)	-	249.03	16697.92 (2931.32)	1.47	-	480.00	481.47	0.03:1 (-)	3871
34	Cauvery Neeravari Nigama Limited (CNNL)	Water Resources	June 03	7541.80 (6441.75)	-	143.84 (143.84)	7685.64 (6585.59)	1.47	-	100.00	101.47	0.01:1 (0.90:1)	2304
35	Bangalore Airport Rail Link Limited (Subsidiary of Company at A-20) (BARL)	Infrastructure Development	Mar. 08	5.70 (0.75)	-	0.05	5.75 (0.75)	-	-	-	-	-	9

[1] Formerly Karnataka Land Army Corporation Limited.

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
36	Tadadi Port Limited (Subsidiary of Company at A-20) (TPL)	Infrastructure Development	May 12	-	-	0.05	0.05	-	-	-	-	-	0
37	Hubli Dharwad BRTS Company Limited (HDBRTS)	Infrastructure Development	Aug. 12	15.13 (1.13)	-	3.00	18.13 (1.13)	-	-	-	-	-	23
38	Bangalore Suburban Rail Company Limited (BSRCL)	Infrastructure Development	March 14	0.05	-	-	0.05	-	-	-	-	-	0
	Sector-wise total			**33234.33 (10442.41)**	**-**	**663.11 (193.84)**	**32897.44 (10636.25)**	**605.87**	**-**	**2894.79**	**3500.66**	**-**	**9894**
MANUFACTURING SECTOR													
39	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited (LIDKAR)[2]	Commerce & Industries	Oct. 76	6.85	-	-	6.85	11.36	-	-	11.36	1.66:1 (1.66:1)	81
40	Karnataka Soaps and Detergents Limited (KSDL)	Commerce & Industries	July 80	31.82	-	-	31.82	8.35	-	-	8.35	0.26:1 (0.26:1)	663
41	Karnataka State Coir Development Corporation Limited (KSCDCL)	Commerce & Industries	Feb. 85	3.01	-	-	3.01	0.41	-	0.05	0.46	0.15:1 (0.15:1)	50
42	Karnataka State Small Industries Development Corporation Limited (KSSIDC)[3]	Commerce & Industries	April 60	25.92	-	0.10	26.02	12.70	-	-	12.70	0.49:1 (0.49:1)	291
43	The Mysore Paper Mills Limited (MPM)	Commerce & Industries	May 36	261.84 (168.22)	-	25.27	287.11 (168.22)	-	-	166.25	166.25	0.58:1 (0.60:1)	1710
44	Karnataka Vidyuth Karkhane Limited (KAVIKA)	Commerce & Industries	Oct. 76	5.62	-	-	5.62	7.84	-	-	7.84	1.40:1 (1.40:1)	194
45	The Mysore Electrical Industries Limited (MEI)	Commerce & Industries	Feb. 45	7.67	-	1.76	9.43	28.54	-		28.54	3.03:1 (3.03:1)	122
46	NGEF (Hubli) Limited (Subsidiary of Company at C-10) (NGEFH)	Commerce & Industries	Dec. 88	-	-	3.20	3.20	10.00	-	-	10.00	3.13:1 (3.13:1)	141
47	Karnataka State Electronics Development Corporation Limited (KEONICS)	Information Technology	Sep. 76	20.87	-	-	20.87	-	-	-	-	-	176

[2] Formerly Karnataka Leather Industries Development Corporation Limited.
[3] Karnataka Small Industries Marketing Corporation Limited (KSIMC) has been amalgamated with KSSIDC with effect from 1 April 2010.

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
48	Karnataka Silk Industries Corporation Limited (KSIC)	Sericulture	Apr. 80	58.00	-	-	58.00	-	-	-	-	-	689
49	Karnataka Silk Marketing Board Limited (KSMBL)	Commerce & Industries	Nov. 79	31.45	-	-	31.45	12.25	-	-	12.25	0.39:1 (0.39:1)	78
50	Karnataka State Textile Infrastructure Development Corporation Limited (KSTIDCL)[4]	Commerce & Industries	Feb. 94	3.22	-	-	3.22	-	-	-	-	-	11
51	Mysore Minerals Limited (MML)	Commerce & Industries	May 66	5.95	-	0.05	6.00	-	-	-	-	-	985
52	Karnataka EMTA Collieries Limited (KECL)	Energy	Mar 11	-	-	0.05	0.05	-	-	-	-	-	0
53	The Hutti Gold Mines Company Limited (HGML)	Commerce & Industries	July 47	2.20	-	0.76	2.96	-	-	-	-	-	4312
54	The Mysore Sugar Company Limited (MYSUGAR)	Commerce & Industries	Jan. 33	16.83 (9.02)	-	0.93	17.76 (9.02)	142.42	-	42.21	184.63	10.40:1 (10.40:1)	828
55	The Mysore Paints and Varnish Limited (MPVL)	Commerce & Industries	Nov. 47	0.95	-	0.09	1.04	-	-	-	-	-	62
56	Karnataka State Beverages Corporation Limited (KSBCL)	Finance	June 03	12.00	-	-	12.00	2.53	-	-	2.53	0.21:1 (0.21:1)	419
57	Mysore Sales International Limited (Subsidiary of Company at A-20) (MSIL)	Commerce & Industries	Mar. 66	22.56 (22.56)	-	20.18	42.74 (22.56)	-	-	-	-	-	279
58	Marketing Consultants and Agencies Limited (Subsidiary of Company at A-57) (MCA)	Commerce & Industries	Sep. 72	3.46 (3.46)	-	3.57	7.03 (3.46)		-	-	-	-	46
59	Karnataka State Coal Mining Company Limited (Subsidiary of Company at A-60)(KSCMCL)	Energy	Nov. 12	-	-	0.05	0.05	-	-	-	-	-	0
	Sector-wise total			**520.22 (203.26)**	**-**	**56.01**	**576.23 (203.26)**	**236.40**	**-**	**208.51**	**444.91**	**-**	**11137**
POWER SECTOR													
60	Karnataka Power Corporation Limited (KPC)	Energy	July 70	3870.67 (463.70)	-	-	3870.67 (463.70)	-	-	5076.37	5076.37	1.31:1 (1.05:1)	5579

[4] Formerly Karnataka State Powerloom Development Corporation Limited.

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
61	Karnataka Renewable Energy Development Limited (KREDL)	Energy	Mar.96	0.50	-	-	0.50	-	-	-	-	-	54
62	Karnataka Power Transmission Corporation Limited (KPTCL)	Energy	July 99	2075.32 (500.00)	-	-	2075.32 (500.00)	-	-	5038.04	5038.04	2.43:1 (2.54:1)	9030
63	Bangalore Electricity Supply Company Limited (BESCOM)	Energy	Apr. 02	680.00 (133.08)	-	-	680.00 (133.08)	41.03	190.19	2038.20	2269.42	3.34:1 (1.81:1)	12047
64	Hubli Electricity Supply Company Limited (HESCOM)	Energy	Apr. 02	862.77 (155.25)	-	-	862.77 (155.25)	54.04	569.10	300.09	923.23	1.07:1 (1.13:1)	7224
65	Mangalore Electricity Supply Company Limited (MESCOM)	Energy	Apr. 02	230.07 (14.00)	-	-	230.07 (14.00)	2.32	-	414.92	417.24	1.81:1 (2.00:1)	3707
66	Chamundeshwari Electricity Supply Corporation Limited (CHESC)	Energy	Dec.04	348.71 (23.20)	-	-	348.71 (23.20)	20.00	43.57	367.46	431.03	1.24:1 (1.00:1)	4826
67	Gulbarga Electricity Supply Company Limited (GESCOM)	Energy	Apr. 02	593.72 (288.58)	-	-	593.72 (288.58)	12.48	-	569.64	582.12	0.98:1 (0.80:1)	5017
68	KPC Bidadi Power Corporation Private Limited (Subsidiary of Company at A-60) (KPCB)	Energy	Apr. 96	-	-	14.05	14.05	-	-	2.41	2.41	0.17:1 (0.01:1)	11
69	Power Company of Karnataka Limited (PCKL)	Energy	Aug. 07	-	-	20.05	20.05	-	-	-	-	- (7.09:1)	35
70	Raichur Power Corporation Limited (RPCL)	Energy	Apr. 09	-	-	945.22 (36.61)	945.22 (36.61)	-	-	5087.84	5087.84	5.38:1 (3.18:1)	50
	Sector-wise total			**8661.76 (1577.81)**	**-**	**979.32 (36.61)**	**9641.08 (1641.42**	**129.87**	**802.86**	**18894.97**	**19827.70**	**-**	**47580**
SERVICE SECTOR													
71	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	Food Civil Supplies & Consumer Affairs	Sep. 73	3.25	-	-	3.25	1.00	-	-	1.00	0.31:1 (0.62:1)	1081
72	The Karnataka State Tourism Development Corporation Limited (KSTDC)	Information, Tourism & Youth Services	Feb. 71	6.41 (1.41)	-	-	6.41 (1.41)	4.00	-	-	4.00	0.62:1 (0.73:1)	243
73	Jungle Lodges and Resorts Limited (JLR)	Information, Tourism & Youth Services	Mar. 80	0.50	-	0.42	0.92	-	-			-	489
	Sector-wise total			**10.16 (1.41)**	**-**	**0.42**	**10.58 (1.41)**	**5.00**	**-**	**-**	**5.00**	**-**	**1813**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MISCELLANEOUS SECTOR													
74	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)	Employment and Training	Sept. 08	0.05	-	-	0.05	-	-	-	-	-	19
75	Karnataka Public Lands Corporation Limited (KPLCL)	Revenue	Dec. 08	0.05	-	-	0.05	-	-	-	-	-	22
	Sector-wise total			**0.10**	**-**	**-**	**0.10**	**-**	**-**	**-**	**-**	**-**	**41**
	TOTAL A (All sector-wise Government Companies)			**42580.11 (12428.67)**	**107.65 (17.19)**	**1901.29 (230.57)**	**44589.05 (12676.43)**	**1030.39**	**803.78**	**22456.79**	**24290.96**	**-**	**73679**
B. WORKING STATUTORY CORPORATIONS													
AGRICULTURE AND ALLIED SECTOR													
1	Karnataka State Warehousing Corporation (KSWC)	Co-operation	Nov. 57	16.75 (12.85)	3.90	-	20.65 (12.85)	-	-	195.38	195.38	9.46:1 (9.15:1)	394
	Sector-wise total			**16.75 (12.85)**	**3.90**	**-**	**20.65 (12.85)**	**-**	**-**	195.38	**195.38**		**394**
FINANCING SECTOR													
2	Karnataka State Financial Corporation (KSFC)	Finance	Mar. 59	898.30 (278.39)	-	38.64	936.94 (278.39)	-	-	2034.06	2034.06	2.17:1 (2.42:1)	1060
	Sector-wise total			**898.30 (278.39)**	**-**	**38.64**	**936.94 (278.39)**	**-**	**-**	**2034.06**	**2034.06**		**1060**
SERVICE SECTOR													
3	Karnataka State Road Transport Corporation (KSRTC)	Transport	Aug.61	242.79	48.10	1.00	291.89	-	-	300.36	300.36	1.03:1 (0.82:1)	38776
4	Bangalore Metropolitan Transport Corporation (BMTC)	Transport	Aug.97	157.71 (53.12)	-	-	157.71 (53.12)	-	-	669.14	669.14	4.24:1 (2.86:1)	36076
5	North Western Karnataka Road Transport Corporation (NWKRTC)	Transport	Nov.97	328.75 (186.44)	-	-	328.75 (186.44)	-	-	330.53	330.53	1.01:1 (1.02:1)	22508
6	North Eastern Karnataka Road Transport Corporation (NEKRTC)	Transport	Aug. 2000	131.12	-	-	131.12	0.13	-	174.23	174.36	1.33:1 (1.07:1)	19128
	Sector-wise total			**860.37 (239.56)**	**48.10**	**1.00**	**909.47 (239.56)**	**0.13**	**-**	**1474.26**	**1474.39**	**-**	**116488**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
	TOTAL B (all sector-wise Statutory Corporations)			**1775.42 (530.80)**	**52.00**	**39.64**	**1867.06 (530.80)**	**0.13**	**-**	**3703.70**	**3703.83**	**-**	**119002**
	Grand total (A + B)			**44355.53 (12959.47)**	**159.65 (17.19)**	**1940.93 (230.57)**	**46456.11 (13207.23)**	**1030.52**	**803.78**	**26160.49**	**27994.79**	**-**	**192681**
C. NON WORKING GOVERNMENT COMPANIES													
AGRICULTURE AND ALLIED SECTOR													
1	Karnataka Agro Industries Corporation Limited (KAIC)	Agriculture & Horticulture	Sep. 67	55.90 (48.36)	-		55.90 (48.36)	68.99	-	-	68.99	1.23:1 (1.23:1)	0
2	The Mysore Tobacco Company Limited (Subsidiary of Company at C-1) (MTC)	Agriculture & Horticulture	Apr .37	0.61	-	0.17	0.78	1.54	-	-	1.54	1.97:1 (1.97:1)	2
3	Karnataka Pulpwood Limited (Subsidiary of Company at A-8) (KPL)	Forest ecology & Environment	Feb. 85	13.91 (13.91)	-	1.25	15.16 (13.91)	2.89	-	-	2.89	0.19:1 (0.19:1)	0
4	The Karnatak State Veneers Limited (Subsidiary of Company at A-9) (KSVL)	Forest ecology & Environment	Aug. 74	-	-	1.00	1.00	-	-	1.00	1.00	1.00:1 (1.00:1)	167
5	The Mysore Match Company Limited (Subsidiary of Company at A-9) (MMCL)	Forest ecology & Environment	May 40	0.01	-	0.04	0.05	-	-	-	-	- (4.60:1)	0
	Sector-wise total			**70.43 (62.27)**	**-**	**2.46**	**72.89 (62.27)**	**73.42**	**-**	**1.00**	**74.42**	**-**	**169**
MANUFACTURING SECTOR													
6	The Mysore Lamp Works Limited (MLW)	Commerce & Industries	Aug. 36	10.76	-	1.05	11.81	101.51	-	3.50	105.01	8.89:1 (8.57:1)	-
7	Vijayanagar Steel Limited (VSL)	Commerce & Industries	Dec. 82	12.91	-		12.91	0.58	-	-	0.58	0.04:1 (0.04:1)	0
8	The Mysore Cosmetics Limited (Subsidiary of Company at A-57) (MCL)	Commerce & Industries	Mar. 66	0.01 (0.01)	-	0.15	0.16 (0.01)	-	-	-	-	-	0
9	The Mysore Chrome Tanning Company Limited (Subsidiary of Company at A-57) (MCT)	Commerce & Industries	Mar. 40	-	-	0.76	0.76	0.12	-	0.29	0.41	0.54:1 (0.54:1)	0
10	NGEF Limited (NGEF)	Commerce & Industries	Apr. 65	41.99	-	4.52	46.51	227.24	-	-	227.24	4.89:1 (4.89:1)	0
11	Karnataka Telecom Limited (Subsidiary of Company at C-10) (KTL)	Commerce & Industries	July 85	0.78	-	2.22	3.00		-	-	-	-	0

