PREFACE

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

(i) Government Companies,
(ii) Statutory Corporations and
(iii) Departmentally managed commercial undertakings.

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

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

4. In respect of Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation, which are Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor. As per 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.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2010-11 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

6. The audit in relation to the material included in this Report has been conducted in conformity with the Auditing Standards issued by the CAG.

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 CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2011, the State of Karnataka had 75 working Public Sector Undertakings - PSUs (69 Companies and 6 Statutory Corporations) and 14 non-working PSUs (all Companies), which employed 1.82 lakh employees. The State PSUs registered a turnover of ₹ 41,493.51 crore for 2010-11 as per their latest finalised accounts. This turnover was equal to 10.89 per cent of State Gross Domestic Product indicating the important role played by the PSUs in the economy. The PSUs had accumulated profit of ₹1,007.36 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2011, the investment (Capital and long term loans) in 89 PSUs was ₹ 58,137.26 crore. Infrastructure Sector accounted for about 54.30 per cent of total investment and Power Sector about 32.09 per cent in 2010-11. The Government contributed ₹ 8,880.72 crore towards equity, loans and grants / subsidies in 2010-11.

Performance of PSUs

The working State PSUs earned a profit of ₹1,632.42 crore in the aggregate for 2010-11 as per their latest finalised accounts. The major contributors to profit were Karnataka Power Corporation Limited (₹686.19 crore), Mysore Minerals Limited (₹422.87 crore), and The Hutti Gold Mines Company Limited (₹124.71 crore). Heavy losses were incurred by The Mysore Paper Mills Limited (₹ 84.78 crore), The Mysore Sugar Company Limited (₹ 70.21 crore) and Hubli Electricity Supply Company Limited (₹64.71 crore).

Audit noticed various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the PSUs' losses of ₹ 1,320.47 crore and infructuous investments of ₹ 333.27 crore were controllable with better management. Thus, there was tremendous scope to improve the functioning and enhance the profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of working companies needs improvement. During the year, out of 60 accounts finalised, the Statutory Auditors had given unqualified reports for 12 accounts, qualified reports for 45 accounts and adverse reports (which meant that accounts did not reflect a true and fair position) for 3 accounts. There were 93 instances of non-compliance with Accounting Standards in 29 Companies during the year. Reports of Statutory Auditors on internal control of the Companies indicated several weak areas.

Arrears in accounts and winding up

Twenty four working PSUs had arrears of twenty five accounts as of September 2011. The arrears pertain only to the years 2009-10 and 2010-11. There were 14 non-working PSUs including seven under liquidation. The Government may consider winding up these non-working Companies.

2. Performance Reviews relating to Government Companies

The Report includes Performance Reviews relating to **Power Distribution Utilities of Karnataka** and **Construction activities in Karnataka Rural Infrastructure Development Limited**. Executive summary of audit findings is given below:

- **Performance of Power Distribution Utilities of Karnataka.**

The distribution system of the power sector constitutes the link between the generation and the consumer. The efficiency of power sector is judged on the basis of performance of distribution network. The reforms in power distribution sector, spelt out in the National Electricity Plan (NEP), focus on system up-gradation, controlling and reduction of Transmission & Distribution (T & D) losses, measures to reduce power thefts and making the sector commercially viable; besides, on framing strategies to generate more financing resources.

Power sector reforms in Karnataka were initiated with the enactment of the Karnataka Electricity Reforms Act in 1999. The regulatory body, Karnataka Electricity Regulatory Commission (KERC) was established in November 1999.

Four Electricity Supply Companies (ESCOMs), viz., Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM), and Gulbarga Electricity Supply Company Limited (GESCOM) were formed in June 2002. Bifurcating MESCOM, Chamundeshwari Electricity Supply Corporation Limited (CESC) was formed (April 2005). The five ESCOMs, together with a small co-operative society (HRECS), are entrusted with the distribution function in the State.

Audit objectives

The performance review of the working of ESCOMs was conducted to ascertain whether the ESCOMs were able to adhere to the aims and objectives stated in the National Electricity Plan / National Electricity Policy. The objectives of the performance review were to assess whether the network planning and execution was adequate and effective. The implementation of the Central and State schemes, additions to distribution network, operational, billing and collection efficiency, energy conservation and monitoring were also assessed.

Audit findings

Distribution network planning

The transformer capacity has to be enough to meet the connected load. The ideal ratio between connected load and transformer capacity is 1:1. Looking at the trend in growth of connected load during the period 2007-11, we observed that transformer capacity in BESCOM, GESCOM, HESCOM and MESCOM would not meet the ideal ratio by 2012. While the situation in CESC is promising, the situation in HESCOM could be serious, as the addition to connected load was almost twice the increase in transformation capacity during 2007-11. The objective of having a reliable distribution network to provide quality power supply for all by 2012, as per the prime objective of the National Electricity Policy, is doubtful.

Rural electrification

Government of India (GoI) had launched (April 2005) 'Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY)' with the goal of electrifying all un-electrified villages and providing access to electricity to all households in five years.

Against 28,191 villages selected for intensive electrification in the State, 23,607 villages were electrified as at March 2011. Further, against the targeted electrification of 8.78 lakh households Below Poverty Line (BPL) and 10.38 lakh other than BPL households, ESCOMs electrified 7.86 lakh BPL households (89.52 per cent) and 1.30 lakh other than BPL households (12.53 per cent) respectively up to the end of March 2011.

Restructured Accelerated Power Development Reforms Programme (R-APDRP)

GoI had launched (July 2008) R-APDRP with a view to achieve loss reduction through establishment of reliable and automated systems for collection of accurate base line data and adoption of Information Technology in the areas of energy accounting, besides distribution strengthening projects.

GoI provided loan for establishment of IT enabled system, which was convertible into grant on completion of the system. The pilot projects were programmed to be completed by December 2010. The implementation of the scheme in 100 identified towns also was lined up for completion by February 2012. The agency appointed for implementation of IT enabled system had not yet (September 2011) completed even the pilot projects and, hence the chances of conversion of loan of ₹391.71 crore into grant were remote.

Transmission, Distribution and Aggregate Technical and Commercial (AT&C) losses

The percentage of transmission loss was higher than that prescribed by KERC in all the years (except in MESCOM) leading to loss of revenue of ₹1,404.27 crore.

Declining trend in distribution losses was observed and the overall percentage of distribution losses decreased from 25.50 per cent in 2006-07 to 16.54 per cent in 2010-11.

As at end of 2010-11, BESCOM and MESCOM were able to bring down the AT&C losses below the 15 per cent norm envisaged.

KERC allowed an incentive of ₹ 64.23 crore and ₹9.77 crore to BESCOM and MESCOM for 2008-09 for reduction in distribution losses. Similarly, incentive of ₹24.72 crore and ₹10.17 crore was allowed for 2009-10 to CESC and HESCOM respectively. KERC imposed penalty of ₹3.82 crore on HESCOM for 2008-09 and ₹8.75 crore on GESCOM for 2009-10 for exceeding the upper limits of distribution losses.

The percentage of failures of distribution transformers was higher than the norms prescribed by KERC in CESC and GESCOM.

Against the norm of 1:1 for HT: LT ratio prescribed by KERC, the actual ratio ranged between 0.43:1 and 0.47:1.

Metering

ESCOMs (except MESCOM) could not achieve any significant progress in metering of IP sets. Progress with regard to metering of BJ/KJ installations in HESCOM and GESCOM was much below par.

Purchase of power

Power requirement of the State is determined by the Energy Department on the basis of the requirements of ESCOMs subject to approval by KERC. On behalf of the ESCOMs, PCKL arranges for short-term power purchases, either through energy exchange or through bidding process. The power so procured is distributed amongst ESCOMs as per the share allocated by the State Government.

Reduction in availability of long-term power was observed in 2010-11 as compared to 2006-07. The reasons attributed were problems in Raichur Thermal Power Station and Bellary Thermal Power Station. This forced the ESCOMs to resort to short term purchases and drawal of power by paying Unscheduled Interchange charges. During 2008-11 ESCOMs incurred extra expenditure of ₹793.93 crore on energy purchases at UI charges and ₹ 3,058.93 crore on short term energy purchases.

Cross subsidy and subsidy support

The level of cross subsidy was beyond the limits of plus or minus 20 per cent of the ACOS prescribed in the National Tariff Policy in agricultural, domestic, commercial establishments, motive power and temporary connection category consumers.

The Government reimbursed electricity charges of KJ/BJ consumers/IP set (up to 10 HP) consumers. The re-imbursement received on these counts was ₹87.27 crore in 2006-07, which increased to ₹3,819.66 crore in 2010-11.

Despite cross subsidization and re-imbursement by the Government, the cost of supply was not fully recovered by the ESCOMs. The State Government bridged the difference by way of further financial support, known as gap subsidy. The gap subsidy released during 2006-07 was ₹1,696.38 crore and during 2010-11 was ₹433 crore.

The ESCOMs would have suffered heavy losses in all the years without subsidy support. The profits in 2006-07 and 2007-08 were because of gap subsidy. Despite substantial increase in subsidy the ESCOMs incurred losses in 2008-09 to 2010-11, mainly due to purchase of energy at high cost.

Inspite of the objective of releasing scarce Government resources to other areas of greater priority envisioned in the Reform Policy (1997) in power sector of the State Government, the Government subsidy showed no let up; in fact, it has been increasing over the years from 2006-07 to 2010-11.

Tariff filing

ESCOMs are required to file expected revenue from charges with KERC each year 120 days before the commencement of the subsequent financial year. ESCOMs filed tariff review petitions belatedly in the years 2009-10 and 2010-11. This had resulted in delayed implementation of tariff orders. Consequently, they could not generate revenue to the tune of ₹941.08 crore.

Financial management

KERC disallowed an expenditure of ₹534.05 crore claimed by ESCOMs towards interest on belated payment of energy bills stating that interest on working capital was allowed separately. KERC also disallowed operation and maintenance charges incurred beyond the norm and excess interest on security deposits, which amounted to ₹308.79 crore.

The electricity tax collected from consumers is required to be remitted to the State Government. The ESCOMs were not regular in payment of electricity tax for which a total interest/penalty of ₹27.21 crore was levied on the ESCOMs.

The dues from consumers increased from ₹3,998.48 crore in 2006-07 to ₹6,378.20 crore in 2010-11. The arrears in terms of months' demand increased year after year. At the end of March 2011, the outstanding amount, pending collection represented 2.81 months' revenue demand in MESCOM, while it was 8.98 months' revenue demand in GESCOM, indicating poor collection efficiency. Further, an amount of ₹217.61 crore was due from permanently disconnected installations.

Huge receivables forced the ESCOMs to resort to borrowings.

Aggregate technical and commercial losses and failure of transformers showed a decreasing trend during the last five years.

Energy conservation measures are presently in a nascent stage and need thrust.

Irregularities in execution of improvement and extension works were noticed in Kolar and Indi (Bijapur) divisions.

The ESCOMs do not have a proper MIS system to generate and supply various information required for efficient functioning of the organisation.

Conclusion and recommendations

The generation of power in the State is insufficient to meet the demand. Absence of committed long-term power supply and increased demand had forced the ESCOMs to resort to short-term power purchases at high cost.

The trend in additions to connected load and transformation capacity during 2007-11 indicate that the distribution network may not be adequate to provide 'power for all by 2012'.

The review contains the following recommendations:

- ***The State has to evolve an integrated energy policy to attain the objective of power for all and also to improve the operational/ financial performance of the ESCOMs.***
- ***The distribution network/infrastructural facilities need to be augmented.***
- ***Providing quality power supply in rural areas and regularisation of unauthorised IP sets need to be accorded priority.***
- ***The aggregate technical and commercial losses have to be reduced further by undertaking energy audit at distribution transformer level, metering of distribution transformers and installations, preventing thefts and improving the billing and collection.***
- ***Efforts need to be made to adhere to the norms and directions prescribed by KERC of failure of transformers and adequacy of HT:LT ratio.***
- ***Efforts should be made to bring down cross subsidy on the lines suggested in the National Electricity Policy.***
- ***Allocation of scarce budgetary resources to meet the gap between revenue and expenditure of the ESCOMs needs a renewed strategy.***
- ***Effective action needs to be taken to realise outstanding dues to improve the financial position and reduce dependence on Government support.***
- ***ESCOMs should give priority to implementation of demand side management and energy conservation measures.***

(Chapter 2.1)

➢ Construction activities in Karnataka Rural Infrastructure Development Limited.

The Karnataka Land Army Corporation, renamed (August 2009) as Karnataka Rural Infrastructure Development Limited, was incorporated (August 1974) as a wholly owned Government Company with the main objectives of undertaking and carrying out all types of rural development works either entrusted to it by Government Departments, Local Bodies, Undertakings, Institutions and individuals and/or obtained through tenders.

The works executed by the Company are broadly divided into directly entrusted works (Entrusted Works) and works obtained through participation in tenders (Tender Works). Over the years the works obtained through participation in tenders have declined steadily.

Audit objectives

The performance review on construction activities of the Company was carried out to assess whether reasonable care was taken in preparing the estimates; works were executed as per the schedules; the delays were analysed; procurement of materials was done economically and in accordance with the provisions of law; works were executed efficiently to achieve economy; the system for timely billing was followed and prompt realization was ensured and effective monitoring system and internal controls were in place.

Audit findings

Entrusted works

The Company failed to include its charges, taxes and labour cess in the estimates resulting in non-recovery of expenditure of ₹ 2.10 crore.

The BBMP Zone entrusted 125 works valued at ₹ 22.28 crore to sub-contractors in violation of Government orders. The sub-contractors were executing these works with their own funds. There were no mobilization advances, work codes and job work rates. The works were not accounted in the books of the Company. The expenditure incurred on these works was ₹ 20.23 crore.

Tender works

Out of 32 works valued at ₹ 55.27 crore, the Company suffered loss of ₹ 5.92 crore in 14 works. The loss was due to cost escalation, levy of liquidated damages and/or penalty and/or fine as a result of delay in completion and non-acceptance of quantities recorded in bills.

Pattern of income

Major part of the Company's profit was earned in the last three years from bank deposits and mutual funds (₹36 crore) and not from the core activities of construction (₹33 crore).

Flow of funds

The Company received funds from Government departments and agencies without any mention or assignment of work orders, especially towards the end of every financial year. Between 2007-08 and 2010-11 the Company had received ₹ 43.90 crore without work orders for the same. Subsequently, the departments/agencies withdrew ₹38 crore without attributing reasons, after periods ranging from one to sixty months.

Billing

Submission of bills in 12 works for ₹ 4.43 crore was delayed for periods ranging between one and 48 months. In 39 works, realisation of bills amounting to ₹ 11.76 crore was delayed for periods ranging between one and 34 months.

The Urban Development Department, Government of Karnataka had directed (July 2007) the Commissioner, BBMP not to recover security deposit from the bills of the Company, as the works were awarded on entrustment basis. BBMP, however, recovered security deposits from bills of ₹ 4.20 crore, which were not refunded (September 2011). This included ₹1.83 crore outstanding for more than three years.

Miscellaneous

Government permitted (February 2010) claiming of reimbursement of Value Added Tax paid on construction materials used in building low cost houses under 'Aasare' scheme within 30th of the month following the purchases of materials. The Company preferred claims for ₹ 2.19 crore after the issue was raised by audit. The balance of ₹ 0.65 crore remained unclaimed.

As per Karnataka Value Added Tax (KVAT) Act, organizations are allowed to adopt either payment under composition or payment under full VAT. The Act allows payment on steel involved in execution of works contract at 4 per cent. The value of steel involved in execution of works was much less than the value considered for the payment of VAT. This had resulted in payment of lesser tax by ₹ 5.02 crore and had concomitant risks such as payment of penalty and interest.

Conclusion and recommendations

The Company has incurred significant losses in major works, as the planning for and estimates of works have been faulty, as all inputs and costs were not taken into account and there were inordinate delays in execution. Compliance with rules and regulations and budgetary control and monitoring system needs improvement.

The following recommendations are made:

- ***The Company has to streamline the works wing to ensure that all inputs and costs are considered, the works are completed within scheduled time, estimated costs are not exceeded and activities are monitored effectively;***
- ***The monetary advantages to the Company embedded in the SR should be retained;***
- ***The system of procurement of materials from unregistered dealers has to be streamlined and the provisions in the KTPP Act should be followed;***
- ***Billing should be done promptly;***
- ***The Company should stop the practice of accepting funds without work orders so as to prevent the Government departments in making use of this facility as a means to avoid lapsing of funds at the end of the year; and***
- ***Internal control system should be tightened and maintenance of records improved.***

(Chapter 2.2)

3. Transaction audit observations

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

Imprudent planning, idle investment and improper decisions resulted in unfruitful expenditure of ₹8.71 crore in four cases.

(Paragraphs 3.3, 3.4, 3.8 and 3.9)

Failure to enforce the conditions in the agreement led to loss of revenue of ₹3.31 crore.

(Paragraph 3.2)

Violation of contractual obligations/undue favour to contractor resulted in extra expenditure of ₹7.87 crore in two cases.

(Paragraphs 3.1 and 3.6)

Improper decision to close the insurance cover prematurely resulted in avoidable financial burden of ₹1.24 crore on two transport corporations and their employees.

(Paragraph 3.7)

Lack of internal control on activities and procedure resulted in overpayment of ₹0.92 crore in one Company.

(Paragraph 3.5)

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

- **Krishna Bhagya Jala Nigam Limited** awarded a work for ₹ 18.70 crore, at 41.55 *per cent* below the amount put to tender. KBJNL continued to entrust additional works at regular intervals to the same contractor thereby increasing the total value of works to ₹ 73.60 crore without observing the requirements of law and rules.

  (Paragraph 3.1)

- **Cauvery Neeravari Nigama Limited** entered into an agreement without fulfilling the conditions in the bidding document and failed to enforce the provisions in the agreement, which resulted in loss of revenue of ₹ 3.31 crore.

  (Paragraph 3.2)

- Acceptance of offer of premature closure of life insurance cover of Bajaj Allianz Life Insurance Company resulted in avoidable financial burden of ₹ 1.24 crore on two **State Transport Corporations** and their employees.

  (Paragraph 3.7)

- Payment of subsidy for supply of Solar Photovoltaic systems without proper procedures and controls resulted in overpayment of ₹ 0.92 crore in **Karnataka Renewable Energy Development Limited.**

  (Paragraph 3.5)

- The revival of Indian Made Liquor bottling unit failed due to improper decisions in **The Mysore Sugar Company Limited.**

  (Paragraph 3.4)

CHAPTER I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The PSUs are established to carry out activities of commercial nature, keeping in view the welfare of people. In Karnataka, the PSUs occupy an important place in the State's economy. The PSUs registered a turnover of ₹ 41,493.51 crore for 2010-11 as per their latest finalised accounts as of September 2011. This turnover was equal to 10.89 *per cent* of State Gross Domestic Product (GDP) for 2010-11. Major activities of the PSUs in Karnataka are concentrated in infrastructure sector. The working PSUs earned a profit of ₹ 1,192.92 crore in aggregate for 2010-11 as per their latest finalised accounts. They had employed 1.82 lakh employees as of 31 March 2011. The PSUs do not include eight Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2011, there were 89 PSUs as per the details given below. Of these, two Companies[1] were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[2]	Total
Government Companies[3]	69	14	83
Statutory Corporations	6	-	6
Total	**75**	**14**	**89**

During the year 2010-11, one new PSU (Karnataka EMTA Collieries Limited) was established, one PSU's (Bangalore Metro Rail Corporation Limited) audit jurisdiction was changed and one non-working PSU (Karnataka Small Industries Marketing Corporation Limited) was amalgamated with Karnataka State Small Industries Development Corporation Limited.

Audit mandate

1.3 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes a subsidiary of a Government Company. Further, a Company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s) is treated as if it

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[1] **The Mysore Paper Mills Limited and Mysore Paints and Varnish Limited.**

[2] **Non-working PSUs are those which have ceased to carry on their operations.**

[3] **Includes 619-B companies.**

were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act 1956.

1.4 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 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.

1.5 Audit of Statutory Corporations is governed by their respective legislations. Out of six Statutory Corporations, the CAG is the sole auditor for Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation. In respect of Karnataka State Warehousing Corporation and Karnataka State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

Investment in PSUs

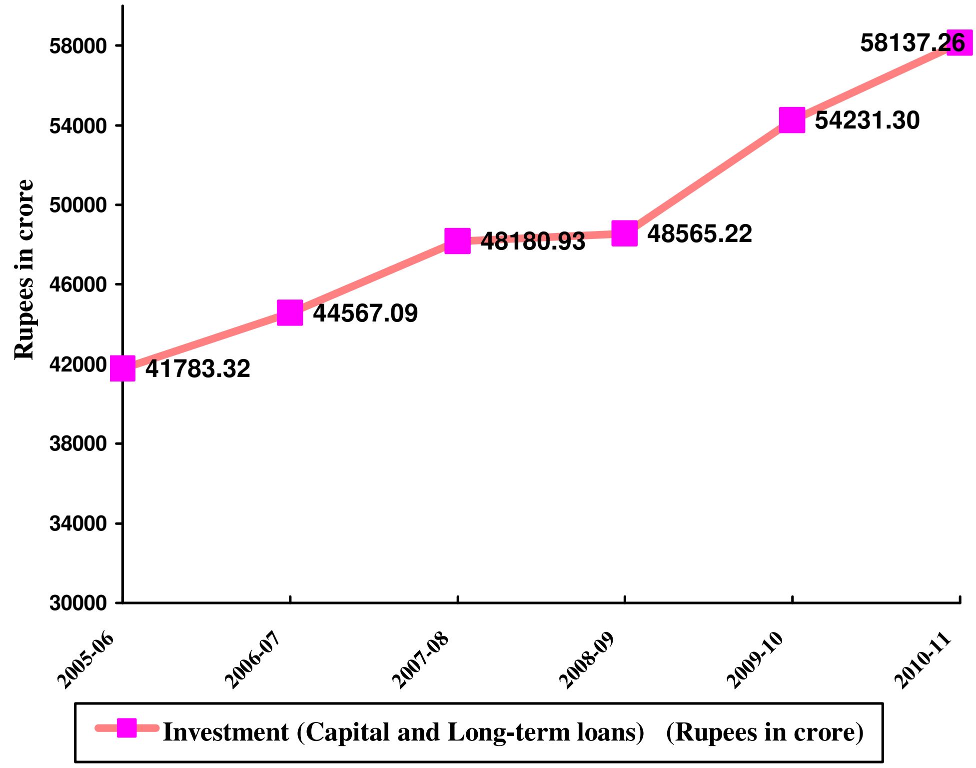
1.6 As on 31 March 2011, the investment (capital and long-term loans) in 89 PSUs (including 619-B companies) was ₹ 58,137.26 crore as per details given below:

₹ in crore

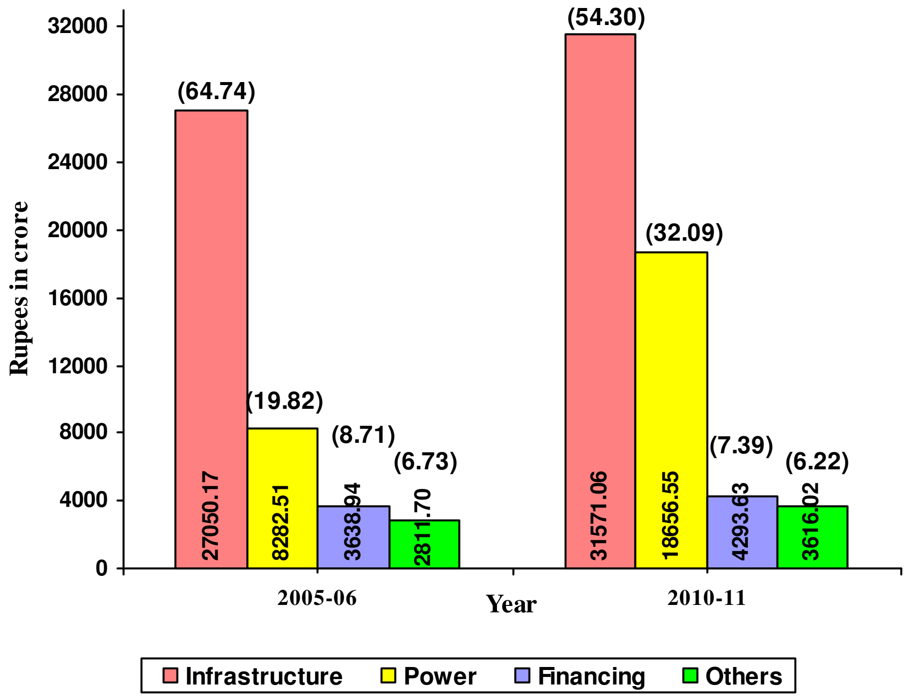
Type of PSUs	Government Companies			Statutory Corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working PSUs	31,005.56	21,981.00	52,986.56	1,605.97	2,954.67	4,560.64	57,547.20
Non-working PSUs	161.35	428.71	590.06	-	-	-	590.06
Total	**31,166.91**	**22,409.71**	**53,576.62**	**1,605.97**	**2,954.67**	**4,560.64**	**58,137.26**

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

1.7 As on 31 March 2011, of the total investment in PSUs, 98.99 *per cent* was in working PSUs and the remaining 1.01 *per cent* in non-working PSUs. The total investment consisted of 56.37 *per cent* towards capital and 43.63 per *cent* in long-term loans. The investment has grown by 39.14 *per cent* from ₹ 41,783.32 crore in 2005-06 to ₹ 58,137.26 crore in 2010-11 as shown in the graph below:



1.8 The investment in important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. Out of total investments, the investment in power sector has seen its percentage share rising to 32.09 *per cent* in 2010-11 from 19.82 *per cent* in 2005-06.



(Figures in brackets show the percentage of total investment)

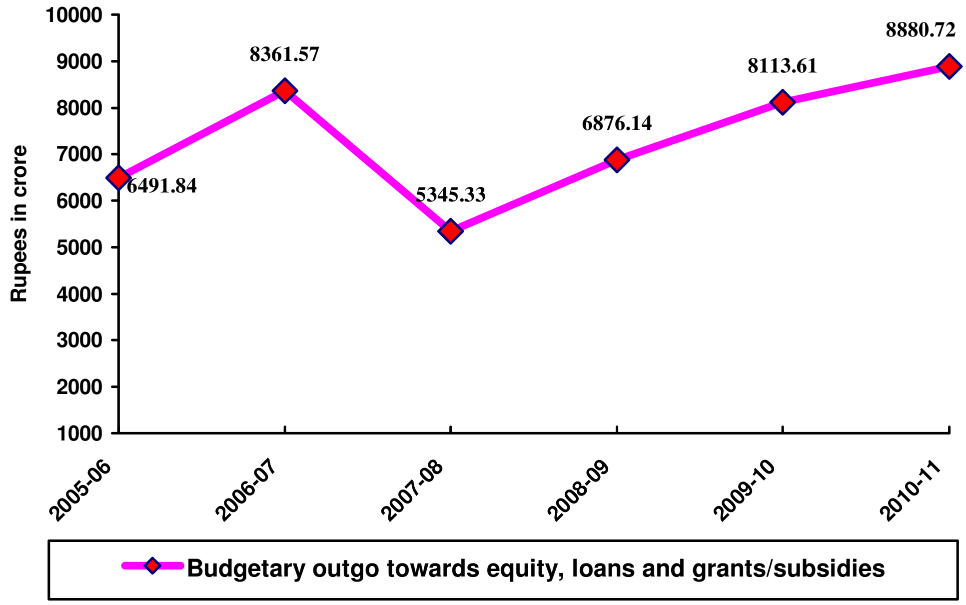
Budgetary outgo, grants/subsidies, guarantees and loans

1.9 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 3**. The summarised details are given below for three years ended 2010-11.

Amount: ₹ in crore

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	20	3,400.36	24	4,026.78	25	5,126.76
2	Loans given from budget	6	500.55	6	348.69	5	58.00
3	Grants/Subsidy received	23	2,975.23	27	3,738.14	32	3,695.96
4	Total outgo (Sl.No.1+Sl.No.2+ Sl.No.3)[4]	35	6,876.14	42	8,113.61	45	8,880.72
5	Loans converted into equity	1	1.00	5	499.91	2	9.07
6	Loans written off	-	-	-	-	-	-
7	Interest/penal interest written off	1	0.15	-	-	-	-
8	Total waiver (Sl.No.6+Sl.No.7)	1	0.15	-	-	-	-
9	Guarantees issued	10	393.11	4	262.00	12	517.30
10	Guarantee commitment	19	4,202.18	18	3,615.88	27	3,802.38

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



The budgetary support in respect of equity, loans and grants/subsidies decreased

[4] **Indicates actual number of PSUs.**

in 2007-08 in comparison to 2006-07. The budgetary support increased during 2008-09, 2009-10 and 2010-11 as compared to 2007-08.

1.11 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 2010-11 the PSUs paid guarantee commission of ₹ 104.35 crore leaving a balance of ₹ 237.68 crore to be paid to the Government. The PSUs which had major arrears were Krishna Bhagya Jala Nigam Limited (₹ 101.50 crore), Cauvery Neeravari Nigama Limited (₹ 42.11 crore) and Rajiv Gandhi Rural Housing Corporation Limited (₹ 30.75 crore).

Reconciliation with Finance Accounts

1.12 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 2011 is stated below:

₹ in crore

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	34,072.75	31,285.42	2,787.33
Loans	2,426.57	7,770.84	5,344.27
Guarantees	3,642.43	3,802.38	159.95

1.13 Audit observed that the differences occurred in respect of 73 PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.14 The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in **Annexures 2, 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 details of working PSUs' turnover *vis-a-vis* State GDP for the period 2006-07 to 2010-11.

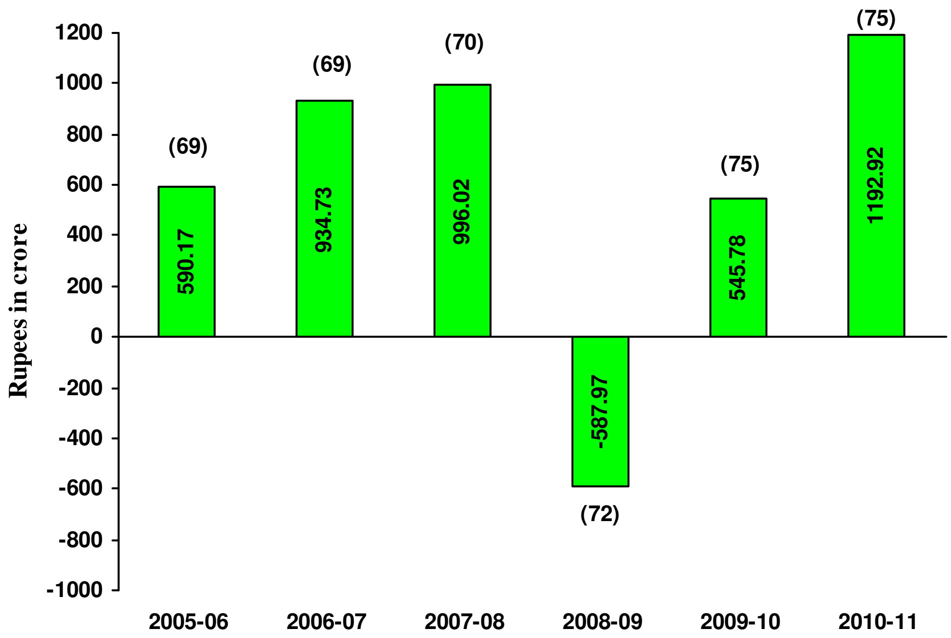
₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[5]	25,284.68	28,218.05	32,627.68	36,369.48	41,493.51
State GDP	2,27,831	2,70,843	3,03,058	3,35,747	3,80,872[6]
Percentage of turnover to State GDP	11.10	10.42	10.77	10.83	10.89

[5] **Turnover as per the latest finalised accounts.**

[6] **SGDP figures are as per Medium Term Fiscal Plan and figures of the State Government for 2010-11 are Advance Estimates.**

1.15 Profit earned or loss incurred by State working PSUs during 2005-06 to 2010-11 is given below in the bar chart.



Overall profit earned (loss incurred) during the year by working PSUs

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

As per their latest finalised accounts, out of 75 working PSUs, 46 PSUs earned profit of ₹ 1,632.42 crore and 22 PSUs incurred loss of ₹ 439.50 crore. Two working PSUs (Karnataka Thanda Development Corporation Limited and Karnataka EMTA Collieries Limited) incorporated in February 2009 and March 2011 respectively had not finalised their first accounts. Three companies[7] 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) did not prepare Profit and Loss Account and expenses were set off against the grant received. The major contributors to profit were Karnataka Power Corporation Limited (₹ 686.19 crore), Mysore Minerals Limited (₹ 422.87 crore) and The Hutti Gold Mines Company Limited (₹ 124.71 crore). The heavy losses were incurred by The Mysore Paper Mills Limited (₹ 84.78 crore), The Mysore Sugar Company Limited (₹ 70.21 crore) and Hubli Electricity Supply Company Limited (₹ 64.71 crore).

1.16 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of the latest three years' Audit Reports of the CAG shows that the PSUs incurred losses to the tune of ₹ 1,320.47 crore and had

[7] **Karnataka Neeravari Nigam Limited, Cauvery Neeravari Nigama Limited and Raichur Power Corporation Limited.**

made infructuous investment of ₹ 333.27 crore, which were controllable with better management. Year-wise details from Audit Reports are stated below:

₹ in crore

Particulars	2008-09	2009-10	2010-11	Total
Net Profit / Loss(-)	(-)759.50	366.58	987.03	594.11
Controllable losses as per the CAG's Audit Report	75.53	84.37	1,160.57	1,320.47
Infructuous investment	87.28	173.37	72.62	333.27

1.17 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 table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

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

₹ in crore

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on capital employed (*per cent*)	3.26	4.60	4.58	1.88	3.47	4.40
Debt	22,736.05	23,234.20	24,078.32	24,087.55	24,704.05	25,364.38
Turnover[8]	20,883.70	25,284.68	28,218.05	32,627.68	36,369.48	41,493.51
Debt-Turnover ratio	1.09:1	0.92:1	0.85:1	0.74:1	0.68:1	0.61:1
Interest payments	1,625.19	1,593.24	1,607.58	1,556.95	1,901.19	2,269.00
Accumulated profits/ losses (-)	1,209.00	935.94	1,248.48	(-)39.93	(-)197.93	1,007.36

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

1.19 There was an increase in turnover while there was a relatively lesser increase in debts. The increase in return on capital employed was due to the increase in profits of Karnataka Power Corporation Limited and Mysore Minerals Limited.

1.20 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, 46 PSUs[9] earned an aggregate profit of ₹ 1,632.42 crore but only 15 PSUs declared dividend which amounted to ₹ 55.24 crore.

[8] **Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.**
[9] **Including non-working Government companies.**

Arrears in finalisation of accounts

1.21 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, their 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 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Number of working PSUs	69	70	72	75	75
2	Number of accounts finalised during the year	79	69	74	73	69
3	Number of accounts in arrears	19	20	18	20	25[10]
4	Average arrears *per* PSU (3/1)	0.28	0.29	0.25	0.27	0.33
5	Number of working PSUs with arrears in accounts	15	17	16	20	24
6	Extent of arrears	1 to 3 years	1 to 2 years	1 to 2 years	1 year	1 to 2 years

1.22 The performance of finalisation of accounts within the year by the working PSUs has improved over the last five years. The arrears pertain only for the years 2009-10 and 2010-11, pending finalization as at September 2011.

1.23 In respect of arrears in finalisation of accounts by non-working PSUs[11], out of 14 non-working PSUs, liquidation process is underway in seven PSUs[12]. The arrears of these accounts ranged from four to eight years. The remaining seven PSUs had finalised their accounts for 2010-11 by September 2011.

1.24 The State Government had invested ₹ 3,235.24 crore (equity: ₹ 2,106.66 crore, loans: ₹ 39.57 crore, grants: ₹ 165.02 crore and subsidy: ₹ 923.99 crore) in 24 PSUs during the years for which accounts had not been finalised as on 30 September 2011 as detailed in **Annexure 4**.

