Overview

Overview

Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013 (Act). The accounts of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2018, the State of Karnataka had 94 working Public Sector Undertakings-PSUs (88 Companies and 6 Statutory Corporations) and 13 non-working PSUs (all Companies), which employed 1.95 lakh employees. The State PSUs registered a turnover of ₹ 63,834.61 crore during the year 2017-18 as per their latest finalised accounts. This turnover was equal to 4.87 *per cent* of the State Gross Domestic Product indicating the important role played by the PSUs in the economy. The PSUs had accumulated loss of ₹ 1,879.13 crore as per their latest finalised accounts.

1. Functioning of Power Sector Undertakings

Formation of Power Sector PSUs

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

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

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

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

Investments in Power Sector PSUs

As on 31 March 2018, the total investment (Equity and long-term loans) in 11 PSUs was ₹ 46,651.32 crore. The investment consisted of 31.33 *per cent* towards equity and 68.67 *per cent* in long-term loans.

The total investment in the Power Sector PSUs as on 31 March 2018 included investment of ₹ 12,471.92 crore by the State Government consisting of ₹ 11,986.46 crore as equity and ₹ 485.46 crore as long term loans. The investment grew by 41.86 *per cent* from ₹ 8,791.63 crore in 2013-14 to ₹ 12,471.92 crore in 2017-18.

Performance of Power Sector PSUs

Out of 11 Power Sector PSUs, six earned profit of ₹ 413.51 crore and five incurred loss of ₹ 2,019.09 crore. The major contributors to profit were Karnataka Power Transmission Corporation Limited (₹ 212.14 crore) and Bangalore Electricity Supply Company Limited (₹ 84.77 crore). Huge losses were incurred by Raichur Power Corporation Limited (₹ 1,562.76 crore), Gulbarga Electricity Supply Company Limited (₹ 312.84 crore) and Hubli Electricity Supply Company Limited (₹ 140.28 crore).

The Power Sector PSUs showed net aggregate profits of ₹ 372.60 crore, ₹ 422.87 crore and ₹ 19.25 crore during 2014-15, 2015-16 and 2016-17 respectively and incurred net aggregate loss of ₹ 533.59 crore and ₹ 1,605.58 crore during 2013-14 and 2017-18 respectively.

Return on State Government Funds

Out of 11 Power Sector PSUs of the State, the State Government infused funds in the shape of equity, interest free loans and grants/ subsidies in eight Power Sector PSUs only. The State Government did not infuse any direct funds in other three PSUs till 2017-18 and the equity of these PSUs was contributed by the holding companies concerned.

The funds infused by the State Government in these eight PSUs at the end of the year increased to ₹ 11,987.40 crore in 2017-18 from ₹ 4,536.03 crore as at 31 March 2010, as the State Government infused further funds in shape of equity (₹ 7,450.43 crore) and interest free loans (₹ 0.94 crore) during the period 2010-11 to 2017-18. The Present Value (PV) of funds infused by the State Government upto 31 March 2018 worked out to ₹ 18,085.30 crore.

The returns earned on State Government funds based on PV were less than the returns based on historical cost during 2014-15 to 2016-17. The return based on historical cost varied from 0.19 *per cent* to 4.10 *per cent* during 2014-15 to 2016-17, while the return based on PV varied from 0.13 *per cent* to 2.97 *per cent* during the same period. During 2013-14 and 2017-18, the Power Sector PSUs incurred overall losses of ₹ 534.58 crore and ₹ 39.61 crore respectively.

Quality of accounts

The quality of accounts of Power Sector PSUs needs improvement. During the year 2017-18, out of 17 accounts finalised, the Statutory Auditors gave unqualified reports on two accounts and qualified reports on 15 accounts. The compliance with the Accounting Standards by Power Sector PSUs remained poor as there were 64 instances of non-compliance in 13 accounts during the year.