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
12	Chamundi Machine Tools Limited (CMTL)	Commerce & Industries	Oct. 75	0.63	-		0.63	2.50	-	1.00	3.50	5.56:1 (5.56:1)	0
13	Karnataka State Textiles Limited (KSTL)	Commerce & Industries	Dec. 84	0.50	-		0.50	14.94	-	-	14.94	29.88:1 (29.88:1)	14
14	The Mysore Acetate and Chemicals Company Limited (MACCL)	Commerce & Industries	Dec. 63	9.96	-	2.22	12.18	13.11	-	-	13.11	1.08:1 (1.08:1)	78
	Sector-wise total			**77.54 (0.01)**	**-**	**10.92**	**88.46 (0.01)**	**360.00**	**-**	**4.79**	**364.79**	**-**	**92**
	TOTAL C (All sector-wise Government Companies)			**147.97 (62.28)**	**-**	**13.38**	**161.35 (62.28)**	**433.42**	**-**	**5.79**	**439.21**	**-**	**261**
	Grand Total (A + B + C)			**44503.50 (13021.75)**	**159.65 (17.19)**	**1954.31 (230.57)**	**46617.46 (13269.51)**	**1463.94**	**803.78**	**26166.28**	**28434.00**	**-**	**192942**

The Karnataka Minorities Development Corporation Limited and the Mysore Sugar Company Limited had not furnished information for 2013-14.

Companies at Sl. No. A 10, 11, 23, 24, 69 and 70 are deemed government companies as defined under Section 619-B of the Companies Act, 1956.

$ Paid-up capital includes share application money. The share application money is shown in parenthesis.

** Loans outstanding at the close of 2013-14 represent long-term loans only.

Annexure 2

Statement showing grants and subsidy received / receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2014.

(Referred to in Paragraph 1.14)

Figures in column 3 (a) to 6 (d) are Rupees in crore

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@	
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)
A. WORKING GOVERNMENT COMPANIES									
AGRICULTURE & ALLIED SECTOR									
1	KAPPEC			5.00 (PGS)			5.00 (PGS)		
2	KCDCL					1.80(G)	1.80(G)		
3	KCDC			0.92(G)			0.92(G)		
4	KSSCL				0.19(G)		0.19(G)	1.00	1.00
5	FKL				1.00 (G)		1.00 (G)		
6	KSMDMCL				5.65(G)		5.65(G)		
	Sector-wise total			**0.92(G) 5(PGS)**	**6.84(G)**	**1.80(G)**	**9.56(G) 5(PGS)**	**1.00**	**1.00**
FINANCING SECTOR									
7	KHDCL				9.06(S)		9.06(S)	11.18	26.66
8	KSHDCL				0.38(PGS) 0.23(S)		0.38(PGS) 0.23(S)	-	0.47
9	DUBCDCL	25.00(S)	8.76 (S)		143.91(PGS) 14.66(S)		143.91(PGS) 14.66(S)	26.00	106.99
10	KSWDC	0.33(S)			3.75(G) 32.69(PGS)		3.75(G) 32.69(PGS)	1.36	4.45
11	BRADCL	15.81(S)			214.00(G)		214.00(G)	62.34	248.01
12	KMVSTDC	2.00(S) 8.00(CG)			90.60(G)		90.60(G)	25.00	75.94
14	KSIIDC	3.00(S)							16.44
15	KTDCL				52.10(G)		52.10(G)		
16	KVCDCL	0.01(S)							
	Sector-wise total	**46.15(S) 8.00(CG)**	**8.76(S)**		**360.45(G) 176.98(PGS) 23.95(S)**		**360.45(G) 176.98(PGS) 23.95(S)**	**125.88**	**478.96**
INFRASTRUCTURE SECTOR									
17	KRIDL								21.30
18	KSPHCL				37.81(G) 45.00(PS) 8.02(PGS) 55.49(S)		37.81(G) 45.00(PS) 8.02(PGS) 55.49(S)		94.52
19	RGRHCL				1198.53(PS) 14.48(PGS)		1198.53(PS) 14.48(PGS)	600.00	814.82

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@	
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)
20	KRDCL	42.31(S)	55.00(S)		250.00(G)		250.00(G)		193.36
21	KBJNL				1720.40(G)		1720.40(G)	900.00	1191.50
22	KNNL	2215.57(S)							
23	CNNL	800.79(S)			31.74(G)		31.74(G)	100.00	100.00
24	HDBRTS				110.50(G)		110.50(G)		
25	BSRCL	0.05(S)							
	Sector-wise total	**3058.72(S)**	**55.00(S)**		**2150.45(G) 1243.53(PS) 22.50(PGS) 55.49(S)**		**2150.45(G) 1243.53(PS) 22.50(PGS) 55.49(S)**	**1600.00**	**2415.50**
MANUFACTURING SECTOR									
26	LIDKAR				21.00(G)		21.00(G)		
27	KSSIDC				9.29(G)		9.29(G)		
28	MPM	78.84(S)						40.00	166.25
29	KEONICS	1.50(S)		0.35(G)	5.73(G)		6.08(G)		
30	KSIC				1.50(G)		1.50(G)		
31	KSMB							5.15	5.15
	Sector-wise total	**80.34 (S)**		**0.35(G)**	**37.52(G)**		**37.87(G)**	**45.15**	**171.40**
POWER SECTOR									
32	KPC	563.70(S)							110
33	KPTCL	107.07(S)							4.30
34	BESCOM	35.58 (S)	68.24(CG)						
35	HESCOM	31.24(S)	128.15(CG)		2047.40(S)		2047.40(S)		191.68
36	MESCOM	39.00(S)			21.19(PS) 384.70(S)		21.19(PS) 384.70(S)	3.62	7.24
37	CHESC	23.20(S)	8.32(CG)		22.38(G) 841.08(S)		22.38(G) 841.08(S)		
38	GESCOM	25.52(S)			1207.55(S)		1207.55(S)		
	Sector-wise total	**825.31(S)**	**204.71(CG)**		**22.38(G) 21.19(PS) 4480.73(S)**		**22.38(G) 21.19(PS) 4480.73(S)**	**3.62**	**313.22**
SERVICE SECTOR									
39	KSTDC				8.41(G)		8.41(G)		
40	JLR				5.90(G)		5.90(G)		
	Sector-wise total				**14.31(G)**		**14.31(G)**		
MISCELLANEOUS SECTOR									
41	KVTSDCL				12.59(G)		12.59(G)		
42	KPLCL				12.00(G)		12.00(G)		
	Sector-wise total				**24.59(G)**		**24.59(G)**		

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@	
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)
	TOTAL A (All sector-wise Government Companies)	**4010.52(S) 8.00(CG)**	**63.76(S) 204.71(CG)**	**1.27(G) 5.00(PGS)**	**2616.54(G) 1264.72(PS) 199.48(PGS) 4560.17(S)**	**1.80(G)**	**2619.61(G) 1264.72(PS) 204.48(PGS) 4560.17(S)**	**1775.65**	**3380.08**
B. WORKING STATUTORY CORPORATIONS									
AGRICULTURE AND ALLIED									
1	KSWC		-	3.95(PS)			3.95 (PS)		
	Sector-wise total		**-**	**3.95(PS)**			**3.95 (PS)**		
FINANCING SECTOR									
2	KSFC	51.93(S)							1162.65
	Sector-wise total	**51.93(S)**							**1162.65**
SERVICES SECTOR									
3	KSRTC			11.92(G)	17.10(G) 229.58(S)		29.02(G) 229.58(S)		
4	BMTC			10.65(G)	165.98(S)		10.65(G) 165.98(S)		
5	NWKRTC	15.70 (S)		0.21(G)	15.50 (G) 160.56(S)		15.71(G) 160.56 (S)		
6	NEKRTC			2.57(G)	25.11(G) 111.21(S)	0.17(G)	27.85(G) 111.21(S)		
	Sector-wise total			**25.35(G)**	**57.71(G) 667.33(S)**	**0.17(G)**	**83.23(G) 667.33(S)**		
	TOTAL B (all sector-wise Statutory Corporations)	**67.63(S)**	**-**	**3.95(PS) 25.35(G)**	**57.71(G) 667.33(S)**	**0.17(G)**	**83.23(G) 667.33(S) 3.95(PS)**		**1162.65**
	Grand total (A + B)	**4078.15(S) 8.00(CG)**	**63.76(S) 204.71(CG)**	**26.62(G) 5.00(PGS) 3.95(PS)**	**2674.25(G) 1264.72(PS) 199.48(PGS) 5227.50(S)**	**1.97(G)**	**2702.84(G) 1268.67(PS) 204.48(PGS) 5227.49(S)**	**1775.65**	**4542.73**
C. NON WORKING GOVERNMENT COMPANIES									
MANUFACTURING SECTOR									
1	MLW		3.79(S)						
	TOTAL (A+B+C)	**4078.15(S) 8.00(CG)**	**67.55(S) 204.71(CG)**	**26.62(G) 5.00(PGS) 3.95(PS)**	**2674.25(G) 1264.72(PS) 199.48(PGS) 5227.50(S)**	**1.97(G)**	**2702.84(G) 1268.67(PS) 204.48(PGS) 5227.49(S)**	**1775.65**	**4542.73**