[10] As the first accounts of Karnataka Thanda Development Corporation Limited is pending finalization only one accounts is shown as arrears.

[11] Excludes one non-working PSU (Karnataka Small Industries Marketing Corporation Limited), which has been amalgamated with Karnataka State Small Industries Development Corporation Limited during the year.

[12] 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.

Winding up of non-working PSUs

1.25 There were 14 non-working PSUs (all Companies) as on 31 March 2011. Of these, seven PSUs have commenced liquidation process. The numbers of non-working companies at the end of each year of the past five years are given below:

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working companies	17	16	16	15	14

During 2010-11, two non-working PSUs[13] incurred an expenditure of ₹ 0.49 crore towards establishment costs. This expenditure was met through rent, interest and other sources by these PSUs.

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

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

1.27 The companies which have taken the route of winding up by Court order are under liquidation process for the last three to eight 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.

Accounts comments and Internal Audit

1.28 Fifty seven working companies forwarded their 60 audited accounts to the Principal Accountant General (PAG) during the year 2010-11 as at September 2011. Of these, 43 accounts of 40 companies were selected for supplementary audit. 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

[13] Karnataka Agro Industries Corporation Limited (₹ 0.22 crore), The Mysore Lamps Works Limited (₹ 0.27 crore).

given below:

Amount : ₹ in crore

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	11	152.24	14	138.10	8	267.07
2	Increase in profit	7	40.43	4	11.83	4	9.88
3	Decrease in loss	2	3.72	2	5.93	1	0.03
4	Increase in loss	9	46.88	10	121.81	8	46.76

1.29 During the year 2010-11, the Statutory Auditors had given unqualified reports on twelve accounts, qualified reports on 45 accounts, adverse reports (which means that accounts did not reflect a true and fair position) for three accounts. The compliance of companies with the Accounting Standards remained poor as there were 93 instances of non-compliance in 29 Companies during the year.

1.30 Some of the important comments in respect of accounts of companies are stated below:

Dr. Babu Jagjivan Ram Leather Industries Corporation Limited (2009-10)

- The Company, in violation of the Government orders had utilized Government grant for uses other than those for which it was granted.
- Out of the various grants received by the Company from Government of Karnataka for various development activities including purchase of capital assets, the accumulated grants pending utilization was ₹ 4.11 crore as at March 2010. The non-utilization of these grants for the purpose for which it was granted is likely to warrant cancellation by the Government of Karnataka.

Karnataka Forest Development Corporation Limited (2010-11)

- The Company had not provided for the differential amount of ₹ 23.65 crore payable to the Government of Karnataka towards annual lease rentals up to the financial years 2008-09 for the areas taken on lease with reference to the actual rent paid against the rate fixed by the Government.

Mysore Minerals Limited (2010-11)

- The Company had not accounted the interest of ₹ 10.90 crore receivable from VMPL for delayed payment of premium for the years from 2000-01 to 2007-08.
- During the year the Company paid ₹ 35 crore towards Forest Development Tax (FDT) as an advance, which was recoverable from the buyers. In this regard, the Company had neither quantified the FDT recoverable from the buyers nor provision made for unrecoverable amount in the books of accounts resulting in overstatement of profit to that extent.

Karnataka Power Corporation Limited (2010-11)

- The Company had not recovered penalty for short supply / cost recovery of ₹ 49.91 crore from Karnataka Eastern Minerals Trading Agency Coal Mines Limited.

Karnataka Rural Infrastructure Development Limited (2009-10)

- The balances shown under Sundry Debtors pertaining to the years 2003-04 to 2009-10 were not confirmed by the parties. Further, Sundry Debtors of accounting years 2003-04 to 2006-07 amounting to ₹ 21.73 crore were barred by limitation of time, and the Company did not make any provision for doubtful debts for the same. Hence the profit was overstated to this extent.

Bangalore Electricity Supply Company Limited (2010-11)

- As approved by the Government of Karnataka, the Company was vested with fixed assets such as land and buildings in terms of the transfer scheme as on June 2002. Titles in respect of such assets have not yet been transferred in favour of the Company.

1.31 Similarly, six working Statutory Corporations forwarded nine accounts to the PAG during the year 2010-11. Of these nine accounts, five accounts pertained to Statutory Corporations where the CAG was the sole auditor on which audit was completed. The remaining four accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole audit 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:

Amount : ₹ in crore

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	2	153.11	3	206.63	6	38.61
2	Increase in profit	1	0.82	-	-	-	-
3	Decrease in loss	-	-	-	-	-	-
4	Increase in loss	3	102.54	-	-	3	53.05

1.32 During the year, all the nine accounts received qualified reports.

1.33 Some of the important comments in respect of the Statutory Corporations are stated below:

Bangalore Metropolitan Transport Corporation (2010-11)

- As per notes forming part of accounts the amounts includes ₹ 1.46 crore towards differential gratuity payable to 292 employees who retired/died during the period from November 1995 to March 1998. As per direction (March 2010) of the Hon'ble High court and subsequent decision of the KSRTC Board to pay the differential gratuity to all eligible ex-employees even though they have not approached the court, (August 2010) to settle these claims. The Corporation had to provide clear liability instead of making a contingent liability.

1.34 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control /internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under 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 7 Companies for the year 2009-10 and 16 Companies for the year 2010-11 are given in **Annexure 7**.

Recoveries at the instance of audit

1.35 During the course of propriety audit in 2010-11, recoveries of ₹ 1.09 crore were pointed out to the Management of PSUs, of which ₹ 5.26 lakh was recovered by the PSUs. Recoveries of ₹ 24 lakh pointed out in the earlier years were effected during the year 2010-11.

Status of placement of Separate Audit Reports

1.36 The Separate Audit Reports (SARs) in respect of all Statutory Corporations issued by the CAG up to 2009-10 were placed in the Legislature by the Government.

Disinvestment, privatisation and restructuring of PSUs

1.37 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[14] were dissolved /amalgamated (September 2011). The position of action taken by the Government in respect of the remaining 26 companies identified for closure/ privatisation/restructuring is as follows:

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

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[14] **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.**

϶ **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.**

Reforms in power sector

1.38 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.

1.39 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 is stated below:

Milestone	Achievement as at March 2011
100 *per cent* electrification of all villages by 2012.	100 *per cent* electrification was achieved by 2009.
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.	T&D losses was 35.50 *per cent* during 2000-01. Out of five Electricity Supply Companies in the State, only Hubli Electricity Supply Company Limited had T&D losses of 20.55 *per cent* against the norm of 20 *per cent* fixed by KERC.
100 *per cent* metering of all distribution feeders by September 2001.	Completed by December 2002.
100 *per cent* metering of all consumers by 2004-05.	69.78 *per cent* of Irrigation pump set installations, 11.91 *per cent* of Kutir Jyothi/Bhagya Jyothi installations and 1.35 per cent of street light installations are pending metering as at end of March 2011.
Energy audit at 11 KV sub-station level by September 2001	Energy audit of 11 KV feeders on monthly basis has commenced from June 2003.
Securitisation of outstanding dues of Central PSUs to be reduced to ₹ 900 crore by 2004-05.	The dues were securitised by issue of bonds in August 2003.

CHAPTER II

2. Performance Review relating to Government Companies

2.1 Power Distribution Utilities of Karnataka

Executive summary

The distribution system of the power sector constitutes the link between the generation and the consumer. The efficiency of power sector is judged on the basis of performance of distribution network. The reforms in power distribution sector, spelt out in the National Electricity Plan (NEP), focus on system up-gradation, controlling and reduction of Transmission & Distribution (T & D) losses, measures to reduce power thefts and making the sector commercially viable; besides, on framing strategies to generate more financing resources.

Power sector reforms in Karnataka were initiated with the enactment of the Karnataka Electricity Reforms Act in 1999. The regulatory body, Karnataka Electricity Regulatory Commission (KERC) was established in November 1999.

Four Electricity Supply Companies (ESCOMs), viz., Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM), and Gulbarga Electricity Supply Company Limited (GESCOM) were formed in June 2002. Bifurcating MESCOM, Chamundeshwari Electricity Supply Corporation Limited (CESC) was formed (April 2005). The five ESCOMs, together with a small co-operative society (HRECS), are entrusted with the distribution function in the State.

Audit objectives

The performance review of the working of ESCOMs was conducted to ascertain whether the ESCOMs were able to adhere to the aims and objectives stated in the National Electricity Plan / National Electricity Policy. The objectives of the performance review were to assess whether the network planning and execution was adequate and effective. The implementation of the Central and State schemes, additions to distribution network, operational, billing and collection efficiency, energy conservation and monitoring were also assessed.

Audit findings

Distribution network planning

The transformer capacity has to be enough to meet the connected load. The ideal ratio between connected load and transformer capacity is 1:1. Looking at the trend in growth of connected load during the period 2007-11, we observed that transformer capacity in BESCOM, GESCOM, HESCOM and MESCOM would not meet the ideal ratio by 2012. While the situation in CESC is promising, the situation in HESCOM could be serious, as the addition to connected load was almost twice the increase in transformation capacity during 2007-11. The objective of having a reliable distribution network to provide quality power supply for all by 2012, as per the prime objective of the National Electricity Policy, is doubtful.

Rural electrification

Government of India (GoI) had launched (April 2005) 'Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY)' with the goal of electrifying all un-electrified villages and providing access to electricity to all households in five years.

Against 28,191 villages selected for intensive electrification in the State, 23,607 villages were electrified as at March 2011. Further, against the targeted electrification of 8.78 lakh households Below Poverty Line (BPL) and 10.38 lakh other than BPL households, ESCOMs electrified 7.86 lakh BPL households (89.52 per cent) and 1.30 lakh other than BPL households (12.53 per cent) respectively up to the end of March 2011.

Restructured Accelerated Power Development Reforms Programme (R-APDRP)

GoI had launched (July 2008) R-APDRP with a view to achieve loss reduction through establishment of reliable and automated systems for collection of accurate base line data and adoption of Information Technology in the areas of energy accounting, besides distribution strengthening projects.

GoI provided loan for establishment of IT enabled system, which was convertible into grant on completion of the system. The pilot projects were programmed to be completed by December 2010. The implementation of the scheme in 100 identified towns also was lined up for completion by February 2012. The agency appointed for implementation of IT enabled system had not yet (September 2011) completed even the pilot projects and, hence the chances of conversion of loan of ₹391.71 crore into grant were remote.

Transmission, Distribution and Aggregate Technical and Commercial (AT&C) losses

The percentage of transmission loss was higher than that prescribed by KERC in all the years (except in MESCOM) leading to loss of revenue of ₹1,404.27 crore.

Declining trend in distribution losses was observed and the overall percentage of distribution losses decreased from 25.50 per cent in 2006-07 to 16.54 per cent in 2010-11.

As at end of 2010-11, BESCOM and MESCOM were able to bring down the AT&C losses below the 15 per cent norm envisaged.

KERC allowed an incentive of ₹ 64.23 crore and ₹9.77 crore to BESCOM and MESCOM for 2008-09 for reduction in distribution losses. Similarly, incentive of ₹24.72 crore and ₹10.17 crore was allowed for 2009-10 to CESC and HESCOM respectively. KERC imposed penalty of ₹ 3.82 crore on HESCOM for 2008-09 and ₹ 8.75 crore on GESCOM for 2009-10 for exceeding the upper limits of distribution losses.

The percentage of failures of distribution transformers was higher than the norms prescribed by KERC in CESC and GESCOM.

Against the norm of 1:1 for HT: LT ratio prescribed by KERC, the actual ratio ranged between 0.43:1 and 0.47:1.

Metering

ESCOMs (except MESCOM) could not achieve any significant progress in metering of IP sets. Progress with regard to metering of BJ/KJ installations in HESCOM and GESCOM was much below par.

Purchase of power

Power requirement of the State is determined by the Energy Department on the basis of the requirements of ESCOMs subject to approval by KERC. On behalf of the ESCOMs, PCKL arranges for short-term power purchases, either through energy exchange or through bidding process. The power so procured is distributed amongst ESCOMs as per the share allocated by the State Government.

Reduction in availability of long-term power was observed in 2010-11 as compared to 2006-07. The reasons attributed were problems in Raichur Thermal Power Station and Bellary Thermal Power Station. This forced the ESCOMs to resort to short term purchases and drawal of power by paying Unscheduled Interchange charges. During 2008-11 ESCOMs incurred extra expenditure of ₹793.93 crore on energy purchases at UI charges and ₹ 3,058.93 crore on short term energy purchases.

Cross subsidy and subsidy support

The level of cross subsidy was beyond the limits of plus or minus 20 per cent of the ACOS prescribed in the National Tariff Policy in agricultural, domestic, commercial establishments, motive power and temporary connection category consumers.

The Government reimbursed electricity charges of KJ/BJ consumers/IP set (up to 10 HP) consumers. The re-imbursement received on these counts was ₹87.27 crore in 2006-07, which increased to ₹3,819.66 crore in 2010-11.

Despite cross subsidization and re-imbursement by the Government, the cost of supply was not fully recovered by the ESCOMs. The State Government bridged the difference by way of further financial support, known as gap subsidy. The gap subsidy released during 2006-07 was ₹1,696.38 crore and during 2010-11 was ₹433 crore.

The ESCOMs would have suffered heavy losses in all the years without subsidy support. The profits in 2006-07 and 2007-08 were because of gap subsidy. Despite substantial increase in subsidy the ESCOMs incurred losses in 2008-09 to 2010-11, mainly due to purchase of energy at high cost.

Inspite of the objective of releasing scarce Government resources to other areas of greater priority envisioned in the Reform Policy (1997) in power sector of the State Government, the Government subsidy showed no let up; in fact, it has been increasing over the years from 2006-07 to 2010-11.

Tariff filing

ESCOMs are required to file expected revenue from charges with KERC each year 120 days before the commencement of the subsequent financial year. ESCOMs filed tariff review *petitions belatedly in the years 2009-10 and 2010-11. This had resulted in delayed implementation of tariff orders. Consequently, they could not generate revenue to the tune of ₹941.08 crore.*

Financial management

KERC disallowed an expenditure of ₹534.05 crore claimed by ESCOMs towards interest on belated payment of energy bills stating that interest on working capital was allowed separately. KERC also disallowed operation and maintenance charges incurred beyond the norm and excess interest on security deposits, which amounted to ₹308.79 crore.

The electricity tax collected from consumers is required to be remitted to the State Government. The ESCOMs were not regular in payment of electricity tax for which a total interest/penalty of ₹27.21 crore was levied on the ESCOMs.

The dues from consumers increased from ₹3,998.48 crore in 2006-07 to ₹6,378.20 crore in 2010-11. The arrears in terms of months' demand increased year after year. At the end of March 2011, the outstanding amount, pending collection represented 2.81 months' revenue demand in MESCOM, while it was 8.98 months' revenue demand in GESCOM, indicating poor collection efficiency. Further, an amount of ₹217.61 crore was due from permanently disconnected installations.

Irregularities in execution of improvement and extension works were noticed in Kolar and Indi (Bijapur) divisions.

Conclusion and recommendations

The generation of power in the State is insufficient to meet the demand. Absence of committed long-term power supply and increased demand had forced the ESCOMs to resort to short-term power purchases at high cost.

The trend in additions to connected load and transformation capacity during 2007-11 indicate that the distribution network may not be adequate to provide 'power for all by 2012'.

Huge receivables forced the ESCOMs to resort to borrowings.

Aggregate technical and commercial losses and failure of transformers showed a decreasing trend during the last five years.

Energy conservation measures are presently in a nascent stage and need thrust.

The ESCOMs do not have a proper MIS system to generate and supply various information required for efficient functioning of the organisation.

The review contains the following recommendations:

- *The State has to evolve an integrated energy policy to attain the objective of power for all and also to improve the operational/ financial performance of the ESCOMs.*
- *The distribution network/infrastructural facilities need to be augmented.*
- *Providing quality power supply in rural areas and regularisation of unauthorised IP sets need to be accorded priority.*
- *The aggregate technical and commercial losses have to be reduced further by undertaking energy audit at distribution transformer level, metering of distribution transformers and installations, preventing thefts and improving the billing and collection.*
- *Efforts need to be made to adhere to the norms and directions prescribed by KERC of failure of transformers and adequacy of HT:LT ratio.*
- *Efforts should be made to bring down cross subsidy on the lines suggested in the National Electricity Policy.*
- *Allocation of scarce budgetary resources to meet the gap between revenue and expenditure of the ESCOMs needs a renewed strategy.*
- *Effective action needs to be taken to realise outstanding dues to improve the financial position and reduce dependence on Government support.*
- *ESCOMs should give priority to implementation of demand side management and energy conservation measures.*

Introduction

2.1.1 Electricity is an essential requirement to improve the living condition of the people of the country. In fact, it has become a basic human need. It is a critical infrastructure on which the socio-economic development of the country depends. Supply of electricity at reasonable rate to rural India is essential for overall development. Availability of reliable and quality power at competitive rates makes the industry globally competitive and enables it to exploit the tremendous potential of employment generation. Service sector has made significant contribution to the growth of our economy. It is therefore equally important that quality supply of the electricity is provided to service sector.

Recognizing that electricity is one of the key drivers of rapid economic growth and poverty alleviation, the nation has set itself the target of providing access to power to all households.

Major responsibility for achieving the key parameters of the above said importance of electricity devolves on the distribution sector. The distribution system in power sector constitutes the final link between the generation and the consumer. The National Electricity Plan (NEP) proposed reforms in the power distribution sector with focus on system upgradation, control and reduction of Transmission & Distribution (T & D) losses/power thefts and making the sector commercially viable, besides framing financing strategies to generate adequate resources. The NEP further aimed to achieve conservation strategy to optimize utilisation of electricity with focus on Demand Side Management (DSM) and Load Management. To achieve the above objectives, power distribution utilities need to make a financial turnaround to make them commercially viable.

In this review, it is proposed to analyse how far the power distribution utilities in Karnataka planned its operations to achieve the above objectives and the problems encountered during the last five year period from 2006-07 to 2010-11.

Power sector reforms in Karnataka

2.1.1.1 The power sector reforms in Karnataka were initiated with the enactment of the Karnataka Electricity Reforms Act in 1999. The Karnataka Electricity Regulatory Commission (KERC) was established in November 1999 to regulate the power sector in the State. The erstwhile Karnataka Electricity Board (KEB) was corporatised and unbundled (August 1999) into Karnataka Power Transmission Corporation Limited (KPTCL) and Visvesvaraya Vidyuth Nigam Limited (VVNL). KPTCL was vested with transmission and distribution functions. VVNL was entrusted with generating power from small generating stations[15].

[15] **Capacity totaling to 354.32 Mega Watt (MW), comprising of 127.92 MW Diesel / Low Sulphur Heavy Stock (LSHS) power station at Bangalore and four hydro stations of 226.40 MW.**

The distribution activity of KPTCL was split on geographical basis and four Electricity Supply Companies (ESCOMs) were formed in June 2002. The four ESCOMs were: (1) Bangalore Electricity Supply Company Limited (BESCOM), (2) Hubli Electricity Supply Company Limited (HESCOM), (3) Gulbarga Electricity Supply Company Limited (GESCOM) and (4) Mangalore Electricity Supply Company Limited (MESCOM). Another ESCOM *viz.*, Chamundeshwari Electricity Supply Corporation Limited (CESC) was formed (April 2005) by bifurcating MESCOM. The five ESCOMs were entrusted with distribution function[16] in the State. KPTCL was responsible for bulk purchase, transmission and supply of power to the ESCOMs.

2.1.1.2 The Power Company of Karnataka Limited (PCKL) was formed (April 2007) as a special purpose vehicle to facilitate capacity addition, to carry out preliminary activities pertaining to setting up of power projects and to carry out tariff-based competitive bidding process on behalf of ESCOMs.

Vital parameters of Electricity Supply in Karnataka

2.1.1.3 The ESCOMs in the State had sold 28,452.82 Million Units (MUs) of energy during 2006-07, which increased to 37,215.10 MUs in 2010-11, *i.e.,* an increase of 30.80 *per cent*. As on 31 March 2011, the ESCOMs had a distribution network of 6.81 lakh Circuit Kilometers[17] (CKM) of power lines, 330 sub-stations[18] and 3.80 lakh transformers[19] of various categories. The total number of consumers of the ESCOMs was 1.75 crore as at end of March 2011. The turnover of the ESCOMs was ₹ 16,172.99 crore[20] in 2010-11, which was equal to 38.97 *per cent* and 4.25 *per cent* of the total turnover of State PSUs' and State Gross Domestic Product (advance estimates at current prices) respectively. The number of employees in all ESCOMs added up to 34,703 as on 31 March 2011.

Scope and methodology of audit

2.1.2 The present performance audit, conducted during February 2011 to September 2011, covered the functioning of the ESCOMs from 2006-07 to 2010-11. The review mainly deals with Network Planning and Execution, Implementation of Central Schemes, Operational Efficiency, Billing and Collection Efficiency, Financial Management, Consumer Satisfaction, Energy

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16 A society called Hukkeri Rural Electric Cooperative Society (HRECS), which distributed electricity in Hukkeri taluk and some villages of Belgaum, Gokak and Chikkodi taluks in Belguam district existed prior to electricity reforms. After the initiation of power sector reforms, HRECS was issued a distribution license under the provisions of the Electricity Act 2003.

17 LT : 4.64 lakh CKM and HT : 2.17 lakh CKM as given in Annexure 8.

18 In respect of BESCOM and CESC, the energy flows directly from sub-stations owned and operated by KPTCL to 11 KV substations/feeders. As such these two ESCOMs do not have their own sub-stations (except 10 number of 33/11KV sub-stations transferred by KPTCL to CESC during unbundling).

19 Details of ESCOM-wise transformers are given in Annexure 9(a).

20 Excluding gap subsidy of ₹ 433 crore.

Conservation and Monitoring. The audit examination involved scrutiny of records in the head offices of ESCOMs and in 25 of the 76 divisions of the five ESCOMs. The probability proportion to size method with estimated expenditure (in which the probability of selection for a sampling unit is directly proportional to a size measure) of the distribution network during the period 2006-10 as size measure was adopted for selection of the divisions.

The methodology adopted to attain the audit objectives with reference to the audit criteria consisted of explaining the audit objectives to the top management, scrutiny of records at head offices and selected divisions, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Performance review in power distribution sector

2.1.2.1 A comprehensive review on 'Rural Load Management System' Scheme was included in the Audit Report (Commercial), Government of Karnataka of the Comptroller and Auditor General of India for the year ended 31 March 2010. The Report was under discussion in COPU and their recommendations are awaited (September 2011).

Audit objectives

2.1.3 The objectives of the performance review were to assess whether:

- aims and objectives of the National Electricity Policy were analysed and the plans to provide reliable and quality power supply were implemented;
- network planning and its execution was adequate and effective;
- the central schemes such as Restructured Accelerated Power Development and Reforms Programme (RAPDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) were implemented efficiently and effectively;
- operational efficiency was achieved in meeting the power demand of the consumers in the State;
- billing and collection of revenue from consumers was efficient and effective;
- there was reduction in subsidy over the years and Union/State Government released subsidy in time;
- Annual Revenue Requirement (ARR) and tariff revision petition was submitted timely to ensure adequacy of tariff to cover the cost of operations and maintain the cross subsidisation at prescribed level;
- effective system was in place to assess consumers satisfaction and redressal of grievances;
- the loss reduction techniques and energy conservation measures were undertaken in line with the National Electricity Plan (NEP);

- effective energy conservation measures were undertaken; and
- effective monitoring system was in place and the same was being utilised in review of overall working.

Audit criteria

2.1.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- National Electricity Plan/Policy, plans and norms concerning distribution network of ESCOMs and planning criteria fixed by the Karnataka Electricity Regulatory Commission (KERC);
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Financial Restructuring Plan;
- Norms prescribed by various agencies with regard to operational activities;
- Norms of technical and non-technical losses;
- Guidelines and directions of Central Electricity Regulatory Commission (CERC) and KERC;
- Terms and conditions contained in the schemes introduced by Central and State Governments;
- Comparison with best performers in the regions/all India averages;
- Electricity Supply and Distribution (ES&D) Regulations of the ESCOMs; and
- Provisions of Electricity Act, 2003.

Audit findings

2.1.5 Audit explained the objectives of the performance review to the Company in an 'Entry Conference' held on 15 February 2011. The audit findings were reported to the Company between February and June 2011 and discussed in an 'Exit Conference' held on 7 September 2011. The exit conference was attended by the Principal Secretary, Energy Department, Government of Karnataka (GoK) and the Managing Directors of all the ESCOMs. The views of the Government/Management, wherever received, have been considered while finalising the review. The audit findings are discussed in subsequent paragraphs.

Distribution network planning

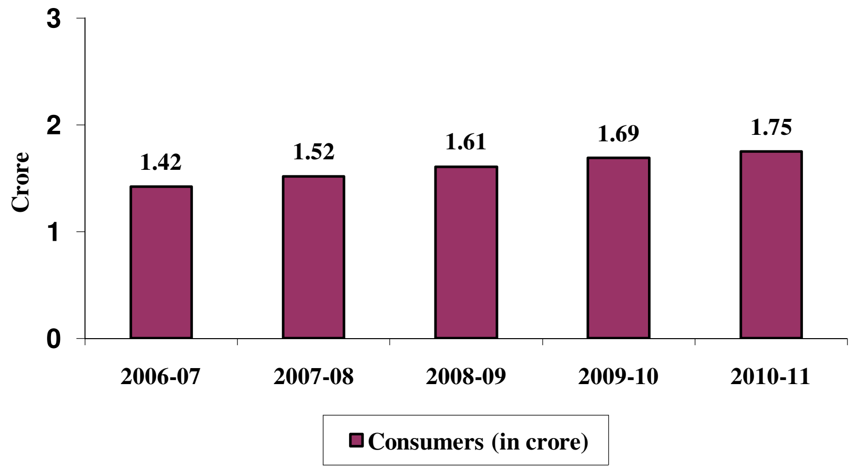
2.1.6 The National Electricity Policy was evolved for achievement of the following aims and objectives.

- Access to electricity –Available for all household in next five years from 2005.
- Supply of reliable and quality power of specified standards in an efficient manner and reasonable rates.

Planning is an essential element in creation of infrastructural facilities for efficient distribution of electricity to cover so as to cover maximum population in the State. Besides the upkeep of the existing network and additions to distribution network are planned keeping in view the demand/connected loads, anticipated new connections and growth in demand. The ESCOMs submit Capital Investment Plans (Capex Plans) to the KERC while projecting the Annual Revenue Requirement. The major components of the outlay include normal development and system improvement works, besides rural electrification and strengthening of information technology (IT) enabled systems.

2.1.6.1 The growth in consumer base[21] during the review period is depicted in the bar diagram below:

Graph 1



The connected load[22] and the transformation capacity to meet the connected load in respect of ESCOMs and the estimated growth by 2012 are given in the

[21] **The LT and HT consumers (year-wise) are given in Annexure 10(a).**
[22] **The ESCOM-wise details are given in Annexure 10(b).**

table below:

Table 1 **Capacity in Mega Volt Ampere (MVA)**

	End of 2006-07		End of 2010-11					Estimated for 2011-12	
	Transfo-rmation Capacity	**Connec-ted load**	**Transfor-mation Capacity**	**Connec-ted load**	**Average percentage increase in transfor-mation capacity during 2007-11**	**Average percen-tage increase in connect-ed load during 2007-11**	**Estimated transfor-mation capacity by 2012**	**Estima-ted connect-ed load by 2012**	**Excess (+) / Deficit (-) in connected load considering 1:1 ratio of transforma-tion capacity to connected load**
BESCOM[23]	10052.87	9970.78	13421.07	13895.31	8.38	9.84	14263.12	14876.44	(-)613.32
CESC	2571.00	2178.90	3164.49	2766.41	5.77	6.74	3312.86	2913.29	399.57
GESCOM	2576.82	3427.07	3175.38	3963.98	5.81	3.92	3325.02	4098.21	(-)773.19
HESCOM	4906.47	5341.34	5729.66	7351.00	4.19	9.41	5935.46	7853.41	(-)1917.95
MESCOM	1902.97	2686.41	2399.23	3226.58	6.52	5.03	2523.30	3361.62	(-)838.32
	22010.13	**23604.50**	**27889.83**	**31203.28**	**6.68**	**8.05**	**29359.76**	**33102.97**	**(-)3743.21**

Source : Part of the data was provided by ESCOMs and part compiled by audit from ledgers, which is subject to confirmation.

A reliable distribution network to provide quality power supply for all by 2012 is doubtful as envisaged in the National Electricity Policy.

The ideal ratio between connected load and transformer capacity is 1:1. The additions to transformation capacity in BESCOM, CESC and HESCOM were not commensurate with the increase in connected load over the last four years (2007-11). There would be a gap between connected loads and transformation capacities at the end of 2011-12 in four ESCOMs (excluding CESC), with reference to the ideal ratio of 1:1. The data on connected load excludes unauthorised connections and hence the connected load could be more than what is presently assessed.

The shortage of adequate capacity for distribution would hamper the objective of providing 'Power for all by 2012' as envisaged in the National Electricity Policy. While the situation in CESC is promising, the situation in HESCOM could be serious, as the addition to connected load was almost twice the increase in transformation capacity during 2007-11.

Reference is also invited to Paragraph 2.1 of the Audit Report (Commercial), Government of Karnataka of the Comptroller and Auditor General of India for the year ended 31 March 2010, wherein it was pointed out that the State would not be able to meet the objective of 'Power for all by 2012' from the point of view of generation.

The inadequacy of the distribution network coupled with the deficit in generation of power to meet the demand could prove a dampener in achieving the main objective of providing 'Power for all by 2012'.

[23] **The KERC in its tariff orders in 2009 and 2010 had observed that despite computerisation of billing activity, BESCOM was unable to furnish details of sanctioned load and slab-wise consumption accurately in its filings with the Commission and had directed BESCOM to improve its database and maintain consistency in the data furnished to the Commission.**

Distribution network planned and achieved

2.1.6.2 The particulars of distribution network planned and achievements there against in the State as per the limited data[24] furnished by the ESCOMs.

A total of 117 sub-stations were added in the three ESCOMs[25] during 2006-11. Capital Expenditure Plans, prepared at the beginning of the year by each ESCOM, included projections for additions to the distribution network. The Karnataka Electricity Regulatory Commission had observed in its various tariff orders (2009 and 2010) that the data on capital expenditure furnished by the ESCOMs were inconsistent and incomplete and contemplated imposition of penalty for non-furnishing of correct data. Penalty, however, was not levied. Audit was furnished (October 2011) with physical and financial achievements of capital budgets for five years in respect of HESCOM and for one year (2010-11) in respect of GESCOM and MESCOM. In view of the observation by KERC and non-availability of data for the review period in respect of all ESCOMs, the achievements of physical and financial targets for the distribution network could not be analysed in audit.

2.1.6.3 In order to assess whether the ESCOMs had adequate plans to provide reliable and quality power supply for all by 2012 as per the prime objective of the National Electricity Policy, the performance of the Central Schemes such as Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) aimed at providing access to electricity to all (free of charge to consumers coming under Below Poverty Line (BPL) category) and Restructured Accelerated Power Development Reform Programme (RAPDRP), aimed at bringing on improvement in the urban distribution sector, were analysed. In addition, specific schemes undertaken by the ESCOMs to provide assured power supply to consumers of Irrigation Pump sets were also reviewed. The findings are given in the succeeding paragraphs.

Implementation of Centrally Sponsored Schemes

Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY)

2.1.7 The National Electricity Policy states that the key objective of development of the power sector is to supply electricity to all areas including rural areas, for which the Government of India (GoI) and State Governments would endeavour jointly.

Accordingly, the GoI launched (April 2005) 'Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY)' with the goal of electrifying all un-electrified villages and providing access to electricity (free of charge to consumers coming under Below Poverty Line (BPL) category) to all households in the next five years. For implementation of the programme, GoI was to provide 90 *per cent* of the expenditure as grant and Rural Electrification Corporation

[24] The details of additions planned to the distribution network are not available in respect of all ESCOMs. The ESCOM-wise details are given in Annexures 11 (a) to(e).

[25] Excludes 228 substations added in BESCOM and CESC, which are under the control of Karnataka Power Transmission Corporation Limited.

(Nodal Agency) the balance 10 *per cent* as loan. The other Rural Electrification (RE) schemes *viz*., 'Accelerated Electrification' of one lakh villages and one crore households, 'Minimum Needs Programme' and 'Kutir Jyoti Programme' were merged into this scheme.

2.1.7.1 As on 31 March 2006, out of 29,406 villages in the State (as per 2001 Census), 28,191 villages[26] were electrified (95.87 *per cent*). Since 28,191 villages were already electrified in terms of the new definition[27] prior to launching of RGGVY, it was decided (2005) to undertake intensive electrification of these villages under RGGVY. Additionally, 69 un-electrified villages were also included in RGGVY. The scheme specified targets in respect of electrification of un-electrified villages and providing power supply to BPL households.

2.1.7.2 ESCOM-wise details of RGGVY works completed are tabulated below:

Table 2

ESCOM	Target			Achievement by 2010-11		
	Intensive electrification of villages	Rural House-holds other than BPL	BPL House-holds	Intensive electrification of villages	Rural House-holds other than BPL	BPL House-holds
BESCOM	10,543	1,79,256	1,88,904	9,534 (90.43)	26,729 (14.91)	1,82,296 (96.50)
CESC	6,071	2,99,422	2,05,120	4,856 (79.99)	23,798 (7.95)	2,19,934 (107.22)
GESCOM	3,932	1,93,090	1,87,575	3,084 (78.43)	20,690 (10.72)	1,32,656 (70.72)
HESCOM	5,141	3,07,734	2,53,739	4,264 (82.94)	17,849 (5.80)	2,15,728 (85.02)
MESCOM	2,504	58,037	42,527	1,869 (74.64)	40,899 (70.47)	35,293 (82.99)
Total	**28,191**	**10,37,539**	**8,77,865**	**23,607 (83.74)**	**1,29,965 (12.53)**	**7,85,907 (89.52)**

Figures in brackets indicate percentage of achievement to targets.

2.1.7.3 Against 28,191 villages selected for intensive electrification, 23,607 villages were intensively electrified at the end of March 2011. The works in respect of balance 4,584 villages were in progress. Further, of the 69 villages identified as un-electrified and taken up for electrification, works were completed in 59 villages (BESCOM-12, CESC - 34 and HESCOM -13) up to the end of March 2011.

In BESCOM intensive electrification works in 9,534 villages out of 10,543 villages were completed under the scheme by September 2009. BESCOM furnished (May 2010) closure reports for completed works to REC under X

[26] **1,146 villages were not inhabited.**

[27] **A village would be declared as 'electrified' if (a) the basic infrastructure such as distribution transformer and distribution lines were provided in the inhabited locality as well as the Dalit Basti hamlet where it existed, (b) electricity was provided to public places like Schools, Panchayat Offices, Health Centers, Dispensaries, Community centers *etc*. and (c) the number of households electrified was at least 10 *per cent* of the total number of households in the village.**

Against the targeted electrification of 8.78 lakh households Below Poverty Line (BPL) and 10.38 lakh other than BPL households, ESCOMs had electrified 7.86 lakh BPL households (89.52 *per cent*) and 1.30 lakh other than BPL households (12.53 *per cent*) respectively up to the end of March 2011.

Plan. The final reports, as required by REC for the works completed under X Plan, have not been submitted by CESC, GESCOM and HESCOM till date (October 2011), though the works were closed during September 2009. While these ESCOMs continued the implementation of RGGVY under XI Plan, MESCOM had taken up the works only under XI plan.

Against the targeted electrification of 8.78 lakh households Below Poverty Line (BPL) and 10.38 lakh other households, the actual achievement was 7.86 lakh BPL households (89.52 *per cent*) and 1.30 lakh other households (12.53 *per cent*). The remaining works were in progress (March 2011).