Coverage of Report related to Power Sector PSUs

The Chapters related to Power Sector PSUs (Chapter II and Chapter III), includes observations emanating from the Performance Audit on **'Execution of Yeramarus Thermal Power Station of Raichur Power Corporation Limited'** and two compliance audit observations. The Executive summaries of the audit findings are given below:

2. Performance Audit on Power Sector PSUs

- **Performance Audit on 'Execution of Yeramarus Thermal Power Station of Raichur Power Corporation Limited'**

Introduction

To deal with the power shortage in the State, Karnataka Power Corporation Limited (KPCL), a State Public Sector Undertaking (PSU) involved in the generation of hydel/thermal power, explored the possibility of establishing one more thermal power station in the State. KPCL proposed (July 2007) to establish a 2 x 500 Mega Watt (MW) coal-based thermal power station at Yeramarus in Raichur District. Bharat Heavy Electricals Limited (BHEL), a Central Public Sector Undertaking, which was working on supercritical technology (800 MW Plants), evinced (May 2008) interest in having a Joint Venture (JV) with KPCL on mutually agreeable terms and conditions to execute the project. The Board of Directors of KPCL approved (June 2008) implementation of the Yeramarus Thermal Power Station (YTPS) at an enhanced capacity with two Units of 800 MW capacity each, *i.e.* 1,600 MW, in a Joint Venture with BHEL. It was stated that while KPCL was in a position to do the Project on its own in the XII five-year Plan (2012-17), joining with BHEL would ensure acceleration of the project and advance the project to the XI Plan/early XII Plan.

Constitution of Joint Venture Company for implementing the project

On approval (January 2009) of the Government for the Project, the KPCL entered (January 2009) into a Memorandum of Understanding with BHEL and executed (January 2009) a Joint Venture Agreement with it. Raichur Power Corporation Limited (RPCL, the Company) was incorporated on 15 April 2009. The JV envisaged bringing in Financial Institutions as a shareholder, and IFCI Limited was included as another JV partner in November 2011 for infusing ₹ 432.72 crore. The Share holding pattern as at the end of March 2018 was: KPCL-53.80 *per cent*, BHEL-27.97 *per cent* and IFCI Limited-18.23 *per cent*.

The Joint Venture Agreement envisaged that the JV Company shall formally issue a contract on BHEL for installing the Boiler, Turbine Generator (BTG) and their associated equipment on mutually agreed terms and conditions, which included Engineering, Procurement, Inspection and Construction supervision, as well as commissioning services of Boiler, Turbine Generator (BTG) and their associated equipment.

Audit Objective

The objective of the Performance Audit was to assess whether the objectives of YTPS to bridge the gap between demand and supply of power and provide electricity in a sustainable manner at a reasonable cost were achieved.

Audit Findings

- Though KPCL was facing difficulties with other Projects entrusted to BHEL, it formed a JV with BHEL without exploring the option of going in for a Public-Private Partnership for execution of the Project despite availability of various incentives under the scheme promoted by the GoK. *(Paragraph 2.1.8.2)*

- Failure to get the benefits (duty concessions) under Mega Power Status despite entering into a Power Purchase Agreement in December 2010 resulted in foregoing the benefit of ₹ 335.01 crore. *(Paragraph 2.1.8.3)*

- Due to changes in the layout and re-testing of soil by the Company, the completion of geo-technical work was delayed by 17 months from its milestone date. *(Paragraph 2.1.11)*

- Due to non-identification of the total land requirement in time and frequent revisions of the location, the land acquisition was delayed affecting the implementation of the Railway Siding and Marshalling Yard works, General Mechanical Works and Coal Handling Plant. *(Paragraphs 2.1.13, 2.1.14, 2.1.16.4)*

- Failure to finalise the type of Cooling Tower and delay in handing over the site and approval of designs resulted in delay from milestone date besides incurring additional cost (₹ 29.75 crore) towards piping work and additional annual auxiliary power consumption of ₹ 19.70 crore. (*Paragraph 2.1.12.2*)

- Failure to decide on the type of water treatment in the Cooling Water System resulted in delay in completion of work besides the use of untreated water affecting the health of the pipelines. (*Paragraph 2.1.12.3*)

- Due to non-completion of the Railway Siding and Marshalling Yard work, delay in receipt of approved DPR and bridge drawing, *etc*., there was no rail arrangement to bring coal to the YTPS Project, though the Project was declared ready for commercial operation (March/ April 2017) more than 18 months ago. (*Paragraphs 2.1.13, 2.1.13.2*)

- General Mechanical Works were delayed due to delay in finalisation of technical specifications, delay in cancellation of bids due to unresponsiveness and ambiguity in tender conditions resulting in delay of 27 months in awarding the work. The delay in completion of General Mechanical Works delayed the process of bringing raw water to the YTPS Project. (*Paragraph 2.1.14*)

- Due to not monitoring the work of BHEL in construction of Turbo Generator Deck with designs, the changes in the position of the columns were noticed belatedly, resulting in stoppage of work. The Company took the opinion of experts, which delayed the resumption of work by eight months. (*Paragraph 2.1.16.2*)