Figures are provisional and as furnished by the companies in respect of companies that have not finalised their accounts for 2013-14.
For column 3(a) and 3(b) S=State Government, CG=Central Government.
For column 4(a) to 4(d) G = Grants, S = Subsidy, PS = Project Subsidy, PGS = Programme Subsidy.
@ Figures indicate total guarantees outstanding at the end of the year.
Waiver of dues in respect of loans repayment written off, loans converted into equity, interest/penal interest waived was nil during the year

Annexure 3

Statement showing the investments made by the State Government in PSUs whose accounts are in arrears at the end of March 2014.

(Referred to in Paragraph 1.22)

(₹ in crore)

Sl. No.	Name of PSU	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Year	Investment made by the State Government during the years for which accounts are in arrears			
					Equity	Grants	Project subsidy	Subsidy
A. WORKING GOVERNMENT COMPANIES								
AGRICULTURE AND ALLIED SECTOR								
1	KTAML	2010-11	5.00	2011-12, 2012-13, 2013-14	-	-	-	-
2	KSAWDCL	2012-13	6.05	2013-14	-	-	-	-
3	KCDCL	2012-13	0.50	2013-14	-	1.80	-	-
4	KSSCL	2012-13	3.68	2013-14		0.19		-
5	KSMDMCL	2011-12	0.01	2012-13, 2013-14	-	10.65	-	-
FINANCING SECTOR								
6	KHDCL	2012-13	51.88	2013-14				9.06
7	KSWDC	2012-13	13.56	2013-14	0.33	3.75	32.69	-
8	BRADCL	2012-13	205.66	2013-14	15.81	214.00	-	-
9	KMVSTDC	2011-12	17.08	2012-13, 2013-14	6.93	102.15	-	-
10	KMDC	2011-12	185.49	2012-13, 2013-14	49.00	63.00	-	-
11	KTDCL	2012-13	0.01	2013-14	-	52.10	-	-
12	KVCDCL	First accounts not finalised	0.01	-	0.01			
INFRASTRUCTURE SECTOR								
13	KSCCL	2011-12	2.05	2012-13, 2013-14	-	-	-	-
14	KRIDL	2012-13	12.25	2013-14	-	-	-	-
15	KBJNL	2012-13	7319.77	2013-14	-	1720.40	-	-
16	KNNL	2012-13	14093.09	2013-14	2215.57	-	-	-
17	CNNL	2012-13	6760.96	2013-14	800.79	31.74	-	-
18	HDBRTS	2012-13	18.13	2013-14	-	110.50	-	-
19	BSRCL	First accounts not finalised	0.05	-	0.05			
MANUFACTURING SECTOR								
20	LIDKAR	2012-13	6.85	2013-14	-	21.00	-	-
21	KSDL	2012-13	31.82	2013-14	-	-	-	-
22	MPM	2012-13	118.90	2013-14	78.84	-	-	-

Sl. No.	Name of PSU	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Year	Investment made by the State Government during the years for which accounts are in arrears			
					Equity	Grants	Project subsidy	Subsidy
23	MEI	2012-13	9.43	2013-14	-	-	-	-
24	NGEFH	2012-13	3.20	2013-14	-	-	-	-
25	KSIC	2012-13	58.00	2013-14	-	1.50	-	-
26	KECL	2012-13	0.05	2013-14	-	-	-	-
27	MYSUGAR	2011-12	8.73	2012-13, 2013-14	-	-	-	-
POWER SECTOR								
28	BESCOM	2012-13	546.92	2013-14	35.58	-	-	-
29	HESCOM	2012-13	707.53	2013-14	31.24	-	-	2047.40
30	CHESC	2012-13	263.01	2013-14	23.20	22.38	-	841.08
31	GESCOM	2012-13	559.20	2013-14	25.52	-	-	1207.55
SERVICE SECTOR								
32	KFCSCL	2012-13	3.25	2013-14	-	-	-	-
33	KSTDC	2012-13	6.41	2013-14	-	8.41	-	-
MISCELLANEOUS SECTOR								
34	KVTSDCL	2012-13	0.05	2013-14	-	12.59	-	-
35	KPLCL	2012-13	0.05	2013-14	-	12.00	-	-
B. WORKING STATUTORY CORPORATIONS								
AGRICULTURE AND ALLIED SECTOR								
1	KSWC	2012-13	20.65	2013-14	-	-	-	-
FINANCING SECTOR								
2	KSFC	2012-13	885.01	2013-14	51.93	-	-	-
SERVICE SECTOR								
3	KSRTC	2012-13	291.89	2013-14	-	17.10	-	229.58
4	BMTC	2012-13	157.71	2013-14	-	-	-	165.98
5	NWKRTC	2012-13	313.04	2013-14	15.70	15.50	-	160.56
6	NEKRTC	2012-13	131.12	2013-14	-	25.11	-	111.21
	Total				**3350.50**	**2445.87**	**32.69**	**4772.42**

Note: During the year there was no investment in the form of loans by the State Government.

Annexure 4

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalized.

(Referred to in Paragraph 1.28)

Figures in column 5 (a) to (10) are Rupees in crore

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. WORKING GOVERNMENT COMPANIES														
AGRICULTURE AND ALLIED SECTOR														
1	KSACPL	2013-14	2014-15	-0.16	0	0.13	-0.29	0	-0.32	2.73	-28.21	-0.97	-0.29	-
2	KAPPEC	2013-14	2014-15	5.87	0.09	0.04	5.74	10.42	0	0.50	15.15	68.68	5.74	8.36
3	KTAML	2010-11	2013-14	-1.24	0	0.03	-1.27	0.74	0	5.00	-0.24	4.76	-1.27	-
4	KFDC	2013-14	2014-15	1.75	0.06	0.48	1.21	137.59	0	16.16	-5.99	23.87	1.27	5.32
5	KSAWDCL	2012-13	2014-15	0.80	0	0	0.80	0.19	0	6.05	-4.72	18.48	0.80	4.33
6	KCDCL	2012-13	2013-14	0.68	0.11	0.09	0.48	4.95	0	0.50	-0.59	5.38	0.59	10.97
7	KCDC	2013-14	2014-15	-0.88	0	0.43	-1.31	5.55	-0.63	7.59	-5.08	2.51	-0.31	-
8	KFDCL	2013-14	2014-15	64.48	0	0.98	63.50	121.06	0	9.31	154.23	202.93	63.50	31.29
9	KSFIC	2013-14	2014-15	0.91	0	0.21	0.70	27.05	-6.71	2.67	9.97	13.63	0.70	5.14
10	KSSCL	2012-13	2013-14	11.72	0.02	1.77	9.93	205.84	1.24	3.68	26.03	35.26	9.95	28.22
11	FKL	2013-14	2014-15	0.01	0	0	0.01	0.04	0	0.10	1.70	1.80	0.01	0.56
12	KSMDMCL	2011-12	2013-14	0	0	0	$$	0	0	0.01	0	8.90		-
	Sector-wise total			**83.94**	**0.28**	**4.16**	**79.50**	**513.43**	**-6.42**	**54.30**	**162.25**	**385.23**	**79.69**	**-**
FINANCING SECTOR														
13	KHDCL	2012-13	2013-14	0.35	8.54	0.67	-8.86	148.29	-0.46	51.88	-83.55	28.56	-0.32	-
14	KSHDCL	2013-14	2014-15	5.36	0.01	0.65	4.70	51.90	0	4.02	21.76	29.07	4.71	16.20
15	DUBCDCL	2013-14	2014-15	94.33	1.39	0.17	92.77	0.64	(-)0.44	200.00	65.65	597.01	94.16	15.77
16	KSWDC	2012-13	2014-15	4.57	0.05	0.14	4.38	5.00	(-)1.07	13.56	14.86	31.25	4.43	14.18
17	BRADCL	2012-13	2013-14	28.34	7.58	0.20	20.56	16.66	0	205.66	32.36	452.23	28.14	6.22
18	KMVSTDC	2011-12	2013-14	6.79	1.38	0.11	5.30	4.77	0	17.08	17.47	37.48	6.68	17.82
19	KMDC	2011-12	2012-13	(-)0.91	1.79	0.16	(-)2.86	1.83	(-)206.83	185.49	(-)31.04	146.96	(-)1.07	-
20	KSIIDC	2013-14	2014-15	74.70	1.48	4.20	69.02	18.84	4.10	627.73	(-)311.15	321.00	71.50	21.96

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
21	KUIDFC	2013-14	2014-15	0.33	0	0.33	**[5]	5.67	0	8.06	13.98	43.38	0.00	0
22	KSL	2013-14	2014-15	0.67	0	0.04	0.63	1.55	0	4.88	1.32	2.91	0.63	21.65
23	KAMCPL	2013-14	2014-15	0.09	0	0.01	0.08	0.69	0	0.50	0.83	1.33	0.08	6.02
24	KTCPL	2013-14	2014-15	0.05	0	0	0.05	0.05	0	0.01	0.16	0.17	0.05	29.41
25	KTDCL	2012-13	2013-14	1.06	0	0	1.06	0	0	0.01	2.75	2.76	1.06	38.41
26	KVCDCL	First accounts not finalised		-	-	-	-	-	-	-	-	-	-	-
	Sector-wise total			**215.73**	**22.22**	**6.68**	**186.83**	**255.89**	**(-)204.70**	**1318.88**	**(-)254.60**	**1694.11**	**209.05**	**-**
INFRASTRUCTURE SECTOR														
27	KSCCL	2011-12	2014-15	(-)0.11	0.48	0.04	(-)0.63	13.64	0	2.05	23.53	44.58	(-)0.15	-
28	KRIDL	2012-13	2013-14	78.45	0	0.96	77.49	1087.48	(-)14.56	12.25	112.68	189.70	77.49	40.85
29	KSPHCL	2013-14	2014-15	23.26	0.06	0.36	22.84	27.05	0	0.12	30.83	174.15	22.90	13.15
30	RGRHCL	2013-14	2014-15	0	0	0	£	##	0	3.00	0	2215.75	0	0
31	KRDCL	2013-14	2014-15	31.60	17.86	4.56	9.18	##	0	1152.70	(-)91.85	320.98	27.04	8.42
32	KBJNL	2012-13	2013-14	117.88	65.84	82.44	(-) 30.40	14.21	0	7319.77	(-)307.84	10720.36	35.44	0.33
33	KNNL	2012-13	2013-14	243.95	4.80	411.69	(-)172.54	3.40	0	14093.09	(-)672.36	7951.77	(-)167.74	-
34	CNNL	2012-13	2013-14	0	0	0	$$	##	0	6760.96	0	7269.51	0	-
35	BARL	2013-14	2014-15	0.11	0	0.02	(-) 0.13	0	0	5.75	(-)3.31	1.69	(-)0.13	-
36	TPL	2013-14	2014-15	-	-	-	-[6]	-	-	0.05	(-)0.02	0.03	0	-
37	HDBRTS	2012-13	2013-14	(-)0.10	0	0	(-) 0.10	0	0	18.13	(-)0.08	16.92	(-)0.10	-
38	BSRCL	First accounts not finalised												-
	Sector-wise total			**494.82**	**89.04**	**500.07**	**(-)94.29**	**1145.78**	**(-)14.56**	**29367.87**	**(-)908.42**	**28905.44**	**(-)5.25**	**-**
MANUFACTURING SECTOR														
39	LIDKAR	2012-13	2014-15	(-)0.57	1.00	0.05	(-)1.62	7.39	(-)0.75	6.85	(-)29.47	(-)9.10	(-)0.62	-
40	KSDL	2012-13	2013-14	40.56	0	0.73	39.83	255.18	4.62	31.82	68.66	108.83	39.83	36.60
41	KSCDCL	2013-14	2014-15	(-)0.24	0.08	0.43	(-)0.75	10.12	0	3.01	(-)7.00	7.54	(-)0.67	-
42	KSSIDC	2013-14	2014-15	18.84	0.28	1.23	17.33	81.31	0	26.02	95.76	137.89	17.61	12.77
43	MPM	2012-13	2013-14	(-)37.70	28.65	10.54	(-)76.89	404.23	(-)1.24	118.90	(-)347.78	(-)78.91	(-)48.24	-