2.1.7.4 ESCOMs had received funds under RGGVY for rural electrification. The position of availability of funds *vis-à-vis* utilisation during the five years ended March 2011 is given below:

Table 3 **₹ in crore**

Year	Opening Balance	Funds received during the year	Total funds available	Funds Utilised	Unspent (+) / excess spent (-) funds at the end of the year
2006-07	56.31[28]	46.41	102.72	260.05	(-)157.33
2007-08	(-)157.33	365.88	208.55	201.58	6.97
2008-09	6.97	68.46	75.43	134.95	(-)59.52
2009-10	(-)59.52	67.30	7.78	117.13	(-)109.35
2010-11	(-)109.35	62.92	(-)46.43	75.07	(-)121.50

The ESCOMs received funds to the extent of ₹ 683.57 crore from REC up to 2010-11 for implementation of RGGVY, against which ₹ 805.07 crore was utilised. As at the end of 2010-11, an amount of ₹ 130.72 crore[29] was receivable by the four ESCOMs from REC towards the RGGVY works. MESCOM had unspent balance of ₹ 9.22 crore.

In respect of BESCOM, the scheme was closed in September 2009 and 'scheme closure' report submitted in May 2010. BESCOM is yet to receive ₹ 22.73 crore as the final report to the Government for countersignature after certification by Chartered Accountant was forwarded only in March 2011. Further, against an amount of ₹ 1,500 per installation for electrification fixed by REC, BESCOM expended higher amounts per installation resulting in additional expenditure of ₹ 15.74 crore. The extra expenditure incurred to provide improved safety measures were not recoverable.

Similarly, CESC, GESCOM and HESCOM had spent ₹ 25.54 crore, ₹ 7.39 crore and ₹ 15.24 crore respectively in excess of sanctioned amounts for works completed under the X Plan due to increase in cost of installation.

[28] **ESCOMs had received funds of ₹ 72.60 crore prior to 2006-07, of which ₹ 16.29 crore was spent, leaving a balance of ₹ 56.31 crore at the beginning of 2006-07.**

[29] **BESCOM: ₹ 22.73 crore, CESC: ₹ 34.60 crore, GESCOM: ₹ 27.94 crore and HESCOM: ₹ 45.45 crore.**

Restructured Accelerated Power Development Reforms Programme

2.1.8 Government of India (GoI) had approved the Accelerated Power Development Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. This scheme was implemented by the power sector companies through the State Government to upgrade the sub-transmission and distribution system including energy accounting and metering, for which financial support was provided by GoI.

In order to carry forward the reforms process, the GoI had launched the Restructured APDRP (R-APDRP) in July 2008 as a Central Sector Scheme for XI Plan. Projects under R-APDRP scheme were to be taken up in two parts - Part A and B. Part A was dedicated to establishment of IT enabled system for achieving reliable and verifiable base-line data system in all towns besides installation of SCADA[30] /Distribution Management System. For this, 100 *per cent* loan was to be provided. The loan was convertible into grant on completion and verification of the system by third party independent evaluating agencies. Part B of the scheme deals with strengthening of regular sub-transmission and distribution systems and up-gradation of projects.

It was proposed to cover urban areas - towns and cities with a population of more than 30,000 (10,000 in case of special category states). In addition, in certain high-load density rural areas with significant loads, works of separation of agricultural feeders from domestic and industrial ones and High Voltage Distribution System (11kV) were also required to be taken up. Further, in respect of towns/areas for which projects were sanctioned in X Plan, R-APDRP was to be considered for XI Plan only after completion or short closure of the projects sanctioned earlier.

2.1.8.1 The Ministry of Power, GoI, sanctioned projects covering 100 towns of Karnataka under Part A at an outlay of ₹ 469.60 crore. The GoI, through Power Finance Corporation (PFC), had sanctioned (February 2009) ₹ 391.71 crore[31] as loan (convertible into grant). The terms of the loan agreement stipulated completion of implementation by February 2012. The balance of ₹ 77.89 crore was required to be met by the ESCOMs.

The details of funds released by GoI (through PFC), utilisation and balances in respect of ESCOMs are given below:

Table 4 **₹ in crore**

Year	Opening balance	Funds released by GoI	Funds utilised	Balance	Percentage of funds utilized to funds available
2009-10	-	108.78	24.39	84.39	22.42
2010-11	84.39	24.10	23.09	85.40	21.28

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[30] **Supervisory Control and Data Acquisition generally refers to industrial control systems and computer systems that monitor and control industrial, infrastructure or facility-based processes.**

[31] **BESCOM (₹ 261.92 crore), CESC (₹ 27.73 crore), GESCOM (₹ 37.37 crore), HESCOM (₹ 52.62 crore) and MESCOM (₹ 12.07 crore).**

The progress in respect of Part-A and Part-B of R-APDRP works are discussed below:

Establishment of IT enabled system

Under R-APDRP, the agency appointed for implementation of IT enabled system had not yet completed (September 2011) even the pilot projects and, hence the chances of conversion of loan of ₹ 391.71 crore into grant were remote.

2.1.8.2 The Part – A of R-APDRP scheme was dedicated to establishment of IT enabled system and SCADA/Distribution Management System. In order to have an integrated and unified solution, carrying out the entire work in all the ESCOMs through a single vendor was envisaged. BESCOM was entrusted with the responsibility of inviting tenders for selection of IT consultants and IT implementing agency. Accordingly, Reliance Infrastructure Limited (RIL) was appointed (June 2009) as the IT consultant at a cost of ₹ 2.50 crore and Infosys Technologies Limited was appointed (December 2009) as the agency to implement Part-A of the scheme at a cost of ₹ 386.68 crore. In terms of the contracts with the above agencies, pilot projects were to be completed by December 2010 and enterprise-wide implementation of IT enabled systems in all the selected areas were to be completed by June 2011.

It was however, observed that the implementing agency had not completed even the pilot projects (September 2011), which were required to be completed by December 2010.

The loan amount of ₹ 391.71 crore sanctioned by GoI would not be converted to grant unless the ESCOMs complete the projects in all the 100 identified towns by February 2012 as per the terms of the agreement governing sanction of loan. Since even the pilot projects are not completed, the possibility of completing the projects within the stipulated period is remote. The conversion of loan of ₹ 391.71 crore into grant is, therefore, doubtful.

Strengthening of sub-transmission and distribution systems

2.1.8.3 Part B of the scheme deals with strengthening of regular sub-transmission & distribution systems and also upgradation of the distribution system. The focus of the scheme was on reduction of Aggregate Technical & Commercial (AT & C) losses on sustainable basis and to strengthen the distribution. Funds to the extent of 25 *per cent* of the cost were to be provided as loan by GoI and the balance 75 *per cent* was to be arranged by the ESCOMs from the Financial Institutions/Power Finance Corporation. Up to 50 *per cent* of the loan along with its interest was convertible into grant on completion of the project within the stipulated time, maintaining it for five years and on achieving the target of 15 *per cent* set for AT&C losses.

An amount of ₹ 949.32 crore was sanctioned (March/June 2010) under Part B, covering 88 towns excluding areas under MESCOM jurisdiction as the AT&C losses in MESCOM were already less than 15 *per cent*. Though funds to the extent of ₹ 102.85 crore[32] were released during 2010-11, the works were not started till March 2011. BESCOM awarded (March 2011) works for all the 24

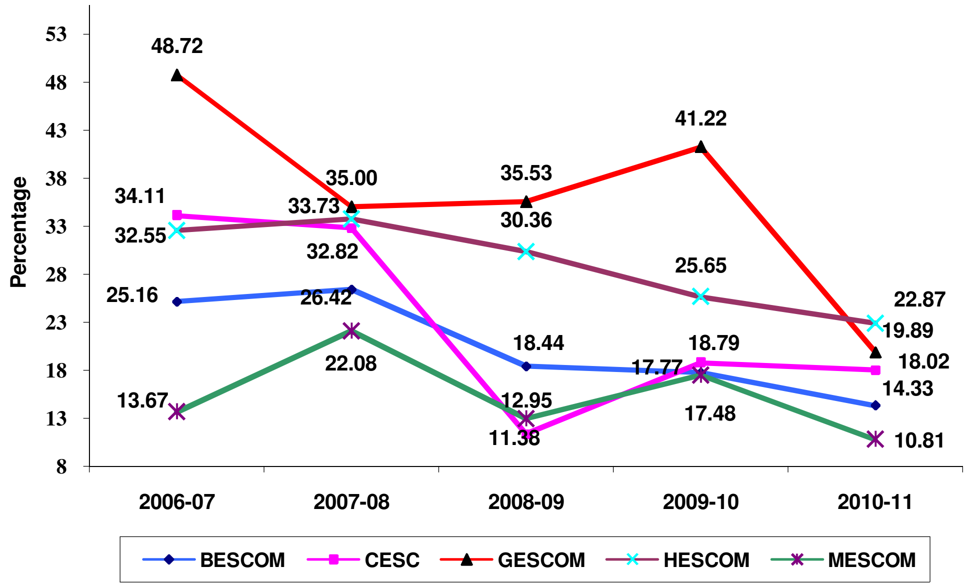
[32] **BESCOM (₹ 43.78 crore), CESC (₹ 28.96 crore) and GESCOM (₹ 30.11 crore).**

towns at the cost of ₹ 292 crore on total turnkey basis. In respect of CESC, the works were under various stages of tendering (September 2011).

Aggregate Technical & Commercial Losses

2.1.8.4 The Aggregate Technical and Commercial (AT&C) losses[33] during the review period in the ESCOMs[34] are represented by the graph below:

Graph 2



2.1.8.5 The ESCOMs were able to reduce AT&C losses substantially by the end of 2010-11 as compared to 2006-07 due to drastic reduction in distribution losses. Further, 100 *per cent* metering of 11kV/33kV feeders as well as consumer metering are yet to be achieved, especially in respect of IP sets.

At the end of 2010-11, only BESCOM and MESCOM were able to bring down the AT&C losses below the norm of 15 *per cent*.

The Government had informed (October 2011) that the AT&C losses were higher in 2006-08 in respect of CESC because the payments from Urban Local Bodies and Irrigation Pump set consumers had not been received.

Consumer metering

2.1.8.6 Total metering of consumption is essential to achieve higher efficiency in energy sales to control theft and to identify misuse of electricity and unauthorised loads. The ESCOMs, in the annual filings submitted to the KERC, had held that metering of IP sets was a difficult task as it was being opposed by a set of IP set consumers. KERC had observed in its tariff orders

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[33] **It is the difference between energy input units into the system and the units for which the payment is collected.**

AT&C Loss (*per cent*) = [{(Energy Input – Energy Realised)} / Energy Input] X100

Energy Realised = Energy Billed X Collection Efficiency

Collection Efficiency (*per cent*) = (Amount Realised / Amount Billed) X100.

[34] **CESC and GESCOM figures for the year 2010-11 are provisional.**

that continuation of supply to unmetered categories of consumers violated the provisions of Section 55 of Electricity Act, 2003. KERC had been directing[35] the ESCOMs to meter all direct connections and replace defective meters (meter-not-reading), time and again.

2.1.8.7 The following table highlights the number of unmetered categories (KJ/BJ, IP sets, Street lights) in ESCOMs at the end of 2010-11.

Table 5

Particulars		BESCOM	CESC	GESCOM	HESCOM	MESCOM	Total
Bhagya Jyothi (BJ)/ Kutir Jyothi (KJ)	No. of installations	6,73,285	4,89,009	5,49,794	7,52,366	1,66,350	26,30,804
	No. of metered installations	6,66,737	4,70,031	4,02,525	6,27,571	1,50,547	23,17,411
	No. of unmetered installations	6,548	18,978	1,47,269	1,24,795	15,803	3,13,393
	Percentage of unmetered installations	0.97	3.88	26.79	16.59	9.50	11.91
IP Sets	No. of installations	6,01,727	2,25,910	2,72,607	5,04,005	2,04,603	18,08,852
	No. of metered installations	56,112	77,870	71,776	1,51,688	1,89,108	5,46,554
	No. of unmetered installations	5,45,615	1,48,040	2,00,831	3,52,317	15,495	12,62,298
	Percentage of unmetered installations	90.67	65.53	73.67	69.90	7.57	69.78
Street lights	No. of installations	47,824	17,593	9,484	17,436	1,4951	1,07,288
	No. of metered installations	47,824	16,844	8,970	17,436	1,4951	1,06,025
	No. of unmetered installations	0	749	514	0	0	1,263
	Percentage of unmetered installations	0	4.26	5.42	0	0	1.18

All the ESCOMs (except MESCOM) failed to achieve significant progress in metering of Irrigation Pump sets.

The ESCOMs (except MESCOM) have to improve metering of IP sets. Nevertheless, substantial progress has been achieved in all the ESCOMs in metering of street lights and BJ/KJ installations.

While 90.67 *per cent* of IP sets were not metered in BESCOM, 92.43 *per cent* of IP sets were metered in MESCOM, indicating lop-sided implementation of metering in the State.

It is to be noted that KERC in its various tariff orders, while reiterating the requirement for 100 *per cent* metering, had warned that action would be taken against the ESCOMs in accordance with the Electricity Act for non-achievement.

Implementation of other schemes

2.1.8.8 In addition to the centrally sponsored schemes undertaken by the ESCOMs as enumerated above in Paragraph 2.1.7 and 2.1.8 the ESCOMs had undertaken (2003-04) Gram Jyothi Scheme (GJS) with the objective of providing assured hours of power supply to Irrigation Pump sets (IP sets)

[35] **Tariff orders 2006 (October 2006), 2008 (January 2008), 2009 (November 2009) and 2010 (December 2010).**

customers and continuous power supply to non-IP set customers. The pilot projects undertaken in five stations were discontinued (2004) after spending ₹ 7.43 crore to give way to another scheme called Rural Load Management System (RLMS) scheme.

The RLMS scheme was undertaken (2004-05) with the same objectives. We had observed[36] that the main objective of the RLMS was not achieved in BESCOM and HESCOM, which had expended a total of ₹ 413.82 crore. This scheme was discontinued during 2008-09. The scheme, implemented at a cost of ₹ 67.72 crore (March 2010) in MESCOM, however, was working successfully.

The ESCOMs are in the process of implementing (2009-10) yet another scheme called Niranthara Jyothi by drawing exclusive feeders for irrigation loads to achieve the same objectives of the RLMS. The scheme is in early stages of implementation (March 2011).

Operational efficiency

2.1.9 The operational performance of an ESCOM is judged on the basis of availability of adequate power for distribution, adequacy and reliability of distribution network, line losses, detection of theft of electricity, *etc*. These aspects are discussed below.

Purchase of power

2.1.10 The demand for energy in the State has been increasing**.** The power requirement of the State is determined by the Energy Department on the basis of the requirements of the ESCOMs and the forecast of the State Load Despatch Centre (SLDC) of KPTCL. The ESCOMs prepare the projections and submit it to the KERC for approval.

The ESCOMs have entered into Power purchase agreements for purchase of long term power. PCKL on behalf of the ESCOMs arranges short-term power either through energy exchange or through bidding process.

The power so procured is allocated[37]amongst the ESCOMs and the bidders/ suppliers raise invoices on each ESCOM against supplies.

It was reported to the KERC that assessment of future demand and requirement of power was calculated on the basis of past consumption trend, present requirement, load growth trend and transmission and distribution (T & D) losses.

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[36] **The performance review on the implementation of the RLMS by ESCOMs between 2006-07 and 2009-10 is included in Paragraph 2.2 of the Report (Commercial), Government of Karnataka of the Comptroller and Auditor General of India for the year ended March 2010.**

[37] **For 2010-11, the percentage of power allocation was BESCOM (49.62 *per cent*), CESC (10.61 *per cent*), GESCOM (13.26 *per cent*), HESCOM (18.18 *per cent*) and MESCOM (8.33 *per cent*).**

2.1.10.1 The details of demand for power assessed for the State on the basis of All India 17th Electric Power Survey (EPS), demand projected to the KERC by the ESCOMs, purchase of power approved by KERC and actual power purchased during the period 2006-07 to 2010-11 in respect of all ESCOMs are given below:

Table 6 **in Million Units**

Year	Demand assessed in EPS	Demand assessed as per ARR/ERC/ MYT filing	Purchases approved by KERC at time of filing ARR	Actual Power purchased	Excess/(Shortfall) in purchase against approved by KERC
(1)	(2)	(3)	(4)	(5)	(6) = (5-4)
2006-07	39,646	37,594.93	34,538.06	40,823.68	6,285.62
2007-08	42,101	43,131.43	40,552.08	40,479.59	(72.49)
2008-09	44,709	46,846.30	44,018.07	42,297.38	(1,720.69)
2009-10	47,477	51,163.92	47,730.89	42,770.07	(4,960.82)
2010-11	50,417	47,325.01	45,634.35	47,212.48	1,578.13

Though KERC had been approving power purchase of quantities lesser than what was being projected by ESCOMs, it was approving the actual power purchases (both quantum and cost) at the time of annual true-up exercise[38] during the course of next tariff revision. The Government endorsing the reply of CESC stated (October 2011) that as per the information furnished by the Company the demand forecast made by adopting a hybrid of Estimated Power Supply laced with hours of supply was in order, while the KERC had concentrated on Cumulative Average Growth Rate of capacity for arriving at the demand forecast. In respect of other ESCOMs, no reply has been furnished (October 2011).

2.1.10.2 In line with the Tariff Policy of the Government, KERC also approves the sources of purchase of power and the purchase cost, based on the estimated sales to different categories of consumers and the normative transmission and distribution losses. Major portion of the power requirement is met through generation by the Karnataka Power Corporation Limited (KPCL) and Central Generating Stations (CGS) and registered IPPs. Power is procured through short term power purchase agreements and power exchanges to cover the shortage. The source-wise purchase of power and the cost (per unit) of purchase during review period are given in **Annexure 12**.

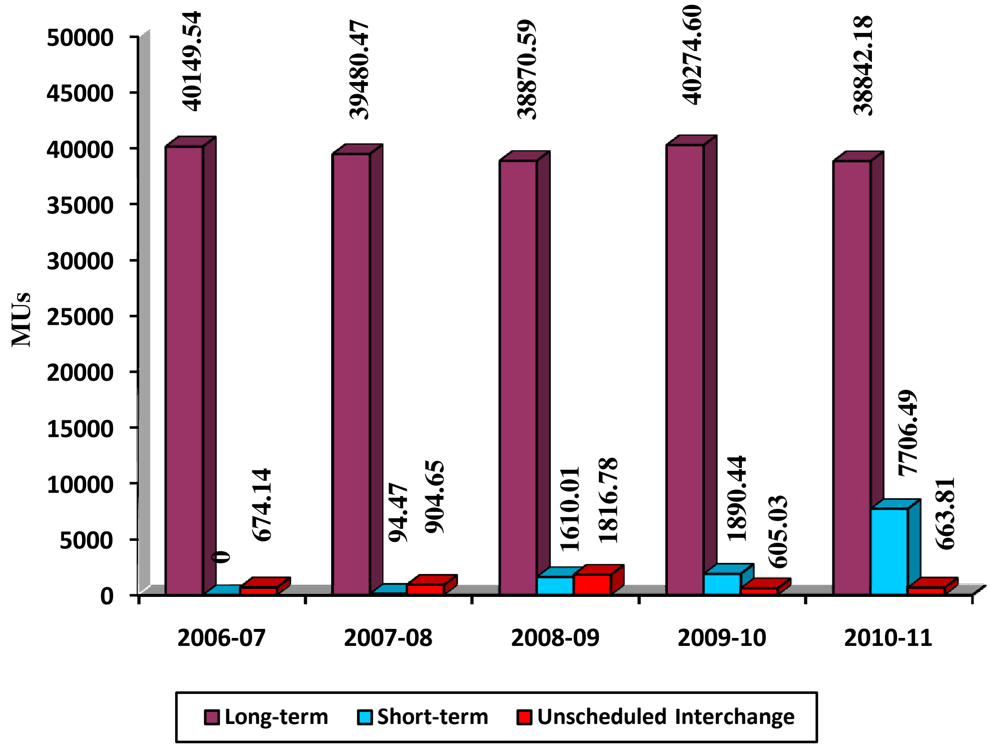
2.1.10.3 Energy is transmitted through the regional grid up to the connection points of KPTCL from where power is distributed to ESCOMs. The ESCOMs are required to maintain grid standards (like voltage profile, drawal of energy as per schedule *etc.,*) fixed by the Central Electricity Authority (CEA) to maintain grid security. The ESCOMs have to restrict their day-to-day net drawal of energy from the regional grid within the schedule. Excessive drawal

[38] **A periodic mechanism for adjustment of a Tariff based on pre-defined parameters to account for errors in estimations and forecasts, for differences in the elements of costs and revenues actually incurred or realized from the projected costs and revenues anticipated under the Tariff and the applicable Tariff Formula (Source : MYT Regulations).**

invites payment of unscheduled interchange (UI) charges. UIs are power cost charges at higher rates based on the frequency of the power prevailing at the time of drawal of power.

2.1.10.4 The total power purchased (as mentioned in previous table) with break-up of long-term, short-term and unscheduled interchange (UI) is given below:

Graph 3



We observed that there had been shortage of power in the State despite significant capacity additions by the State Government. One of the reasons for this shortage was that the demand for electricity had grown faster than the increase in supply. To overcome the shortage, the State had resorted to purchase of short-term power at high cost from all available sources. The recovery of the high cost of power purchase had generally been through increase in tariff for supply and subsidy from the State Government.

It could be seen from the above diagram that between the years 2006 and 2011, there was reduction in drawal of long-term power and increase in purchase of short term power. We had observed[39] that the main reasons for reduction in supply of long-term power were increased forced outages and under-performance[40] in the operation of Raichur Thermal Power Station

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[39] **Reference is invited to the Paragraphs 2.1.66 to 2.1.74 of the Audit Report (Commercial), Government of Karnataka of the Comptroller and Auditor General of India for the year ended March 2010.**

[40] **The percentage of forced outages to total available hours increased from 2.08 in 2006-07 to 11.78 in 2008-09 and was 8.22 in 2009-10. Further, the Plant Load Factor (PLF) of RTPS, which was 89.18 in 2006-07 dropped to 81.68 in 2008-09 and 80.78 in 2009-10. The PLF of BTPS, a new unit, was only 65.32 in 2009-10.**

(RTPS) and Bellary Thermal Power Stations (BTPS) during 2008-10. The reduction in long term power was noticed in spite of addition of 1,016 Mega Watt (MW)[41] of long term power to the grid during 2006-11 by the Karnataka Power Corporation Limited (KPCL), a State Government Company.

During 2008-11 ESCOMs incurred extra expenditure of ₹ 793.93 crore on energy purchases at Unscheduled Interchange charges and ₹ 3,058.93 crore on short term purchases.

During the period 2006-11, short term power of 11,301.41 MUs were purchased at average rates ranging between ₹ 4.96 and ₹ 14.63 per unit and 4,664.41 MUs at UI rates. The extra cost as compared to cost per unit of long term power, which was paid during 2006-11 for short term high cost purchases was ₹ 3,176.53 crore and UI charges paid in the same period worked out to ₹ 1,153.57 crore. Of this, the extra cost incurred during the period 2008-11 for purchase of short term power and UI charges were ₹ 3,058.93 crore and ₹ 793.93 crore respectively.

The Government informed (October 2011) that in order to meet the demand-supply gap and maintain grid discipline, overdrawal was inevitable and the overdrawal invited UI charges. The Government also informed (October 2011) that the issue was system specific and could be controlled when the Load Dispatch Centre and SCADA centres of all ESCOMs were interconnected and fully operational.

The points noticed in respect of purchase of power are discussed in succeeding paragraphs.

Delay in signing Power Purchase Agreements

2.1.10.5 The Government had allowed[42] (August/September 2009) CESC to purchase power from three wind mill plants with installed capacity of 1.5 MW each. The tariff approved (January 2005) by KERC for such projects was ₹ 3.40 per unit. However, the PPA was signed only in March 2010 *i.e.,* after six months with validity of 10 years.

Meanwhile, KERC issued (December 2009) new tariff orders for renewable energy sources. The tariff for wind mill projects, where PPAs were concluded after January 2010, was fixed at ₹ 3.70 per unit. As CESC had delayed the agreement the extra expenditure during the currency of the contract would be ₹ 2.58 crore.

The Government had informed (October 2011) that the acceptance was delayed because three suppliers had not submitted complete documents in respect of clearance from KPTCL and Electrical Inspectorate. Further, it was stated that the revision of rates by KERC was a coincidence and CESC would not incur loss.

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[41] **BTPS Unit 1 (500 MW), Nagjhari Power House (30 MW), Varahi Underground Power house (230 MW), RTPS Unit 8 (250 MW), Solar Photovoltaic (6 MW).**

[42] **Apart from power supply to pool account, power projects are allotted to respective ESCOMs by the Government.**

Investment in PCKL

2.1.10.6 As per Section 14 of the Electricity Act, 2003, the ESCOMs are deemed licence holders to trade in power as distribution companies. Nevertheless, the State Government accorded (May/July 2007) approval to form a Special Purpose Vehicle *viz.,* Power Company of Karnataka Limited (PCKL) to take up the work of inviting tariff based bids for establishment of Power Projects through competitive bidding and to trade in power. The PCKL proposed to obtain Category 'F' inter-state trading license to facilitate purchase of power for ESCOMs. In order to meet the net worth requirement of ₹ 20 crore for PCKL to obtain the license, BESCOM contributed (January 2008) ₹ 10 crore, while the other four ESCOMs contributed ₹ 2.5 crore each to PCKL.

As the net worth requirement for obtaining the licence increased (February 2009) from ₹ 20 crore to ₹ 50 crore, PCKL decided to keep on hold the process of obtaining the license. We observed that PCKL has neither issued equity shares nor refunded the amount to the ESCOMs till date (June 2011).

The PCKL replied (June 2011) that the Government of Karnataka had incorporated the Company to act as a facilitator for purpose of administrative convenience and for better control over trading activities. The fact remained that the inter-state trading license was not obtained (June 2011).

COPU had instructed (November 2010) one of the ESCOMs, *viz.,* the HESCOM, to obtain refund of the amount of ₹ 2.5 crore paid by them, with interest. The matter has been referred to the GoK.

Sub-transmission and distribution losses

2.1.11 The distribution system is an important and essential link between the power generation source and the consumer of electricity. Some energy is lost in the network during distribution, when carried from source of generation to the consumers. For efficient functioning of the system, it must be ensured that there is minimum loss in sub-transmission and distribution of power. The losses at 33KV stage are termed sub-transmission losses while those at 11 KV and below stages are termed distribution losses. This difference between energy received (paid for) by the distribution Company and energy billed to consumers is termed transmission and distribution (T&D) losses.

The percentage of losses to available power indicates the effectiveness of distribution system. The losses occur mainly on two counts, *i.e.*, technical and commercial. Technical losses occur due to the inherent character of equipment used for transmitting and distributing power and resistance in conductors through which the energy is carried from one place to another. The commercial losses are due to theft of energy, defective meters and unmetered supply.

The details of transmission losses in the ESCOMs in the State as a whole for the five years up to 2010-11 are given below:

Table 7

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Total power purchased (in MUs)	40,823.68	40,479.59	42,297.38	42,770.07	47,212.48
2	Power available for Sale (in MUs)	38,190.46	38,103.38	39,893.17	40,942.10	44,592.03
3	Transmission loss (in MUs)	2,633.22	2,376.21	2,404.21	1,827.97	2,620.45
4	Percentage of transmission loss (Sl.No.3 /Sl.No.1) x 100	6.45	5.87	5.68	4.27	5.55
5	Percentage of loss allowed by KERC	4.06	4.06	4.03	4.00	4.00
6	Excess transmission loss (in MUs)	975.78	732.74	699.63	372.43	809.27
7	Average realization rate per unit (in ₹)	3.630	3.774	3.676	4.012	4.534
8	Value of excess transmission loss (₹ in crore) (Sl.No.6 x Sl.No.7)	354.21	276.54	257.18	149.42	366.92

The percentage of transmission loss was higher than that prescribed by KERC in all the years and the energy lost during 2006-11 was 3,589.85 MUs. The loss of revenue suffered by ESCOMs on this count was ₹ 1,404.27 crore.

2.1.11.1 The table below indicates the energy losses due to distribution in the ESCOMs in the State as a whole in the five years up to 2010-11.

Table 8

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Power available for sale (in MUs)	38,190.46	38,103.38	39,893.17	40,942.10	44,592.03
2	Energy sold (in MUs)	28,452.82	29,987.93	32,225.38	33,810.25	37,215.10
3	Distribution loss (Sl.No.2 – Sl.No.1) (in MUs)	9,737.64	8,115.45	7,667.79	7,131.85	7,376.93
4	Percentage of distribution loss (Sl.No.3 /Sl.No.1) x 100	25.50	21.30	19.22	17.42	16.54
5	Percentage of loss allowed by KERC [43]	Different for each ESCOM. However, the weighted averages of all ESCOMs are as follows				
		22.66	21.76	20.87	18.54	16.75

The distribution losses showed a declining trend from 25.50 *per cent* in 2006-07 to 16.54 *per cent* in 2010-11.

The distribution losses were within the norms during the last five years (except in 2006-07) considering ESCOMs as a whole. Further, the distribution losses showed a declining trend from 25.50 *per cent* in 2006-07 to 16.54 *per cent* in 2010-11.

We, however, observed that during the period 2006-11, there were variations between the norms prescribed by KERC and actual distribution losses in each

[43] **KERC had prescribed only ESCOM-wise distribution losses. The norm for distribution loss for the State as a whole is worked out considering the weighted average of norm prescribed for individual ESCOMs by KERC.**

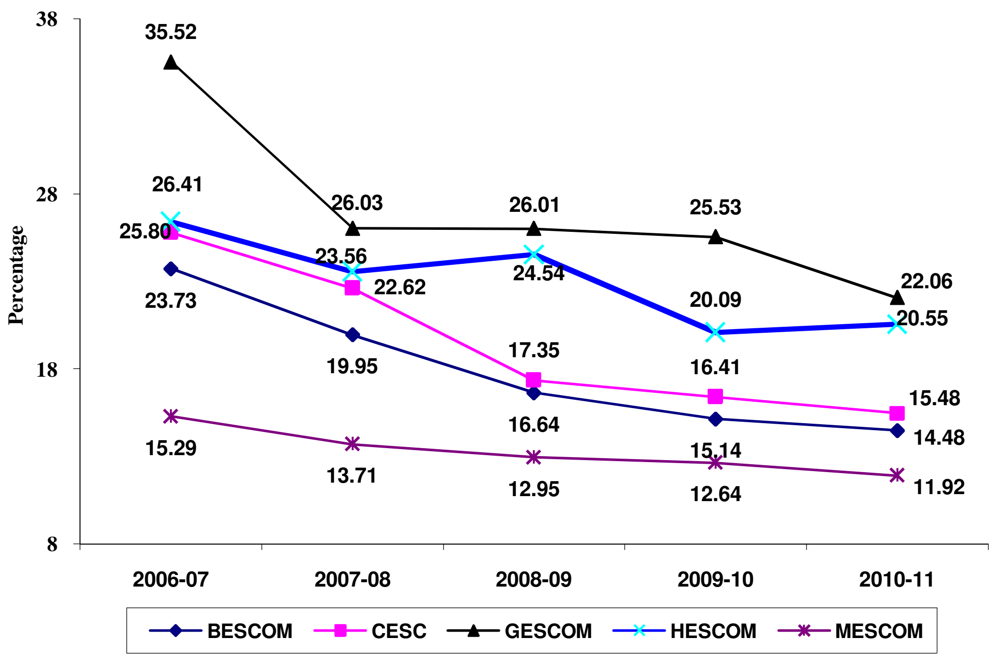
of the ESCOMs as detailed below:

Table 9 **in percentage**

ESCOM	2006-07		2007-08		2008-09		2009-10		2010-11	
	Norm fixed by KERC for distri-bution loss	Actual energy loss	Norm fixed by KERC for distri-bution loss	Actual energy loss	Norm fixed by KERC for distri-bution loss	Actual energy loss	Norm fixed by KERC for distri-bution loss	Actual energy loss	Norm fixed by KERC for distri-bution loss	Actual energy loss
BESCOM	20.50	23.73	20.00	19.95	19.00	16.64	16.00	15.14	14.75	14.48
CESC	25.03	25.80	22.00	22.62	21.00	17.35	19.50	16.41	15.50	15.48
GESCOM	29.23	35.52	27.05	26.03	26.50	26.01	24.02	25.53	23.00	22.06
HESCOM	24.99	26.41	25.00	23.56	24.00	24.54	22.50	20.09	20.00	20.55
MESCOM	15.00	15.29	14.90	13.71	14.80	12.95	14.60	12.64	12.50	11.92

2.1.11.2 The ESCOM-wise distribution losses during the period 2006-11 are depicted below graphically:

Graph 4



2.1.11.3 None of the ESCOMs were able to achieve the norms fixed by KERC in 2006-07. By 2010-11, the distribution losses were below the norm fixed by KERC in all ESCOMs (except HESCOM). The loss suffered by ESCOMs[44] due to non-achievement of the norms which was ₹ 394.53 crore in 2006-07 decreased to ₹ 21.60 crore during 2010-11.

2.1.11.4 In accordance with the Multi-Year Tariff Regulations (MYT), three limits for distribution losses are prescribed by KERC *viz.,* upper, lower and average limits and in the event of the actual distribution losses exceeding the approved upper limit, penalty is leviable for non-achievement of targeted level of loss. Similarly, incentives are allowed by KERC if the actual distribution

[44] **The ESCOM-wise details are given in Annexure 13.**

losses are within the approved lower limit and such benefits are added to the annual revenue requirement of the ESCOMs.

KERC in its tariff order 2010 issued in December 2010, while appreciating the loss reduction efforts made by BESCOM and MESCOM, allowed incentive of ₹ 64.23 crore and ₹ 9.77 crore respectively for 2008-09. Similarly, incentives of ₹ 24.72 crore and ₹ 10.17 crore were allowed for 2009-10 for CESC and HESCOM respectively. It was also observed that KERC had imposed penalty of ₹ 3.82 crore on HESCOM in 2008-09 and ₹ 8.75 crore on GESCOM for the year 2009-10 for exceeding the upper limits of distribution losses.

Inadequate transformation capacity

2.1.11.5 Transformer is a static device installed for stepping up or stepping down voltage in transmission and distribution of electricity. The energy received at high voltages (110 KV, 66 KV and 33 KV) from primary sub-stations of the transmission Company is transformed to lower voltage (11 KV) to make it usable. In order to cater to the entire connected load, the transformation capacity should be adequate. The ideal ratio of transformation capacity to connected load is considered to be 1:1. The table below indicates the details of transformation capacity and connected load of the consumers in the State during the period 2006-11.

Table 10 **in MVA**

Year	Transformation Capacity	Connected load	Gap in transformation capacity	Ratio of transformation capacity to connected load
2006-07	22,010.13	23,604.50	1,594.37	0.93:1
2007-08	23,394.22	25,723.32	2,329.10	0.91:1
2008-09	24,858.20	27,161.14	2,302.94	0.92:1
2009-10	26,395.76	29,067.42	2,671.66	0.91:1
2010-11	27,889.83	31,203.28	3,313.45	0.89:1

The ratio of transformation capacity to total connected load during the period 2006-11 was close to 0.91:1.

2.1.11.6 The ratios of transformation capacity to connected load during 2006-11 in respect of ESCOMs are given below:

Table 11

ESCOM	2006-07	2007-08	2008-09	2009-10	2010-11
BESCOM	1.01	0.98	0.98	0.99	0.97
CESC	1.18	1.05	1.18	1.23	1.14
HESCOM	0.92	0.91	0.86	0.79	0.78
GESCOM	0.75	0.78	0.80	0.81	0.80
MESCOM	0.71	0.70	0.70	0.71	0.74

As at end of 2010-11, BESCOM and CESC had adequate transformation capacity to meet the connected load, whereas other ESCOMs had not achieved the optimal ratio of 1:1. In fact, in HESCOM, the ratio was slipping, pointing to a situation where addition to transformation capacity was not commensurate with the increase in connected load or there was no capacity addition.