- Due to delay on the part of the Company in handing over the required land to BHEL for Coal Handling Plant and further delay by BHEL in completion of work, the YTPS plant, was unable to run optimally as the Coal Handling Plant was not ready as of September 2018. (*Paragraph 2.1.16.4*)

- Though the Plant was declared for commercial operation in March/April2017, there was no regular coal linkage for operation of the Plant (as of September 2018). Against the annual requirement of 58.3 lakh tonnes for operation of the Plant, the Company tied up only 30 lakh tonnes under Bridge-linkage. Moreover, Railway Siding and

Marshalling Yard and Coal Handling Plant works were pending completion (September 2018). In absence of railway siding, the coal received through bridge linkage was unloaded in a nearby Siding and transported by road to the Plant entailing an additional expenditure of ₹ 25.40 crore in 2017-18, which turned out to be 83 per cent of the cost of the railway siding itself. *(Paragraph 2.1.17.2)*

- BHEL proposed Ash Handling Plant with a capacity of 171 Tonnes Per Hour (TPH) as against the requirement of 179 TPH as per the norms of Central Electricity Authority. (*Paragraph 2.1.18.1*)
- Though generation commenced from 2017-18, YTPS was yet to comply (September 2018) with the conditions given in the Environmental Clearance for the Project. (*Paragraph 2.1.19*)
- The delay in completion of the project increased the project cost from the estimated cost (April 2009) of ₹ 8,806.23 crore to ₹ 12,915.90 crore provisionally as of March 2018. The cost of generation per unit also increased from ₹ 3.24 to ₹ 5.36 provisionally. (*Paragraph 2.1.20*)
- Failure of the Joint Committee to finalise the Report on the reasons for delay in completion of works delayed the levy of liquidated damages, which would have had an effect on the total project cost, as the capital cost would be adjusted to that extent by the Regulatory Commission while determining tariff. (*Paragraph 2.1.21*)
- A total of 23,188.86 Million Units of power, in the form of short and medium-term power valued at ₹ 11,079.22 crore, were purchased during 2014-15 to 2017-18. Out of this, additional cost on the purchase of 22,283.03 Million Units of power (short/medium-term) from private producers amounting to ₹ 2,517.92 crore was avoidable had the Company completed the implementation of the Project within the stipulated time. (*Paragraph 2.1.20*)

Recommendations

The Company needs to:

1. Take immediate, time-bound action to complete the Balance of Plants works (such as General Mechanical Works, Coal and Ash Handling Plants, and Railway Siding and Marshalling Yard) at the earliest;
2. Take action to implement the Environment Management Plan.

(Chapter 2.1)

3. Compliance Audit Observations on Power Sector PSUs

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

Unproductive investment amounting to ₹2.60 crore.

(Paragraph 3.1)

Undue favour to contractor amounting to ₹1.61 crore.

(Paragraph 3.2)

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

- Karnataka Power Transmission Corporation Limited did not make alternative power supply arrangement before awarding the work in spite of prior knowledge that this was critical for the execution of the work. This resulted in creation of idle infrastructure of ₹ 2.60 crore.

(Paragraph 3.1)

- Bangalore Electricity Supply Company Limited awarded the contract for supply of cables to M/s. SBEE Cables India Limited by modifying tender conditions resulting in extra payment of ₹ 1.61 crore to the contractor.

(Paragraph 3.2)

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

There were 96 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs included 90 Government Companies (77 working and 13 non-working) and six Statutory Corporations. The Government Companies included 10 subsidiary companies and five associate companies.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 96 State PSUs (other than Power Sector), the State Government invested funds in 89 State PSUs and did not infuse any funds in seven subsidiary/associate companies.

Investment in State PSUs (other than Power Sector)

As on 31 March 2018, the total investment (Equity and long-term loans) in these 96 PSUs (other than Power Sector) was ₹ 67,610.93 crore. The investment consisted of 76.86 *per cent* towards equity and 23.14 *per cent* in long-term loans.

The total investment in these PSUs (other than Power Sector) as on 31 March 2018 included investment of ₹ 52,556.40 crore by the State Government consisting of ₹ 50,811.97 crore as equity and ₹ 1,744.43 as long term loans. The investment grew by 41.37 *per cent* from ₹ 37,175.81 crore in 2013-14 to ₹ 52,556.40 crore in 2017-18.