[5] **: The Company has recorded zero profit by claiming management fee equal to the net administrative expenses incurred.

[6] The Company incurred a loss of ₹ 0.15 lakh during the year 2013-14.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net Profit/ Loss (x)							
(1)	**(2)**	**(3)**	**(4)**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
44	KAVIKA	2013-14	2014-15	9.86	0.95	0.17	8.74	146.60	1.56	5.62	5.88	89.86	9.69	10.78
45	MEI	2012-13	2013-14	5.49	2.05	0.12	3.32	56.16	(-)2.14	9.43	(-)18.42	26.76	5.37	20.07
46	NGEFH	2012-13	2013-14	(-)2.97	0.42	0.17	(-)3.56	6.75	0	3.20	(-)6.26	9.46	(-)3.14	-
47	KEONICS	2013-14	2014-15	12.53	0	1.09	11.32	191.19	0.01	20.87	68.83	89.69	11.32	12.62
48	KSIC	2012-13	2013-14	16.73	1.17	0.41	15.15	86.76	0.10	58.00	3.52	63.52	16.32	25.69
49	KSMB	2013-14	2014-15	(-)5.26	0.13	0.03	(-)5.42	38.81	0	31.45	(-)39.05	0.65	(-)5.29	-
50	KSTIDCL	2013-14	2014-15	0.81	0	0.10	0.71	10.77	0	3.22	10.25	13.47	0.71	5.27
51	MML	2013-14	2014-15	333.20	9.65	10.00	313.35	378.53	0	6.00	1101.80	1107.80	323.00	29.16
52	KECL	2012-13	2013-14	(-)0.01	0	0	(-)0.01	0	0	0.05	(-)0.08	(-)0.04	(-)0.01	-
53	HGML	2013-14	2014-15	160.60	0.16	15.81	144.63	405.79	0	2.96	1024.52	1027.62	144.79	14.09
54	MYSUGAR	2011-12	2014-15	(-)0.36	17.41	1.28	(-)19.05	83.27	(-)5.98	8.73	364.02	(-)275.16	(-)1.64	-
55	MPVL	2013-14	2014-15	13.71	0.32	0.05	13.34	47.36	(-)0.41	1.04	18.55	26.59	13.66	51.37
56	KSBCL	2013-14	2014-15	52.36	0.03	1.20	51.13	86.28	0	12.00	143.82	158.37	51.16	32.30
57	MSIL	2013-14	2014-15	51.03	0.85	2.81	47.37	1001.63	0	42.74	194.28	214.46	48.22	22.48
58	MCA	2013-14	2014-15	14.82	0	0.33	14.49	135.84	0	7.03	51.24	66.54	14.49	21.78
59	KSCMCL	2013-14	2014-15	0	0	0	$$	0	0	0.05	(-)0.02	0.03	0	-
	Sector-wise total			**683.41**	**63.15**	**46.85**	**573.41**	**3433.97**	**(-)4.23**	**398.99**	**2703.04**	**2785.87**	**636.56**	**-**
POWER SECTOR														
60	KPC	2013-14	2014-15	1933.77	1110.63	569.14	254.00	6548.60	0	3870.67	3748.82	11776.93	1364.63	11.59
61	KREDL	2013-14	2014-15	30.59	0	0.55	30.04	32.33	0	0.50	92.04	92.54	30.04	32.46
62	KPTCL	2013-14	2014-15	1115.28	522.04	557.07	36.17	2324.39	(-)12.40	2000.00	320.19	6382.32	558.21	8.75
63	BESCOM	2012-13	2013-14	855.79	208.63	214.39	432.77	10783.62	(-)95.68	546.92	(-)665.31	2348.35	641.40	27.31
64	HESCOM	2012-13	2013-14	414.22	285.50	88.03	40.69	4611.19	(-)21.31	707.53	(-)643.34	812.46	326.19	40.15
65	MESCOM	2013-14	2014-15	235.32	180.14	54.98	0.20	1950.24	(-)5.22	230.07	71.64	710.00	180.34	25.40
66	CHESC	2012-13	2013-14	(-)19.85	192.06	56.44	(-)268.35	2143.79	(-)331.53	263.01	(-)666.85	0	76.29	-
67	GESCOM	2012-13	2013-14	(-)52.88	51.02	90.66	(-)194.56	2850.04	(-)17.48	559.20	(-)348.50	857.30	(-)143.54	-
68	KPCB	2013-14	2014-15	(-)0.51	0	0.07	(-)0.58	0	0	14.05	(-)6.73	9.73	(-)0.58	-
69	PCKL	2013-14	2014-15	1.61	0	0.04	1.57	0.10	(-)0.21	20.05	3.13	23.18	1.57	6.77
70	RPCL	2013-14	2014-15	0	0	0	$$	0	0	945.22	0	5996.45	0	-
	Sector-wise total			**4513.34**	**2550.02**	**1631.37**	**331.95**	**31244.30**	**(-)483.83**	**9157.22**	**1905.09**	**29264.87**	**2881.97**	**-**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE SECTOR														
71	KFCSCL	2012-13	2013-14	2.76	0.94	0.84	0.98	1746.32	(-)97.44	3.25	2.78	121.03	1.92	1.59
72	KSTDC	2012-13	2013-14	(-)3.85	0.76	2.29	(-)6.90	53.58	(-)4.36	6.41	(-)19.44	0	(-)6.14	-
73	JLR	2013-14	2014-15	7.07	0.30	2.48	4.29	42.78	(-)0.42	0.92	55.14	57.70	4.59	8.00
	Sector-wise total			**5.98**	**2.00**	**5.61**	**(-)1.63**	**1842.68**	**(-)102.22**	**10.58**	**38.48**	**205.21**	**0.37**	**-**
MISCELLANEOUS SECTOR														
74	KVTSDCL	2012-13	2014-15	3.61	0	0.45	*[7]	1.50	0	0.05	3.16	71.66	3.16	4.41
75	KPLCL	2012-13	2013-14	0.47	0	0.10	0.37	0	(-)0.17	0.05	0.91	0.96	0.37	38.54
	Sector-wise total			**4.08**	**0**	**0.55**	**3.53**	**1.50**	**(-)0.17**	**0.09**	**4.07**	**72.62**	**3.53**	**-**
	TOTAL A (All sector-wise Government Companies)			**6001.30**	**2726.71**	**2195.29**	**1079.30**	**38437.55**	**(-)816.13**	**40307.93**	**3649.91**	**63313.35**	**3806.01**	**6.01**
B. WORKING STATUTORY CORPORATIONS														
AGRICULTURE AND ALLIED SECTOR														
1	KSWC	2012-13	2013-14	28.19	7.15	5.08	15.96	53.95	(-)18.67	20.65	68.71	296.14	23.11	7.80
	Sector-wise total			**28.19**	**7.15**	**5.08**	**15.96**	**53.95**	**(-)18.67**	**20.65**	**68.71**	**296.14**	**23.11**	**7.80**
FINANCING SECTOR														
2	KSFC	2012-13	2013-14	194.44	174.80	2.58	17.06	246.66	2.47	885.01	(-)525.64	2893.16	191.86	6.63
	Sector-wise total			**194.44**	**174.80**	**2.58**	**17.06**	**246.66**	**2.47**	**885.01**	**(-)525.64**	**2893.16**	**191.86**	**6.63**
SERVICE SECTOR														
3	KSRTC	2012-13	2013-14	236.42	22.57	213.00	0.85	2477.17	(-)6.64	291.89	64.30	685.27	24.31	3.55
4	BMTC	2012-13	2013-14	12.22	32.75	127.42	(-)147.95	1516.00	(-)11.42	157.71	515.10	1123.87	(-)115.20	-
5	NWKRTC	2012-13	2013-14	67.80	33.62	97.49	(-)63.31	1157.23	(-)5.08	313.04	(-)442.30	234.33	(-)29.69	-
6	NEKRTC	2012-13	2013-14	77.29	15.45	82.77	(-)20.93	1019.76	(-)10.65	131.12	(-)377.90	12.74	(-)5.48	-
	Sector-wise total			**393.73**	**104.39**	**520.68**	**(-)231.35**	**6170.16**	**(-)33.79**	**893.76**	**(-)240.80**	**2056.21**	**(-)126.06**	**-**
	Grand total (B)			**616.36**	**286.34**	**528.34**	**(-)198.33**	**6470.77**	**(-)49.99**	**1799.42**	**(-)697.73**	**5245.51**	**88.90**	**-**
	Grand total (A+B)			**6614.50**	**3013.06**	**2723.63**	**877.81**	**44908.32**	**(-)866.12**	**42107.36**	**2952.18**	**68558.86**	**3891.76**	**5.68**

[7] * The excess of income over expenditure was ₹ 3.16 crore.