Performance of Distribution Transformers

2.1.11.7 The KERC had fixed limits of failures of Distribution Transformers (DTRs) in its tariff orders. The norms fixed, DTRs failed and the expenditure incurred on repairs are depicted in the table below:

Table 12

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Existing DTRs at the close of the year (in Number)	2,71,500	2,98,086	3,27,807	3,54,573	3,80,163
2	DTR failures (in Number)	34,598	36,934	39,052	45,534	41,530
3	Percentage of failures	12.74	12.39	11.91	12.84	10.92
4	Norms allowed by KERC (*per cent*)	Different norm for each ESCOM				
5	Expenditure on repair of failed DTRs (₹ in crore)	50.49	58.93	64.78	78.60	87.94

2.1.11.8 The percentages of DTR failure were in excess of the maximum percentage of 12 *per cent* in all the years except in 2008-09 and 2010-11 (allowed for rural DTRs as per the standard of performance prescribed by KERC).

The percentages of failures of distribution transformers were more in CESC and GESCOM than the norms prescribed by KERC.

The ESCOM-wise failures of DTRs are given in **Annexure 9(a).** It could be observed that there was a declining trend in DTR failures in ESCOMs. However, the failures of transformers were high in CESC and GESCOM as compared to other ESCOMs during the period 2006-07 to 2010-11.

Analysis of causes for failures of DTRs done by ESCOMs showed that over-loading was the main reason for premature failures, besides poor preventive maintenance, defective earthing/lightning arrestors, which were controllable in nature. The percentages of failures due to over-loading during the last five years are given below:

Table 13

Year	Total number of failures of DTRs	Number of failures due to over-loading	Percentage of failures due to over-loading to total number of failures excluding manufacturing defects
2006-07	34,598	10,253	29.63
2007-08	36,934	9,305	25.19
2008-09	39,052	9,917[45]	31.27
2009-10	45,534	12,012	26.38
2010-11	41,530	10,997	26.48

[45] **Data for 2008-09 excludes CESC as the information was not made available.**

2.1.11.9 The details of failures of DTRs due to over-loading in each ESCOM are given in **Annexure 9(b).** The following were observed:

- Percentage of failures due to over-loading as compared to total failures of DTRs was unusually high in BESCOM, ranging between 52.04 and 61.80 mainly due to existence of unauthorised Irrigation Pump sets. These IP sets were in areas declared as 'Dark and Grey' by the Government on account of depletion of ground water table. As such, the ESCOMs could not regularize these unauthorised IP sets. In order to bring down the number of unauthorised IP sets, KERC had directed (December 2010) BESCOM in the Tariff Order 2010 to take up the issue with Government.

- In GESCOM, percentage of failures due to over-loading as compared to total failures of DTRs increased from 24.91 *per cent* in 2006-07 to 30.94 *per cent* in 2010-11.

- In MESCOM, percentage of failures due to over-loading as compared to total failures of DTRs declined from 8.88 *per cent* in 2006-07 to 4.23 *per cent* by 2010-11.

Preventing over-loading and conducting periodical maintenance are the key measures to minimize failure of DTRs.

Delay in repair of Distribution Transformers

2.1.11.10 The ESCOMs undertake repairs of damaged transformers through outside agencies. The time limit prescribed for return of repaired transformers was 30 days. Instances of delays ranging from one day to 412 days, beyond the permissible limits, were observed in GESCOM. GESCOM had not levied penalty for the delays in spite of provision in the contract. In other ESCOMs, the performance of repair of transformers was found to be adequate in test checked divisions.

Capacitor Banks

2.1.11.11 Capacitor Bank improves power factor by regulating current flow and voltage regulation. In the event of voltage falling below normal levels, the situation can be redeemed by providing sufficient capacitor banks to the system to improve the voltage profile and reduce dissipation of energy to a great extent, thereby saving loss of energy. Audit observations in respect of three[46] ESCOMs are given below:

- In GESCOM, against the targeted addition of capacitor banks of 1,310 Mega Volt Ampere Reactive (MVAR) Power during the period 2006-11, the actual addition was only 560 MVAR (42.75 *per cent*). The shortfall in addition of capacitor banks led to loss in energy of 68.90 MUs valued at ₹ 25.51 crore.

- In HESCOM, against the targeted addition of capacitor banks of

[46] **Excludes BESCOM and CESC as they do not have sub-stations of their own.**

577.50 Mega Volt Ampere Reactive (MVAR) Power during the period 2006-11, the actual addition was only 280 MVAR (48.48 *per cent*). HESCOM had informed (July 2011) Audit that it would be difficult to work out or bifurcate energy savings for individual capacitor banks since the loss of energy depended on current factor, length of feeder, type of conductor and connected load.

- In MESCOM, against the targeted addition of capacitor banks of 37.20 MVAR during 2006-11, the actual addition was only 5.80 MVAR (15.59 *per cent*). The shortfall in addition of capacitor banks led to loss in energy of 5.55 MUs valued at ₹ 2.26 crore.

Commercial losses

2.1.11.12 The commercial losses occur due to improper consumer metering, billing and collection, besides theft. The metering and billing aspects are covered under implementation of R-APDRP scheme and billing efficiency in Paragraphs 2.1.8 and 2.1.12 respectively. The other observations relating to commercial losses are discussed below:

Implementation of LT-less system

2.1.11.13 High Voltage Distribution System is an effective method to reduce technical losses, prevent theft, improve voltage profile and provide better consumer service. Against the norm of 1:1 prescribed by KERC, the actual High Tension (HT) : Low Tension (LT) ratio in all the ESCOMs (consolidated)[47] ranged between 0.43:1 and 0.47:1. The ESCOM-wise HT - LT ratios during 2006-11 are given below:

Table 14

ESCOM	2006-07	2007-08	2008-09	2009-10	2010-11
BESCOM	0.44	0.45	0.46	0.48	0.49
CESC	0.37	0.39	0.41	0.42	0.43
GESCOM	0.44	0.45	0.46	0.47	0.48
HESCOM	0.50	0.51	0.51	0.52	0.53
MESCOM	0.33	0.34	0.35	0.36	0.36
TOTAL	**0.43**	**0.44**	**0.45**	**0.46**	**0.47**

ESCOMs need to achieve HT - LT line ratio of 1:1 through implementation of high voltage distribution system for reduction in technical losses, to prevent theft and to improve the voltage profile.

[47] **The ESCOM-wise details of HT and LT lines are given in Annexures 11 (a) to (e).**

Conversion of LT conductors into Aerial Bunch Cables

2.1.11.14 Aerial Bunch Cables[48] prevent illegal tapping of low voltage distribution lines and help in reducing over-loading of Distribution Transformers and maintaining voltage of the supply. It was observed that CESC, GESCOM and HESCOM had not taken up the conversion of LT conductors into aerial bunch cables. Though such conversion works were taken up in BESCOM and MESCOM, the progress was insignificant as only 377.35 KMs and 7.313 KMs respectively of LT conductors were converted to Aerial Bunch Cables at the end of March 2011.

Theft of energy

2.1.11.15 Substantial commercial losses were caused by theft of energy through tampering of meters by consumers and unauthorised tapping/hooking by non-consumers. As per Section 135 of Electricity Act 2003, theft of energy is an offence punishable under the Act. The number of consumers checked, theft cases, loss assessed and amounts realised are given below:

Table 15

Year	Total number of consumers as at 31 March	Total no. of checking (actuals)	Total no. of theft cases	Total assessed amount (₹ in crore)	Total amount realised (₹ in crore)	Short collection (₹ in crore)
2006-07	1,41,90,982	91,099	14,965	9.23	6.85	2.38
2007-08	1,51,91,093	15,98,473	17,848	21.14	10.68	10.46
2008-09	1,60,91,196	3,74,479	15,544	30.15	14.21	15.94
2009-10	1,69,17,733	1,91,049	23,058	39.38	19.46	19.92
2010-11	1,75,43,806	2,54,728	33,938	43.51	20.31	23.20
TOTAL		**25,09,828**	**1,05,353**	**143.41**	**71.51**	**71.90**

The number of theft cases in GESCOM and HESCOM were showing an increasing trend during the last five years. The total number of theft cases in GESCOM increased from 2,470 in 2006-07 to 25,014 in 2010-11. In HESCOM, the number of theft cases increased from 2,510 in 2006-07 to 5,019 in 2010-11. However, in MESCOM the number of theft cases, which was 1,045 in 2006-07 marginally increased to 1,144 by 2010-11. We, however, observed that during 2010-11, the percentage of AT&C losses in MESCOM was 10.81, while it was almost double in GESCOM and HESCOM at 19.89 and 22.87 respectively.

The checking of consumers' had never crossed five *per cent* of the total number of consumers in any of the ESCOMs in any of the years (except in BESCOM for 2007-08) under review period.

Against an amount of ₹ 143.41 crore assessed for recovery during 2006-11, an amount of ₹ 71.90 crore was pending recovery at the end of March 2011.

[48] **Insulated power conductors twisted and laid together around an insulated wire by isolating the power and neutral conductor forms the Aerial Bunched Cables.**

Performance of raid teams

2.1.11.16 In order to minimise the cases of pilferage/loss of energy and to save the Company from sustaining heavy financial losses on this count, Section 163 of Electricity Act 2003 provides that the licensee may enter the premises of a consumer for inspection and testing the apparatus (connected load and meters). Vigilance team of ESCOMs was entrusted with the work of conducting raids of checking the premises of the consumers. The details of raids conducted during the period 2006-11 are given below:

Table 16 **Amount: ₹ in crore**

Year	Total number of consumers as on 31 March	No. of consumers checked	Assessed amount	Realised amount	Unrealised amount	Percentage of checking to total number of consumers
2006-07	1,41,90,982	1,02,749	22.22	8.33	13.89	0.72
2007-08	1,51,91,093	1,11,927	33.95	12.61	21.34	0.74
2008-09	1,60,91,196	1,68,517	40.10	17.05	23.05	1.05
2009-10	1,69,17,733	1,57,921	82.54	29.03	53.51	0.93
2010-11	1,75,43,806	1,83,472	73.74	33.11	40.63	1.05

The overall percentage of checks was about one *per cent* of the total consumers.

Billing efficiency

2.1.12 The ESCOMs are required to take the reading of energy consumption of each consumer at the end of the notified billing cycle. After obtaining the meter readings, bills for consumption of energy are issued to the consumers. Sale of energy consists of two parts *viz.,* metered and assessed units. All consumers are billed on monthly basis. The Government of Karnataka (GoK), has extended free supply for consumption in Irrigation Pump sets (up to 10 HP) and to all Bhagya Jyothi (BJ)/Kutira Jyothi (KJ) consumers (up to 18 units per month), as a policy. The cost of supply to these consumers is reimbursed by GoK.

The efficiency in billing of energy lies in distribution/sale of maximum energy by the ESCOMs to its consumers. The details of metered and unmetered (assessed) energy sales are given below:

Table 17 **in Million Units**

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Energy available for sale (after transmission and distribution losses)	38,190.46	38,103.38	39,893.17	40,942.10	44,592.03
2	Energy sold					
	(a) Assessed sales (unmetered category)[49]	11,180.54	10,216.46	11,091.99	11,184.09	12,333.35
	(b) Energy billed (metered sales)	17,272.28	19,771.47	21,133.39	22,626.16	24,881.75
	(c) Total sales	28,452.82	29,987.93	32,225.38	33,810.25	37,215.10
3	Assessed sales as a percentage of total sales (Sl.No.2(a) /Sl.No.2(c)	39.30	34.07	34.42	33.08	33.14
4	Billed sales as a percentage of total sales (Sl.No.2(b)/Sl.No.2(c)	60.70	65.93	65.58	66.92	66.86

KERC has been emphasising 100 *per cent* metering of all installations including BJ/KJ and IP sets in its tariff orders.

Estimation of agricultural consumption

2.1.12.1 As per the methodology adopted by the ESCOMs, the consumption of Irrigation Pump sets (IP sets) was assessed on the basis of readings obtained from meters fixed at selected distribution transformers (DTRs), predominantly feeding IP sets and the readings so obtained were extrapolated to the entire population of pump sets. The progress of metering of DTRs in the ESCOMs at the end of March 2011 is given below:

Table 18

ESCOM	No. of DTRs existing	Metered DTRs	Unmetered DTRs	Percentage of unmetered DTRs
BESCOM	1,51,458	55,589	95,869	63.30
CESC	52,226	11,008	41,218	78.92
GESCOM	50,145	19,564	30,581	60.99
HESCOM	90,994	39,341	51,653	56.77
MESCOM	35,340	15,746	19,594	55.44
	3,80,163	**1,41,248**	**2,38,915**	**62.85**

KERC while disagreeing with the above method of assessment had been directing the ESCOMs repetitively to install meters in all DTRs predominantly supplying power to IP sets and to put in place a mechanism to obtain periodical readings of such meters for accurate assessment of IP sets' consumption in its various tariff orders. Nevertheless, as at the end of March 2011, 62.85 *per cent* of DTRs remained unmetered. As could be seen from

[49] Unmetered categories: BJ/KJ, IP sets and street light installations.

the Paragraph 2.1.8.7 *supra*, with about 70 *per cent* of IP sets not metered, an effective mechanism to assess energy consumption of this sector was absent.

Non-levy of Additional Security Deposit (ASD)

2.1.12.2 As per Section 47 of Electricity Act 2003, a distribution licensee may require any person, who requires supply of electricity in pursuance of Section 43 of the Act, to give reasonable security, as may be determined by regulations. As per Clause 4.1 of KERC (Security Deposit) Regulations, 2007 all consumers shall at all times maintain with the licensee an amount equivalent to fixed charge plus energy charges corresponding to consumption for two months (2 MMD) as security deposit. The licensee should review the adequacy of the amount of security deposit in the first quarter of every year based on the average consumption for the preceding year. After review, the licensee is required to give notice to the consumer concerned for additional security deposit (ASD), if the security deposit falls short of two months' average monthly consumption of the preceding financial year. The additional security deposit is to be paid by the consumer within 15 days of the notice. In the event of consumer failing to pay additional security, the supply is to be disconnected.

In the test checked divisions of BESCOM, it was observed that no review was done to assess the adequacy or otherwise of the security deposits. In respect of GESCOM, a test check of records of four divisions revealed that additional security deposit amounting to ₹ 11 crore was not obtained from consumers as at the end of March 2011. Similarly, additional security deposit amounting to ₹ 5.71 crore was pending collection in MESCOM as at the end of March 2011.

Penal interest liability due to non-refund of excess security deposit

2.1.12.3 Clause 6.2 of KERC (Security Deposit) Regulations, 2007 stipulates that the ESCOMs, based on the adequacy of the security deposits shall refund the excess security deposit held over and above 120 *per cent* of 2 MMD through adjustments in the energy bills of the consumers in the first quarter of the subsequent year. In case the ESCOMs fail to refund the excess security deposits, penal interest at one *per cent* per month on the excess security deposits for the days of delay shall be payable to the consumers for the delays beyond the specified periods.

In test-checked three divisions of GESCOM, it was observed that security deposits of ₹ 77.49 lakh held in excess during the last three years was not refunded to the consumers, resulting in liability of penal interest of ₹ 25.94 lakh.

Payment of electricity tax

2.1.12.4 In accordance with State Government notification (March 2003) of the Karnataka Electricity (Taxation on Consumption) Act, 1959, with effect from April 2003, electricity tax was to be levied at 5 *per cent* on the electricity charges payable (excluding arrears) by all consumers, with the exception of consumers under agricultural IP sets (up to and inclusive of 10 HP), BJ/KJ and

Central Government installations. As per Section 4 of the Act, a licensee may be granted a rebate not exceeding two *per cent* of the tax collected for prompt payment. The rate of rebate prescribed by Government was 1.5 *per cent* up to December 2009 and 0.5 *per cent* from January 2010.

We observed that rebates of ₹ 21.93 crore and ₹ 1.25 crore in respect of BESCOM and MESCOM were receivable from Government (September 2011).

Power factor

2.1.12.5 Power factor is a measurement of how efficiently a facility uses electrical energy. A high power factor means that electrical capacity is utilised effectively while a low power factor indicates poor utilization of electric energy. Low power factor can cause over-loading of the equipment, low voltage conditions, greater line losses, and increased heating of equipment that can shorten service life. The tariff makes it obligatory on the part of the consumer to maintain an average power factor of more than 0.85.

As per clause 23 of Conditions of Supply of Electricity of the Distribution Licensees, if the power factor of the installation is found to be less than 0.85, a surcharge, as applicable, is required to be levied till such time the additional capacitors are installed.

We observed that in two test checked divisions of GESCOM, surcharge amounting to ₹ 71.62 lakh was not recovered from 4,556 public water supply installations though capacitors were not installed to increase the power factor.

Special incentive scheme for HT industries

The ESCOMs offered undue benefits to the tune of ₹ 116.46 crore to HT consumers in spite of poor financial position and deficit in power supply.

2.1.12.6 The erstwhile KPTCL had introduced (1999) an incentive scheme called Special Incentive Scheme for industrial consumers through which the industrial consumers were supplied power with rebate of 50 paise per unit above the base units. The scheme was to improve sales of ESCOMs and to woo back the industrial consumers to the grid,

KPTCL was unbundled (June 2002) and ESCOMs were formed. The KPTCL submitted (June 2002) a fresh proposal for revival of the scheme. KERC considered the proposal of KPTCL and provisionally cleared the continuation of the scheme up to October 2002 subject to the condition that the finances of the ESCOMs were not adversely affected and the ESCOMs should make a fresh application after examining the scheme. ESCOMs filed fresh applications and the Commission passed an order in October 2002 for continuation of the scheme till the next tariff revision.

ESCOMs discontinued the scheme from October/November 2002 without seeking the approval of the Commission. The Commission, however, held that unilateral discontinuation of the scheme was illegal and directed (January 2003) the ESCOMs to continue the scheme till it passed an alternate order.

However, the ESCOMs (except GESCOM) submitted (March 2003) a proposal to re-introduce the scheme, which was approved (December 2003) by KERC. ESCOMs again proposed continuation of the scheme in the tariff filing for the year 2006. The special incentive scheme continued up to tariff order of November 2009. As the ESCOMs were incurring losses under the scheme adversely affecting their finances, KERC approved the proposal for discontinuation of the scheme in its tariff order 2010, from December 2010.

We observed that during the period April 2006 to December 2010, the loss of revenue owing to continuation of the scheme was ₹ 116.46 crore[50]. The ESCOMs, after discontinuing the scheme (October/November 2002) without obtaining the approval of the KERC, had submitted proposal (March 2003) to reintroduce the scheme. The ESCOMs did not approach KERC to discontinue the scheme inspite of their financial position being precarious and the demand-supply gap widening between 2006 and 2010.

Revenue collection efficiency

2.1.13 As revenue from sale of energy is the main source of income of ESCOMs, prompt collection of revenue assumes greater significance. The salient features of the collection mechanism being followed by the ESCOMs are as follows:

Consumers could make payments against the bills by cash, cheques or by demand draft. In respect of LT services, electricity bills are generally collected by the revenue cashiers except in some areas where collection work is entrusted to private collection agencies. HT consumers are required to pay charges within 30 days while LT consumers are to pay within 15 days from the date of billing.

Collection of revenue through e-Seva

2.1.13.1 Any Time Payment (ATP) machines have been installed in various locations of Mysore City, CESC and BESCOM. In addition, centres such as 'Bangalore One' and 'Tumkur One' were also collecting payments towards electricity bills of BESCOM. MESCOM has concluded an agreement with the Director, e-Seva, Government of Karnataka for enabling the services of 'Karnataka One' Project.

2.1.13.2 The table below indicates the amount outstanding at the beginning of the year, revenue assessed during the year, revenue collected and the balance at the end of the year in each of the five years ended 2010-11.

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[50] **₹ 58.29 crore in BESCOM, ₹ 18.39 crore in CESC, ₹ 1.50 crore in GESCOM, ₹ 32.31 crore in HESCOM and ₹ 5.97 crore in MESCOM.**

Table 19 **₹ in crore**

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11[51]
1	Outstanding at the beginning of the year	3,406.55	3,998.48	5,126.01	5,495.89	6,319.62
2	Revenue assessed/Billed during the year	10,152.85	11138.98	11,617.06	13,321.84	16,605.99
3	Total amount due for realisation (Sl.No.1+ Sl.No.2)	13,559.40	15,137.46	16,743.07	18,817.73	22,925.61
4	Amount realised during the year	9,560.92	10011.45	11,247.18	12,498.11	16,547.41
5	Amount written off during the year	0	0	0	0	0
6	Outstanding at the end of the year	3,998.48	5,126.01	5,495.89	6,319.62	6,378.20
7	Percentage of amount realised to total dues (Sl.No.4/Sl.No.3)	70.51	66.14	67.18	66.42	72.18
8	Arrears in terms of number of months assessment (Sl.No.6/Sl.No.2/12 months)	4.73	5.52	5.68	5.69	4.61

The ESCOM-wise outstanding amounts are given in **Annexure 14**. It could be observed from the Annexures that:

- MESCOM had better realisation efficiency whereas GESCOM had the lowest realisation efficiency in 2010-11. Arrears in terms of months' revenue were 2.81 in MESCOM, whereas it was 8.98 in GESCOM (provisional).

- analysis of group-wise debts outstanding as on 31 March 2011 showed that an amount of ₹ 217.61 crore[52] was due from permanently disconnected installations in ESCOMs.

The dues from consumers increased from ₹ 3,998.48 crore in 2006-07 to ₹ 6,378.20 crore in 2010-11. An amount of ₹ 217.61 crore was due from permanently disconnected installations.

- dues of ₹ 6,378.20 crore at the end of March 2011 included IP sets dues, which were frozen, amounting to ₹ 3,250.47 crore. The State Government had decided to reimburse IP set dues from August 2008 onwards and directed that 100 *per cent* metering of all IP sets was to be done within one year from the date of order and discontinuation of power supply to those farmers resisting installation of meters. Further, the beneficiaries were required to clear the dues (principal) in eight instalments over a period of two years, for whom the interest would be waived off. We observed that the ESCOMs could not achieve 100 *per cent* metering of IP sets and as such the dues of ₹ 3,250.47 crore remained outstanding (September 2011). It is pertinent to mention here that an amount of ₹ 31.79 crore, being the frozen dues collected from farmers, was refunded to them by MESCOM during 2010-11 on the basis of directions of Government.

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[51] **CESC and GESCOM figures for the year 2010-11 are provisional. Closing balance of MESCOM for the year 2010-11 is as per DCB as ARR statement for the year 2010-11 is not available.**

[52] **BESCOM (₹ 102.24 crore), CESC (₹12.92 crore), GESCOM (₹ 65.91 crore), HESCOM (₹ 29.52 crore) and MESCOM (₹ 7.02 crore).**

Supply to consumers with heavy arrears

2.1.13.3 As per KERC (Electricity Supply) Code 2004 supply to the consumer was to be disconnected in case the electricity dues were not deposited within due date indicated in the bill.

In respect of water supply and street light/public lighting installations dues of ₹ 2,056.66 crore[53] is pending recovery (March 2011).

Financial management

2.1.14 One of the major objectives of the National Electricity Policy, 2005 was ensuring financial turnaround and commercial viability of electricity sector. The financial position of each ESCOM for the five years ended 2010-11 is given in **Annexures 15(a) to (f).**

The important parameters are as follows:

Table 20 **₹ in crore**

Particulars	Year	BESCOM	CESC	GESCOM	HESCOM	MESCOM	Consolidated
Paid up capital, Reserves & Surplus	2006-07	890.34	187.02	250.70	540.95	307.39	2,176.40
	2010-11	1,549.77	476.78	714.51	1,248.42	497.35	4,486.83
Borrowings	2006-07	711.08	189.65	370.08	861.05	218.87	2,350.73
	2010-11	1,764.63	296.99	578.83	1537.43	381.02	4,558.90
Current liabilities & provisions	2006-07	1,375.76	733.88	977.72	914.96	534.57	4,536.89
	2010-11	1,857.02	1,746.35	2,155.12	2,286.62	1,090.65	9,135.76
Gross fixed assets (including CWIP)	2006-07	2,400.62	714.78	914.05	1,561.12	674.44	6,265.01
	2010-11	4,509.84	1,209.92	1,779.99	2,791.58	1,330.22	11,621.55
Current assets, loans and advances	2006-07	2,731.73	970.27	1,269.95	1,678.14	919.29	7,569.38
	2010-11	3,553.50	1,670.12	2,094.76	2,701.63	1,336.75	11,356.76
Accumulated losses	2006-07	0	0	0.09	0	0	0.09
	2010-11	350.68	319.25	453.13	723.80	0	1,846.86
Net worth	2006-07	890.34	187.02	250.61	540.95	307.39	2,176.31
	2010-11	1,199.09	157.53	261.38	524.62	497.35	2,639.97
Debt-equity ratio	2006-07	3.45:1	6.47:1	1.24:1	3.38:1	2.18:1	2.96:1
	2010-11	2.37:1	1.63:1	1.35:1	1.80:1	2.42:1	1.90:1

The following observations are made:

Owing to the losses incurred by the ESCOMs the accumulated loss (consolidated), which was ₹ 0.09 crore in 2006-07 increased to ₹ 1,846 crore in 2010-11.

- The borrowings in all the ESCOMs increased between the years 2006-07 and 2010-11 despite increase in capital and reserves and surplus. Non-realisation of the dues of consumers using Irrigation Pump sets, water supply and public lighting installations was the main reason for the increased borrowings.
- The current liabilities and provisions had almost doubled from 2006-07 level. The current liabilities and provisions in GESCOM and HESCOM had increased drastically by 2011 because of purchase of energy in 2008-11 at high cost.

[53] **BESCOM (₹ 966.99 crore), CESC (₹ 325.49 crore), GESCOM (₹ 384.03 crore), HESCOM (₹ 251.19 crore) and MESCOM (₹ 128.96 crore).**

- The net worth had decreased in HESCOM and CESC.
- Owing to the losses incurred by the ESCOMs (except MESCOM) the accumulated loss (consolidated) which was ₹ 0.09 crore in 2006-07 increased to ₹ 1,846.86 crore by 2010-11.
- As per KERC (Terms and Conditions for Determination of Tariff for Distribution and Retail Sale of Electricity) Regulations, 2006, the Debt- Equity ratio of 70:30 (2.33:1) was required to be maintained for financing future projects. The overall debt-equity ratio of the ESCOMs was 2.96:1 in 2006-07, which decreased to 1.90:1 in 2010-11.
- The MESCOM performed creditably in comparison with the other ESCOMs.

2.1.14.1 The particulars of cost of electricity *vis-à-vis* revenue realisation per unit in each of the ESCOM alongwith the consolidated position for the five years ending 2010-11 are given in **Annexures 16(a) to (f).** All the ESCOMs suffered loss in 2008-09 on account of higher volumes of short term purchases of power at high cost. We observed that the expenditure on procurement of power had increased in all ESCOMs drastically over the years due to increase in demand for power, forcing the ESCOMs to resort to short term power purchases and high cost energy. Besides, the expenditure on debt servicing showed an increasing trend during the review period in all ESCOMs on account of increased power purchase.

During 2010-11 also, the ESCOMs incurred losses (before adjustment of prior period items) due to belated filing of tariff petition and consequent implementation of tariff hike only for four months. Besides, KERC while revising the tariff for 2010-11, approved the increased average cost of 45 paise per unit. KERC however, decided to pass on 22 paise per unit in the year 2010-11 and the balance 23 paise per unit was allowed to be recovered (as regulatory asset) in the years 2011-12 and 2012-13. This also had an impact on the profitability of ESCOMs.

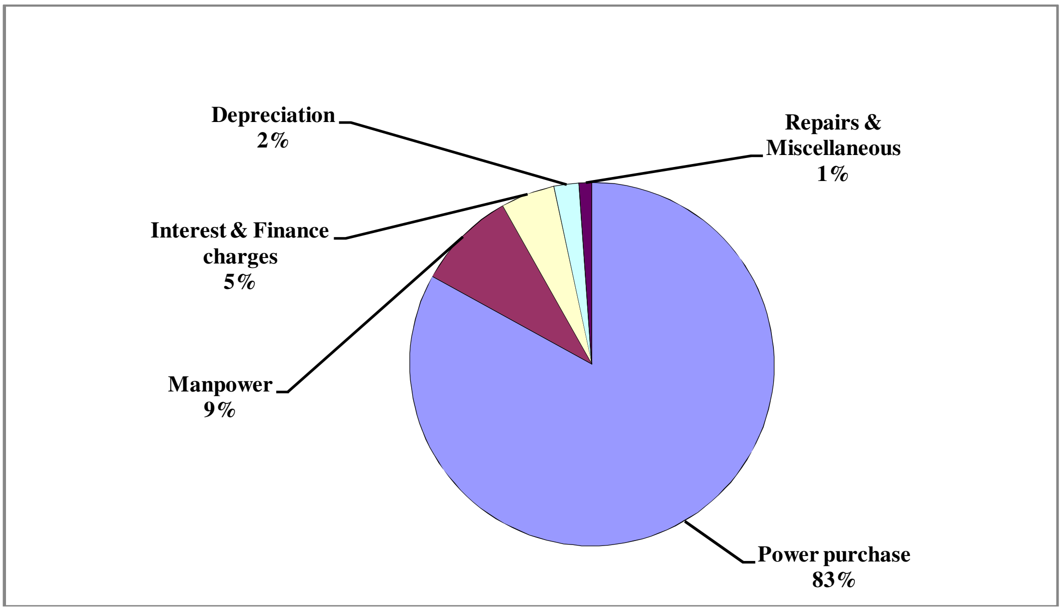
KERC, while fixing the tariff rates, was considering the probable subsidy release from State Government towards gap subsidy. Further, at the end of every financial year, KERC undertakes annual performance review of ESCOMs/true-up exercise and at every such exercise, the commission has been directing the Government to release additional subsidy to ESCOMs to improve the financial strength of ESCOMs. The State Government however, has not been reimbursing the subsidy fully. This was one of the reasons for ESCOMs incurring losses.

Elements of cost and revenue

2.1.14.2 The break-up of cost for 2010-11 (consolidated for all ESCOMs) in percentage is given in the pie-chart below:

Elements of cost

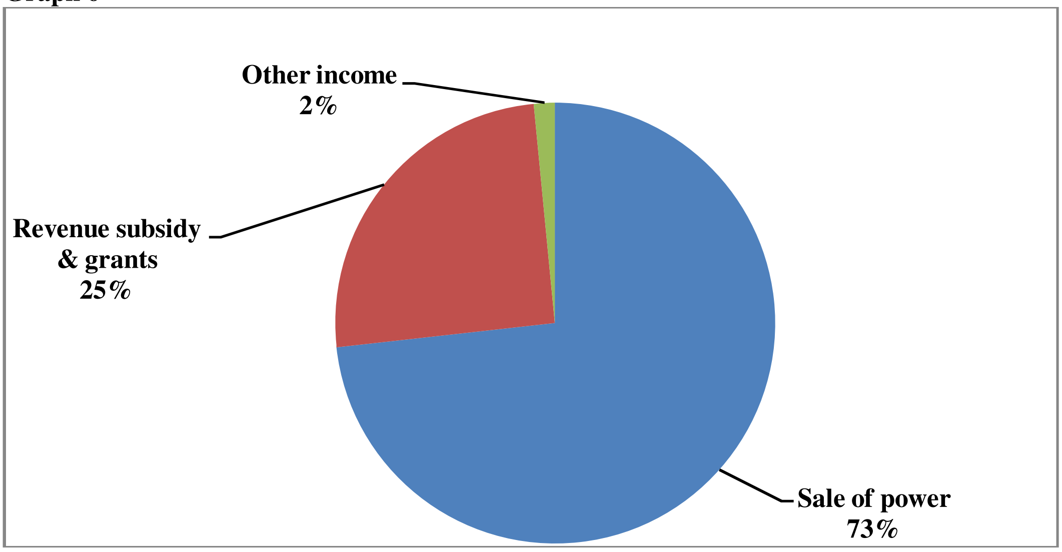
Graph 5



2.1.14.3 The break-up of revenue for 2010-11 (consolidated for all ESCOMs) in percentage is given in the pie-chart below:

Elements of revenue

Graph 6



The expenditures on procurement of power and establishment were the major elements of cost in 2010-11, which represented 83 *per cent* and 9 *per cent* respectively of the total cost in that year. Owing to increase in borrowings from ₹ 2,350.73 crore in 2006-07 to ₹ 4,558.90 crore in 2010-11 the interest and finance charges increased from ₹ 414.34 crore in 2006-07 to ₹ 860.19 crore in 2010-11.

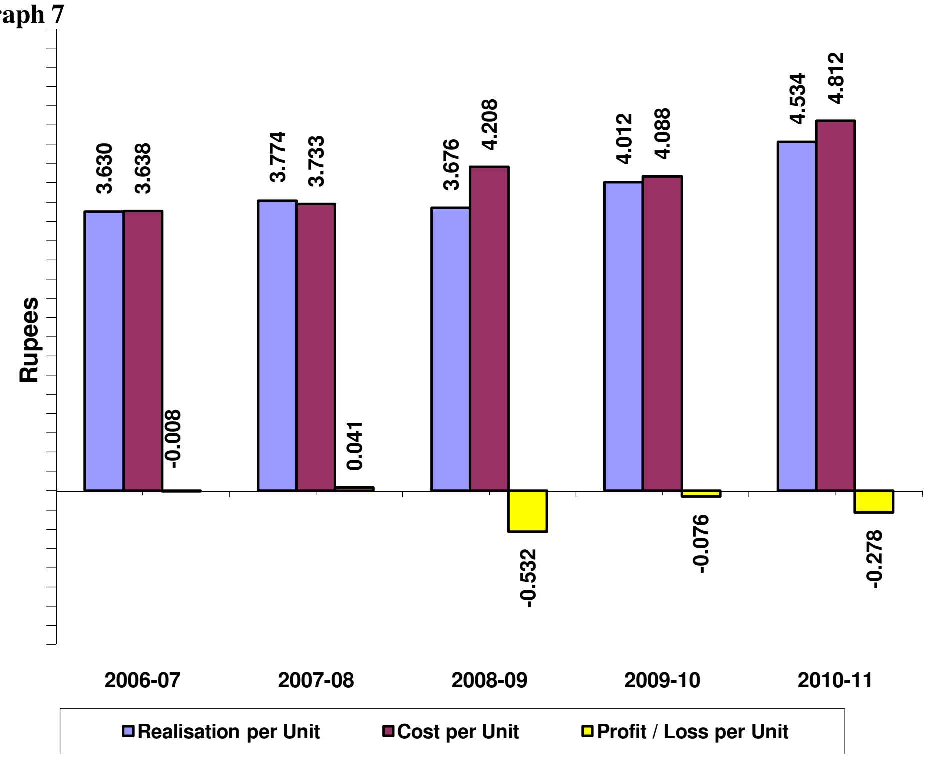
The revenue from sale of power and subsidy from the Government were the major components of revenue in 2010-11, which represented 73 *per cent* and 25 *per cent* respectively of the total revenue.

We observed that revenue from sale of power (excluding subsidy) showed an increasing trend, registering an increase of 47.60 *per cent* during the period 2006-2011. Substantial increase in revenue from sale of power (excluding subsidy) was noticed in 2009-10 and 2010-11 mainly due to the hike in tariff[54] in the revised tariff orders of December 2009 and December 2010 respectively. Similarly, subsidy component of revenue also increased drastically (increase by 145.39 *per cent* in 2010-11 in relation to 2007-08), as the Government had decided to reimburse the energy charges of Irrigation Pump sets from August 2008.

Recovery of cost of operations

2.1.14.4 The profit/loss per unit of the ESCOMs during the last five years ending 2010-11 are shown in the graph below:

Graph 7



The following observations are made:

- The ESCOMs were able to recover the cost of operations only in 2007-08.

[54] **ESCOMs were billing its consumers during September 2005 to November 2009 at the rates approved in tariff order 2005.**

- BESCOM, GESCOM and HESCOM had incurred losses[55] of ₹ 1.68 crore, ₹ 2.82 crore and ₹ 31.22 crore respectively in 2006-07. However, CESC and MESCOM had made profits of ₹ 2.14 crore and ₹ 10.71 crore respectively (refer **Annexures 16 (a) to (e)**).
- All the ESCOMs incurred losses in 2008-09 because of procurement of high cost energy and the total loss was ₹ 1,717.32 crore[55]. The loss per unit was ₹ 0.532, as indicated in the graph above.
- MESCOM was able to earn profit (₹ 24.04 crore) in 2009-10, whereas the total loss of other ESCOMs amounted to ₹ 282.28 crore; the purchase of power at high cost and lower realization were the major reasons for losses.
- All the ESCOMs had suffered losses in 2010-11, totaling ₹ 745.25 crore.