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

Out of the 96 PSUs (other than Power Sector), 83 PSUs were working and 13 PSUs were non-working. Out of 83 working PSUs (other than Power Sector), 45 PSUs earned profit of ₹ 976.44 crore and 25 PSUs incurred loss of ₹ 1,470.55 crore. The major contributors to profit were Karnataka State Minerals Corporation Limited (₹ 316.13 crore) and Karnataka Rural Infrastructure Development Limited (₹ 123.97 crore). Huge losses were incurred by Karnataka Neeravari Nigam Limited (₹ 575.92 crore) and Bangalore Metropolitan Transport Corporation (₹ 260.91 crore).

The working PSUs showed net aggregate profits of ₹ 545.86 crore, ₹ 166.34 crore and ₹ 135.87 crore during 2013-14, 2014-15 and 2016-17 respectively and incurred net aggregate loss of ₹ 567.58 crore and ₹ 494.11 crore during the year 2015-16 and 2017-18 respectively.

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

The funds infused by the State Government in PSUs (other than Power Sector) increased to ₹ 50,859.34 crore in 2017-18 from ₹ 23,524.01 crore as at 31 March 2010, as the State Government infused further funds in shape of equity (₹ 28,668.46 crore) and interest free loans (₹ 29.40 crore) during the period 2010-11 to 2017-18. The PV of funds infused by the State Government upto 31 March 2018 worked out to ₹ 76,932.23 crore.

The return earned on State Government funds (at PV) was 0.79 *per cent* against the return of 1.02 *per cent* earned on historical cost basis during 2013-14 and turned into *negative* as the PSUs (other than Power Sector) incurred losses during the period from 2014-15 to 2017-18.

Quality of accounts

The quality of accounts of working Government companies needs improvement. During the year, out of 60 accounts finalised, the Statutory Auditors gave unqualified reports on 20 accounts, qualified reports on 35 accounts and adverse reports (which means that the accounts did not reflect a true and fair view) for five accounts. The compliance with the Accounting Standards by companies remained poor as there were 90 instances of non-compliance in 29 accounts during the year.

Submission of accounts and winding up

Sixty working PSUs had arrears of 79 accounts at the end of September 2018. The arrears pertained to the years 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18. There were 13 non-working PSUs including five under liquidation. The Government may take a decision on closure of these non-working Companies.

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

The Report related to PSUs (other than Power Sector) includes (Chapter V and Chapter VI) observations emanating from the Performance Audit on **'Benefits derived by the State Government under Accelerated Irrigation Benefit Programme'** and 11 compliance audit observations. The Executive summaries of the audit findings are given below:

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

- **Performance Audit on 'Benefits derived by the State Government under Accelerated Irrigation Benefit Programme'**

Introduction

A large number of Major and Medium Irrigation projects were languishing due to various reasons, the most important being the inadequate provision of funds by the State Governments due to limited resources at their disposal. Keeping this in view, the Government of India launched (1996-97) the Accelerated Irrigation Benefits Programme (AIBP). The Scheme provided Central Loan Assistance (CLA) to expedite the implementation of the ongoing Major/Medium projects and ensure simultaneous implementation of Field Irrigation Channels (FICs) for utilisation of the created Irrigation Potential, so that end users (farmers) are provided with water. The Scheme was implemented in Karnataka by two Companies (implementing agencies) *viz*. Krishna Bhagya Jala Nigam Limited (KBJNL) and Karnataka Neeravari Nigam Limited (KNNL).

Audit Objective

The Audit objective was to assess whether the State Government and the implementing agencies (KNNL/KBJNL) were able to leverage the benefits of the AIBP Scheme to expedite the completion of the projects (including FICs), and realise the ultimate Irrigation Potential so as to cater to the water needs of the farmers in the State including the drought prone areas.

Audit Findings

Audit observed that the State Government/implementing agencies was not able to leverage the entire benefits of the scheme in terms of either the funding or in creating Irrigation Potential by expediting the completion of projects. The summary of the findings is given below.