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed $	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
C. NON WORKING GOVERNMENT COMPANIES														
AGRICULTURE AND ALLIED SECTOR														
1	KAIC	2013-14	2014-15	2.32	14.64	0.03	(-)12.35	Not considered for non-working compa--nies	0	55.90	(-)245.40	(-)46.66	2.29	-
2	MTC	2013-14	2014-15	0.30	0.63	0	(-)0.33		(-)0.15	0.78	(-)14.55	(-)10.91	0.30	-
3	KPL	2013-14	2014-15	0	0	0	0		0	15.16	(-)2087	(-)19.62	0	-
4	KSVL	2004-05	2005-06	(-)0.44	0	0.01	(-)0.45		0	1.00	(-)8.85	0.26	(-)0.45	-
5	MMCL	2013-14	2014-15	0.35	0	0	0.35		0	0.05	(-)0.01	0.05	0.35	700.00
	Sector-wise total			**2.53**	**15.27**	**0.04**	**(-)12.78**	**0**	**(-)0.15**	**72.88**	**(-)289.68**	**(-)76.88**	**2.49**	
MANUFACTURING SECTOR														
6	MLW	2013-14	2014-15	(-)1.70	10.34	0.03	(-)12.07	Not consid-ered for non-working compa-nies	0	11.81	(-)268.63	(-)138.57	(-)1.73	-
7	VSL	2012-13	2013-14	0.08	0	0	0.08		0	12.91	0.02	16.60	0.08	0.48
8	MCL	2003-04	2004-05	(-)0.79	0	0	(-)0.79		0	0.16	(-)3.12	(-)0.23	(-)0.79	-
9	MCT	2013-14	2014-15	0.05	0	0	0.05		0	0.76	(-)8.66	(-)6.15	0.05	-
10	NGEF	2002-03	2003-04	(-)157.48	0	0	(-)157.48		0	46.51	(-)408.85	98.21	(-)157.48	-
11	KTL	2003-04	2004-05	0.05	0	0	0.05		0	3.00	(-)36.11	(-)29.23	0.05	-
12	CMTL	2006-07	2007-08	(-)0.01	0	0	(-)0.01		0	0.63	(-)7.97	(-)3.71	(-00.01	-
13	KSTL	1998.99	1999-00	(-)0.88	0	0	(-)0.88		0	0.50	(-)8.91	4.32	(-)0.88	-
14	MACCL	2002-03	2003-04	(-)0.42	0	0.04	(-)0.46		0	12.18	(-)25.33	0.09	(-)0.46	-
	Sector-wise total			**(-)161.10**	**10.34**	**0.07**	**(-)171.51**	**0**	**0**	**88.46**	**(-)767.56**	**(-)58.67**	**(-)161.17**	**-**
	TOTAL C (Non working Government Companies)			**(-)158.57**	**25.61**	**0.11**	**(-)184.29**	**0**	**(-)0.15**	**161.34**	**(-)1057.24**	**(-)135.55**	**(-)158.68**	**-**
	Grand total (A+B+C)			**6455.93**	**3038.67**	**2723.74**	**693.52**	**44908.32**	**(-)866.27**	**42268.70**	**1894.94**	**68423.31**	**3733.08**	**5.46**

Impact of accounts comments include the net impact of comments of Statutory Auditors and the CAG and is denoted by (+) increase in profit/ decrease in losses and (-) decrease in profit/ increase in losses.

@ Capital employed of PSUs on accounts finalised during the period October 2013 to September 2014 represents Shareholders funds plus long term borrowings.

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

$$ No profit and loss account prepared, only pre-operative expenditure (Sl.No.12, 34, 36, 59, 70).

£ Excess of expenditure over income capitalised. No profit and loss account prepared. (Sl.No.30).

Turnovers in respect of companies at Sl.No.30, 31, 34 are not included. In respect of Sl.No.30 (RGRHCL), the company is involved in development work and excess of income over is capitalized. KRDCL (Sl.no.31) is involved in construction of roads and hence turnover not considered. Although, the operations of KBJNL (Sl.no.32), KNNL (Sl.No.33) and CNNL (Sl.no.34) are functioning under the administrative control of the Water Resources Department and involved in construction of irrigation projects, the turnover of CNNL is not considered as the company does not prepare profit and loss account.

(x) Net profit/loss includes adjustment for prior period income / expenses but excludes appropriations and tax provisions.

Annexure 5
Statement showing financial position of Statutory Corporations.
(Referred to in Paragraph 1.28)

Working Statutory Corporations

1. Bangalore Metropolitan Transport Corporation, Bangalore

(₹ in crore)

Particulars	2011-12	2012-13	2013-14 (provisional)
Liabilities			
Paid up capital	157.71	157.71	157.71
Reserve and surplus (including capital grants but excluding depreciation reserve)	897.52	579.23	431.76
Borrowings (loan funds)	373.26	451.07	669.31
Current liabilities and provisions	192.41	324.83	457.62
Total	**1620.90**	**1512.84**	**1716.40**
Assets			
Gross block	1596.52	2013.88	2285.68
Less: Depreciation	621.00	725.36	821.45
Net fixed assets	975.52	1288.52	1464.23
Capital works-in-progress (including cost of chassis)	488.21	79.14	97.33
Investments	0	0	0
Current assets, loans and advances	157.17	145.18	154.84
Accumulated losses	0	0	0
Total	**1620.90**	**1512.84**	**1716.40**
Capital employed	**1427.76**	**1123.87**	**1194.53**

Annexure 5
Statement showing financial position of Statutory Corporations.
(Referred to in Paragraph 1.28)

2. Karnataka State Road Transport Corporation, Bangalore

(₹ in crore)

Particulars	2011-12	2012-13	2013-14 (provisional)
Liabilities			
Paid up capital	291.89	291.89	291.89
Reserve and surplus (including capital grants but excluding depreciation reserve)	156.39	152.62	103.48
Borrowings (loan funds)	242.01	240.76	350.36
Current liabilities and provisions	370.67	493.04	499.65
Total	**1060.96**	**1178.31**	**1245.38**
Assets			
Gross block	1820.26	1995.80	2175.46
Less: Depreciation	972.17	1116.64	1241.63
Net fixed assets	848.09	879.16	933.83
Capital works-in-progress (including cost of chassis)	61.99	88.73	75.76
Investments	0.05	0.05	0.05
Current assets, loans and advances	150.83	210.37	224.48
Accumulated losses	0	0	11.26
Total	**1060.96**	**1178.31**	**1245.38**
Capital employed[8]	**688.74**	**685.27**	**734.47**

[8] Excluding deferred revenue expenditure.

Annexure 5
Statement showing financial position of Statutory Corporations.
(Referred to in Paragraph 1.28)

3. North Western Karnataka Road Transport Corporation, Hubli

(₹ in crore)

Particulars	2011-12	2012-13	2013-14 (provisional)
Liabilities			
Paid up capital	281.43	313.04	328.74
Reserve and surplus (including capital grants but excluding depreciation reserve)	53.10	57.84	63.67
Borrowings (loan funds)	308.40	319.42	330.53
Current liabilities and provisions	278.66	360.84	550.28
Total	**921.59**	**1051.14**	**1273.22**
Assets			
Gross block	724.98	824.09	935.20
Less: Depreciation	396.51	452.63	497.16
Net fixed assets	328.47	371.46	438.04
Capital works-in-progress (including cost of chassis)	37.16	59.36	33.28
Current assets, loans and advances	174.97	178.02	292.81
Accumulated losses	378.99	442.30	509.09
Total	**921.59**	**1051.14**	**1273.22**
Capital employed	**252.40**	**234.33**	**198.82**

Annexure 5
Statement showing financial position of Statutory Corporations.
(Referred to in Paragraph 1.28)

4. North Eastern Karnataka Road Transport Corporation, Gulburga.

(₹ in crore)

Particulars	2011-12	2012-13	2013-14 (provisional)
Liabilities			
Paid up capital	131.12	131.12	131.12
Reserve and surplus (including capital grants but excluding depreciation reserve)	170.93	185.12	205.85
Borrowings (loan funds)	177.72	140.62	174.36
Current liabilities and provisions	429.09	519.09	569.35
Total	**908.86**	**975.95**	**1080.68**
Assets			
Gross block	727.94	831.04	911.72
Less: Depreciation	412.19	469.55	516.48
Net fixed assets	315.75	361.49	395.24
Capital works-in-progress (including cost of chassis)	45.95	47.78	40.48
Investments	0.05	0.10	0.10
Current assets, loans and advances	123.93	122.46	161.02
Accumulated losses	423.18	444.12	483.84
Total	**908.86**	**975.95**	**1080.68**
Capital employed[9]	**53.76**	**12.74**	**27.49**

[9] Excludes ₹ 66.21 crore being the excess of liabilities over assets transferred from NWKRTC.

Annexure 5
Statement showing financial position of Statutory Corporations.
(Referred to in Paragraph 1.28)

5. Karnataka State Financial Corporation, Bangalore

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14 (provisional)
A.	**Liabilities**			
	Paid up capital	619.06	658.56	658.56
	Share application money	212.29	226.46	278.39
	Reserve fund and other reserves and surplus	46.79	45.90	45.01
	Borrowings			
	i) Bonds and debentures	872.67	1189.50	1162.65
	ii) Fixed deposits	110.33	105.90	178.47
	iii) Industrial Development Bank of India and Small Industries Development Bank of India	895.28	829.21	692.94
	iv) Loan towards Share capital- Industrial Development Bank of India	0	0	0
	v) Others (including State Government)	25.07	41.99	28.35
	Other liabilities and provisions	398.35	419.87	433.18
	Total	**3179.84**	**3517.39**	**3477.55**
B.	**Assets**			
	Cash and bank balances	259.72	268.68	106.28
	Investments	500.74	662.82	668.61
	Loans and advances	1742.38	1924.13	2056.72
	Net fixed assets	51.46	55.16	53.17
	Other assets	82.88	80.96	78.55
	Miscellaneous expenditure	542.66	525.64	514.22
	Total	**3179.84**	**3517.39**	**3477.55**
C.	**Capital employed[10]**	**2655.53**	**2893.16**	**3025.49**

[10] 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).

Annexure 5
Statement showing financial position of Statutory Corporations.
(Referred to in Paragraph 1.28)

6. Karnataka State Warehousing Corporation, Bangalore

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14 (provisional)
A.	**Liabilities**			
	Paid-up capital	20.65	20.65	20.65
	Reserves and surplus	64.73	68.71	129.10
	Borrowings (Government)	4.20		
	(Others)	162.88	206.78	631.52
	Trade dues and current liabilities (including provisions)	91.51	130.87	384.27
	Total	**343.97**	**427.01**	**1165.4**
B.	**Assets**			
	Gross block	218.98	315.93	362.75
	Less: Depreciation	25.28	30.36	36.11
	Net fixed assets	193.70	285.57	326.64
	Capital work-in-progress	38.45	31.48	42.37
	Investments	0	0	0
	Current assets, loans and advances	111.82	109.96	796.53
	Total	**343.97**	**427.01**	**1165.54**
C.	**Capital employed**[11]	**267.23**	**296.14**	**781.27**

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

Annexure 6
Statement showing working results of Statutory Corporations.
(Referred to in Paragraph 1.28)

1. Bangalore Metropolitan Transport Corporation, Bangalore

(₹ in crore)

Sl. No.	Description	2011-12	2012-13	2013-14 (provisional)
1	**Total revenue**	**1503.06**	**1660.45**	**2013.94**
2	Operating revenue[12]	1386.25	1516.00	1765.57
3	**Total expenditure**	**1481.65**	**1808.41**	**2161.53**
4	Operating expenditure[13]	1450.85	1750.49	2066.41
5	Operating profit/loss (-)	(-)64.60	-234.49	-300.84
6	**Profit for the year**	**21.41**	**-147.96**	**-147.59**
7	Accumulated profit	663.05	515.10	367.51
8	Fixed costs			
	Personnel costs	583.55	757.99	906.40
	Depreciation	119.37	127.42	143.83
	Interest	12.29	32.76	61.49
	Other fixed costs	48.83	53.40	57.62
	Total fixed costs	**764.04**	**971.57**	**1169.34**
9	Variable costs			
	Fuel and lubricants	543.81	616.08	763.93
	Tyres and tubes	37.44	36.86	35.15
	Other Items/spares	32.13	47.30	48.15
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	76.94	84.54	98.36
	Other variable costs	27.29	52.05	46.60
	Total variable costs	**717.61**	**836.83**	**992.19**
10	Effective KMs operated (in lakh)	4633.49	4638.38	4795.90
11	Earnings *per* KM (₹)(1/10)	32.44	35.80	41.99
12	Fixed cost *per* KM (₹) (8/10)	16.49	20.95	24.38
13	Variable cost *per* KM (₹) (9/10)	15.49	18.04	20.69
14	Cost *per* KM (₹) (12+13)	31.98	38.99	45.07
15	Net earnings *per* KM (₹) (11-14)	0.46	-3.19	-3.08
16	Traffic revenue[14] (₹ in crore)	1386.25	1516.00	1765.57
17	Traffic revenue *per* KM (₹) (16/10)	29.92	32.68	36.81
18	Return on capital employed	33.72	-115.19	-86.10
19	Percentage on capital employed	2.36	-	

[12] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc*.