2.1.15 Efficient fund management serves as a tool for decision making, for optimum utilisation of available resources and borrowings at favourable terms at appropriate time. The financial management of the ESCOMs includes billing, collection, borrowing, interest recovery/payment and other related transactions. While revenue and billing have been dealt with in the preceding paragraphs, the other areas are discussed below.

The details of cash inflow and outflow of each of the ESCOMs for five years ending 31 March 2011 are given in **Annexures 17 (a) to (e).**

We observed that from 2008-09 onwards the ESCOMs had resorted to purchase of power at high cost. Realisation of the entire cost of power was not possible, as the tariff rates of consumers were fixed. The high cost purchases affected the profitability of the ESCOMs and the cash flow position. Short term borrowings and funds available were used for working capital and debt servicing.

2.1.15.1 Instances of imprudent financial management noticed are detailed below:

Interest on electricity tax

2.1.15.2 Prior to June 2006 the electricity tax collected by GESCOM from the consumers used to be adjusted against subsidy payable by the State Government. In July 2005 the Government had directed ESCOMs to remit electricity tax collected from consumers to the treasury. Accordingly, GESCOM started remitting electricity tax collected from consumers to treasury from June 2006. It was, however, observed that GESCOM was not regular in payment of electricity tax during the period December 2006 to March 2008.

The Chief Electrical Inspectorate levied (August 2008) interest of ₹ 1.75 crore for delay in remittance of tax for the above period. GESCOM requested (October 2008) the Chief Electrical Inspectorate to waive the interest

[55] **Before adjustment of prior period items and taxes.**

considering the proposal for adjustment against subsidy receivable from Government. The Energy Department clarified (January 2009) that interest on electricity tax could not be waived and the Company was bound to pay the interest. Accordingly, interest of ₹ 1.22 crore (as worked out by the GESCOM) on belated payment of electricity tax was paid in June 2009. The Electrical Inspectorate had also claimed (March 2011) interest of ₹ 5.21 crore for delayed remittance of electricity tax for the period from September 2008 to December 2010. The Company was yet to remit the interest (May 2011).

The Electrical Inspectorate had levied penalty of ₹ 9.63 crore, ₹ 1.11 crore, ₹ 6.66 crore and ₹ 3.38 crore respectively from BESCOM, CESC, HESCOM and MESCOM for delayed/non-remittance of electricity tax within the stipulated time frame.

Electricity Tax, being a statutory charge collected from the consumers, should have been remitted to the Government in time.

Procurement of aerial fuse boards

2.1.15.3 With a view to reducing the line losses and increasing the reliability and quality of power, the management had decided (March 2005) to replace conventional porcelain aerial fuse boards with Fiber Glass Reinforced Plastic (FGRP) aerial fuse boards in BESCOM. BESCOM procured 1.90 lakh FGRP aerial fuse boards of different capacities during 2005-06, which were fully utilised. The field offices then requisitioned a further quantity of 5.96 lakh boards. Tenders were invited (April 2007) for different capacities based on decision (April 2007) to procure three lakh FGRP fuses. Purchase orders were placed (October /November 2007) for ₹ 25.47 crore. The fuses were delivered between December 2007 and March 2009.

We observed that out of 2.44 lakh boards of 30 amps capacity and 55,600 boards of 60 amps capacity of FGRP aerial fuse boards procured by BESCOM, 97,365 and 34,730 boards respectively have been lying un-utilised since March 2009. Some of the divisions holding the stock had declared these materials as obsolete and unserviceable and as such the serviceability of the remaining fuse boards valued at ₹ 11.15 crore was doubtful.

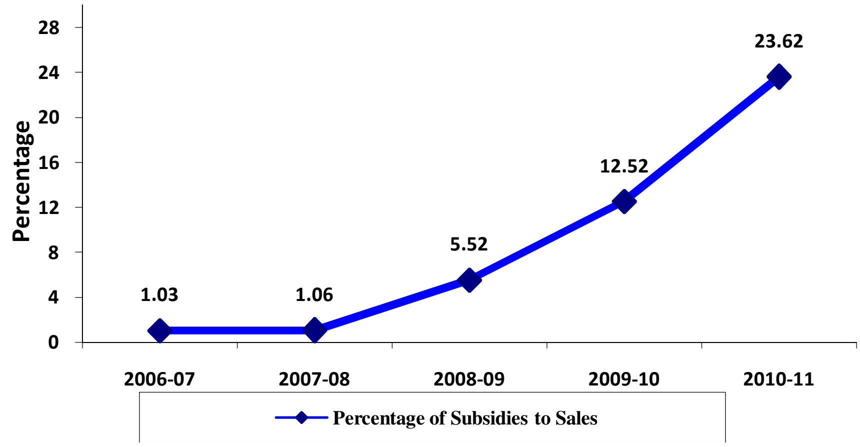
Subsidy support and cross subsidisation

2.1.16 The recovery of cost of service from consumers makes the power sector sustainable. The State Government extends financial support through subsidy to ensure supply of power to specific category of consumers at concessional rates of tariff.

Subsidy support

2.1.16.1 The graph below indicates revenue subsidy (concessional tariff of KJ/BJ and IP set consumers) reimbursed by the State Government as a percentage of sales in the last five years ending 31 March 2011.

Graph 8



The subsidy which was ₹ 87.27 crore during 2006-07 increased to ₹ 3,819.66 crore by 2010-11 as discussed in Paragraph 2.1.16.6.

2.1.16.2 The details of subsidy received and due from the Government in the last five years are detailed below:

Table 21 **₹ in crore**

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Receivable at the beginning of the year	136.36	247.71	289.08	491.57	1,226.48	136.36
Receivable from State Government in the year	1,783.65	1,733.00	1,925.87	2,797.75	4,252.66	12,492.93
Total	1,920.01	1,980.71	2,214.95	3,289.32	5,479.14	12,629.29
Received during the year	1,672.30	1,691.63	1,723.38	2,062.84	4,025.44	11,175.59
Receivable at the close of the year	247.71	289.08	491.57	1,226.48	1,453.70	1,453.70

Against the subsidy demand[56] of ₹ 12,492.93 crore during 2006-11, ₹ 11,175.59 crore was released by State Government. The balance subsidy receivable kept increasing between 2006-07 and 2010-11 indicating that the State Government had not been reimbursing the subsidy due in each year fully.

Section 65 of the Electricity Act, 2003 requires the State Governments to pay subsidy in advance. Karnataka Electricity Regulatory Commission (Manner of payment of subsidy by State Government) Regulations, 2007 stipulates that the licensee is required to charge subsidised tariff to a consumer or class of consumers for whom the Government has committed subsidy, subject to subsidy being released in advance every quarter. In case subsidy is not received as per estimate from the State Government in advance before the issue of the electricity bill, the ESCOMs shall raise electricity bills at tariffs as determined by the Commission without subsidy. We observed that neither the State Government had released subsidy in advance nor the ESCOMs issued bills to the consumers.

[56] **Includes only Gap subsidy, Tariff subsidy (BJ/KJ) and IP set subsidy.**

Cross subsidisation

The level of cross subsidy was beyond the limits prescribed in the National Tariff Policy to agricultural, domestic, commercial establishments, motive power and temporary connection category consumers.

2.1.16.3 Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the average cost of supply (ACOS) of electricity and also reduction of cross subsidy in a phased manner as specified by the Commission. The National Tariff Policy envisaged that the tariff of all categories of consumer should be within a range of plus or minus 20 *per cent* of the ACOS by the year 2010- 11.

2.1.16.4 The customers in the commercial category cross subsidised the category of consumers coming under agriculture and lift irrigation schemes in all the five years (2006-11). In all the ESCOMs the cross subsidy to the consumers coming under the categories of agriculture, domestic, commercial establishments, motive power and temporary connections was not within the range of *plus* or *minus* 20 *per cent* [57]of the ACOS, as envisaged under the National Tariff Policy, as at end of March 2011.

2.1.16.5 The details of cross subsidy of the ESCOMs for 2006-07 (year in which there was no purchase at high cost) and 2010-11 (year in which there was purchase of power at high cost) are given in **Annexures 18(a) to (f)**.

The Government reimbursed electricity charges up to 18 units in respect of KJ/BJ consumers and fully in respect of IP set (up to 10 HP) consumers based on claims preferred by ESCOMs. The re-imbursement received on these counts in 2006-07 was ₹ 87.27 crore, which increased to ₹ 3,819.66 crore in 2010-11. The amount not recovered through tariff rates of consumers and re-imbursement by Government was ₹ 2,163.16 crore in 2006-07 and ₹ 2,073.23 crore in 2010-11.

Despite cross subsidization and re-imbursement by the Government, the cost of supply was not fully recovered by the ESCOMs. The State Government was forced to bridge the difference by way of further financial support, known as gap subsidy. The gap subsidy released during 2006-07 was ₹ 1,696.38 crore and during 2010-11 was ₹ 433 crore.

2.1.16.6 The details of profit before tax[58] and subsidy (Tariff/Gap) in respect of ESCOMs are given below:

Table 22 **₹ in crore**

Description	2006-07	2007-08	2008-09	2009-10	2010-11
Profit /loss (-) of ESCOMs	(-)1,671.29	(-)1,662.68	(-)3,548.16	(-)3,004.83	(-)4,534.08
Subsidy in respect of KJ/BJ and IP set connections	87.27	100.32	566.43	1,506.60	3,819.66
Net profit / loss (-)	**(-)1,584.02**	**(-)1,562.36**	**(-)2,981.73**	**(-)1,498.23**	**(-)714.42**
Gap subsidy	1,696.38	1,632.68	1,359.44	1,291.15	433.00
Net profit / loss (-) after all subsidies	**112.36**	**70.32**	**(-)1,622.29**	**(-)207.08**	**(-)281.42**

[57] **ESCOM-wise / category-wise details for 2006-07 and 2010-11 are given in Annexures 18 (a) to (f).**

[58] **ESCOM-wise profitability is given in Annexure 16(a) to (e).**

Despite substantial increase in subsidy, the ESCOMs incurred losses during 2008-09 to 2010-11 mainly due to purchase of energy at high cost.

The ESCOMs would have suffered heavy losses without subsidy support in all the years. The profits in 2006-07 and 2007-08 were because of gap subsidy. In the remaining years, despite substantial increase in subsidy (both reimbursements towards KJ/BJ, IP and Gap), ESCOMs incurred losses continuously from 2008-09 to 2010-11, mainly due to purchase of energy at high cost[59].

The objective of the reform policy (1997) of the Government of Karnataka was to release the scarce Government resources deployed in the power sector, to other areas of greater priority. Even after a lapse of more than 13 years from the date of reform policy, the dependence on Government subsidy showed no let up; in fact, it has been increasing over the years.

Additional subsidy

The State Government had not paid additional subsidy of ₹ 2,574.28 crore approved by KERC for 2007-08 and 2008-09.

2.1.16.7 KERC in its tariff order 2009 (November 2009) while carrying out Annual Performance Review (APR) for financial years 2007-08 and 2008-09, had directed the Government to release additional subsidy of ₹ 2,574.28 crore in twelve monthly installments (from December 2009) in order to ensure that the ESCOMs earned required Return on Equity. The ESCOMs were also directed to take up the matter with State Government for release of additional subsidy. However, the State Government filed a review petition before KERC seeking review/modification of this direction; in response to which the Commission modified the number of installments for release of subsidy from twelve to thirty-six payable from January 2011. The Government is yet to comply with this Order (September 2011).

Similarly, the Commission on ESCOMs' application for APR for the year 2009-10 while carrying out truing-up of Annual Revenue Requirement of 2009-10 had ordered (tariff order 2010 of December 2010) that the Government was liable to pay additional subsidy of ₹ 2,983.52 crore to ESCOMs. The Government had released (March 2011) an amount of ₹ 2,506.82 crore and the balance of ₹ 476.70 crore is pending till date (September 2011).

Tariff fixation

2.1.17 The financial viability of the ESCOMs depends upon generation of surplus (including fair returns) from the operations to finance their operating needs and future capital expansion programmes by adopting prudent financial practices. Revenue collection is the main source of generation of funds for the Company. While other aspects relating to revenue collection have been discussed in preceding paragraphs, the issues relating to tariff are discussed here under.

[59] The extra cost incurred on purchase of short term power amounted to ₹ 3,058.93 crore and towards Unscheduled Interchange charges was ₹ 793.93 crore during 2008-11 as enumerated at Paragraph 2.1.10.4.

The tariff structure of the power distribution companies are revised by the respective State Electricity Regulatory Commission (SERC) after the objections, if any, received against Annual Revenue Requirement (ARR) petition filed by them within the stipulated date. According to Section 27 (7) of the Karnataka Electricity Reform Act, 1999, an annual filing of expected revenues from charges is to be done for each year 120 days before the commencement of the respective year for each year and the Commission (KERC) has to either approve the tariff proposed by the ESCOMs or provide an alternative tariff. The Commission accepts the applications filed by the ESCOMs with such modifications/conditions as may be deemed appropriate and after considering all suggestions and objections from public and other stakeholders issues an order containing targets for controllable items and the tariffs for the year, within 120 days of the receipt of the application.

The National Tariff Policy mandated implementation of Multi Year Tariff (MYT) for tariffs to be determined from 1 April 2006 onwards. In pursuance of the tariff policy, KERC had issued MYT Regulations in May 2006. According to these Regulations, MYT approach was to be implemented from April 2007 and the first control period was three years. Under the MYT framework, the Commission determines the tariff year-wise, for each year of the control period at the beginning of the control period itself. In the case of retail consumer tariff, the Expected Revenue from Charges (ERC)/Annual Revenue Requirement (ARR) for the control period of the ESCOMs is approved by the Commission at the beginning of the control period, while the ESCOMs are required to file their application for retail tariff determination every year. The ESCOMs were required to make their first ERC filing under the MYT framework for the first control period of three years commencing from 2007-08 to 2009-10 before the end of November 2006.

2.1.17.1 The table below shows ESCOM-wise due dates for filing ARR, actual date of filing, date of approval of tariff petition and the effective dates of the revised tariffs.

Table 23

Year	Due date of filing	Actual date of filing	Delay in days	Date of approval	Effective date
2006-07	30.11.2005	12.05.2006	163	16.10.2006	ARR was filed by the ESCOMs belatedly. The order of KERC was challenged by ESCOMs before the Appellate Tribunal for Electricity (ATE) and the implementation of tariff order was stayed.
2007-08	30.11.2006	30.11.2006	No delay	11.01.2008	
2008-09	30.11.2007	No ARR was filed by ESCOMs.			
2009-10	30.11.2008	30.06.2009	212	25.11.2009	01.12.2009
2010-11	30.11.2009	13.08.2010	256	07.12.2010	07.12.2010
2011-12	30.11.2010	15.06.2011	197	Not yet approved	

ESCOMs had filed tariff review petitions belatedly in the years 2009-10 and 2010-11, which resulted in delayed implementation of tariff orders. Consequently, they could not generate revenue of ₹ 941.08 crore.

Belated submission of tariff review petitions resulted in delay in finalisation of tariff order with consequent delay in their implementation. The revised tariff to be effective from 1 April of the period concerned could be implemented after a delay of seven to eight months in both the cases. As a result the ESCOMs could not generate additional revenue of ₹ 941.08 crore[60], which was possible through increased tariff.

2.1.17.2 The table below gives details of sales, variable costs, fixed costs, contribution and deficit in recovery of fixed costs for the last five years ending March 2011:

Table 24 **₹ in crore**

Year	Sales (excluding gap subsidy)	Variable costs	Fixed costs	Contribu-tion	Deficit in recovery of fixed costs	Deficit as percentage of sales
(1)	(2)	(3)	(4)	(5) = (2) – (3)	(6) = (4) – (5)	(7)={(6)/(2)} X 100
2006-07	8,456.47	8,494.01	1,856.97	(-)37.54	1,894.51	22.40
2007-08	9,506.30	9,135.44	2,060.29	370.86	1,689.43	17.77
2008-09	10,257.62	11,389.78	2,173.59	(-)1,132.16	3,305.75	32.23
2009-10	12,030.69	11,218.74	2,602.63	811.95	1,790.68	14.88
2010-11	16,172.99	14,983.68	2,926.26	1,189.31	1,736.95	10.74

The ESCOMs could not recover fixed costs in all the years. The deficiency in recovery of fixed costs, which was ₹ 1,894.51 crore in 2006-07 increased to ₹ 3,305.75 crore in 2008-09. It, however, decreased to ₹ 1,736.95 crore in 2010-11.

Measures improving operational efficiency such as reduction in/control of AT&C losses, conversion of LT lines to HT lines, metering of unmetered connections/defective meters, improving billing and collection efficiency, *etc.*, would bridge the gap between cost and revenue. Avoidance of wasteful expenditure and making investments in capital assets judiciously would bring down the fixed cost. These aspects have been discussed separately in the review.

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[60] **Refer Annexure 19 for details. The revenue loss is worked out considering that KERC would have taken the same amount of time (about four months) to finalise the tariff in the normal course.**

Major amounts disallowed by KERC

2.1.17.3 The details of major amounts disallowed[61] by KERC in respect of all the ESCOMs are given below:

Table 25 **₹ in crore**

	Interest on belated payment of energy bills	Interest on consumers security deposit	Operation & Maintenance expenses	Total amount disallowed
BESCOM	31.93	18.66	8.21	58.80
CESC	118.66	3.15	73.38	195.19
GESCOM	169.96	5.36	81.08	256.40
HESCOM	162.00	7.37	49.90	219.27
MESCOM	51.50	1.91	59.77	113.18
Total	**534.05**	**36.45**	**272.34**	**842.84**

KERC had disallowed the claim under interest on belated payment of energy bills since interest on working capital was being allowed separately. In respect of Operation and Maintenance expenses, KERC had limited the claim of the ESCOMs on the basis of norms prescribed in Multi Year Tariff Regulations duly considering consumer growth, inflation, growth in consumers and efficiency factors. In respect of allowing interest on security deposits, while ESCOMs paid interest on incremental additions to deposits of consumers and other forms of consumer deposits, KERC considered only the outstanding security deposit of consumers as at end of the previous year without considering incremental additions and other forms of deposit of consumers.

Consumer satisfaction

2.1.18 One of the key elements of the Power Sector Reforms is to protect the interest of the consumers and to ensure better quality of service to them. The consumers often face problems relating to supply of power such as non-availability of the distribution system for the release of new connections or extension of connected load, frequent tripping on lines and/or transformers and improper metering and billing.

2.1.18.1 In accordance with Section 57 and 59 of the Electricity Act, 2003, KERC had framed (May 2004) KERC (Licensees' Standard of Performance) Regulations, 2004 specifying the Standards of Performance (SoP) of a licensee engaged in the activities of distribution of power. The licensee was liable for prosecution or penalty in the event of failing to adhere to the standards and payment of compensation to the aggrieved consumer due to sub-standard performance. The licensee was required to furnish to KERC compliance with the SoP at the end of each quarter.

[61] **Disallowances by KERC for the period 2008-10, refers to tariff order 2009 and 2010 (in tariff order 2009, Annual Performance Review (APR) of both 2007-08 and 2008-09 was carried out while in tariff order 2010, APR of 2009-10 alone was carried out). The year-wise disallowances are given in Annexure 20.**

We observed that compliance with SoP was being furnished by ESCOMs to KERC regularly.

Redressal of grievances

2.1.18.2 KERC specified the mode and time frame for redressal of grievance in Consumer Grievance Redressal Forum & Ombudsman Regulation, 2004 in pursuance of Section 42(5) the Electricity Act, 2003. The Commission had also prescribed the Standards of Performance (SoP) for ESCOMs in which the time limit for rendering services to the consumers and compensation payable for not adhering to the same were specified. Accordingly, ESCOMs constituted Consumer Grievance Redressal Forums (Forum).

In accordance with Clause 6 of SoP, consumers not satisfied with the services rendered by the jurisdictional field officers, can represent to the Forum within 30 days from the date of lodging complaint. Upon admission of the complaint, the Forum is to cause a notice of hearing and pass orders within a maximum period of sixty days. The Forum is to furnish a quarterly report on the number of complaints received, redressed and pending, within one month of the end of each quarter. A copy of the report is to be furnished to the Ombudsman and the Commission. Further, the Forum and the Ombudsman are to furnish to the Commission, within 15 days at the end of every quarter of the year, the information with respect to the complaints received and disposed of by it in the form prescribed by the Commission.

From the information furnished to audit, we observed that complaints were redressed within the stipulated time. Further, no compensation was paid for failure to redress grievances of consumers.

Energy conservation

2.1.19 Recognizing the fact that efficient use of energy and its conservation is the least-cost option to mitigate the gap between demand and supply, the GoI had enacted the Energy Conservation Act, 2001. The conservation of energy being a multi-faceted activity, the Act provides for both promotional and regulatory roles on the part of various organizations. The promotional role includes awareness campaigns, education and training, demonstration projects, R & D and feasibility studies. The regulatory role includes framing rules for mandatory audits for large energy consumers, devising norms of energy consumption for various sectors, implementation of standards and provision of fiscal and financial incentives.

KERC had directed ESCOMs to explore the possibility of introducing the following Demand Side Management (DSM) and Energy Efficient Measures. Actions initiated were as follows:

- Installation of automatic switchers for the street lights maintained by the Bruhat Bangalore Mahanagara Palike (BBMP)/Urban Local Bodies in a phased manner, use of LEDs for street lights in selected areas has been taken up as a pilot project. The Company had requested BBMP to reduce energy consumption in street lights, hoardings and parks.

- The Distribution Reforms and Upgrades Management (DRUM) Project in BESCOM was conceived by the MoP, GOI. The Company identified (August 2006) Doddaballapur town for the pilot project. The total cost of the project was ₹ 25.06 crore and the Company has spent ₹ 21.71 crore as at end of February 2011. The project was in completion stage. BESCOM has been bestowed 'National Power Award 2009' for taking up initiative in energy efficiency, conservation and demand side management in agricultural sector.

- Opinions of representatives of industrial establishments are being obtained by the Company to explore the possibility of bringing in 'Time of Day' tariff as compulsory instead of optional.

- BESCOM had issued directions to the field officers to adhere to the notifications issued regarding mandatory use of solar water heating systems by the consumers as per the guidelines of State Government. A rebate of 50 paise per unit of electricity consumed subject to a maximum of ₹ 50 per installation per month is being allowed to certain category of consumers, if solar water heaters are installed and used. The number of installations with solar heaters as at end of March 2010, as submitted to KERC, was 1.64 lakh.

- As per the Bachat Lamp Yojna launched by Bureau of Energy Efficiency (BEE), Ministry of Power, GoI, up to four CFLs per customer would be sold at ₹ 15 per CFL in place of incandescent bulbs by agencies being selected through tendering process. This scheme was under Clean Development Mechanism (CDM), wherein the agency would get the benefits of Certified Emission Reductions (CERs) duly following the procedure stipulated for CDM projects under the supervision of BEE. The Company invited (October 2010) tenders for implementation of the scheme in all the seven rural districts of BESCOM. The Agencies started the sale of CFL to consumers from February 2011.

Energy audit

2.1.20 A concept of comprehensive energy audit was put in place with the objective of identifying the areas of energy losses and reducing the same through system improvements, besides accounting for the units purchased/ sold and losses at each level accurately. The main objectives of energy audit are as follows:

- Better and more accurate monitoring of the consumption of electricity by consumers;
- Elimination of wastages;
- Reduction of downtime[62] of equipment;
- Massive savings in operational costs and increase in revenue, *etc.*

[62] **Periods when the machinery / equipment was not working mainly due to malfunction or technical failures.**

2.1.20.1 In accordance with the directions of KERC, ESCOMs were required to undertake energy audit of DTRs on 11 KV feeders to reduce distribution losses to a maximum of 15 *per cent* wherever it was above this level in towns and cities having a population of over 50,000. Further, KERC had also directed ESCOMs to file a trajectory of level of AT&C losses for each year backed by relevant studies to justify loss levels with segregation of technical and commercial losses.

- In BESCOM, energy audit was conducted in 14 towns against 15 towns directed by KERC. Out of 21,078 DTRs audited during March 2011, 391 DTRs recorded distribution loss above 20 *per cent* while 929 DTRs recorded losses between 10 *percent* and 20 *per cent.*
- In CESC, energy audit of DTRs was restricted only to metered DTRs of urban areas. Of the 2,308 metered DTRs in urban areas, energy audit was conducted in respect of 1,795 DTRs. Energy audit of metered DTRs of urban areas showed that seven DTRs reported distribution loss beyond 30 *per cent* and 338 DTRs reported distribution loss in the range of 10 *per cent* and 20 *per cent*.
- In GESCOM, where energy audit was conducted in 11 towns, it was observed that though there was a slight improvement in overall energy loss, no town could achieve the prescribed 15 *per cent* level and the losses ranged between 15.27 *per cent* (Hospet in 2010-11) and 43.79 *per cent* (Shahabad in 2008-09). Instead, in four towns (Shahabad, Sindhanur, Bidar and Basavakalyan) the energy loss levels had increased in the range of 3 *per cent* to 17 *per cent*.
- In MESCOM, during 2010-11, energy audit was conducted in 582 feeders out of 612 feeders of 11 KV voltage and distribution loss beyond the prescribed level of 15 *per cent* was observed in 428 feeders. Further, out of 10,214 DTRs which were subjected to energy audit during 2010-11, 2,301 DTRs recorded distribution loss above 20 *per cent* while 4,252 DTRs recorded losses between 10 *per cent* and 20 *per cent.*
- Information from HESCOM on the status of energy audit was awaited (October 2011).

Monitoring

2.1.21 The Power Distribution Companies play an important role in the State economy. For such big organisations to succeed in operating economically, efficiently and effectively, there has to be a Management Information System (MIS) for monitoring by top management. We observed that no effective MIS was in place in ESCOMs as was evident from the frequent directions of KERC at the time of every filing of ARR. KERC has been regularly directing the ESCOMs to improve MIS, provide more details and basis for all projections indicating the sources of data and method of estimating the projected values, in addition to improving database and achieve consistency in the data furnished to the commission.

Irregularities in execution of works

2.1.21.1 Technical Audit Wing of BESCOM had reported (January 2009), irregularities in execution of improvement and extension works awarded (September 2006/October 2007) in Kolar division. As per the report of the Technical Audit Wing, out of 6,534 works stated to have been completed, 2,993 works were either incomplete or were not executed as per the specifications, resulting in loss of ₹ 8.06 crore.

Though the Management had directed (October 2010/February 2011) the Executive Engineer of the Kolar Division to file criminal cases against the erring contractors no action was found to have been initiated (October 2011).

Similarly, in Kolar Gold Fields Division (January 2009) there was a loss to the tune of ₹ 13.08 lakh as the works were either incomplete or were not executed as per the specifications. Besides, completion reports of works, for which materials valued at ₹ 7.60 lakh had been drawn, were not submitted.

2.1.21.2 RGGVY is carried out on turnkey basis. The works are entrusted to a registered contractor who succeeds in the bid. Under this scheme, BPL beneficiaries are identified by the Revenue Authorities and thereafter the contractor, under the supervision of the officers of the Company, gives service connections to the selected BPL beneficiaries. After completion of the works and after compliance with tender stipulations, payments are made to the contractor. The section officers concerned are required to open revenue register dockets after servicing the BPL installations and transfer them to revenue section for issuing electricity bills thereafter.

GVPR Engineers Limited, Hyderabad was entrusted with the work of electrification of BPL households along with associated infrastructure in Bijapur district under RGGVY scheme. On a random inspection of the installations serviced by the contractor in Indi, Bijapur, the internal audit team of HESCOM observed that 6,311 installations (Nos.) were claimed to have been serviced but only 2,319 were actually serviced and fictitious bills for 3,992 were raised towards electrification of BPL households resulting in excess payment of ₹ 1.12 crore. On a further verification, it was found that excess expenditure to the tune of ₹ 4.07 crore was made. The Company suspended (March 2010) 19 employees and has filed criminal complaints against the contractor and the concerned officials. Special audit teams have been formed to carry out thorough investigation of works executed under RGGVY works.

Non-reconciliation of ESCOM-wise purchases

2.1.21.3 We observed that there were differences between the cumulative purchases as per books of accounts of the ESCOMs, PCKL and Load Despatch Centre. The ESCOMs need to periodically reconcile the purchase of power with PCKL and Load Despatch Centre.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Companies at various stages of the performance review.

Conclusions

The generation of power in the State is not sufficient to meet the demand. Absence of committed long-term power supply and increased demand had forced the ESCOMs to resort to short-term power purchases at high cost.

The trend in additions to connected load and transformation capacity during 2007-11 indicate that the distribution network may not be adequate to provide 'power for all by 2012'.

Huge receivables forced the ESCOMs to resort to borrowings.

The Aggregate Technical and Commercial losses and failure of transformers showed a decreasing trend during the last five years.

Energy conservation was presently in a nascent stage and needed thrust.

The ESCOMs do not have a proper Management Information System to generate and supply various information required for efficient functioning of the organisation.

Recommendations

The following recommendations are offered:

- **The State has to evolve an integrated energy policy to fulfill the objective of power for all and also to improve the operational/ financial performance of the ESCOMs.**
- **The distribution network/infrastructural facilities need to be augmented.**
- **Providing quality power supply in rural areas and regularisation of unauthorised IP sets needed to be accorded priority.**
- **The Aggregate Technical and Commercial losses have to be reduced further by undertaking energy audit at distribution transformer level, metering of distribution transformers and installations, preventing thefts and improving the billing and collection.**
- **Efforts need to be made to adhere to the norms and directions prescribed by KERC regarding failure of transformers and adequacy of HT:LT ratio.**
- **Efforts should be made to bring cross subsidy on the lines suggested in the National Electricity Policy.**

- **Allocation of scarce budgetary resources to meet the gap between revenue and expenditure of the ESCOMs needs a renewed strategy.**
- **Effective action needs to be taken to realise long outstanding dues to improve the financial position and reduce dependence on Governmental support.**
- **ESCOMs should give priority to implementation of demand side management and energy conservation measures.**

2.2 Performance Review on the Construction activities of Karnataka Rural Infrastructure Development Limited

Executive summary

The Karnataka Land Army Corporation, renamed (August 2009) as Karnataka Rural Infrastructure Development Limited, was incorporated (August 1974) as a wholly owned Government Company with the main objectives of undertaking and carrying out all types of rural development works either entrusted to it by Government Departments, Local Bodies, Undertakings, Institutions and individuals and/or obtained through tenders.

The works executed by the Company are broadly divided into directly entrusted works (Entrusted Works) and works obtained through participation in tenders (Tender Works). Over the years the works obtained through participation in tenders have declined steadily.

Audit objectives

The performance review on construction activities of the Company was carried out to assess whether reasonable care was taken in preparing the estimates; works were executed as per the schedules; the delays were analysed; procurement of materials was done economically and in accordance with the provisions of law; works were executed efficiently to achieve economy; the system for timely billing was followed and prompt realization was ensured and effective monitoring system and internal controls were in place.

Audit findings

Entrusted works

The Company failed to include its charges, taxes and labour cess in the estimates resulting in non-recovery of expenditure of ₹ 2.10 crore.

The BBMP Zone entrusted 125 works valued at ₹ 22.28 crore to sub-contractors in violation of Government orders. The sub-contractors were executing these works with their own funds. There were no mobilization advances, work codes and job work rates. The works were not accounted in the books of the Company. The expenditure incurred on these works was ₹ 20.23 crore.

Tender works

Out of 32 works valued at ₹ 55.27 crore, the Company suffered loss of ₹ 5.92 crore in 14 works. The loss was due to cost escalation, levy of liquidated damages and/or penalty and/or fine as a result of delay in completion and non-acceptance of quantities recorded in bills.

Pattern of income

Major part of the Company's profit was earned in the last three years from bank deposits and mutual funds (₹36 crore) and not from the core activities of construction (₹33 crore).

Flow of funds

The Company received funds from Government departments and agencies without any mention or assignment of work orders, especially towards the end of every financial year. Between 2007-08 and 2010-11 the Company had received ₹ 43.90 crore without work orders for the same. Subsequently, the departments/agencies withdrew ₹38 crore without attributing reasons, after periods ranging from one to sixty months.

Billing

Submission of bills in 12 works for ₹ 4.43 crore was delayed for periods ranging between one and 48 months. In 39 works, realisation of bills amounting to ₹ 11.76 crore was delayed for periods ranging between one and 34 months.

The Urban Development Department, Government of Karnataka had directed (July 2007) the Commissioner, BBMP not to recover security deposit from the bills of the Company, as the works were awarded on entrustment basis. BBMP, however, recovered security deposits from bills of ₹ 4.20 crore, which were not refunded (September 2011). This included ₹1.83 crore outstanding for more than three years.

Miscellaneous

Government permitted (February 2010) claiming of reimbursement of Value Added Tax paid on construction materials used in building low cost houses under 'Aasare' scheme within

30th of the month following the purchases of materials. The Company preferred claims for ₹ 2.19 crore after the issue was raised by audit. The balance of ₹ 0.65 crore remained unclaimed.

As per Karnataka Value Added Tax (KVAT) Act, organizations are allowed to adopt either payment under composition or payment under full VAT. The Act allows payment on steel involved in execution of works contract at 4 per cent. The value of steel involved in execution of works was much less than the value considered for the payment of VAT. This had resulted in payment of lesser tax by ₹ 5.02 crore and had concomitant risks such as payment of penalty and interest.

Conclusion and recommendations

The Company has incurred significant losses in major works, as the planning for and estimates of works have been faulty, as all inputs and costs were not taken into account and there were inordinate delays in execution. Compliance with rules and regulations and budgetary control and monitoring system needs improvement.

The following recommendations are made:

- ***The Company has to streamline the works wing to ensure that all inputs and costs are considered, the works are completed within scheduled time, estimated costs are not exceeded and activities are monitored effectively;***
- ***The monetary advantages to the Company embedded in the SR should be retained;***
- ***The system of procurement of materials from unregistered dealers has to be streamlined and the provisions in the KTPP Act should be followed;***
- ***Billing should be done promptly;***
- ***The Company should stop the practice of accepting funds without work orders so as to prevent the Government departments in making use of this facility as a means to avoid lapsing of funds at the end of the year; and***
- ***Internal control system should be tightened and maintenance of records improved.***

Introduction

2.2.1 The Karnataka Land Army Corporation Limited, renamed (August 2009) as Karnataka Rural Infrastructure Development Limited (Company), was incorporated (August 1974) as a wholly owned Government Company with main objectives:

- To undertake and carry out all types of rural development works either entrusted to it by Government Departments, Local Bodies, Undertakings, Institutions and individuals *etc.,* and/or on its own;
- To construct, execute, carry out, improve, work, develop, administer, manage all types of construction and civil works and other works secured from any source; and
- To carry out the business of builders, contractors, engineers, developers, architects, surveyors, consultants, designers and others and take up real estate projects.

The Company has been primarily executing works entrusted by the Government of Karnataka (GoK) and Government of India (GoI).

Organisational setup

2.2.2 The Management of the Company is vested with a Board of Directors consisting of 12 Directors, including the Chairman and the Managing Director (MD). The MD, the only functional Director, is the Chief Executive of the Company. The MD is assisted by three General Managers (Technical) for monitoring the works and a General Manager (Finance) at Head Office.

The Company functions through six Zones, 32 Divisions and 75 Sub-divisions headed by Joint Directors (JD), Deputy Directors (DD) and Assistant Directors (AD) respectively.

Scope of audit

2.2.3 The present Performance Review covered the construction activities of the Company during the period from 2006-07 to 2010-11. We examined the records maintained at the Corporate Office, four Zonal Offices, 11 Divisions and 16 Sub-divisions. Out of 7,523 works valuing ₹ 2,188.78 crore undertaken during the review period, we had selected 435 works[63] and reviewed 377 works[64] (345 entrusted works and 32 tender works) valued at ₹ 282.26 crore. The selection of works was based on Monetary Unit Sampling method with estimated value of works as size measure. The remaining 58 works were non-existent as the database provided for sampling contained work codes of unsuccessful bids allotted at the time of payment of Earnest Money Deposit

[63] Including 359 entrusted and 76 tender works.