- Of the total of 79,838 ha. due for creation of Irrigation Potential (dry) as per the committed timeframe, the companies could create only 55,516 ha. during the last five years (2013-18) and the Irrigation Potential pending creation as at end of March 2018 was 24,322 ha. *(Paragraphs 5.1.9.1, 5.1.9.2 and 5.1.18)*

- The envisaged Field Irrigation Channels (FICs) were also not fully completed in any of the six test-checked projects even after a lapse of two to eighteen years, after their original scheduled dates of completion as there were lapses in planning and execution of the works in synchronisation with the Irrigation Potential already created. Out of the total 1,71,166 ha of FICs due for creation, a total of 1,18,412 ha. of FICs were created during 2013-18. The balance FICs pending creation was 52,754 ha. which included 28,432 ha. for which Irrigation Potential had already been created. As a result, while some parts of the drought prone districts of central and north Karnataka have been provided with irrigation facilities, other parts are yet to receive water. *(Paragraphs 5.1.15 and 5 1.18)*

- Due to non-adherence to prescribed guidelines of AIBP with respect to furnishing Annual Audited Certificates and achieving committed physical targets, the State was deprived of Central Assistance of ₹ 821.86 crore. The State Govnerment had to bear this deficit by raising funds from external sources. *(Paragraphs 5.1.16.1 and 5.1.16.2)*

- The State Government/ implementing agencies were also not able to fast-track the completion of the projects and realise the Irrigation Potential. This was due to lack of preparedness by the implementing agencies as they did not include the works in their Annual Works Programme in line with the commitments made to the Central Government. There were delays in tendering and award of work, and absence of an efficient works management system to ensure that decisions on scope and design change were handled in an efficient manner by the implementing agencies. These led to delays in completion of work. *(Paragraphs 5.1.11 to 5.1.14)*

- In the absence of formation of the State Level Monitoring Committee, no concurrent evaluation of the Projects was done. While there was monitoring by the Central Water Commission, the mechanism of providing compliance to their observations was not optimal. *(Paragraph 5.1.17)*

Recommendations

1. Projects with specific commitments need to be given preference in the Annual Works Programme.

2. The Companies need to eliminate Technical / Administrative delays in finalising tenders so as to award the works included in the AWP in time.

3. The Company needs to take timely requisite action for land acquisition.

4. The Companies/CADA need to include the full extent of dry Irrigation Potential already created in the previous year, while planning for creation of FICs and also take action to expedite their creation, so that FICs are created *pari passu* with the Irrigation Potential already created, and water can be supplied to the end users (farmers).

5. The Company/GoK should follow up for release of Central Assistance where they have adhered to the guidelines.

(Chapter 5.1)

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

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

Unproductive investment amounting to ₹19.88 crore.

(Paragraphs 6.1.1, 6.1.3 and 6.1.4)

Avoidable/ unfruitful expenditure amounting to ₹2.14 crore.

(Paragraphs 6.2.3 and 6.3)

Avoidable loss amounting to ₹25.68 crore.

(Paragraphs 6.1.2, 6.4.1 and 6.4.2)

Irregular diversion/non-utilisation of grants amounting to ₹13.50 crore.

(Paragraphs 6.2.1 and 6.2.2)

Utilisation of bus depot in violation of environmental laws.

(Paragraph 6.1.5)

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

- Karnataka State Minerals Corporation Limited acquired land for construction of its Corporate Office without verifying its suitability for construction before purchase. This resulted in blocking up of funds of ₹ 16.32 crore without deriving the intended benefit.

(Paragraph 6.1.1)

- Mysore Sales International Limited cancelled the agreement to lease out the property, based on the decision of the Board of Directors of the Company without establishing that the Company's interest was seriously affected resulting in loss of revenue of ₹ 5.73 crore.

(Paragraph 6.1.2)

- Bangalore Metropolitan Transport Corporation constructed a bus depot at a cost of ₹ 6.92 crore and operated it in an ecologically sensitive area in violation of environmental laws.

(Paragraph 6.1.5)

- Jungle Lodges and Resorts Limited failed to utilise the grants of ₹ 11.90 crore resulting in non-achievement of the envisaged objectives.

(Paragraph 6.2.1)

- Mysore Sales International Limited estimated its income for payment of advance income tax unrealistically resulting in avoidable payment of penal interest amounting to ₹ 1.19 crore.

(Paragraph 6.3)

- Karnataka State Minerals Corporation Limited failed to inform about the discovery of atomic minerals during the course of mining operations to the Atomic Minerals Directorate for Exploration and Research, even though it was a mandatory procedure under the statutes, and excavated minerals without obtaining the prior approval of the Government of India resulting in forfeiture of minerals valued ₹ 15.21 crore.

(Paragraph 6.4.1)

- Mysore Paper Mills Limited failed to take timely action to dispose of the excess raw material (Pulpwood) resulting in loss of ₹ 4.74 crore.

(Paragraph 6.4.2)