[13] Operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

[14] Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Annexure 6
Statement showing working results of Statutory Corporations.
(Referred to in Paragraph 1.28)

2. Karnataka State Road Transport Corporation, Bangalore

(₹ in crore)

Sl. No	Description	2011-12	2012-13	2013-14 (provisional)
1	**Total revenue**	**2318.63**	**2589.74**	**2966.92**
2	Operating revenue[15]	2226.99	2477.17	2837.94
3	**Total expenditure**	**2299.22**	**2590.59**	**3042.48**
4	Operating expenditure[16]	2221.90	2516.94	2963.83
5	Operating profit/loss (-)	5.09	(-) 39.77	(-)125.89
6	**Profit/loss for the year[17]**	**19.41**	**0.85**	**(-)75.56**
7	Accumulated profit/loss (-)	62.56	64.30	(-)11.26
8	Fixed costs			
	Personnel costs	703.46	869.70	1032.41
	Depreciation	209.93	213.00	228.11
	Interest	19.33	22.57	30.22
	Other fixed costs	121.80	90.83	83.71
	Total fixed costs	**1054.52**	**1196.10**	**1374.45**
9	Variable costs			
	Fuel and lubricants	907.06	1012.54	1251.06
	Tyres and tubes	95.72	96.87	94.34
	Other items/ spares	145.61	156.92	177.16
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	116.83	128.13	145.42
	Other variable costs	41.22	0	0
	Total variable costs	**1244.7**	**1394.46**	**1667.98**
10	Effective KMs operated (in lakh) (own + hired)	9242.56	9415.64	9882.25
11	Earnings *per* KM (₹)(1/10)	25.08	27.53	30.02
12	Fixed cost *per* Km (₹) (8/10)	11.19	12.70	13.91
13	Variable cost *per* KM (₹) (9/10)	13.69	14.80	16.87
14	Cost per KM (₹) (3/10)	24.88	27.51	30.79
15	Net earnings *per* KM (₹)(11-14)	0.20	0.02	(-)0.77
16	Traffic revenue (₹ in crore)	2113.50	2317.07	2608.35
17	Traffic revenue *per* km (₹) (16/10)	22.87	24.61	26.39
18	Return on capital employed[18]	37.79	24.31	(-)45.34
19	Percentage on capital employed	5.49	3.55	

[15] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.*

[16] Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.

[17] Excludes net prior period adjustments.

[18] Worked out without considering prior period adjustments, and hence varies with Annexure-4.

Annexure 6
Statement showing working results of Statutory Corporations.
(Referred to in Paragraph 1.28)

3. North Western Karnataka Road Transport Corporation, Hubli

(₹ in crore)

Sl. No	Description	2011-12	2012-13 (provisional)	2013-14 (provisional)
1	**Total revenue**	**1159.07**	**1314.00**	**1572.74**
2	Operating revenue[19]	1018.65	1157.23	1351.59
3	**Total expenditure**	**1182.50**	**1377.31**	**2879.34**
4	Operating expenditure[20]	1125.29	1313.32	1575.32
5	Operating profit/loss (-)	(-)106.64	(-)156.09	(-)223.73
6	**Profit/loss for the year**	**(-)23.43**	**(-)63.31**	**(-)66.78**
7	Accumulated profit/loss (-)	(-)378.99	(-)442.30	(-)509.08
8	Fixed costs			
	Personnel costs	407.83	526.71	616.99
	Depreciation	84.26	97.49	8.40
	Interest	29.35	33.46	30.59
	Other fixed costs	70.76	44.82	90.24
	Total fixed costs	**592.20**	**702.48**	**746.22**
9	Variable costs			
	Fuel and lubricants	456.06	520.77	626.96
	Tyres and tubes	44.36	43.87	86.19
	Other items/spares	40.38	28.21	
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	49.00	58.78	65.96
	Other variable costs	0	23.20	114.19
	Total variable costs	**590.30**	**674.83**	**893.30**
10	Effective KMs operated (in lakh) (own + hired)	4946.74	5272.59	55.03
11	Earnings *per* KM (₹)(1/10)	23.43	24.92	28.58
12	Fixed cost *per* Km (₹) (8/10)	11.97	13.32	13.56
13	Variable cost *per* KM (₹) (9/10)	11.93	12.80	16.23
14	Cost *per* KM (₹) (3/10)	23.90	26.12	29.79
15	Net earnings *per* KM (₹) (11-14)	(-) 0.47	(-)1.20	(-)1.21
16	Traffic revenue (₹ in crore)	1018.65	1157.23	1351.59
17	Traffic revenue *per* km (₹)(16/10)	20.59	21.95	24.56
18	Return on capital employed[21]	5.92	(-) 26.61	-
19	Percentage on capital employed	2.35	-	-

[19] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc*.

[20] Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.

[21] Worked out without considering prior period adjustments, and hence varies with Annexure-4.

Annexure 6
Statement showing working results of Statutory Corporations.
(Referred to in Paragraph 1.28)

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(₹ in crore)

SL. No	Description	2011-12	2012-13	2013-14 (provisional)
1	**Total revenue**	**980.36**	**1133.41**	**1310.70**
2	Operating revenue[22]	911.34	1019.76	1184.04
3	**Total expenditure**	998.43	1154.34	1349.42
4	Operating expenditure[23]	963.45	1107.10	1301.20
5	Operating profit/loss (-)	(-) 9.90	(-) 87.34	(-) 117.16
6	**Profit/loss for the year (-)**	**(-) 18.07**	**(-) 20.93**	**(-) 38.72**
7	Accumulated profit/loss (-)	(-) 356.97	(-)377.90	482.84
8	Fixed costs			
	Personnel costs	333.07	421.65	490.59
	Depreciation	79.90	82.77	80.08
	Interest	18.51	15.45	16.21
	Other fixed costs	30.17	36.20	41.87
	Total fixed costs	**461.65**	**556.07**	**628.75**
9	Variable costs			
	Fuel and lubricants	404.78	444.86	541.28
	Tyres and tubes	50.78	50.99	56.22
	Other items/ spares	33.13	48.99	62.18
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	48.09	53.43	62.00
	Other variable costs	-	-	-
	Total variable costs	**536.78**	**598.27**	**721.68**
10	Effective KMs operated (in lakh) (own + hired)	4465.86	4488.44	4576.17
11	Earnings *per* KM (₹)(1/10)	21.95	25.25	28.64
12	Fixed cost *per* Km (₹) (8/10)	10.34	12.39	13.74
13	Variable cost *per* KM (₹) (9/10)	12.02	13.33	15.77
14	Cost *per* KM (₹) (3/10)	22.36	25.72	29.49
15	Net earnings *per* KM (₹) (11-14)	(-) 0.40	(-) 0.47	(-)0.85
16	Traffic revenue (₹ in crore)	911.34	1019.76	1184.04
17	Traffic revenue *per* km (₹) (16/10)	20.41	22.72	25.87
18	Return on capital employed[24]	0.44	5.86	(-)15.74
19	Percentage on capital employed	0.82	46.00	-

---

22 Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.*

23 Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.

24 Worked out without considering prior period adjustments, and hence varies with Annexure-4.

Annexure 6
Statement showing working results of Statutory Corporations.
(Referred to in Paragraph 1.28)

5. Karnataka State Financial Corporation, Bangalore

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14 (provisional)
1	**Income**			
	a) Interest on loans	203.82	246.66	254.79
	b) Other income	23.09	26.68	28.76
	Total (1)	**226.91**	**273.34**	**283.55**
2	**Expenses**			
	a) Interest on long term and short term loans	151.96	174.80	181.23
	b) Other expenses	71.28	92.57	91.87
	Total (2)	**223.24**	**267.37**	**273.10**
3	Profit/ loss (-) before tax (1-2)	3.67	5.97	10.45
4	Total return on capital employed[25]	155.63	180.77	191.68
5	Percentage of return on capital employed	5.86	6.25	6.34

[25] Worked out without considering prior period adjustments, and hence varies with Annexure-4.

Annexure 6
Statement showing working results of Statutory Corporations.
(Referred to in Paragraph 1.28)

6. Karnataka State Warehousing Corporation, Bangalore

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14 (provisional)
1	**Income** a) Warehousing charges b) Other income	47.06 5.64	55.15 3.97	64.39 15.75
	Total	**52.70**	**59.12**	**80.14**
2	**Expenses** a) Establishment charges b) Other expenses	15.60 22.19	16.29 26.87	18.30 34.50
	Total	**37.79**	**43.16**	**52.80**
3	Profit before tax	14.91	15.96	27.34
4	Provision for tax	12.50	7.45	6.35
5	Amount available for dividend	2.41	8.51	20.99
6	Dividend for the year	1.56	1.70	4.20
7	Total return on capital employed[26]	20.12	23.11	31.07
8	Percentage of return on capital employed	8.05	7.80	3.98

[26] Worked out without considering prior period adjustments, and hence varies with Annexure-4.

Annexure 7

Statement showing major comments made by the Statutory Auditors on possible improvements in the internal audit/internal control systems.

(Referred to in Paragraph 1.42)

PSU	Year	Comments
Karnataka Power Corporation Limited	2013-14	➢ Company needs to strengthen internal control procedures commensurate with the size of the Company and nature of its business for purchase of fixed assets, inventory and sale of energy including execution of works contracts and accounting for coal.
Rajiv Gandhi Rural Housing Corporation Limited	2013-14	➢ In the case of program funds utilized at Gram Panchayats, there is no internal audit system existing.
The Karnataka Fisheries Development Corporation Limited	2013-14	➢ The inventory management software must be designed to generate unit-wise and also consolidated stock ledger. At present the manual registers and the software system data do not necessarily match on a one-to one basis.
Karnataka State Agro Corn Products Limited	2013-14	➢ Internal control system considering the size of the company and nature of its business needs to be strengthened in the areas of collection from debtors, renewal of insurance policies and accounting of payment to sundry creditors.
Karnataka Agro Industries Corporation Limited	2013-14	➢ The Company does not have an internal audit system.
D Devraj Urs Backward Classes Development Corporation Limited	2013-14	➢ Internal control system with regard to the details of monitoring of end use by beneficiaries of loans are inadequate. ➢ Internal audit system should be strengthened by conducting periodical internal audit during the financial year instead on yearly basis. Further, timely action should be taken to comply with the observations of internal audit.
Jungle Lodges and Resorts Limited	2013-14	➢ The internal control procedures needs to be strengthened commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for sale of goods and services, cash and movement of inventory and fixed assets. ➢ Internal audit system needs to be strengthened in terms of coverage to make it commensurate with the size of the company and nature of its business particularly in respect of functioning of internal control systems, review of personal accounts, and verification of capital expenditure, revenue and statutory liabilities, including assets.
Mysore Sales International Limited	2013-14	➢ The internal control mechanism needs to be strengthened in the following cases: ➢ Follow up of recoveries arising out of execution of decrees/awards pronounced in favour of the Company. ➢ Active and prompt follow-up of debts, advances and claims by respective divisions, *etc*.