[64] 65 works (₹ 193.36 crore) of value > ₹1 crore, 60 works (₹ 45.38 crore) of value < ₹ 1 crore and > ₹ 50 lakh, 142 works (₹ 38.07 crore) of value < ₹ 50 lakh and >₹ 10 lakh and 110 works (₹ 5.45 crore) of value < ₹ 10 lakh.

(EMD) but not de-activated, two work codes for the same work and assigning of works to the unrelated Sub-divisions.

Audit objectives

2.2.4 The performance review on construction activities of the Company was carried out to assess whether:

- adequate care was taken in preparing the estimates while submitting quotations;
- the works were executed effectively, time and cost overrun were analysed subsequently;
- the procurement of materials was done economically and in accordance with the provisions in law and accepted practices and inventory was managed efficiently;
- an effective monitoring system and internal control were in place; and
- the system for timely billing was followed and prompt realization was ensured.

Audit criteria

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

- Schedules of Rates (SR) issued by the Public Works Departments (PWD), Government of India (GoI) and Government of Karnataka (GoK);
- General conditions of contracts, terms and conditions of specific construction contracts;
- Job-work bills, monthly running accounts and the monthly progress reports;
- Material-at-site accounts, Measurement Books (MBs) *etc*.
- Procurement and operation manual of the Company, KPWD Code/Manual and recommendations of the tender scrutiny committee;
- Prevailing market rates of major materials; and
- Instructions/guidelines issued by the State Government and Company.

Audit methodology

2.2.6 The following methodology was adopted for collection of data and gathering of evidence:

- Scrutiny of minutes and agenda papers of meetings of the Board of Directors, estimates and offers, contract documents, correspondences with the administrative department and clients;
- Examination of circulars and office orders, instructions of the GoK and GoI pertaining to relevant activities, the reports relating to physical inspection of work sites and internal audit reports;
- Scrutiny of MBs, material-at-site accounts, job work bills, monthly running accounts and monthly progress reports;

- Review of annual accounts of the Company; and
- Interaction with the Management and issue of audit queries.

Audit findings

2.2.7 The objectives of the performance review were explained to the Company during an 'Entry Conference' held in April 2011. The audit findings were reported to the Management between May and July 2011 and were also discussed in an 'Exit Conference' held with the representatives of the Government/Management in September 2011. The views expressed by the Government/Management have been considered while finalizing this Review. The audit findings are discussed in subsequent paragraphs.

Financial position and working results

2.2.8 The working results of the Company for the last five years ending 31 March 2011 were as follows:

₹ in crore

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (provisional)
State of affairs						
1	Share holders' funds	12.27	12.27	45.25	66.48	82.35
2	Borrowings	120.71	101.59	84.67	72.16	58.95
3	Current liabilities and provisions	743.82	942.48	858.89	1,131.62	1,564.04
4	Fixed assets and capital work-in-progress	4.16	4.05	28.76	34.64	40.64
5	Current assets, loans and advances	868.87	1,039.48	960.37	1,234.42	1,665.59
Performance						
1	Turnover (value of work done)	218.51	205.06	344.86	380.21	599.64
2	Direct works expenditure	200.50	193.16	299.95	339.95	554.56
3	Administrative overheads	23.72	26.34	28.35	31.68	37.04
4	Operating margin (Sl.No.1-Sl.No.2-Sl.No.3)	(-)5.71	(-)14.44	16.56	8.58	8.04
	Percentage of operating margin to turnover	(-)2.61	(-)7.04	4.80	2.26	1.34
5	Other income[65]	6.08	6.38	12.69	22.27	23.81
6	Other charges	5.91	0.04	6.38	8.56	5.05
7	Overall profit / loss (-)	(-)5.54	(-)8.10	22.87	22.29	26.80
	Percentage of profit / loss (-) to turnover	(-)2.53	(-)3.95	6.63	5.86	4.47

[65] **Includes interest of ₹ 2.86 crore, ₹ 5.30 crore, ₹ 8.70 crore, ₹ 8.22 crore and ₹ 18.71 crore during 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 respectively.**

Cost control

2.2.9 The entrusted works were 99.68 *per cent* and 99.82 *per cent* respectively of the total works undertaken in the years 2009-10 and 2010-11. The Entrusting Agencies (EAs) allotted works at costs estimated as per SR. The rates in the SR are inclusive of contractor's profit of 10 *per cent* and provision to meet overheads to the extent of 10 *per cent*. The Company is also eligible for 5 *per cent* of the estimated cost as Company's (KRIDL) charges. The cost structure of the entrusted works leaves 75 *per cent* of the estimated cost for the direct costs of works undertaken. We observed that the direct costs incurred were 97.74 and 98.66 *per cent* of the estimated costs of the respective years. Thus, the percentages of actual margin from operations to turnover were 2.26 and 1.34 in 2009-10 and 2010-11 respectively. The increased cost was due to higher job work rates allowed and cost escalation due to time overrun. The Company, however, could control its overheads to 10 *per cent* of the estimated cost.

With better investment of excess funds available, the Company maintained the percentage of profit to turnover at 5.9 and 4.5 *per cent* for the last two years ending 2010-11, against the expected 15 *per cent* of the turnover.

Construction activities

2.2.10 The works executed by the Company are broadly divided into two categories:

- Directly entrusted works (Entrusted Works); and
- Works obtained through participation in tenders (Tender Works).

Position of works

2.2.11 The table below exhibits the position of works secured[66] by the Company under the entrusted and tender categories during the five years ended 31 March 2011.

Value : ₹ in crore

Particulars		2006-07	2007-08	2008-09	2009-10	2010-11
Entrusted works	No.	956	595	895	1833	3211
	Value	146.11	62.26	211.53	355.92	661.18
Works secured by participation in tenders	No.	391	30	24	8	4
	Value	633.24	116.46	76.87	1.14	1.19
Total	**No.**	**1,347**	**625**	**919**	**1,841**	**3,215**
	Value	**779.35**	**178.72**	**288.42**	**357.06**	**662.37**
Percentage of entrusted works to total works		18.75	34.84	73.34	99.68	99.82
Percentage of tender works to total works		81.25	65.16	26.66	0.32	0.18

[66] **Limitations brought out in Paragraph 2.2.3.**

The works secured by participation in tenders had decreased steadily from 81.25 *per cent* of the total works in 2006-07 to 0.18 *per cent* in 2010-11. However, the value of the entrusted works had increased correspondingly from 18.75 *per cent* in 2006-07 to 99.82 *per cent* in 2010-11.

The Management attributed (September 2011) the steep decrease in tender works to paucity of working capital, as the Company had to invest a minimum 25 *per cent* in the form of EMD and margin money. Further, it was found difficult to participate in tenders and to compete with private contractors. The Company emphasized the need for exemption from Karnataka Transparency in Public Procurements (KTPP) Act, 1999 for some more time to consolidate its financial position and to grow stronger to manage and execute tender works.

The reply is not tenable in view of the fact that the Company had enough resources in the form of liquid cash to compete with the private companies to undertake tender works.

Flow of funds

2.2.12 On entrustment of works by the Government agencies/departments, the Company receives funds in the following manner:

<table>
<tr><th>Type of work</th><th>Agency</th><th>Schedule of completion</th><th>Release of funds</th></tr>
<tr><td rowspan="3">Entrusted</td><td rowspan="2">Government Departments</td><td>Below 12 months</td><td>100 per cent in advance.</td></tr>
<tr><td>Beyond 12 months</td><td>50 percent advance.
25 per cent on completion of 40 per cent work.
25 per cent on completion of 70 per cent work.</td></tr>
<tr><td>BBMP</td><td></td><td>25 per cent advance. Balance on submission of Running Account (RA) bills.</td></tr>
</table>

2.2.13 As against the value of work allotted by Government agencies and departments, the Company received the following funds in the last three years ending 2010-11.

Between 2007-08 and 2010-11 the Company had received ₹ 43.90 crore without receipt of work orders. Subsequently, the departments/ agencies withdrew ₹ 38 crore after a period ranging from one to sixty months.

₹ in crore

	2008-09	2009-10	2010-11
Value of works entrusted	211.53	355.92	661.18
Amount of advance received	332.42	510.89	743.54
Excess advances received	120.89	154.97	82.36
Cash and bank balances	188.15	322.60	485.99

On analysis of the excess funds received by the Company as compared to the value of work entrusted we observed that the Company had received ₹ 43.90 crore between 2007-08 and 2010-11 without receipt of work orders. Subsequently, the departments/agencies withdrew ₹ 38 crore without attributing reasons, after periods ranging from one to sixty months. An amount of ₹ 5.18 crore was still available with the Company as of March 2011, awaiting instructions from the departments/agencies, which included ₹ 4.64 crore received in 2008-09 from the Department of Rural Development and Panchayat Raj.

The Company had been receiving funds from Government departments and agencies without any work orders being mentioned/assigned, especially at the fag end of the financial year. These funds were withdrawn at a later time without mentioning reasons.

The Company should stop the practice of accepting funds without work orders so as to prevent the Government departments in making use of this facility as a means to avoid lapsing of funds at the end of the financial year.

While there were cases of receipt of funds without work orders, there were also cases of non-receipt of advances alongwith the work orders. We observed that the Company did not receive or claim advances of ₹ 6.74 crore, in respect of 49 works[67] entrusted by Bruhat Bangalore Mahanagara Palike (BBMP) during 2007 to 2011.

The Company replied (September 2011) that BBMP gave advance subject to submission of Bank Guarantee for equal amount. The reply is not factually correct as only in 11 out of the 49 cases bank guarantees were insisted upon and the Company's financial position was sound enough to furnish bank guarantee in those cases.

The MD had issued (February 2010) instructions that the entrusting agencies must be informed to specify the nature of work while entrusting work and, in case of refunds, administrative charges of 10 *per cent* should be deducted from the amount received. Administrative charges were, however, not deducted and the amounts were returned in full. The amount refunded after issue of the instruction was ₹ 28.76 crore and the administrative charges deductable amounted to ₹ 2.88 crore.

The Company stated (September 2011) that the instruction to deduct 10 *per cent* for administrative charges was applicable only when EA had specified the nature of work for the parked funds. The Company further stated that in these cases, works were not specified and no preliminary expenses were incurred and hence, money was returned in full. The reply, however, indicates that the instruction issued by the MD was not followed.

[67] Out of the total works selected for review.

Pattern of Income

Major part of the Company's profit in the last three years was earned from bank deposits and mutual funds and not from the core activity of construction.

2.2.14 As seen from the table in Paragraph 2.2.8 and 2.2.13, we observed that while the Company had received an excess advance of ₹ 358.22 crore during the last three years ending 2010-11, it had huge cash and bank balances of around ₹ 997 crore during the same period. By skillfully employing these funds in short term deposits and mutual funds, it had earned an interest income of ₹ 36 crore during the same period while the Company had earned an operating income of ₹ 33 crore during the same period from the core activity of the Company *viz.,* construction.

In short, over a period of time the Company is becoming more a Finance Company rather than a Construction Company from the point of view of earning of income.

Entrusted works

2.2.15 The Secretary, Department of Rural Development and Panchayat Raj (RDPR), GoK, had requested (January 2005) the Executive Officers of all Panchayats to allot works to the Company on entrustment basis.

The Karnataka Transparency in Public Procurement (KTPP) Act, 1999 was enacted to ensure transparency in public procurement of goods and services by streamlining the procedures in inviting, processing and acceptance of tenders by entities. Section 4(g) of the Act provides for exemption in respect of specific procurements as may be notified by the Government from time to time.

In line with this provision, the Government exempted (January 2008) the Company from application of the above Act in regard to procurement of the construction requirements of Government Departments and other procurement authorities in respect of works of construction of schools, colleges, anganwadi buildings, hostel buildings, houses for weaker sections, primary health centers, hospitals, staff quarters, rural water supply, sanitation *etc*., not exceeding ₹ 50 lakh. The limit was increased to ₹ 1 crore in August 2009. The order stipulated that the works should be executed under the direct supervision and responsibility of the Company's own personnel and the work should not be sub-contracted (except for sourcing material and labour).

The orders of exemption from the Act were to remain in force for a year and were to be renewed yearly. The present exemption expires in March 2012. The Government has allowed the Company to execute the works directly entrusted as per the schedule of rates of the PWD, applicable to the geographical locations of the works to be executed, with nominal administrative costs. Works were taken up on the basis of administrative approvals of the estimates, handing over of the sites and release of funds.

Sub-contracting of works

2.2.16 In violation of the order of the GoK exempting award of works from the provisions of KTPP Act, the Company had sub-contracted the works entrusted, especially by the BBMP.

The Company received 18 works[68] for ₹ 3.29 crore in 2009-10, which were sub-contracted to nine firms[69] for ₹ 2.90 crore. These works were given out inviting quotations from a few shortlisted contractors. We observed that in each case only three contractors had submitted their quotations and the works were allotted to the contractors with the lowest quotations.

The Company stated (September 2011) that short term tender notifications were invited and works awarded to the lowest tenderers. It was observed that the orders of exemption were meant to sustain the operations of the Company, at the risk of rates not being competitive. Sub-contracting by the Company negated this objective.

Preparation of estimates

2.2.17 The plans and estimates of works entrusted directly are prepared by the Company in consultation with the Entrusting Agencies (EAs) concerned and forwarded to the department/agency concerned for approval. The estimates are increased by 5 *per cent* for Company's charges ('KRIDL charges') and a further 5 *per cent* for taxes. In respect of orders entrusted by BBMP, the estimates are prepared by themselves at the rates in the prevailing SR.

We observed the following in the test checked cases:

The Company failed to include its charges, taxes and labour cess in the estimates resulting in non-recovery of expenditure of ₹ 2.10 crore.

- The GoK had instructed (January 2007) all Departments, Public Sector Undertakings (PSUs) and Government agencies to deduct one *per cent* from the contractor's bills for labour cess and remit it to the Karnataka State Building and Other Construction Workers' Welfare Board. The Company accordingly directed (January 2007) all Sub-divisions to include one *per cent* for labour cess in the estimates. It was observed that out of 82 test checked works, in 45 works, the Company had paid labour cess of ₹ 11.69 lakh from its own funds and in balance 37 works the Company has a liability of ₹ 30.97 lakh for labour cess, due to non-inclusion of cess in the estimates.
- The GoK had entrusted (March 2010) construction of 11,624 houses for the flood affected people under 'Aasare Scheme' at an estimated cost of ₹ 158.15 crore. The labour cess at one *per cent* was not included in the estimate prepared by the Government.

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[68] 18 works were entrusted to the Company in one order, including the two selected for review.

[69] Arvind Electricals (8 works), Shah Electrical (2 works), SS Electricals (2 works), Annapoorneswari Enterprises (1 work), Rajsurya Electricals (1 work), Vijayalaxmi Developers (1 work), Sreenivasa Electricals (1 work), Chandu Electricals (1 work) and Balaji Electricals (1 work).

- The Company did not include Karnataka Value Added Tax (VAT) in the estimates submitted to the EAs in construction of four flood damaged buildings in Davangere district, which resulted in loss of ₹ 8.83 lakh.
- The Company did not include 'KRIDL charges' in the estimates in three works resulting in loss of ₹ 0.71 lakh.

The Company stated (September 2011) that there was no provision to include KRIDL charges and VAT in the estimates of works using MLA/MP grants. We observed that there was no such exemption for works executed with MLA/MP grants. The Company, however, had included VAT in the estimates of all works in Harihar Sub-division.

Execution of works

2.2.18 As per Paragraph 33 of the Standing Orders (SO) issued by the Company, the Deputy Directors (DD)/Assistant Directors (AD) have to make a thorough study of labour available in the local area for the requirement of the projects. Further, as per Paragraph 41 of the SO, specific work in a project has to be entrusted to a group of workers of not more than 20 to 25 headed by a group leader, who should be one among the workers. Such works are to be entrusted on quantum basis at job work rates fixed by DD/AD from time to time. Works executed by such groups are to be measured and recorded in Measurement Books (MBs) and also in Job Work Bills (JWB). The names of all labourers in the group are to be entered in the pro-forma attached to the JWB, with particulars of the number of days worked, the actual quantity of work done by each and the amount payable to each.

Non-observance of procedures

2.2.19 It was seen in audit that the payments for the works were released in lump sum to the group leaders as per assessment of the work done by the Sub-divisions without details of names of labourers deployed in the groups, the proforma to be attached to the Job Work Bills, the particulars of days worked, the actual quantity of work done by each, *etc.,* in contravention of the requirements in Paragraph 41 of the Standing order (refer *supra*).

The Company accepted the observation and stated (September 2011) that this would be followed in future.

Lapses in accounting/recording the details of work executed for BBMP

2.2.20 The Company has created a separate Zone for execution of works entrusted by the BBMP. It enters into agreements with the BBMP after work orders were issued by them on the basis of estimates prepared. The work orders are to be accompanied by mobilization advance equal to 25 *per cent* of the estimated cost. On receipt of advance, the Sub-divisions submit request for release of money and the Head Office releases the amount with a Limit Order (LO)[70]. While releasing the LO, work codes[71] are allotted for the works. As

[70] Limit order – The order to the bank prescribing the monetary limit for release of amount to the Sub-division for execution of works by the Sub-division.

[71] Work codes signify unique identification for each work. The works are undertaken by Sub-divisions after work codes are assigned for each of the work.

The Company entrusted 125 works valued at ₹ 22.28 crore to sub-contractors in violation of Government orders.

per the procedure followed, the works have to be entrusted to group leaders at job work rates fixed prior to commencing the works. The Sub-divisions commence the works on release of funds by the Head Office.

Two Sub-divisions (South and West) were allotted 125 works valued at ₹ 22.28 crore between November 2009 and February 2011. The agreements for 103 works were signed during this period. No agreements were signed for 22 works.

Of the works started (November 2009), 88 works were completed and 13 works were in different stages of construction. The balance 24 works were not taken up (September 2011). The expenditure on these works was ₹ 20.23 crore. The Sub-divisions had submitted bills to the extent of ₹ 14.87 crore (September 2011).

We observed that registered contractors of BBMP executed the works with their own funds. The works were/are being executed without:

- agreement and work orders from BBMP (22 works),
- getting mobilization advance (all works),
- allotting work codes (all works),
- job work rates (all works),
- limit orders (all works), and
- bringing them into account even after completion (88 works).

Neither the Zonal Office nor the Head Office had accounted for these 101 works in their books of accounts, inspite of the fact that 88 works had been completed (May 2011) and 13 works were in different stages of completion. We further observed that the process of executing the BBMP works was not transparent and the Company was used as a platform to award works to contractors in violation of Government directives.

The Company stated (September 2011) that the works were executed due to pressure from the local public and BBMP. The fact remains that the works were awarded to and executed by sub-contractors in violation of Government directives.

Works taken up without work order/agreement/technical sanction

2.2.21 As per the Standing Orders, the Sub-divisions have to obtain the technical sanction and approval of job work rates for various items from competent authority (DD/JD/MD) before commencement of works. Based on this work orders are issued. In the test checked works, we observed that 20 works in 5 Sub-divisions valued at ₹ 9.46 crore were commenced prior to/without technical sanction and approval of job work rates by competent authority and also without entering into agreements with the EAs.

The Company stated (September 2011) that the works were to be carried out urgently and were started in anticipation of work orders/agreements/technical sanctions from EA.

Delay in handing over completed works

2.2.22 Twelve works valued at ₹ 2.43 crore, completed between September 2009 and March 2011, were not handed over to the EA (August 2011). This resulted in maintaining the projects even after completion.

The Company stated (September 2011) that two works out of the 12 had been handed over to the entrusting agency.

Execution of tender works

2.2.23 The Company prepared quotations against Notice Inviting Tenders considering the prevailing market rates, overheads and applicable taxes and ensuring minimum savings of 10 *per cent*. The power to participate in tenders was delegated to various officers[72] and the MD was authorized to take final decision regarding quoting of rates, negotiation and finalization.

Loss in works

In 32 works valued at ₹ 55.27 crore, the Company suffered loss of ₹ 5.92 crore in 14 works.

2.2.24 A review of the 32 executed works valued at ₹ 55.27 crore showed that the Company suffered loss of ₹ 5.92 crore in 14 works as detailed below:

Sl. No.	Work code	Delay in months	Total cost[73]	Bills submitted	Amount admitted	Loss
			₹ in lakh			
1	9181	24	1,515.46	1,708.58	1,390.53	124.93
2	7536	9	71.98	71.98	68.16	3.82
3	7535	17	97.32	87.9	84.32	13
4	6805	26	47.91	45.68	41.01	6.9
5	6806	23	137.39	129.8	110.28	27.11
6	6807	23	72.14	64.96	26.7	45.44
7	7646	0	22.41	13.38	13.38	9.03
8	7866	0	27.17	22.86	22.86	4.31
9	2553 / 2554	19	1,909.2	1727.8	1,652.55	256.65
10	6872	23	203.19	166.62	166.62	36.57
11	6873	30	168.1	149.44	149.44	18.66
12	6875	23	165.34	145.71	145.71	19.63
13	6877	23	136.5	116.67	116.67	19.83
14	5753	14	58.05	54.03	51.93	6.12

[72] **(a) Deputy Directors for works costing up to ₹ 5 crore, (b) Joint Directors for works costing up to ₹ 10 crore (c) General Managers for works costing up to ₹ 50 crore and (d) Managing Director for works costing ₹ 50 crore and above.**

[73] **Includes Penalty: ₹ 68.93 lakh, Royalty : ₹ 36.76 lakh, Labour cess and others: ₹ 39.68 lakh.**

The losses were due to:

- delay in completion resulting in cost escalation,
- levy of liquidated damages, penalty, fine *etc.,* and
- non-acceptance of quantities recorded in bills by the entrusting agencies.

Security deposits and Earnest Money Deposits

2.2.25 We observed that in respect of 17 works security deposits of ₹ 2.71 crore, recovered from the bills by the agencies, who awarded the works, have not been refunded even 4 to 25 months after the stipulated period of one year after completion. The Company has not taken any action to get the security deposits refunded (September 2011).

Further, in these 17 works the amount of ₹ 60.42 lakh deducted towards Earnest Money Deposits has not been claimed 4 to 36 months after from completion of works.

The Company stated (September 2011) that the matter had been taken up with the EAs.

Penalties

2.2.26 In respect of 5 works[74] where the final settlement of bills were made by the entrusting agencies, liquidated damages of ₹ 68.93 lakh were deducted for delay in execution of the works.

Delays in execution of entrusted works

2.2.27 Sixty eight of the 377 works reviewed were delayed for periods ranging between one and 30 months from the schedule dates of completion as detailed below:

	Total no. of works	Delay in months				
		1-6	7-12	13-18	19-24	25-30
Completed works	38	14	7	3	11	3
On-going works	30	20	6	4	0	0

Reasons for delay:

	Total no. of works	Delay in months				
		1-6	7-12	13-18	19-24	25-30
Delay in release of funds	10	5	3	1	1	0
Delay in handing over site	12	8	1	1	2	0
Total	**22**	**13**	**4**	**2**	**3**	**0**
Delay due to other reasons	5	0	2	2	0	1
Slow progress of work	41	21	7	3	8	2

In respect of 22 works, the delays were attributable to entrusting agencies and in the rest, to the Company. The Company stated (September 2011) that the

[74] Work code 9181, 6872, 6873, 6875 and 6877.

delays were due to delays in handing over of sites by EAs and financial constraint faced by the Company. The reply is not correct as the Company was in good financial position and only 12 out of the 68 works delayed were due to site problems.

Procurement and inventory management

2.2.28 The Company procured materials like steel and cement on rate contract basis through 'e-tendering'. The tenders were invited and the rates were decided for each station on the basis of lowest accepted quotations. The field offices were required to place orders for supplies of the required quantities. Other materials like sand, bricks, jelly *etc*., were procured by the Sub-divisions from unregistered dealers (URD).

We observed that:

- the Company had not prepared a Purchase Manual (September 2011);
- the Company had no system of analyzing the actual quantity ordered by each Sub-division against the quantity of order placed with different suppliers;
- though the Head Office had issued instruction to endorse copies of supply orders/invoices to Head Office, their receipt and analysis were not monitored;
- while initiating new tendering process, consolidated details of earlier orders placed and supply completed were not recorded;
- manufacturing companies with an annual turnover of ₹ 500 crore and above only are eligible to quote for supplies of cement and steel. This stipulation may result in creating monopolistic situations and also losing the option of procuring the materials produced by other reputed manufacturers at economical rates. The Company has reduced (January 2010) the annual turnover criteria to ₹ 100 crore to quote for supply of steel to the Company;
- the Clause No.9 of the Notification of October 2008 attached to KTPP Act stipulated that successful tenderer should deliver security deposit to the employer equivalent to five *per cent* of the contract price within 20 days of receipt of Letter of Acceptance. The Company, however, collected only one *per cent* of the tender value as EMD, which was later converted as security deposit.

The Company replied (September 2011) that Purchase Committees had been constituted at Divisions and Zones as per the financial powers delegated (November 2001) by the Board of Directors. It was also stated that as the cement manufacturing companies had large turnover, the ceiling of ₹ 500 crore was stipulated. The fact, however, remains that by stipulating turnover limit for submitting tenders, the Company failed to procure cement at competitive rates. The yearly requirement of cement was around ₹ 50 crore only.

Purchases from unregistered dealers

2.2.29 The Sub-divisions of the Company procured a number of items such as bricks, jelly, sand and stones from unregistered dealers. We observed that:

- these items were procured without inviting competitive tenders.
- there were no invoices for supply of materials.
- no records of receipt, issue and the balance quantity of materials were maintained. The Sub-divisions, however, prepared month-wise and work-wise consolidated statements of materials-at-site. Hence, the receipts and issues were not verifiable.
- there were no receipts signed by the suppliers for payments made to them. The payments were only certified by the engineers of the Company.

The Company procured items valued at ₹ 148.78 crore[75] in the four years ended 31 March 2010, without fulfilling the above stated requirements.

The Management stated (September 2011) that suitable monitoring measures were proposed to be introduced to purchase from registered dealers duly supported by tax invoices.

Billing

2.2.30 As per the Clause 73 of Standing Orders, the Company prepares work-wise running account bills each month and submits to the EA for payment. On completion of the work, final bills are prepared and submitted. The payments against the running account bills and final bills are to be released within 7 days and 30 days respectively.

The Company delayed the submission of bills of ₹ 4.43 crore in respect of 12 works for periods ranging between one to 48 months.

In the BBMP Zone, the Sub-divisions had been submitting statement of works along with 'blank' signed contract certificates, without mentioning the values of the works and details of the payments deducted. The MBs were prepared and kept by the BBMP. Subsequent bills were submitted only on clearance of the previous bills. Copies of the bills pending settlement were not available in the Sub-divisions. The Sub-divisions did not maintain work order/bill registers for entering the receipts of work orders and for submission of bills. As the Company was not maintaining the Measurement Books, the correctness of the billing was not verifiable in audit.

We observed that:

- the Company did not submit monthly bills in any of the entrusted works selected. In 12 works, the submissions of final bills amounting to ₹ 4.43 crore were delayed for periods ranging between one and 48 months.

[75] **₹ 30.68 crore, ₹ 23.60 crore, ₹ 44.99 crore and ₹ 49.51 crore during 2006-07, 2007-08, 2008-09 and 2009-10 respectively. The figures for 2010-11 are awaited as the Company is yet to file its tax returns (September 2011).**

The Company stated (September 2011) that the bills in respect of BBMP works were prepared by BBMP Engineers and agreed to maintain bill/work order register;

- in 39 works**,** the realization of bills amounting to ₹ 11.76 crore was delayed for periods ranging between one and 34 months.

- the claims were not settled as per the estimates in 25 works and deductions amounting to ₹ 1.31 crore were made without assigning reasons. The Company, however, had not taken up the matter with the EA.

- in 15 completed works, Horticulture Department under BBMP recovered ₹ 3.15 lakh as EMD. EMD is an amount collected at the time of participating in tender. As these were in the nature of entrusted works, the recovery of EMD from running account bills was not in order. The Company neither objected to this recovery nor claimed the amount back (September 2011). The Company replied that the matter had been taken up with the BBMP.

Deduction of security deposit

2.2.31 The Urban Development Department, GoK had directed (July 2007) the Commissioner, BBMP not to recover security deposit from the bills of the Company as the works were awarded on entrustment basis without going through tendering process. We observed that BBMP had however, recovered security deposit amounting to ₹ 4.20 crore[76] from the bills, which had not been refunded (September 2011). The Company stated (September 2011) that the matter had been taken up with the EAs for refund of security deposit.

Manpower management

2.2.32 The Company has 344 engineers against a sanctioned strength of 382. The table below indicates the value of work done, number of engineers designated as Task Force Commandants (TFC)/Assistant Task Force Commandants (ATFCs) in position, *etc*., in the year 2010-11:

Sl. No	Zone	Value of work done (₹ in crore)	No of engineers in position		Total	Average turnover per TFC/ATFC (₹ in crore)
			DD	TFC/ATFC		
1	Gulbarga	144.94	19	25	44	5.80
2	Central	101.78	26	33	59	3.08
3	Mysore	62.88	24	28	52	2.25
4	Bangalore	61.38	13	24	37	2.56
5	Belgaum	153.27	32	37	69	4.14
6	BBMP	82.86	7	15	22	5.52

[76] **Deduction of ₹ 0.60 crore in 2006-07, ₹ 1.23 crore in 2007-08, nil in 2008-09, ₹ 0.05 crore in 2009-10 and ₹ 2.32 crore in 2010-11.**

The works were executed in the Sub-divisions through engineers designated as TFC/ATFCs. We observed that there was no rationalization in distribution of the works, which varied between ₹ 2.25 crore and ₹ 5.80 crore per TFC/ATFC.

Monitoring System

Budgetary control

2.2.33 Timely preparation of budgets and analysis of the variations noticed in execution of works to take suitable remedial measures for achievement of the desired objectives make budgetary control important. The Company did not prepare budgets till 2008-09. The budgets for the years 2009-10 and 2010-11 were approved by the Board in June 2009 and July 2010 respectively, and communicated to field offices in July 2009 and August 2010 respectively. Cash budgets for planning financial/operational activities were also not prepared.

The Company (September 2011) stated that cash budgets would be prepared from next financial year.

Allotment of work codes

2.2.34 Work codes were allotted to works when Limit Orders for commencement of works were issued by Head Office in respect of entrusted works or when the Company participated in tenders. As the work codes of unsuccessful tenders were not identified as defunct in the system, the system-generated data and information received from the field office through monthly progress reports lacked accuracy. The Company stated (September 2011) that action had been taken to allot work codes only after receipt of administrative approvals from EAs.

Inspection

2.2.35 As per Paragraph 45 of the Standing Orders issued by the Company, DD/AD needed to inspect the works periodically and a copy of Inspection Note was to be endorsed to Head Office. It was observed that during inspection of works, the DDs/ADs issued instructions orally as and when required and inspection notes were not forwarded to the Head Office.

The Company stated (September 2011) that a system was in place to monitor the progress of the work. The Company, however, could not produce records in evidence of regular monitoring of works.

Closure of projects

2.2.36 Once a work is completed, a handing over note and completion certificate is to be prepared and the work order is to be closed and the Head Office informed, for effective monitoring of work and financial management.

There were delays of 1 to 18 months in preparing handing over notes and completion certificates. Further, the work codes remained even after completion of the works, without marking the same as 'completed' in the database.

Agreeing with the observation the Company stated (September 2011) that instructions had been issued to all concerned in this regard.

Internal control/Internal audit

2.2.37 The Company has an internal audit section with nine Audit Officers. The internal audit of field offices was carried out by Chartered Accountants till 2009-10 and thereafter the audit was centralized by appointing a firm of Chartered Accountants at Head Office.

It was observed that in none of the selected works, internal audit had conducted check of the estimates on receipt of work orders, measurements during the execution of work, preparation and submission of bills and realization and transfer of money to the Head Office. Further, the Statutory Auditors in their reports had commented that internal control system in the Company was weak.

The Company stated (September 2011) that action had been taken to improve the internal audit by appointing more Audit Officers for scrutiny of transactions.

Miscellaneous

Reimbursement of VAT on Aasare houses

2.2.38 The GoK allotted the work of construction of 11,624 low cost houses for the flood affected people of the State under the 'Aasare' scheme. GoK allowed (February 2010) reimbursement of Value Added Tax (VAT) on construction materials used. The order stipulated that monthly claim for reimbursement of VAT paid should be submitted within 30th of the month following the purchase of materials along with copies of the purchase bills. The Company completed construction of 6,647 houses and 3,154 houses were in various stages of construction (June 2011). The Company had not, however, preferred claims for reimbursement of VAT. On this being pointed out in audit (February 2011), the Company preferred (June/July 2011) claims to the extent of ₹ 2.19 crore for reimbursement. A balance of ₹ 0.65 crore remained unclaimed (September 2011).

The Company stated (September 2011) that efforts would be made to get the reimbursement from the Government.

Payment of royalty

2.2.39 The Hon'ble High Court of Karnataka had decided (1994 and 2006) that where the contractor had used materials purchased from open market, *i.e.,* from private sources like quarry lease holders and private quarry owners, there was no liability on the part of contractors to pay royalty on materials. The Company issued a circular in this regard to all project officers only in February 2010.

Nevertheless, the payment of royalty continued. The Company paid royalty of ₹ 2.66 crore[77] during 2006-11 on materials purchased from open market.

The Company stated (September 2011) that the circular issued in February 2010 was applicable to entrustment works and not for tender works. However it was seen that no such differentiation was made either in the Court Order or in the circular issued by the Company.

Payment of VAT on works

Value of steel used in execution of works in the 29 tax centres of the Company was lesser than the value considered for the payment of VAT on the works contracts resulting in payment of lesser tax by ₹ 5.02 crore.

2.2.40 As per Karnataka Value Added Tax Act (KVAT), organizations are allowed to opt for either payment under composition or payment under full VAT (*i.e.,* turnover reduced by labour and other charges). In case of composition of tax the assessee had to pay VAT at 4 *per cent* on total turnover without availing of input credit of tax paid on materials used for value addition or labour charges. In case of payment under full VAT, which was opted for by the Company, VAT was to be paid at 12.5 *per cent* on turnover reduced by labour and other charges. The Act allowed payment of 4 *per cent* VAT on steel used in execution of works.

In 2009-10, six tax centres[78] paid tax at 12.5 *per cent* on turnover after deducting labour and other charges. Twenty nine tax centres paid VAT at 4 *per cent* on steel used in execution of works and 12.5 *per cent* for the balance turnover. It was observed that the value of steel used in execution of works in the 29 tax centres was lesser than the value considered for the payment of VAT on the works contracts. This had resulted in payment of lesser tax by ₹ 5.02 crore with the risk of liability of penalty and interest.

In Davangere Division, the Commercial Tax Department had issued a notice (February 2011) for non-payment of tax (₹ 77.66 lakh) with penalty and interest (₹ 40.88 lakh).

The Company stated (September 2011) that the value of works contract on which payment of VAT was made was the value comprising iron and steel used plus value relating to several other goods employed. The reply overlooked the fact that 4 *per cent* VAT was allowed only for the steel consumed and not for the other materials consumed.

Loss due to payment of full VAT

2.2.41 The KVAT allows any Division/Sub-division of the Company to register with VAT authorities. The organizations are allowed to adopt either payment under composition or payment under full VAT. In case of composition of tax (Method I) the assessee has to pay VAT at 4 *per cent* on total turnover without the benefit of input credit of tax paid on material used for value addition or labour charges. In case of payment under full VAT (Method II), 12.5 *per cent* tax has to be paid on total turnover reduced by 30 *per cent* or actual for labour

[77] ₹ 0.74 crore, ₹ 0.76 crore, ₹ 0.40 crore, ₹ 0.35 crore and ₹ 0.41 crore during 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 respectively.