PSU	Year	Comments
Karnataka State Small Industries Development Corporation Limited	2013-14	➢ The Company has internal audit system. However, the scope and extent of internal audit needs to be enlarged having regard to the size and nature of activities of the Company
Mysore Minerals Limited	2013-14	➢ Internal audit system needs to strengthened to commensurate with the size and nature of its business.
Karnataka Power Transmission Corporation Limited	2013-14	➢ Internal controls with regard to verification and payment of work bills including price variation bills of contractors as per applicable terms and conditions of contracts need to be further strengthened. ➢ Internal audit system requires further strengthening with regard to the following aspects: 1) Availability of adequate trained manpower for conducting internal audit 2) Scope and extent of coverage and 3) presence of Internal audit staff during physical verification of fixed assets and inventory.
Raichur Power Corporation Limited	2013-14	➢ Internal control with regard to erection and commissioning of the plant could be improved.
Mangalore Electricity Supply Company Limited	2013-14	➢ The Company does not have an Internal Audit System commensurate with the size and nature of its business. Internal audit system needs to be strengthened in terms of adequate staffing and area of coverage.

Annexure – 8

Statement showing the details of deficiencies in the various works test checked by Audit in respect of performance audit on Irrigation projects in Karnataka.

(Referred to in Paragraph 2.2.10 and 2.2.25)

Sl. No.	Project: Work: Observation:	a) Scheduled date of completion b) Date of completion c) Time overrun	a) Estimated cost b) Final cost c) Cost overrun	Reply of the Government and Audit remarks
	Deficiencies in survey and design			
1	**Kabini Project (CNNL)** **Providing CC lining to Km.0 to 20 of Kabini Right Bank Canal** After award (March 2009) of the work, based on CE's inspection (April 2009), the method of laying CC lining was changed from Manual to Mechanical Paver and excavation of soft rock was included in the work. The extra item of soft rock was not justified as the entire strata were visible at the time of preparation of estimate, since the lining was for the existing canal. Deficient survey and design resulted in extra financial implication, of ₹ 7.52 crore.	a) July 2009 b) Ongoing c) 61 months	a) ₹ 27.04 crore b) ₹ 42.55 crore c) ₹ 15.51 crore	Government stated (November 2014) that the change in the method of CC lining was to have uniformity in the work. Reply is not acceptable as the strata of the canal were visible as it was an existing one. Even the TSC while deliberating the justification of extra financial implication (EFI) proposal stated that there is no technical and constructional advantage due to change in the methodology of lining.
2	**Malaprabha Project (KNNL)** **Remodeling of Km.31 & 32 of Malaprabha Left Bank Canal** The TSC, while approving the tender, changed the grade of Cement Concrete from M-20 to M-15, which was less expensive. Refusal of the contractor to take up the work due to this change in specification necessitated retendering the work.	a) August 2012 b) Ongoing c) 24 months	a) ₹ 3.18 crore b) ₹ 3.63 crore c) ₹ 0.45 crore	Government has accepted (November 2014) the observations.
3	**Almatti Left Bank Canal Project (KBJNL)** **Construction of ALBC from Km.71.707 to 71.934** The Company approved the original alignment which ran in full embankment with an aqueduct at an estimated cost of ₹ 19.88 crore. Considering savings of ₹ 11.16 crore, the Chief Engineer modified (October 2002) the alignment to pass through Nalatwad Village, Muddebihal. The total cost of the work in the present stage is ₹ 17.46 crore. The objective of changing the alignment in order to achieve savings was defeated as there was	a) March 2006 / February 2012 b) Ongoing c) 8 years 5 months for original work and 30 months for the selected work	a) ₹ 10.19 crore b) ₹ 17.46 crore c) ₹ 7.27 crore	Government stated (November 2014) that after detailed study of the techno-economic aspects, later alignment was ultimately approved with a savings of ₹ 11.16 crore. The objective of change in alignment was to avoid heavy embankment with an aqueduct for a length of three kilometres. Also, the later development of sustained objection of residents of village could not have been reasonably anticipated at the time of change over to the

Sl. No.	Project: Work: Observation:	a) Scheduled date of completion b) Date of completion c) Time overrun	a) Estimated cost b) Final cost c) Cost overrun	Reply of the Government and Audit remarks
	increase in cost and delay of almost eight years. It was also observed that as a result of non-completion of the works in Km.68 to 77, the works completed (October 2010) in subsequent reaches (Km.77 to 85 and distributory no.29 to 40), at a cost of ₹ 7.62 crore were also lying idle. The irrigation facilities to 4,035 ha envisaged upon completion from Km.68 to 85 were yet to be achieved (August 2014).			present alignment. The reply is not acceptable as the savings of ₹ 2.42 crore stated by Government is for the work executed till date. As the work is yet to be completed, the savings stated by Government may not accrue after completion of the work. The change in alignment has resulted in non completion of the work even after eight years and idle investment of ₹ 7.62 crore in respect of subsequent reaches for which Government has not furnished any reply.
4	**Drinking Water Supply Scheme (KBJNL)** **Filling MI tanks in Bijapur and Bagalkot District-** The Company did not accept the bid for the tender invited two times (Jan 2007/September 2007), which were estimated at cost of ₹ 66.60 crore and ₹ 94.66 crore respectively due to non-reduction of rates by the Contractor. Some of the contractors who participated in the tenders represented that there were certain short comings in the estimates. Hence, the estimates were revised to ₹ 96.30 crore. The work was finally awarded (Jan 2009) at a higher cost of ₹ 108.99 crore. Due to the wrong survey and investigation and non finalisation of the tenders, the objective of providing water to the tanks has been delayed by four years.	a) January 2010 b) Ongoing c) 55 months	a) ₹ 66.60 crore b) ₹ 108.99 crore c) ₹ 42.39 crore	Government replied (November 2014) that estimates prepared were realistic but the agency had quoted higher percentage and did not agree to reduce its quoted offer, hence tenders were cancelled. Awarding the work at a high tender premium would have been violation of the Government directions (December 2001). The tanks have been filled during Sept 2012 and objective of filling the tanks has been fulfilled. The reply is not acceptable as the short comings in survey and estimates resulted in retendering and award of the work at higher cost.
5	**Narayanpur Left Bank Canal Project (KBJNL)** **Remodeling of NLBC Km.41 to 54, Km.62 to 68, Km.70 to 73** The work of remodeling of NLBC in three packages were awarded (29 March 2013) to three different agencies. The work of preparation of Detailed Project Report (DPR) was awarded (31 March 2013) to The STUP consultants at a cost of ₹ 10.83 lakh after award of the main work itself, which lacked rationale.	a) June 2012 b) June 2012 c) No delay	a) ₹ 193.05 crore b) ₹ 225.35 crore c) ₹ 32.30 crore	Government accepted (November 2014) the observation.

Sl. No.	Project: Work: Observation:	a) Scheduled date of completion b) Date of completion c) Time overrun	a) Estimated cost b) Final cost c) Cost overrun	Reply of the Government and Audit remarks
6	**Drinking Water Supply Scheme (KBJNL)** **Filling up of 8 MI tanks in Indi Taluk of Bijapur District-** The technical sanction (February 2012), preceded by the administrative approval (April 2010) from the Government was delayed by two years and tendering process (from April 2012 to September 2013) was also delayed. There was no consistency in the evaluation/negotiation of the tender. Tenders were initially rejected citing high quotes but subsequently, higher quotes were considered. Importantly, the objective of filling up of tanks for irrigation, drinking and for raising ground water table had been delayed.	a) September 2015 b) Ongoing c) No delay	a) ₹ 33.36 crore b) ₹ 38.37 crore c) ₹ 5.01 crore	Government replied (November 2014) that delay was due to the fact that the agency did not agree to reduce its offer and hence was retendered. Government further replied that now the work is under progress. The reply is not acceptable as there was considerable delay in according technical sanction, finalization of tender and award of work, which resulted in delay of four years in commencement of the work (as the work had not been started up to August 2014).
	Deficiencies in execution of works			
7	**General** The General Notes of Schedule of Rates stipulates that the cost of the stones removed, which were subsequently issued to the contractor for the work has to be recovered from Running Account bills. In respect of the five works[27] the CNNL neither recorded the excavated rock in material-at-site account nor was it stacked. An amount of ₹1.13 crore towards cost of stone considering voids at 40, and ₹ 2.78 lakh towards stacking charges was not recovered from the contractor. Further, Based on the opinion of the third party inspection report, the TSC noted (January 2011) that ₹ 2.14 per sq. metre was to be deducted from the bills towards ledge cutting. The CNNL had not recovered the amount resulting in extra payment of ₹ 11.88 lakh[28].	-	-	Government replied (November 2014) that the recovery has been effected and further recovery does not arise. The fact remains that the recovery was not effected fully as pointed out by Audit, hence reply is not acceptable. Government accepted (November 2014) the observation stating that the recovery will be effected in the final bill.

[27] Modernization of the Vishweshwaraya Canal system Package-II to V and CC lining of Km.0 to 20 of Kabini Right Bank Canal.
[28] ₹ 9.80 lakh in the work of Km. 0 to 20 and ₹ 2.08 lakh in the work of Km. 20 to 40 of Kabini Right Bank Canal.

Sl. No.	Project: Work: Observation:	a) Scheduled date of completion b) Date of completion c) Time overrun	a) Estimated cost b) Final cost c) Cost overrun	Reply of the Government and Audit remarks
8	**Hemavathy Project (CNNL)** **Tumkur Branch Canal Km.83 to 84** There was delay in completion of work due to delay in handing over of the site for execution, delay in providing work-slips for enhanced work and letting out of water in the canal.	a) March 2004 b) May 2012 c) 8 years 2 months	a) ₹ 50.00 lakh b) ₹ 1.15 crore c) ₹ 65.00 lakh	Government replied (November 2014) that delay in providing work-slip for the enhanced quantity was due to change of administrative setup from Government to CNNL and the handing over of site for execution was delayed due to intermittent allowing of water into the canal and percolation from the adjoining tank bund into the canal. Reply is not acceptable as the workslip approval and intermittent allowing of water into the canal should not have delayed the completion of the work for more than nine years.
9	**Ghataprabha Project (KNNL)** **Bidari Branch Canal Km.54** Change in design and existence of hard rock in the alignment resulted in EFI of ₹ 0.68 crore. The work completed in June 2007 at a cost of ₹ 2.26 crore could not be put to use as the work of earlier reaches was not completed (August 2014).	a) July 2006 b) June 2007 c) 12 months	a) ₹ 1.58 crore b) ₹ 2.26 crore c) ₹ 0.68 crore	Government replied (November 2014) that the tunnel is in completion stage and the lining work is ongoing. Hence facts stated in the observation remain.
10	**Narayanpur Right Bank Canal Project (KBJNL)** **Construction of aqueduct from Km.8.18 to 10.48 of Distributory 9A of NRBC** An EFI of ₹ 3.31 crore was incurred due to change in the scope of work which involved laying of trough slabs upto a height of 36 metres.	a) May 2009 b) Feb 2014 c) 57 months	a) ₹ .27.14 crore b) ₹ 76.01 crore c) ₹ 48.87 crore	Government replied (November 2014) that the issue of EFI due to adoption of Crib Method (Steel supported structure which is being used for trough slabs of aqueduct) was a conscientious decision and deliberated at various levels in the decision making process and was necessitated due to reasons of safety of the structure and speedy completion of the work. Due to adoption of this method work has been completed. The reply is not acceptable as the scope of work involved laying of trough slabs upto a height of 36 meters. The contractor was bound to do the work as per the agreement. The approval and payment of EFI was not necessary.

Sl. No.	Project: Work: Observation:	a) Scheduled date of completion b) Date of completion c) Time overrun	a) Estimated cost b) Final cost c) Cost overrun	Reply of the Government and Audit remarks
11	**Kabini Project (CNNL)** **Alambur Drinking Water Supply Scheme** As against the specification of MS pipes to be used in the work *viz*., 1600 mm dia (diameter) and 12 mm thickness, for an estimated quantity of 43,950 Running meters (Rmtrs), the contractor executed 42,436 Rmtrs with thickness varying from 10 mm to 16 mm. The contract did not specify adjustment of financial impact due to change in quantity and specification of M.S pipes/items actually used in execution of the work resulting in undue benefit to the contractor by ₹ 11.50 crore. Further, it was found that the payment made to the contractor based on the rate of MS pipes per Rmtr for each stage and different thickness calculated by the division amounted to ₹ 183.50 crore. This was erroneous, as it should have been ₹ 181.63 crore. This resulted in undue benefit of ₹ 1.88 crore to the contractor.	a) August 2013 b) Ongoing c) 12 months	a) ₹ 199.56 crore b) ₹ 253.58 crore c) ₹ 54.02 crore	Government stated (November 2014) that the tender awarded to the contractor was on turnkey basis for electro-mechanic works. The lump-sum amount should be paid to the contractor irrespective of the increase or decrease in the quantity of work. Had the division prepared the realistic estimate, award of the contract at a higher amount could have been avoided. Hence the reply is not acceptable.
12	**Kabini Project (CNNL)** **Providing CC lining to Km.0 to 20 of Kabini RBC** Though a separate provision was made for berm filling as an extra item (EIRL), a quantity of 39,400 cum[29] was erroneously included in casing embankment[30] (Item no.13) EFI quantities also, resulting in extra undue benefit of ₹ 76.79 lakh to the contractor at ₹ 194.90 per cum.	a) July 2009 b) work in progress c) 61 months	a) ₹ 27.04 crore b) ₹ 42.55 crore c) ₹ 15.51 crore	Government agreed (November 2014) to recover the amount. This is indicative of weak internal control mechanism.
13	**Narayanapura Left Bank Canal Project (KBJNL)** **Remodeling of NLBC Km.41 to 54, Km.62 to 68, Km.70 to 73** In deviation to the Government Order (March 1966), full payments were released without deducting an amount of ₹ 2.76 crore towards shrinkage.	a) June 2012 b) June 2012 c) No delay	a) ₹ 193.05 crore b) ₹ 225.35 crore c) ₹ 32.30 crore	Government replied (November 2014) that the excess payment would be recovered from the final bill of the contractor.

[29] Ref: Page 65 to 66 and 70 to 74 of latest EFI proposal (January 2011).
[30] In Km.2 to 5, Km.9 to15.

Sl. No.	Project: Work: Observation:	a) Scheduled date of completion b) Date of completion c) Time overrun	a) Estimated cost b) Final cost c) Cost overrun	Reply of the Government and Audit remarks
	Further, in Km.66.90 to 67.20, excavation to canal embankment on both sides was carried out and measurement for excavation of slipped muck was made for the same reach, resulting in extra payment of ₹ 7.90 lakh. Similarly, the KBJNL had recorded measurement for CNS lining to the canal embankment in addition to filling CNS material at the same place in slipped reaches resulting in extra payment of ₹ 43.34 lakh.			
14	**Kalasabandura Nala Project (KNNL)** **Construction of Interconnecting canal from Km.(-) 45 to Km.5005 with single vent cut and cover (work-IV)** The contractor was paid lead charges of ₹ 79.35 lakh towards formation of casing embankment with soil collected near embankment in heaps. As no lead charges is involved for collecting soil in heaps near embankment and for formation of embankment, lead charges should not have been paid . KNNL paid lead charges for 29,556 cum of excavated hard rock, utilised in the work as evident from the VII Running account bill. The payment of lead charges for this quantity did not arise, which resulted in extra expenditure of ₹ 1.11 crore.	a) August 2010 b) Ongoing c) 48 months	a) ₹ 49.76 crore b) ₹ 230.02 crore c) ₹ 180.26 crore	Government stated (November 2014) that dumping of excavated material along the canal alignment was not possible because of deep cut excavations and hence lead charges is to be paid for transporting to the dump yard and back. However, embankment was envisaged in the alignments where there were no deep cuts hence the reply is not tenable. Also as the embankment is formed with the soil collected from embankment area in heaps, payment of lead charges does not arise. It was also replied that the contractor used coarse aggregates of specific size obtained from designated quarry for the work for which lead is to be paid. The reply is not tenable as it was seen that the excavated hard rock was used in the work
15	**Malaprabha Project (KNNL)** **Malaprabha Right Bank Canal, including CD works from Km. 131 to 142** KNNL approved (November 2008) the price variation for steel and cement for ₹ 86.81 lakh, which was against the tender provision as the period of completion of the contract was one year or less.	a) February 2006 b) September 2008 c) 18 months	a) ₹ 8.82 crore b) ₹ 12.30 crore c) ₹ 3.48 crore	Government replied (November 2014) that the PV was given as per the request of the contractor and not as per clause 44 of the contract. However, the provisions under which such payments were made is not specified. Hence the reply is not tenable.

Sl. No.	Project: Work: Observation:	a) Scheduled date of completion b) Date of completion c) Time overrun	a) Estimated cost b) Final cost c) Cost overrun	Reply of the Government and Audit remarks
16	**Narayanpur Right Bank Canal Project (KBJNL) Distributory No.9A from Km.8.180 to 10.480 of NRBC Package-II (balance work)** a. In the price adjustment bill, the index of 'industrial machinery' was considered instead of index of 'construction machinery' resulting in extra payment of ₹ 5.82 lakh. b. Construction of box culvert under the command area of NRBC-The price variation for labour, steel, cement, fuel, plant and machinery and other materials were paid up to September 2011 with base index[31] of 2004-05, without limiting the payment upto stipulated date of completion (October 2010) with the applicable base price of 1994-95, resulting in extra expenditure of ₹ 31 lakh.	-	-	Government replied (November 2014) that action will be taken to recover the extra payments.
17	**General** Government of Karnataka, in its order (June 2007) stipulated the rates at which the royalty for sand, coarse aggregates, stones and murrum had to be recovered. There was short recovery of royalty of ₹ 2.19 crore in respect of 28 works in CNNL resulting in loss to State Exchequer.	-	-	Government stated (November 2014) that royalty was recovered for the compacted volume of soil as provided in the estimate and the royalty for the sand was already paid to the PWD by the contractor at the time of procurement. The reply is not acceptable as the royalty has to be recovered for the quantity procured at the borrow pit and at the rates prescribed in the notification. Further, the company was not in possession of transit passes issued by PWD to contractors for having paid royalty.

[31] Index as published by the Economic Advisor, Ministry of Commerce and Industry, GoI.

Annexure-9

Details of purchase of electricity from various other sources for the last five years ended March 2013

(Referred to in paragraph 3.10.5)

Year	Parties	Purchase in MUs	Range of rates at which power was purchased		
			Lowest rate per unit	Highest rate per unit	Average
2008-09	(1)GMR Energy ltd	588.52	5.50	8.85	6.76
	(2)JSW	441.62	6.50	8.80	
	(3)PTCIL	219.46	6.34	9.05	
	(4) Cogen/Biomass	643.10	5.00	7.25	
	(5) Energy Exch	44.84	5.44	9.38	
	(6)Others	25.96	6.56	8.22	
	Total	**1963.5**			
2009-10	(1)JSW	591.37	4.50	6.50	6.42
	(2)PTCIL	443.97	4.74	9.05	
	(3)Lanco	292.80	9.25	9.25	
	(4) Cogen/Biomass	250.48	5.00	6.50	
	(5) Energy Exch.	13.71	4.25	13.00	
	(6)Others	206.32	3.99	7.28	
	Total	**1798.65**			
2010-11	(1)JSW	4009.21	4.23	6.03	5.00
	*(2)*PTCIL	1673.70	4.06	6.56	
	(3)NTPC VVNL	724.84	3.54	4.75	
	(4) Cogen/Biomass	496.57	5.00	5.00	
	(5) Energy Exch.	202.94	1.01	4.40	
	(6)Others	707.41	3.81	5.00	
	Total	**7814.67**			
2011-12	(1)JSW	4087.11	4.26	6.00	4.80
	*(2)*PTCIL	766.78	3.24	5.39	
	(3)NETS	362.81	3.75	7.07	
	(4) Cogen/Biomass	395.04	5.30	5.30	
	(5) Energy Exch.	225.65	0.42	6.31	
	(6)Others	482.52	3.24	5.65	
	Total	**6319.91**			
2012-13	(1)JSW	4809.06	4.26	5.30	4.38
	(2)GUVNL	3626.97	4.10	4.10	
	(3)NETS	1825.30	3.75	7.07	
	(4) Cogen/Biomass	273.80	5.30	5.30	
	(5) Energy Exch.		-	-	
	(6)Others	511.22	4.10	5.39	
	Total	**11046.35**			

Annexure- 10
Statement showing the department-wise outstanding Inspection Reports (I.Rs).
(Referred to in Paragraph 3.19)

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	8	15	55	2005-06
2	Animal Husbandry, Fisheries/ Forest, ecology and environment	5	9	68	2007-08
3	Commerce and Industries	28	56	365	2006-07
4	Home and Transport	5	85	436	2005-06
5	Co-operation	1	1	30	2011-12
6	Information, Tourism and Youth Service	3	3	14	2005-06
7	Water Resources	3	173	516	2003-04
8	Public Works	2	4	23	2008-09
9	Energy	11	203	1507	2005-06
10	Social Welfare and Labour / Women and Child Welfare	6	15	128	2005-06
11	Food, Civil Supplies and Consumer Affairs	1	3	11	2008-09
12	Finance / Revenue	4	17	93	2007-08
13	Housing	1	3	18	2008-09
14	Information and Technology	1	2	25	2009-10
15	Urban Development	2	5	48	2007-08
16	Employment and Training	1	1	11	2013-14
17	Infrastructure Development	1	1	7	2012-13
	Total[32]	**83**	**596**	**3355**	**-**

[32] Excludes Inspection Reports in respect of Departmental Undertakings.

Glossary

Term	Explanation
Approach	It is the difference between cooling tower outlet cold water temperature and ambient wet bulb temperature.
Auxiliary consumption	It is the energy consumed by power stations themselves for running their equipment and common services.
Clarified water	Water with turbidity and suspended solids less than 20 parts per million.
Cooling tower	The primary task of the cooling tower in the plant is to reject heat absorbed in the hot water from heat exchangers into the atmosphere.
Demineralised Water	DM water is the water obtained from the clarified water by further purifying with chemicals to eliminate suspended and soluble solids and gases of acidic or alkaline nature.
Effectiveness	It is the ratio of range, to the ideal range, *i.e.*, difference between cooling water inlet temperature and ambient wet bulb temperature.
Evaporation loss	It is the quantity of water evaporated in the cooling process.
Gross Calorific Value (GCV)	It is the quantum of heat produced by coal when burnt.
Liquid / Gas ratio	The ratio between the flow rates of mass of water and air.
Maximum Continuous Rating	It means the maximum continuous output at the generator terminals guaranteed by the manufacturer at reference and specified site conditions.
Outages	Outages refer to the period for which the plant remained closed for attending to planned/forced maintenance.
Plant availability	The plant availability is the average of the declared capacity for all the time blocks during the period expressed as a percentage of the installed capacity.
Plant Load Factor (PLF)	PLF refers to the ratio between actual generation and maximum possible generation at installed capacity.
Range	Difference between cooling water inlet and outlet temperature.
Station Heat Rate (SHR)	Station Heat Rate is the heat energy input in kilocalories (kcal) required to generate one unit of electrical energy at generator terminals.
Turbine heat rate	It is the ratio of total heat input to the turbine cycle and the gross generator output.