[78] Tax centres are Divisions or Sub-divisions of the Company or a combination of Division and Sub-divisions for the purpose of tax assessment.

and other like charges, whichever is higher. The assessee is allowed to avail of input credit of tax paid on raw materials in this method. The calculations of VAT on the basis of the returns submitted by one Zone (BBMP Zone) of the Company, under different methods are given below:

₹ in lakh

Particulars	2006-07	2007-08	2008-09	2009-10
Payment under composition (Method I)				
(a) Total turn over	2,629.03	1,802.21	2,441.45	4,617.48
(b) Value Added Tax (4 *per cent*)	105.16	72.09	97.66	184.70
(c) Tax payable on purchases from unregistered dealers (4 *per cent*)	10.44	9.18	6.72	9.69
(d) Tax payable (b+c)	115.60	81.27	104.38	194.39
Payment under full VAT (Method II)				
(e) Deduction claimed for labour and other like charges	Nil	807.07	918.30	1,645.31
(f) Taxable turnover (a) – (e)	2,629.03	995.14	1,523.15	2,972.17
(g) VAT on Work Contract	328.63	124.39	190.39	371.52
(h) Input tax credit	84.47	33.68	31.32	101.35
(i) Tax payable (g)-(h)	244.16	90.71	159.07	270.17
Excess tax (i) – (d)	**128.56**	**9.44**	**54.69**	**75.78**

As the works were executed with substantial purchases from unregistered dealers and VAT was not paid on those purchases, the value of such purchases attracted VAT in works contracts at 12.5 *per cent* (Method II) instead of 4 *per cent* under Composition (Method I). The Zone, thus, paid excess tax of ₹ 2.68 crore for the four years ended March 2010[79].

The Company stated (September 2011) that the tax payable for the year 2006-07 would have been only ₹ 1.04 crore had the labour charges been deducted and the credit for input tax allowed on URD purchases availed. It was also stated that all procurements would be made from registered dealers so that the Company would be in a position to avail the input tax credits.

The contention of the Company that the payment would have been lesser is hypothetical as the tax return for 2006-07 had already been filed. The reply is, however, silent on the workings related to the years 2007-08, 2008-09 and 2009-10.

The Performance Review was issued to the Government in July 2011; its reply is awaited (September 2011).

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and Management of the Company in conducting the performance review.

[79] **The BBMP Zone is yet (September 2011) to file its tax returns for 2010-11.**

Conclusion

The Company has incurred significant losses in major works, as the planning for and estimates of works have been faulty, and all inputs and costs were not taken into account and there were inordinate delays in execution. Compliance with rules and regulations and budgetary control and monitoring system needs improvement.

Recommendations

The following recommendations are made:

- **The Company has to streamline the works wing to ensure that all inputs and costs are considered, the works are completed within scheduled time, estimated costs are not exceeded and activities are monitored effectively;**
- **The monetary advantages to the Company embedded in the SR should be retained;**
- **The system of procurement of materials from unregistered dealers has to be streamlined and the provisions in the KTPP Act should be followed;**
- **Billing should be done promptly;**
- **The Company should stop the practice of accepting funds without work orders so as to prevent the Government departments in making use of this facility as a means to avoid lapsing of funds at the end of the year; and**
- **Internal control system should be tightened and maintenance of records improved.**

CHAPTER III

3. Transaction Audit Observations

Important audit findings emerging from test check of transactions in the State Government Companies and Statutory Corporations are included in this Chapter.

Government Companies

Krishna Bhagya Jala Nigam Limited

3.1 Undue benefit to contractor

The Company awarded a work for ₹ 18.70 crore at 41.55 *per cent* below the amount put to tender. The Company continued to entrust additional works at regular intervals on non-competitive basis to the same contractor thereby increasing the total value of works to ₹ 73.60 crore.

Construction of submersible bridge-cum-barrage with needle gates across River Bhima at Sonthi Village in Gulbarga District was awarded (June 2003) to a contractor at his lowest quoted rates for ₹ 18.70 crore, which was 41.55 *per cent* below the amount of ₹ 32 crore put to tender. Scheduled time of completion was September 2004. The Company subsequently awarded additional works amounting to ₹ 54.90 crore. The construction was completed in December 2009. The high variation of ₹ 54.90 crore between the original cost and the final awarded cost was attributed to various reasons such as change in scope and nature of work (non-submersible with vertical gates), cost escalation *etc.,* as noted below:

Sl. No.	Particulars	Amount (₹ in crore)
1	Cost of conversion of submersible bridge to non- submersible bridge (December 2003)	7.85
2	Consequential construction of 3 metre piers to accommodate vertical crest gates (December 2005)	15.58
3	Erection of embedded parts of service and stop log gates (December 2005)	5.62
4	Cost of extension of downstream apron works up to 20 metres (December 2006)	6.16
5	Increase in quantity of steel for embedded parts (March 2007)	2.79
6	Cost escalation due to allowing revised rates for work done after tender period (February 2005)	9.02
7	Extra cost towards cement and steel	6.26
8	Other extra costs	1.62
	Total	**54.90**

Of the total variations in cost of ₹ 54.90 crore, ₹ 16.90 crore related to cost escalation and ₹ 38 crore related to change over to non-submersible bridge and introduction of new items of work resulting in complete change of scope of work. Change of scope of work was more than 200 *percent* of the original cost of ₹ 18.70 crore.

We observed that :

- Changes subsequently introduced were well within the knowledge of the Company beforehand. Before the contract was awarded in June 2003, the Minister for Minor Irrigation had impressed (April 2003) upon the Company about the necessity of going in for vertical gates, which were considered technically superior and suitable. The Company, however, did not consider this suggestion on the ground that the beneficiaries would directly lift the stored water and went ahead with floating tenders for construction of bridge-cum-barrage with needle gates and selected the contractor on lowest tender basis at the cost of ₹ 18.70 crore.

- After award of the work (June 2003) the Company decided (December 2003) to construct a non-submersible bridge on a request from the Minister for Minor Irrigation (October 2003). This resulted in increase in quantity by more than 125 per cent of tendered quantities. The same contractor was entrusted (November 2004) with the additional works necessitated due to change over to non-submersible bridge at the cost of ₹ 7.85 crore. In the same month the contractor demanded escalation of ₹ 9.02 crore, increasing the cost to ₹ 35.57 crore, which was agreed to.

- On the directions of the Government (December 2005) Sonthi bridge-cum-barrage was modified to include lift irrigation scheme also. Construction of steel embedment works for vertical gates and the associated additional civil works at the cost of ₹ 30.15 crore were also entrusted to the same contractor.

- In all, works of different character and scope at the cost of ₹ 38 crore were entrusted to the same contractor without going in for a fresh tender in terms of Rule 12 (5)[80] of the KTPP Rules. By ignoring the Minister's advice, which was in the knowledge of the Company before the tender was floated, the Company managed to entrust the same work to the same contractor without obtaining competitive rates.

  Instead of taking an integrated approach encompassing the construction of the barrage and connected works for irrigation, the Company awarded a work initially by inviting open tender and later entrusted more works as additions to the main work on non-competitive basis. The Company compromised the cost competitiveness to convenience of getting the work done.

- As per Clause 13 (a) and (b) of the tender conditions, quantities up to 125 *per cent* of the tendered quantities were to be paid at the quoted rates. The Company, however, agreed to revised rates for the entire quantities executed after the scheduled period of completion (September 2004)

[80] **Rule 12(5) of KTPP Act stipulates that the quantity finally ordered can vary only to the extent of twenty five *per cent* either way of the requirement indicated in the tender documents.**

without limiting the increase in rates to quantities executed beyond 125 *per cent*, resulting in undue benefit of ₹ 6.32 crore.

- Further, in contravention of the directions (September 2007) of the Board of Directors of the Company to pay the difference in cost of steel and cement for the works executed after March 2007, the Company paid (October 2007) the contractor an amount of ₹ 0.59 crore even for the work carried out before March 2007. The Government agreed (August 2011) to recover this amount from the contractor. Recovery has not been made so far (September 2011).

The matter was reported to the Government in August 2011; its reply is awaited (September 2011).

Cauvery Neeravari Nigama Limited

3.2 Loss of revenue

The Company failed to enforce the provisions in the agreement which resulted in loss of revenue of ₹ 3.31 crore.

The Company invited tenders in May 2009 for selection of an agency to collect entry fee and toll fee from July 2009 to June 2010 at Brindavan Gardens. Shri T.N. Paramesh (contractor), who had quoted ₹ 40.85 lakh per month for entry fee and ₹ 8.97 lakh per month for toll fee was the highest bidder. The Company issued Letter of Acceptance (June 2009) and entered into agreements (July 2009) for collection of entry fee and toll fee.

The contractor was to furnish a bank guarantee of ₹ 99.64 lakh covering two months' contractual payments as performance security at the time of entering into a formal agreement. As per the terms of agreement, the payment of ₹ 49.82 lakh fell due on 1st of every month starting from July 2009. The performance guarantee executed by the contractor was received by the Company only on 19 August 2009. The payments made by the contractor from July 2009 to June 2010 were as follows:

Month	Amount to be paid	Amount paid	Balance	Interest
	₹ in lakh			
July 2009	49.82	nil	49.81	0.50
August 2009	49.82	nil	99.64	1.00
September 2009	49.82	nil	149.46	1.49
October 2009	49.82	nil	199.28	1.99
November 2009	49.82	49.90	199.20	1.99
December 2009	49.82	49.90	199.12	1.99
January 2010	49.82	49.90	199.04	1.99
February 2010	49.82	12.68	236.18	2.36
March 2010	49.82	26.32	259.68	2.60
April 2010	49.82	21.74	287.76	2.88
May 2010	49.82	56.55	281.03	2.81
June 2010	49.82	-	330.85	3.31
Total	**597.84**	**266.99**		**24.91**

It was the responsibility of the contractor to make the payments irrespective of the number of visitors and the Company was to ensure the payments. As seen from the contract, the payment of ₹ 49.82 lakh on 1st of every month had no relation to the number of visitors to the garden.

The contractor, however, did not make any payment from July 2009 to October 2009, by which time the dues from the contractor had accumulated to ₹ 199.28 lakh, which was 200 *per cent* of the bank guarantee. Despite repeated defaults in payments, the Management did not initiate action to encash the bank guarantee of ₹ 99.64 lakh lodged with them. In fact, the bank guarantee should have been invoked by 1 September 2009, when the dues were equivalent to the bank guarantee.

Inaction on the part of the Management further encouraged the contractor to evade payment of dues in February, March, April and June 2010. The Company allowed the contractor to manage the Garden for one full year without invoking the bank guarantee and terminating the contracts. The Management initiated action to invoke the bank guarantee only in May 2010, just a month before the end of the period of contracts (June 2010). By May 2010, the contractor had obtained stay on encashment of bank guarantee and thereby, the Company could not realize the sum of ₹ 99.64 lakh.

Thus, the failure of the Company to act timely in encashing the bank guarantee and terminating the contract deprived the Company of the revenue of ₹ 3.31 crore[81]. No action has been taken by the Company to fix responsibility for the loss and initiate administrative action for the failure.

The Government replied (July 2011) that the inflow of tourists had reduced considerably during July to October 2009 due to out break of H1N1, communal riots and tight security arrangements against terrorist activities.

We observed that an independent verification of collection for March 2010 carried out by the Assistant Executive Engineer of the Dam Division had revealed that the actual revenue collection was ₹ 32.46 lakh against the collection of ₹ 21.48 lakh reported by the contractor. It was obvious that the data furnished by the contractor was incorrect. It is reiterated that the monthly remittances in terms of the agreements are not linked to the number of visitors to the Brindavan Gardens. The Company should, therefore, have ensured that the terms of the agreements were adhered to and effective actions taken at appropriate times to protect its financial interest.

[81] **Excluding interest of ₹ 24.91 lakh at 12 *per cent* on belated payments as per agreement.**

Karnataka Power Corporation Limited

3.3 Improper planning and investment

The Company selected locations for implementing bio-mass plants at Bethamangala and Kushalnagar without realistically assessing the availability of bio-mass. The investment of ₹ 2.82 crore on the projects remained unfruitful.

The Company entered (May 2002) into an agreement with Advanced Bio-residue Energy Technologies Society (ABETS) in Indian Institute of Science for establishing bio-mass power plants to generate power utilizing feedstock residue[82]. The Company was to fund the projects and ABETS was to provide the technology support for design, construction, erection, operation and maintenance. It was suggested that the lead taken by the Company in the areas of new technology could then be passed on to private investors. It was also stressed that availability of reliable drinking water was a major problem in many societies and reliable power supply from such plants would solve it.

Karnataka Renewable Energy Development Corporation (KREDL)[83] had identified eleven[84] locations, based on a survey where feedstock was available. The representatives of the Company and ABETs, however, visited (September 2002) various other places and selected Bethamangala in Kolar District and Kushalnagar in Kodagu District, on factors such as seriousness of power crisis, power level, bio-mass availability, feasibility and proximity to Bangalore.

A Detailed Project Report (DPR) for establishing bio-mass power plants at an estimated cost of ₹ 2.03 crore at Bethamangala (₹ 1.58 crore) and Kushalnagar (₹ 0.45 crore) was forwarded (December 2002) to the Ministry of New and Renewable Energy (MNRE) through the KREDL. It was projected in the DPR that sufficient quantity (seven to ten times the requirement) of bio-mass residue was available in both the locations within a radius of 10 to 30 kilometres. The DPR was approved (March 2003) by MNRE with a subsidy support of ₹ 0.82 crore[85]. The State Government approved the proposal (November 2004) for bio-mass plants at these locations.

The erection and commissioning of plants at Bethamangala and Kushalnagar were completed in June 2006 and January 2005 respectively at an expenditure of ₹ 2.82 crore[86]. The increased cost was attributed to the increase in capacity

[82] Coconut shells, coconut fronds, briquettes of sawdust, coffee husk, rice husk, sugar cane trash, cotton stock, plantation residues *etc.*

[83] Karnataka Renewable Energy Development Limited (KREDL) is the nodal agency in the State for implementation of renewable energy sources.

[84] Tiptur, Gubbi, H.D. Kote, Sindhanur, C.N.Halli, Siriguppa, Somvarpet, Sampgaon, Gangavati, Athani and Khanapura.

[85] Bethamangala: ₹ 0.65 crore and Kushalnagar: ₹ 0.17 crore.

[86] Bethamangala : ₹ 2.27 crore and Kushalnagar : ₹ 0.55 crore. The amounts are inclusive of subsidy received amounting to ₹ 0.57 crore. The balance subsidy would be received after fulfilling the criteria for successful completion of unit.

of Bethamangala plant, additional civil works, increase in duties and taxes, *etc*. The Company did not commence commercial operation of the plants.

We had observed (October 2007/May 2011) that the plants were not put into operation. Even the trial runs for 200 hours before commencement of commercial operation were not found possible owing to non-availability of bio-mass fuel in the area and non-creation of infrastructure required for evacuation of the surplus power to the grid/nearest sub-station. In respect of Kushalnagar the power lines to the jack well, where from water was to be pumped, were not laid.

Further, the projections of availability of bio-mass residue in the vicinity of the plant were found to be unrealistic and locations selected on other assumptions had intrinsic problems. These two locations were also not in the list identified for availability of bio-mass residue in the above mentioned survey. The investment of ₹ 2.82 crore on the Bio-mass Gasification Projects has been unfruitful; besides, the Company did not achieve the objectives envisioned to demonstrate generation of power in the areas of new technology and pass on the technology to private investors. Government of Karnataka was finally informed (November 2010) that commercial production at Bethamangala Plant was not being taken up.

The Management stated (March 2011) that the bio-mass units were demonstration projects under a research and development (R&D) scheme and, hence, success was not certain. The Management further stated (May 2011) that both the plants were now proposed for relocation to the Company's solar plant premises at Yelesandra in Kolar District, where facilities for evacuation of power existed. The Management had now informed (September 2011) that the proposal for re-locating the plant to Yelesandra had been dropped and the Company was going ahead with the decision to dispose off the plant.

The matter was reported to the Government (June 2011); its reply is awaited (September 2011).

The Mysore Sugar Company Limited

3.4 Improper decisions

The revival of Indian Made Liquor bottling unit failed due to improper decisions.

The Company has sugar mills, a primary distillation plant and an Indian Made Foreign Liquor/Indian Made Liquor (IML) blending unit. The IML unit was shut down in February 2000 as the operations were uneconomical owing to failure in establishing a brand of its own and in retaining regular orders[87]. The Company was declared sick by the Board of Industrial Finance Reconstruction (BIFR) in September 2005, in terms of the Sick Industrial (Special Provisions) Act 1965.

[87] Reference is invited to the Audit Report (Commercial), Government of Karnataka of the Comptroller and Auditor General of India for the year ended 31 March 2002.

The Government of Karnataka decided to ban sale of arrack in Karnataka (with effect from July 2007) and to grant license for manufacture and sale of Indian Made Liquor (IML). The Board of Directors (BoD) of the Mysore Sugar Company Limited (Company), therefore, decided (July 2007) to revive the operations of the IML unit under tie-up arrangement with outside parties.

M/s V.Sree Spirits (VSS), Bangalore had come forward to undertake the IML manufacturing, bottling and sales operations and offered user fee of ₹ 1.50 lakh per month, royalty of 90 paisa per litre of rectified spirit and to bear other costs[88]. VSS remitted (September 2007) ₹ 50.03 lakh[89] towards user fee, royalty, earnest money deposit and license fee to the Government on behalf of the Company. Pursuant to the BoD's decision (October 2007) to enter into a tie-up for a period of three years, VSS was informed of the acceptance of their offer.

However, in the BoD meeting held in March 2008, the Joint Secretary of Finance Department and Director of the Company informed that a decision had been arrived at before the Principal Secretary, Finance Department to entrust the bottling and marketing of IML to Mysore Sales International Limited (MSIL), another Government Company by way of a tie-up arrangement.

MSIL had by then furnished their price structure for various volumes of liquors. It was reported (March 2008) that the price structure offered by MSIL was not beneficial to Company. The BoD decided (March 2008) to refund the advance of ₹ 50.03 lakh obtained from the VSS and it was refunded. The proposal for tie-up with MSIL was also not pursued.

The BoD then decided (October 2008) to start production of 25,000 cases (180 ML bottles) per month initially and to enhance the capacity with proper marketing arrangement. The Company started bottling the IML (January 2009) with the old bottling machines after paying the license fee of ₹ 34.50 lakh for the year 2008-09[90]. After bottling 27,686 cases, production was stopped in May 2009. The Company also remitted (May/June 2009) licence fee of ₹ 34.50 lakh for 2009-10. Of the total IML manufactured, 14,500 cases were sent to market. Only 14,070 cases could be sold and the balance 430 cases remained unsold (August 2011). The Company could not find market for the stock of 13,186 cases.

The Company, after inviting tenders, purchased (January 2009) second-hand bottling machinery for ₹ 47.81 lakh. The machinery was installed in February 2009. This plant has also been lying idle since then**.** The BoD of the

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[88] **VSS agreed to bear the cost of obtaining license (₹ 36 lakh), fees for approval of labels payable to the Government (₹ 2 lakh), calibration charges (₹ 2 lakh per year), repairs / services (₹ 10 lakh to ₹ 15 lakh), cost of installation of new IML bottling machineries and cost to enhance the capacity of bottling of liquor from 1,000 to 5,000 cases per day.**

[89] **₹ 15.53 lakh (earnest money deposit, user fee and royalty) to the Company and license fee (₹ 34.50 lakh) to Government of Karnataka.**

[90] **The license fee paid by VSS for 2007-08 was adjusted for 2008-09 as per order (December 2008) of Excise Commissioner, which was subject to clearing old dues from 2001-08 by June 2010. The correspondence regarding clearance of old dues is under progress (September 2011).**

Company again decided (August 2010) to invite 'expression of interest' for private participation to commence the IML production.

We observed that the tie-up arrangement with VSS did not materialize as a decision to opt for tie-up with MSIL was taken on the instructions of the Government. The arrangement with MSIL did not fructify as it was not found beneficial to the Company. The Company refunded the deposit to VSS without ensuring a tie-up with MSIL. These actions resulted in the Company bearing the expenditure of ₹ 73.38 lakh towards license fee for the years 2008-09 and 2009-10, which otherwise would have been borne by VSS apart from loss of revenue of ₹ 57 lakh[91].

The decision of the Company to commence production and to increase capacity before establishing/ensuring the marketability of the products also resulted in idle investment of ₹ 47.81 lakh in machinery. The stock valued at ₹ 30.34 lakh is yet to be sold and faces the possibility of sedimentation in bottles.

The Management justifying the decision stated (June 2011) that the then Managing Director had consulted Vasanth Dada Sugar Institute, Pune for study and report on manufacturing and marketing of IML. The fact, however, remained that the decisions had proved disadvantageous to the interest of the Company.

The matter was brought to the notice of the Government (May 2011), its reply was awaited (September 2011).

Karnataka Renewable Energy Development Limited

3.5 Non-achievement of objectives

The Company failed to implement the Solar Photovoltaic Program as envisioned. The guidelines of the Ministry of Non-conventional Energy Sources issued for procuring and installing the SPV systems were not observed.

The Ministry of Non-conventional Energy Sources (MNES), Government of India (GoI), had sanctioned (January 2006) implementation of the Solar Photovoltaic programme for 2005-06. The GoI extended (November 2006) the scheme for 2006-07 also. The broad objectives of the programme were promotion of the use of Solar Photovoltaic systems (SPVs) for rural lighting/energy requirements and bring down consumption of kerosene by replacing the kerosene lamps by solar home systems, thereby improving the quality of life in rural areas.

MNES allocated targets to the implementing organization for installation of SPVs and provided Central Financial Assistance (CFA) each year. The implementing organization, in turn, extended the CFA as subsidy to the

[91] **Calculated at ₹ 9.53 lakh towards user fee and royalty per quarter, for the period from January 2009 to June 2010 (end of excise year).**

suppliers[92] of SPV systems. Karnataka Renewable Energy Development Limited (Company) was to implement the programme in Karnataka.

As per the programme implementation guidelines, the Company was required to invite bids from eligible manufacturers for supply and installation of SPVs. During 2005-07 seven agencies[93] supplied SPVs to the Company. However, work orders issued to four suppliers[93] were not available.

The details of the implementation of SPVs during the period 2005-06 and 2006-07 are given below:

Type /Year	Sanctioned by MNES (number)	Claimed as installed by the Suppliers (number)	Actually found during inspection by the Company (number)	Subsidy receivable for the sanctioned SPVs - ₹ in lakh (subsidy per unit is given in brackets)	Total Subsidy released / total subsidy paid (given in brackets) (₹ in lakh)	Subsidy eligible based on systems actually found installed (₹ in lakh)	Excess amount released by the Company as subsidy (₹ in lakh)
1	2	3	4	5	6	7=(4X5)	8
2005-06							
Solar Home Systems (SHS) Module 1	1,500	583	183	37.50 (₹ 2,500)	30.75 (39.39)	4.58	17.82
SHS Module 2-5	500	604	244	24.00 (₹ 4,800)		11.71	
Street Lighting System (SLS)	60	55	55	5.76 (₹ 9,600)		5.28	
Total (A)	**2,060**	**1,242**	**482**	**67.26**		**21.57**	
2006-07					238.60 (251.85)		74.66
SHS Module 1	2,000	1,882	1,222	50.00 (₹ 2,500)		30.55	
SHS Module 2-5	6,500	2,440	1,715	312.00 (₹ 4,800)		83.22	
SLS	1,200	13,502	670	115.20 (₹ 9,600)		64.32	
Total (B)	**9,700**	**17,824**	**3,607**	**477.20**		**177.19**	
TOTAL (A+B)	**11,760**	**19,066**	**4,089**	**544.46**	**269.35 (291.24)**	**198.76**	**92.48**

Source: Sanction orders of MNES, cheque forwarding notes of MNRE and Report of the Company on inspection of the SPV programme.

The suppliers had claimed that 19,066 SPVs were installed during 2005-07, against 11,760 SPVs sanctioned by MNES. Subsequent inspection (September 2010) by the Company revealed that only 4,089 SPVs had actually been installed during 2005-07. The subsidy allowable was ₹ 1.99 crore. But the Company had already released ₹ 2.91 crore to the suppliers resulting in excess payment of ₹ 0.92 crore.

Further, subsidy of ₹ 3.46 crore sanctioned by the MNES for 2005-06 and 2006-07 was not utilized by the State due to poor implementation of the programme. The MNES had observed (April 2011) that in Karnataka the SPVs

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[92] **The suppliers of SPVs would reduce the solar equipment cost to end users and claim the same as subsidy from the Company.**

[93] **Work orders issued in respect of Prolight Systems, Krishi Technologies Pvt Ltd and Deepa Solar Lighting Systems were available. Work orders in respect of Hamshire Electronics and Energy Systems, Akshaya Solar Solutions Limited, C3 Business Associates and Shell Solar were not available.**

sanctioned were not implemented properly and the situation did not inspire much confidence in the capacity of the Company to implement solar off-grid projects. The State Government was asked to return the Central Financial Assistance already provided. Thus, the objectives of the SPV programme were defeated.

The Board of Directors of the Company appointed (September 2008) an external agency[94] to investigate the lapses in implementation of the SPV programme and financial irregularities in implementing it. The investigation revealed that there were several irregularities and deviations from the MNES guidelines. The irregularities and deviations included release of payments to suppliers who had not participated in the tender process, non-adherence to instructions of the Central Vigilance Commission on evaluation of bids, release of subsidy on the basis of an official note without documentation and inspection *etc*.

As per the MNES guidelines, the implementing agencies were responsible for monitoring the performance and evaluation of SPVs installed under the programme and the State Nodal Agencies were required to inspect 10 *per cent* of the systems installed. We observed that the inspection was not carried out properly nor the quantum prescribed in the guidelines was essentially adequate.

A Sub-Committee of the Board formed (March 2009) to examine the findings of the investigation report concluded (March 2009) that the then Managing Director and Assistant General Manager, SPV Program were responsible for the gross negligence and dereliction of duties.

We also observed that though the recommendations of the Sub-Committee were placed three times (between June 2009 and October 2009) before the Board of Directors of the Company; the subject was deferred every time. The Board of Directors had not discussed the subject till August 2011. A police complaint was filed in August 2010.

The matter was reported to the Government (June 2011); its reply is awaited (September 2011).

Karnataka State Police Housing Corporation Limited

3.6 Undue payments

The Company made payments for RCC items and plastering separately though the tender conditions stipulated that rates for RCC items were inclusive of plastering, resulting in overpayment of ₹ 0.96 crore to the contractors.

Karnataka State Police Housing Corporation Limited (Company) constructs buildings and staff quarters for personnel in police, prison, home guards and other allied departments.

[94] **G M Govind and Associates, Chartered Accountants.**

The Karnataka Building Specification (KBS) (Section 4.6) stipulates that in respect of RCC works, the exposed surface shall be plastered with 1:3 cement mortar (CM) of thickness not exceeding 6 mm, to give smooth and even surface true to line and form. Where such exposed surface is not plastered, necessary deduction shall be made for plastering not done. The Notice Inviting Tenders (NIT) of the Company stipulated that for RCC items the rates quoted by the contractors should be inclusive of cost of plastering and finishing.

We observed that the Company made payments for RCC items and also for plastering (12mm) treating these as separate items in 119 works executed between April 2007 and March 2011. The excess payments made in contravention of the terms in the notice inviting tenders worked out to ₹ 0.96 crore.

The Company replied (July 2011) that the words plastering and finishing included in the NIT had referred to plastering after removal of surface defects due to formation of honeycomb, sagging, *etc*.

As per tender conditions read together with KBS, the rates for RCC items were inclusive of cost of plastering and finishing, which obviously involved removal of surface defects due to formation of honeycomb, sagging, *etc*., and hence, further payments for plastering were not in order.

The matter was issued to the Government in September 2011 and reply is awaited.

Statutory Corporations

Bangalore Metropolitan Transport Corporation and Karnataka State Road Transport Corporation

3.7 Avoidable financial burden

Acceptance of premature closure of life insurance cover of Bajaj Allianz Life Insurance Company resulted in avoidable financial burden of ₹ 1.24 crore on two State Transport Corporations and their employees.

The Bangalore Metropolitan Transport Corporation (BMTC) invited tenders in April 2005 to implement a group life insurance scheme for its employees. BMTC entered (December 2005) into a Memorandum of Understanding (MOU) with Bajaj Allianz Life Insurance Company Limited (BALIC), who agreed to provide insurance cover of ₹ 3 lakh for a premium of ₹ 591.90 per employee per year to the dependent in the event of death of the employee during his service. As per the terms of the MOU, the insurance policy was valid for one year from 1 January 2006 to 31 December 2006, which was not to be terminated or cancelled midway. Both the parties, however, had the right to cancel or terminate the agreement at the end of the insurance year by giving 90 days notice. BMTC paid the annual premium of ₹ 1.28 crore. The premium amount was recovered from the employees at the rate of ₹ 50 per month. BMTC subsequently renewed (November 2006) the insurance policy and entered into a Supplementary MOU for extension of the policy from 1 January 2007 to 31 December 2007 and paid the premium of ₹ 1.33 crore.

The Central Purchase Committee[95] of the State Road Transport Corporations authorized (November 2005) the other three State Road Transport Corporations[96] to finalise similar insurance schemes for their employees. BALIC agreed to extend[97] the insurance cover to all the employees of the KSRTC also on the same terms and conditions offered to BMTC. Accordingly, KSRTC entered (May 2006) into a MOU with BALIC to provide insurance cover to all employees from 1 June 2006 to 31 May 2007 and paid the yearly premium of ₹ 1.15 crore. KSRTC renewed (May 2007) the contract through a Supplementary MOU for extension of the policy from 1 June 2007 to 31 May 2008 and paid the premium of ₹ 1.67 crore.

As per the Supplementary MOUs, except for the dates of renewal, the Principal MOUs were to remain fully binding on the parties and in full force and effect in all other aspects.

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[95] **Central Purchase Committee of the four State Corporations *viz.,* Bangalore Metropolitan Transport Corporation (BMTC), Karnataka State Road Transport Corporation (KSRTC), North Eastern Karnataka Road Transport Corporation (NEKRTC) and North Western Karnataka Road Transport Corporation (NWKRTC).**

[96] **KSRTC, NEKRTC, NWKRTC.**

[97] **NWKRTC and NEKRTC also introduced the insurance scheme. The schemes were closed on completion of policy period.**

BALIC expressed (October 2007) its inability to sustain the policy stating that its payouts[98] were more than the premium received and the claims experience in the policy was unsustainable unless the premium per employee was increased to ₹ 1,728 per annum from ₹ 591.90 per annum. BALIC also proposed to exit the policy by end of October 2007. The Corporations, however, had informed (October 2007) BALIC that the policy could not be cancelled or terminated mid-way as per the MOU and requested BALIC to honour its commitment.

The BMTC, however, allowed the insurer to exit from the policy from 30 October 2007 and accepted a refund of premium of ₹ 22.95 lakh for the unexpired period of the policy and settled part of the total claims of ₹ 60 lakh, which came up between 1 November 2007 and 31 December 2007, with the refund money (₹ 22.95 lakh). The balance claims of ₹ 37.05 lakh was met from the Welfare Fund of the Corporation, meant for reimbursement of claims of employees for medical incapacitation, *etc*.

KSRTC issued (October 2007) a legal notice to BALIC for the violation of the terms and conditions entered into and also the terms of the Master Policy and informed that in the event of failure to honour any of the claims that might occur during the period of the Master Policy, it would have to bring to the notice of the Central Government and the Insurance Regulatory Development Authority. BALIC however, intimated (December 2007) KSRTC that the policy would be terminated from 13 January 2008 and refunded (February 2008) ₹ 63.37 lakh, being the premium for the unexpired period of the policy (14 January 2008 to 31 May 2008). KSRTC agreed (December 2007) to discontinue the agreement with BALIC with effect from 14 January 2008. KSRTC settled part of the total claims of ₹ 1.50 crore which arose between 14 January 2008 to 31 May 2008 from the refund of premium (₹ 63.37 lakh). Claims amounting to ₹ 54.51 lakh were met from the new Welfare Fund, which KSRTC introduced with effect from 1 February 2008 by enhancing the monthly subscription of employees from ₹ 50 to ₹ 100 and the balance claims of ₹ 32.21 lakh from the funds of KSRTC.

We observed (January 2009) that the MOU and Master Policy Document issued by the BALIC were legally binding and the corporations should have used the redressal mechanism mentioned in the Master Policy Document or approached the Insurance Regulatory Development Authority (IRDA). The legal notice to BALIC explaining the Corporation's stand on the issue was later ignored without justification. The BMTC and KSRTC, without exploring the options, including the legal recourse, accepted the pre-mature closure of the insurance policy, disadvantageous to the interest of the corporations and their employees, which resulted in avoidable financial burden totalling ₹ 1.24 crore.

Government stated (July 2011) that the Corporations acted as nodal agencies between the employees and the Insurance Company and there was no financial burden. The Government further stated that KSRTC and BMTC were

[98] **Up to the date of termination BALIC had settled ₹ 4.89 crore (163 cases) in BMTC and ₹ 5.49 crore (183 cases) in KSRTC.**

instrumental in getting refund of premium of ₹ 86.32 lakh, which was quite considerable.

The reply was not correct as the claims amounting to ₹ 2.10 crore, settled during the remaining period of the policies, were discharged by using the premium refunded (₹ 86.32 lakh), Welfare Fund (₹ 91.56 lakh) and funds of the Corporations (₹ 32.21 lakh) which otherwise would have been settled by BALIC. The amount of ₹ 91.56 lakh available in Welfare Fund was not intended for the purpose of life insurance.

North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation

3.8 Unfruitful expenditure

The Corporations did not assess the effectiveness of the Biometric Fingerprint based Attendance System (BFPAS) and the ability of the supplier to ensure its functioning. The installation and payment was not monitored properly. The investment of ₹ 42.44 lakh on implementation of BFPAS turned unfruitful.

In order to improve punctuality and discipline among staff and to enhance the human resource utilisation in the units North Western Karnataka Road Transport Corporation (NWKRTC) proposed (July 2006) implementation of Biometric Fingerprint based Attendance System in five Depots and in a Divisional Workshop of Hubli Division. The NWKRTC floated (September 2006) tenders and six bidders submitted their offers. The offer of N.R Object Technologies Private Limited (Supplier) was treated as qualified (November 2006) and the offers of five bidders were rejected as they did not fulfil the pre-qualification criteria.

A Purchase Order (PO) was placed (January 2007) on the supplier for 16 BFPAS and accessories[99]. The system was to be installed immediately as per technical specification prescribed and as per the requirements of the Personnel/Accounts department in co-ordination with Systems department. Ninety *per cent* of the bills/invoices were to be paid within 21 days from the date of supply and commissioning of BFPAS and 10 *per cent* to be retained as security deposit. The supplier effected supplies between January 2007 and December 2007. NWKRTC made payment of ₹ 40.04 lakh (including ₹ 5.18 lakh towards maintenance and operation charges) between January 2007 and February 2008, retaining ₹ 4 lakh as security deposit.

The firm had to generate 16 types of reports from the system as per the circular of September 2007. The supplier, however, could generate only 11 reports, that too with many errors. It failed to generate daily attendance information to draw salary. Interfacing with the existing software was not synchronized. The system failed on all fronts due to a multitude of reasons.

[99] **Bio-metric fingerprint reader, Smart cards, Attendance software, Payroll software, Identification cards, cables, batteries, stabilizers *etc*.**

The supplier, in accordance with the instruction of the Corporation (November 2008) could not provide the attendance of all the staff through BFPAS for the month of December 2008. The supplier also did not provide the software modifications as per the requirement of NWKRTC. There was no response to the letters for rectification of deficiencies[100] noticed (January 2009 to June 2009) from the supplier. NWKRTC, therefore, terminated (January 2010) the contract and forfeited the Security Deposit of ₹ 4 lakh.

We observed (February 2011) that the pre-qualification criteria were that the bidder should have been involved in installation and implementation of solution successfully in at least 15 terminals/systems at one location in a Government/Public Undertaking in Karnataka. NWKRTC, however, treated the supplier as qualified based on a purchase order placed on them by Vijayanagar Institute of Medical Sciences (VIMS), Bellary for supply of 20 terminals and did not make additional efforts to satisfy itself of the installation and satisfactory working of the system at VIMS, before issue of orders to the supplier.

Payments were made based on the satisfactory reports given by the Chief Manager (CM), Management Information System (MIS) in March 2007 and July 2007. But the records revealed that the installation of the system was incomplete and unsatisfactory. The CM (MIS) himself had later stated (August 2009) that the materials supplied were not as per specification.

We further observed that though the Purchase Order was placed and materials were supplied in January 2007, the circular assigning the responsibilities for monitoring the implementation of BFPAS was issued only in September 2007. This indicated that the functions required by the BIFAS were not crystallized and specified at the time of tendering and monitoring the implementation during the period January 2007 to September 2007 was not done effectively.

A Committee constituted (January 2010) in NWKRTC to conduct a detailed examination of documents on the implementation of BFPAS stated (May 2011) that non-implementation of the system was mainly due to negligence, lack of expertise and deployment of staff not well versed with the operation of the system for implementation of BFPAS of the firm. The fact remained that the expenditure of ₹ 36.04 lakh had become unfruitful.

We also observed that a Letter of Intent (LOI) was issued (May 2007) by North Eastern Karnataka Road Transport Corporation (NEKRTC) to the same Company *i.e.,* N.R Object Technologies Private Limited for supply of BFPAS on trial basis to one of the depots in Gulbarga Division on the same terms and conditions, even though the systems supplied to NWKRTC had not been working satisfactorily. The supplier was paid ₹ 6.40 lakh against the supplies. The BFPAS did not function satisfactorily and was shifted to a new location and efforts to satisfactorily implement the system at the new location have also not succeeded and the expenditure of ₹ 6.40 lakh had become unproductive.

[100] The deficiencies included failure to implement pay roll software, draw attendance of staff, punching problems of cards and problems in maintaining leave account.

Thus, in all, both the Corporations had spent ₹ 42.44 lakh unfruitfully on implementation of BFPAS in their depots.

The matter was reported to the Government (June 2011); its reply is awaited (September 2011).

Karnataka State Road Transport Corporation

3.9 Wasteful expenditure

The Corporation introduced 'Mayura' air-conditioned buses without adequate technical study and continued with induction of more buses in spite of problems in the air conditioning systems and auxiliary engines.

The Karnataka State Road Transport Corporation (Corporation) is engaged in providing transport facilities to the travelling public and operates various types of buses based on comfort, number of seats, luxury, design *etc.,* in different names.

The Corporation prepares annual plan for induction of buses. However, in the annual plan of 2004-05 there was no indication of the 'Mayura' buses, introduced later in the year. 'Mayura' buses were to provide facility to travel in luxury class air-conditioned buses with lesser investment and reduced fare.

In the annual plan for 2005-06, the Corporation had planned (May 2005) introduction of 76 'Mayura' buses. The Company, however, constructed and introduced 53 buses of this type between October 2004 and October 2006.

The Corporation had procured regular chassis fitted with engines[101]. As the power of these engines was not sufficient to drive the air conditioning systems (AC), the Corporation had to procure auxiliary engines, besides the AC, for the Mayura buses. The total cost incurred on procurement of auxiliary engines and air conditioners for fitting in these buses was ₹ 2.76 crore.

The provision of ducting for air-conditioners in these buses was made based on earlier experience and design. However, on receipt of the first batch of AC it was noticed that the ducting fabricated was not suitable for the equipment. Modifying the duct was therefore, out of scope as it involved huge expenditure. Since there was no other alternative, ACs as per the earlier procured design were procured.

We observed (May 2011) that the Corporation started introducing 'Mayura' buses from June 2004. The Senior Divisional Controller (SDC) had reported on 21 February 2005, problems in nine of the 13 buses inducted till then. The main problems were slow start of auxiliary engines; weak batteries and non-working of the hourly meters. The SDC had also cautioned that there could be numerous complaints about the buses and could have adverse impact on the organization. The Corporation, however, continued with the purchase of ACs and auxiliary engines and induction of more Mayura buses. Between 21

[101] **222" WB Leyland chassis with 119 HP HINO engines.**

February 2005 and September 2005, the Corporation purchased 31 more ACs and auxiliary engines.

The Corporation had received and commenced building bodies of only 25 chassis till 21 February 2005, when the Senior Divisional Controller had apprised the Corporation of the possible adverse effects due to non-working of the ACs and auxiliary engines in 'Mayura' buses.

Complaints about the functioning of the ACs and auxiliary engines fitted in the Mayura buses were received regularly thereafter (March to August 2006). The Chief Mechanical Engineer had informed (October 2006) the Divisional Controller to send Mayura buses to Regional Workshops to fix sliding windows. The General Manager (Traffic) had also reported (February 2007) that the Mayura buses were not attracting passengers. The Corporation had converted all the 53 buses incurring further cost of ₹ 62.46 lakh by May 2009. The 53 ACs and auxiliary engines, procured at ₹ 2.76 crore and dismantled from the Mayura buses were lying in the stores (September 2011).

The losses in earnings[102] in the operation of Mayura buses were ₹ 4.49 per Km in 2005-06, ₹ 2.95 per Km in 2006-07 and ₹ 4.52 per Km in 2007-08, compared to the overall net earnings of the Corporation of ₹ 0.42 per Km in 2005-06, ₹ 0.49 per Km in 2006-07 and ₹ 0.54 per Km in 2007-08. The total loss in operation of Mayura buses during 2005-06 and 2006-07 was ₹ 2.99 crore. The General Manager (Traffic) had reported (February 2007) that the Mayura buses were not attracting passengers.

The Corporation replied (May 2011) that providing auxiliary engines to run the AC were new to the Corporation. Non-success of Mayura services was due to the reason of not attracting more passengers and not for new concept.

It was not the concept of Mayura buses; rather the continued induction of this class of buses without a proven design and without solving the problems, which were reported in nine of the 13 buses built till then, were the issues. There was no mention of 'pilot study' in the annual plan while introducing Mayura buses. However, the records and related reports on the suitability of design and the feasibility of the existing chassis to run Mayura buses were not made available to audit (September 2011).

The matter was brought to the notice of the Government (September 2011), its reply was awaited (September 2011).

Follow-up action on Audit Reports

3.10 Explanatory notes outstanding

3.10.1 The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Karnataka

[102] Earning per kilometre (EPKM) *less* Cost per kilometre (CPKM).

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 2008-09 and 2009-10 were presented to the State Legislature in March 2010 and March 2011 respectively. As at September 2011, two departments[103], which were commented upon, had not submitted explanatory notes for five out of 44 Paragraphs/Reviews, which appeared in the Audit Reports.

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

3.10.2 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 of the COPU presented to the State Legislature between July 2005 and March 2011, containing 52 recommendations to Paragraphs/Reviews, had not been received as on September 2011, as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of Paragraphs where replies not received
2005-06	1	3
2009-10	1	8
2010-11	3	41
Total	**5**	**52**

3.11 Response to Inspection Reports, Draft Paragraphs and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of one month. Department-wise break-up of Inspection Reports and audit observations outstanding as on 31 March 2011 is given in **Annexure 21.**

Similarly, 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 within a period of six weeks. All the Reviews have been discussed in exit conferences with the Government. It was, however, observed that one Review and six Paragraphs forwarded to various departments during May 2011 to September 2011, as detailed in **Annexure 22**, had not been replied (September 2011). The views of

[103] Three Paragraphs in respect of Commerce and Industries Department and two Paragraphs in respect of Energy Department.

Government/Department have been taken into consideration while finalising the Reviews/Paragraphs wherever replies have been received.

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

BANGALORE **(D J BHADRA)**
The **Principal Accountant General**
(Civil and Commercial Audit), Karnataka

COUNTERSIGNED

NEW DELHI **(VINOD RAI)**
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 2011 in respect of Government Companies and Statutory Corporations

(Referred to in Paragraph 1.6)

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 incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	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	2.23	-	0.50	2.73	6.72	-	-	6.72	2.46:1 (2.46:1)	162
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)	Agriculture & Horticulture	Apr. 96	0.50	-	-	0.50	-	-	-	-	-	17
3	Karnataka Togari Abhivridhi Mandali Limited (KTAML)	Agriculture & Horticulture	May 02	5.00	-	-	5.00	-	-	-	-	-	5
4	The Karnataka Fisheries Development Corporation Limited (KFDC)	Animal Husbandry and Fisheries	Oct. 70	16.16	-	-	16.16	0.75	-	-	0.75	0.05:1 (0.05:1)	138
5	Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL)	Animal Husbandry and Fisheries	Dec. 01	6.05	-	-	6.05	-	-	-	-	-	87
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 (4.56:1)	29
7	Karnataka Cashew Development Corporation Limited (KCDC)	Forest Ecology & Environment	Feb. 78	4.15	0.44	-	4.59	3.00	-	1.75	4.75	1.03:1 (1.03:1)	117
8	Karnataka Forest Development Corporation Limited (KFDCL)	Forest Ecology & Environment	Jan. 71	9.31	-	-	9.31	-	-	-	-	-	683
9	The Karnataka State Forest Industries Corporation Limited (KSFIC)	Forest Ecology & Environment	Mar. 73	2.67	-	-	2.67	-	-	0.32	0.32	0.12:1 -	206
10	Karnataka State Seeds Corporation Limited (KSSCL)	Agriculture & Horticulture	Aug.73	1.43	0.62	1.63 (0.12)	3.68 (0.12)	-	-	-	-	-	271
11	Food Karnataka Limited (FKL)	Agriculture & Horticulture	April 03	-	-	0.10	0.10	-	-	-	-	-	-
	Sector-wise total			**47.50**	**1.06**	**2.73 (0.12)**	**51.29 (0.12)**	**10.47**	**-**	**4.35**	**14.82**	-	**1715**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
FINANCING SECTOR													
12	The Karnataka Handloom Development Corporation Limited (KHDCL)	Commerce & Industries	Oct. 75	46.68	5.20	-	51.88	14.40	-	1.65	16.05	0.31:1 (0.91:1)	863
13	Karnataka State Handicrafts Development Corporation Limited (KSHDCL)	Commerce & Industries	Mar. 64	2.84 (0.04)	1.21	-	4.05 (0.04)	0.68	-	0.66	1.34	0.33:1 (0.35:1)	208
14	D. Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	Social welfare	Oct. 77	142.71 (6.00)	-	-	142.71 (6.00)	-	-	77.95	77.95	0.55:1 (0.61:1)	72
15	Karnataka State Women's Development Corporation (KSWDC)	Women & Child Development	Sep. 87	9.86	2.98	-	12.84	-	-	-	-	-	71
16	Dr.B.R. Ambedkar Development Corporation Limited (BRADCL)	Social welfare	Mar. 75	108.97 (7.60)	79.99	-	188.96 (7.60)	-	-	143.11	143.11	0.76:1 (0.73:1)	269
17	Karnataka Scheduled Tribes Development Corporation Limited (KSTADC)	Social welfare	July 06	3.82 (3.81)	-	-	3.82 (3.81)	-	36.31	-	36.31	9.51:1 (4.79:1)	21
18	The Karnataka Minorities Development Corporation Limited (KMDC)	Social welfare	Feb. 86	150.99 (51.21)	-	-	150.99 (51.21)	-	-	31.10	31.10	0.21:1 (0.27:1)	16
19	Karnataka State Industrial Investment and Development Corporation Limited (KSIIDC)	Commerce & Industries	July 64	429.34 (129.34)	-	197.63	626.97 (129.34)	3.90	0.92	255.40	260.22	0.42:1 (0.48:1)	108
20	Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)	Urban Development	Nov. 93	6.06	-	2.00	8.06	-	-	--	-	-	433
21	Sree Kanteerava Studios Limited (KSL)	Information, Tourism & Youth Services	Mar. 66	0.82	-	0.06	0.88	0.96	-	--	0.96	1.09:1 (1.09:1)	8
22	Karnataka Asset Management Company Private Limited (KAMCPL)	Finance	April 98	-	-	0.50	0.50	-	-	-	-	-	5

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
23	Karnataka Trustee Company Private Limited (KTCPL)	Finance	April 98	-	-	0.01	0.01	-	-	-	-	-	1
24	Karnataka Thanda Development Corporation Limited (KTDCL)	Social Welfare	Feb. 09	0.01	-	-	0.01	-	-	-	-	- (50:1)	Not Available
	Sector-wise total			**902.10 (198.00)**	**89.38**	**200.20**	**1191.68 (198.00)**	**19.94**	**37.23**	**509.87**	**567.04**	**-**	**2075**
INFRASTRUCTURE SECTOR													
25	Karnataka State Construction Corporation Limited (KSCCL)	Public works	Sep. 68	2.05	-	-	2.05	5.53	-	-	5.53	2.70:1 (2.70:1)	159
26	Karnataka Rural Infrastructure Development Limited (KRIDL)[1]	Rural Development & Panchayat Raj	Aug. 74	12.25	-	-	12.25	-	-	58.95	58.95	4.81:1 (5.89:1)	1003
27	Karnataka State Police Housing Corporation Limited (KSPHCL)	Home	June 85	0.12	-	-	0.12	-	-	167.26	167.26	1393.83:1 (1616.00:1)	265
28	Rajiv Gandhi Rural Housing Corporation Limited (RGRHCL)	Housing	April 2000	3.00	-	-	3.00	597.40	-	394.56	991.97	330.66:1 (352.47:1)	37
29	Karnataka Road Development Corporation Limited (KRDCL)	Public works	July 99	986.59 (786.59)	-	-	986.59 (786.59)	-	-	305.35	305.35	0.31:1 (0.48:1)	80
30	Krishna Bhagya Jala Nigam Limited (KBJNL)	Water Resources	Aug. 94	7001.15 (123.27)	-	109.13	7110.28 (123.27)	2.94	-	271.05	273.99	0.04:1 (0.05:1)	1832
31	Karnataka Neeravari Nigam Limited (KNNL)	Water Resources	Nov. 98	9619.15 (1203.53)	-	207.03	9826.18 (1203.53)	2.94	-	331.75	334.69	0.03:1 (0.06:1)	3429
32	Cauvery Neeravari Nigama Limited (CNNL)	Water Resources	June 03	5009.14 (3909.09)	-	-	5009.14 (3909.09)	6106.42	-	371.54	6477.96	1.29:1 (1.58:1)	2389
33	Bangalore Airport Rail Link Limited (Subsidiary of Company at A-19) (BARL)	Infrastructure Development	Mar. 08	5.70 (0.76)	-	0.05	5.75 (0.76)	-	-	-	-	-	10
	Sector-wise total			**22639.15 (6023.24)**	**-**	**316.21**	**22955.36 (6023.24)**	**6715.23**	**-**	**1900.46**	**8615.70**	**-**	**9204**

[1] **Formerly Karnataka Land Army Corporation Limited.**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURING SECTOR													
34	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 (1.77:1)	85
35	Karnataka Soaps and Detergents Limited (KSDL)	Commerce & Industries	July 80	31.82	-	-	31.82	8.35	-	-	8.35	0.26:1 (0.26:1)	830
36	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)	55
37	Karnataka State Small Industries Development Corporation Limited (KSSIDC)[3]	Commerce & Industries	June 64	24.56	-	0.10	24.66	12.70	-	-	12.70	0.52:1 (0.53:1)	363
38	The Mysore Paper Mills Limited (MPM)	Commerce & Industries	May 36	76.97	-	41.92	118.89	101.03	-	95.73	196.76	1.65:1 (1.65:1)	3946
39	Karnataka Vidyuth Karkhane Limited (KAVIKA)	Commerce & Industries	Oct. 76	5.62	-	-	5.62	7.84	-	-	7.84	1.40:1 (1.40:1)	211
40	The Mysore Electrical Industries Limited (MEI)	Commerce & Industries	Feb. 45	7.67	-	1.76	9.43	28.54	-	0.41	28.95	3.07:1 (3.07:1)	201
41	NGEF (Hubli) Limited (Subsidiary of Company at C-10) (NGEFH)	Commerce & Industries	Dec. 88	-	-	3.20	3.20	-	-	-	-	- -	147
42	Karnataka State Electronics Development Corporation Limited (KEONICS)	Information Technology	Sep. 76	16.87	-	-	16.87	-	-	-	-	-	187
43	Karnataka Silk Industries Corporation Limited (KSIC)	Commerce & Industries	Apr. 80	58.00	-	-	58.00	-	-	-	-	- -	760
44	Karnataka Silk Marketing Board Limited (KSMB)	Commerce & Industries	Nov. 79	31.45	-	-	31.45	12.00	-	-	12.00	0.38:1 -	97

[2] **Formerly Karnataka Leather Industries Development Corporation Limited.**
[3] **Karnataka Small Industries Marketing Corporation Limited (KSIMC) has been amalgamated with KSSIDC with effect from 01 April 2010.**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
45	Karnataka State Textile Infrastructure Development Corporation Limited (KSTIDCL)[4]	Commerce & Industries	Feb. 94	2.22	-	-	2.22	-	-	-	-	-	14
46	Mysore Minerals Limited (MML)	Commerce & Industries	May 66	5.95	-	0.05	6.00	-	-	-	-	- -	1230
47	Karnataka EMTA Collieries Limited (KECL)	Energy	Mar 11	-	-	0.05	0.05	-	-	-	-	-	-
48	The Hutti Gold Mines Company Limited (HGML)	Commerce & Industries	July 47	2.20	-	0.76	2.96	-	-	-	-	- -	3797
49	The Mysore Sugar Company Limited (MYSUGAR)	Commerce & Industries	Jan. 33	16.83	-	0.93	17.76	187.43	-	52.80	240.23	13.53:1 (23.90:1)	828
50	The Mysore Paints and Varnish Limited (MPVL)	Commerce & Industries	Nov. 47	0.95	-	0.09	1.04	-	-	-	-	-	63
51	Karnataka State Beverages Corporation Limited (KSBCL)	Finance	June 03	12.00 (10.00)	-		12.00 (10.00)	2.53	-	-	2.53	0.21:1 (0.21:1)	481
52	Mysore Sales International Limited (Subsidiary of Company at A-19) (MSIL)	Commerce & Industries	Mar. 66	7.46 (7.46)	-	24.01 (20.35)	31.47 (27.81)	5.00	-	0.55	5.55	0.18:1 (0.19:1)	318
53	Marketing Consultants and Agencies Limited (Subsidiary of Company at A-52) (MCA)	Commerce & Industries	Sep. 72	3.46 (3.46)	-	3.57	7.03 (3.46)	-	-	-	-	-	31
	Sector-wise total			**313.89 (20.92)**	**-**	**76.44 (20.35)**	**390.33 (41.27)**	**377.19**	**-**	**149.54**	**526.73**	**-**	**13644**
POWER SECTOR													
54	Karnataka Power Corporation Limited (KPC)	Energy	July 70	2281.97 (538.71)	-	-	2281.97 (538.71)	-	-	3745.87	3745.87	1.64:1 (2.24:1)	6252
55	Karnataka Renewable Energy Development Limited (KREDL)	Energy	Mar.96	0.50	-	-	0.50	-	-	2.72	2.72	5.44:1 -	-
56	Karnataka Power Transmission Corporation Limited (KPTCL)	Energy	July 99	1575.32 (885.00)	-	-	1575.32 (885.00)	7.13	-	4984.67	4991.80	3.17:1 (3.36:1)	8711
57	Bangalore Electricity Supply Company Limited (BESCOM)	Energy	Apr. 02	504.42 (298.47)	-	-	504.42 (298.47)	55.94	-	1141.93	1197.87	2.37:1 (1.16:1)	12658

[4] **Formerly Karnataka State Powerloom Development Corporation Limited.**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital$				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
58	Hubli Electricity Supply Company Limited (HESCOM)	Energy	Apr. 02	633.68 (400.34)	-	-	633.68 (400.34)	73.43	-	1067.65	1141.08	1.80:1 (2.15:1)	7592
59	Mangalore Electricity Supply Company Limited (MESCOM)	Energy	Apr. 02	157.34	-	-	157.34	5.39	-	375.63	381.02	2.42:1 (2.65:1)	4051
60	Chamundeshwari Electricity Supply Corporation Limited (CHESC)	Energy	Dec.04	182.30 (25.00)	-	-	182.30 (25.00)	27.14	-	246.38	273.52	1.50:1 (0.92:1)	5233
61	Gulbarga Electricity Supply Company Limited (GESCOM)	Energy	Apr. 02	374.70 (280.06)	-	-	374.70 (280.06)	17.52	-	489.69	507.21	1.35:1 (1.73:1)	5169
62	KPC Bidadi Power Corporation Private Limited (Subsidiary of Company at A-54) (KPCB)	Energy	Apr. 96	-	-	0.05	0.05	-	-	9.23	9.23	184.60:1 (112.00:1)	8
63	Power Company of Karnataka Limited (PCKL)	Energy	Aug. 07	-	-	20.05 (20.00)	20.05 (20.00)	-	-	-	-	-	30
64	Raichur Power Corporation Limited (RPCL)	Energy	Apr. 09	-	-	675.90	675.90	-	-	-	-	-	31
	Sector-wise total			**5710.23 (2427.58)**	**-**	**696.00 (20.00)**	**6406.23 (2447.58)**	**186.55**	**-**	**12063.77**	**12250.32**	**-**	**49735**
SERVICE SECTOR													
65	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	Food Civil Supplies & Consumer Affairs	Sep. 73	3.25	-	-	3.25	4.00	-	-	4.00	1.23:1 (1.54:1)	1279
66	The Karnataka State Tourism Development Corporation Limited (KSTDC)	Information, Tourism & Youth Services	Feb. 71	6.41 (1.41)	-	-	6.41 (1.41)	2.00	-	-	2.00	0.31:1 (0.87:1)	285
67	Jungle Lodges and Resorts Limited (JLR)	Information, Tourism & Youth Services	Mar. 80	0.50	-	0.42	0.92	-	-	0.39	0.39	0.42:1 (1.49:1)	416
	Sector-wise total			**10.16 (1.41)**	**-**	**0.42**	**10.58 (1.41)**	**6.00**	-	**0.39**	**6.39**		**1980**
MISCELLANEOUS SECTOR													
68	Karnataka Vocational Training and Skill Development Corporation Limited(KVTSDCL)	Employment and Training	Sept. 08	0.04 (0.03)	-	-	0.04 (0.03)	-	-	-	-	-	6
69	Karnataka Public Lands Corporation Limited (KPLCL)	Revenue	Dec. 08	0.05	-	-	0.05	-	-	-	-	-	23
	Sector-wise total			**0.09 (0.03)**	**-**	**-**	**0.09 (0.03)**	**-**	**-**	**-**	**-**	**-**	**29**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	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 A (All sector-wise Government Companies)			**29623.12 (8671.18)**	**90.44**	**1292.00 (40.47)**	**31005.56 (8711.65)**	**7315.38**	**37.23**	**14628.38**	**21981.00**	**0.71:1**	**78381**
B. WORKING STATUTORY CORPORATIONS													
AGRICULTURE AND ALLIED SECTOR													
1	Karnataka State Warehousing Corporation (KSWC)	Co-operation	Nov.57	6.75 (2.85)	3.90	-	10.65 (2.85)	18.41	-	48.01	66.42	6.24:1 (7.03:1)	431
	Sector-wise total			**6.75 (2.85)**	**3.90**	**-**	**10.65 (2.85)**	**18.41**	-	**48.01**	**66.42**	**-**	**431**
FINANCING SECTOR													
2	Karnataka State Financial Corporation (KSFC)	Finance	Mar.59	639.57 (59.15)	-	38.64	678.21 (59.15)	-	-	1856.70	1856.70	2.74:1 (2.55:1)	1134
	Sector-wise total			**639.57 (59.15)**	**-**	**38.64**	**678.21 (59.15)**	**-**	-	**1856.70**	**1856.70**	**-**	**1134**
SERVICE SECTOR													
3	Karnataka State Road Transport Corporation (KSRTC)	Transport	Aug.61	242.79	48.10	1.00	291.89	14.00	-	213.88	227.88	0.78:1 (0.94:1)	34019
4	Bangalore Metropolitan Transport Corporation (BMTC)	Transport	Aug.97	157.97 (53.37)	-	-	157.97 (53.37)	-	-	313.51	313.51	1.98:1 (1.75:1)	32953
5	North Western Karnataka Road Transport Corporation (NWKRTC)	Transport	Nov.97	237.77 (95.72)	-	-	237.77 (95.72)	-	-	319.80	319.80	1.34:1 (1.47:1)	21458
6	North Eastern Karnataka Road Transport Corporation (NEKRTC)	Transport	Aug. 2000	229.48	-	-	229.48	0.13	-	170.23	170.36	0.74:1 (0.91:1)	13793
	Sector-wise total			**868.01 (149.09)**	**48.10**	**1.00**	**917.11 (149.09)**	**14.13**	-	**1017.42**	**1031.55**	**-**	**102223**
	TOTAL B (all sector-wise Statutory Corporations)			**1514.33 (211.09)**	**52.00**	**39.64**	**1605.97 (211.09)**	**32.54**	-	**2922.13**	**2954.67**	**-**	**103788**
	Grand total (A + B)			**31137.45 (8882.27)**	**142.44**	**1331.64 (40.47)**	**32611.53 (8922.74)**	**7347.92**	**37.23**	**17550.51**	**24935.67**	**-**	**182169**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Gover-nment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
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)	68.98	-	-	68.98	1.23:1 (0.88:1)	-
2	The Mysore Tobacco Company Limited (Subsidiary of Company at C-1) (MTC)	Agriculture & Horticulture	Apr .37	0.61	-	0.17	0.78	-	-	-	-	-	-
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)	-	-	-	-	- (0.20:1)	-
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	-		-	-	-	-
	Sector-wise total			**70.43 (62.27)**	**-**	**2.46**	**72.89 (62.27)**	**68.98**	-	**1.00**	**69.98**	**-**	**167**
MANUFACTURING SECTOR													
6	The Mysore Lamp Works Limited (MLW)	Commerce & Industries	Aug. 36	10.76	-	1.05	11.81	95.45		3.50	98.95	8.38:1 (8.32:1)	-
7	Vijayanagar Steel Limited (VSL)	Commerce & Industries	Dec. 82	12.91	-		12.91	0.58	-	-	0.58	0.04:1 (0.04:1)	-
8	The Mysore Cosmetics Limited (Subsidiary of Company at A-52) (MCL)	Commerce & Industries	Mar. 66	0.01 (0.01)	-	0.15	0.16 (0.01)	-	-	-	-	-	-
9	The Mysore Chrome Tanning Company Limited (Subsidiary of Company at A-52) (MCT)	Commerce & Industries	Mar. 40	-	-	0.76	0.76	0.12	-	0.29	0.41	0.54:1 (0.54:1)	-
10	NGEF Limited (NGEF)	Commerce & Industries	Apr. 65	41.99	-	4.52	46.51	227.24	-	-	227.24	4.89:1 (4.89:1)	-
11	Karnataka Telecom Limited (Subsidiary of Company at C-10) (KTL)	Commerce & Industries	July 85	0.78	-	2.22	3.00	-	-	-	-	-	-
12	Chamundi Machine Tools Limited (CMTL)	Commerce & Industries	Oct. 75	0.63	-		0.63	2.50	-	1.00	3.50	5.56:1 (5.51:1)	-
13	Karnataka State Textiles Limited (KSTL)	Commerce &	Dec. 84	0.50	-		0.50	14.94	-	-	14.94	29.88:1 (29.88:1)	14

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorp-oration	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 2010-11: State Govern-ment	Loans** outstanding at the close of 2010-11: Central Gover-nment	Loans** outstanding at the close of 2010-11: Others	Loans** outstanding at the close of 2010-11: Total	Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
		Industries											
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)**	**353.94**	-	**4.79**	**358.73**	**-**	**92**
	TOTAL C (All sector-wise Government Companies)			**147.97 (62.28)**	**-**	**13.38**	**161.35 (62.28)**	**422.92**	-	**5.79**	**428.71**	**-**	**259**
	Grand Total (A + B + C)			**31285.42 (8944.55)**	**142.44**	**1345.02 (40.47)**	**32772.88 (8985.02)**	**7770.84**	**37.23**	**17556.30**	**25364.38**	**-**	**182428**

Above includes Section 619-B companies at Sl. No. A 10, 11, 22, 23, 63 and 64.

$ Paid-up capital includes share application money.

**** Loans outstanding at the close of 2010-11 represent long-term loans only.**

Annexure 2

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Referred to in Paragraph 1.14)

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 $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	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	2010-11	2011-12	-2.97	-	0.21	-3.18	-	-0.32	2.73	-12.98	-0.67	-3.18	-
2	KAPPEC	2010-11	2011-12	2.28	-	0.04	2.24	13.75	-	0.50	6.69	36.55	2.24	6.13
3	KTAML	2009-10	2010-11	0.29	-	0.02	0.27	0.36	-	5.00	1.03	9.06	0.27	2.98
4	KFDC	2009-10	2010-11	1.25	0.12	0.42	0.71	54.48	-	16.16	-8.13	23.98	0.83	3.46
5	KSAWDCL	2009-10	2010-11	-0.62	-	-	-0.62	0.77	-	6.05	-4.10	14.39	-0.62	-
6	KCDCL	2010-11	2011-12	-0.24	0.11	0.11	-0.46	1.53	-1.36	0.50	-0.97	4.27	-0.35	-
7	KCDC	2010-11	2011-12	1.82	0.52	0.46	0.84	4.06	-	4.59	-4.71	4.59	1.36	29.63
8	KFDCL	2010-11	2011-12	26.54	-	0.88	25.66	63.29	-	9.31	52.62	104.24	25.66	24.62
9	KSFIC	2010-11	2011-12	1.63	-	0.23	1.40	20.72	-0.37	2.67	8.98	12.47	1.40	11.23
10	KSSCL	2009-10	2010-11	8.45	0.20	1.17	7.08	178.10	0.45	3.68	10.71	39.70	7.28	18.34
11	FKL	2010-11	2011-12	0.34	-	0.01	0.33	0.63	-	0.10	1.49	1.59	0.33	20.75
	Sector-wise total			**38.77**	**0.95**	**3.55**	**34.27**	**337.69**	**-1.60**	**51.29**	**50.63**	**250.17**	**35.22**	
FINANCING SECTOR														
12	KHDCL	2010-11	2011-12	-0.50	9.11	0.38	-9.99	131.31	-	51.88	-72.11	137.50	-0.88	-
13	KSHDCL	2010-11	2011-12	1.64	-	0.36	1.28	40.39	-	4.05	13.90	19.25	1.28	6.65
14	DUBCDCL	2010-11	2011-12	-2.23	1.48	0.12	-3.83	-	-	142.71	-34.76	340.67	-2.35	-
15	KSWDC	2009-10	2010-11	0.26	-	0.10	0.16	2.13	-0.29	12.84	4.74	26.25	0.16	0.61
16	BRADCL	2010-11	2011-12	9.26	3.73	0.25	5.28	-	-	188.96	2.78	340.25	9.01	2.65
17	KSTADC	2008-09	2009-10	4.83	0.18	0.03	4.62	5.54	-	3.82	6.32	72.11	4.80	6.66
18	KMDC	2010-11	2011-12	-2.11	1.63	0.17	-3.91	-	-0.38	150.99	-28.18	180.70	-2.28	-
19	KSIIDC	2010-11	2011-12	45.28	19.17	4.19	21.92	10.06	0.15	626.97	-397.16	391.07	41.09	10.51
20	KUIDFC	2010-11	2011-12	0.38	-	0.38	-	4.10	-	8.06	27.05	735.93	-	-
21	KSL	2010-11	2011-12	0.43	-	0.02	0.41	1.00	-	0.88	0.04	1.82	0.41	22.53
22	KAMCPL	2010-11	2011-12	0.30	-	0.02	0.28	0.55	-	0.50	0.74	1.26	0.28	22.22

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 $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
23	KTCPL	2010-11	2011-12	0.03	-	-	0.03	0.04	-	0.01	0.08	0.09	0.03	33.33
24	KTDCL	First Accounts not yet finalised	-	-	-	-	-	-	-	-	-	-	-	-
	Sector-wise total			**57.57**	**35.30**	**6.02**	**16.25**	**195.12**	**-0.52**	**1191.67**	**-476.56**	**2246.90**	**51.55**	**-**
INFRASTRUCTURE SECTOR														
25	KSCCL	2009-10	2010-11	1.21	0.48	0.06	0.67	33.37	-	2.05	23.92	36.25	1.15	3.17
26	KRIDL	2009-10	2010-11	23.50	-	0.38	23.12	380.21	-29.24	12.25	23.32	147.56	23.12	15.67
27	KSPHCL	2010-11	2011-12	26.97	1.27	0.38	25.32	##	-	0.12	27.52	260.83	26.59	10.19
28	RGRHCL	2009-10	2010-11	-	-	-	£	##	-	3.00	-	610.69	-	-
29	KRDCL	2010-11	2011-12	10.79	4.34	3.60	2.85	-	3.51	986.59	-91.53	1731.11	7.19	0.42
30	KBJNL	2010-11	2011-12	55.70	28.23	78.89	-51.42	18.19	0.03	7110.28	-251.04	10043.62	-23.19	-
31	KNNL	2009-10	2010-11	-	-	-	$$	##	-	7848.16	-	8075.78	-	-
32	CNNL	2010-11	2011-12	-	-	-	$$	##	-	5009.14	-	10285.01	-	-
33	BARL	2010-11	2011-12	-2.14	-	0.01	-2.15	-	-	5.75	-3.17	18.37	-2.15	-
	Sector-wise total			**116.03**	**34.32**	**83.32**	**-1.61**	**431.77**	**-25.70**	**20977.34**	**-270.98**	**31209.22**	**32.71**	**-**
MANUFACTURING SECTOR														
34	LIDKAR	2009-10	2010-11	-1.76	0.19	0.04	-1.99	3.12	-	6.85	-23.22	-3.13	-1.80	-
35	KSDL	2010-11	2011-12	11.38	0.52	0.58	10.28	164.97	5.77	31.82	39.15	98.06	10.80	11.01
36	KSCDCL	2010-11	2011-12	-0.05	0.02	0.37	-0.44	3.56	-1.63	3.01	-4.57	7.35	-0.42	-
37	KSSIDC	2009-10	2010-11	21.52	0.11	2.06	19.35	97.00	-	24.66	38.61	106.04	19.46	18.35
38	MPM	2010-11	2011-12	-55.21	19.18	10.39	-84.78	328.85	-	118.89	-194.03	239.85	-65.60	-
39	KAVIKA	2010-11	2011-12	3.45	0.92	0.17	2.36	76.22	-	5.62	-6.08	88.23	3.28	3.72
40	MEI	2010-11	2011-12	2.08	2.11	0.13	-0.16	41.11	-8.93	9.43	-22.56	61.58	1.95	3.17
41	NGEFH	2010-11	2011-12	-0.77	0.45	0.17	-1.39	14.49	-0.99	3.20	1.08	8.29	-0.94	-
42	KEONICS	2010-11	2011-12	7.76	-	0.76	7.00	35.28	-	16.87	35.86	56.47	7.00	12.40
43	KSIC	2009-10	2010-11	8.42	-	0.41	8.01	52.38	-0.30	58.00	-31.51	38.44	8.01	20.84
44	KSMB	2010-11	2011-12	-3.97	-	0.03	-4.00	34.35	-	31.45	-28.40	15.05	-4.00	-
45	KSTIDCL	2010-11	2011-12	1.04	-	-	1.04	16.14	-	2.22	7.75	10.00	1.04	10.40
46	MML	2010-11	2011-12	425.38	1.44	1.07	422.87	513.97	-24.99	6.00	825.79	826.71	424.31	51.33

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 $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
47	KECL	First Accounts not yet finalised	-	-	-	-	-	-	-	-	-	-	-	-
48	HGML	2009-10	2010-11	133.82	-	9.11	124.71	336.74	-	2.96	448.52	483.74	124.71	25.78
49	MYSUGAR	2009-10	2010-11	-38.97	30.00	1.24	-70.21	36.34	-	8.74	-339.33	-79.14	-40.21	-
50	MPVL	2010-11	2011-12	1.11	0.10	0.08	0.93	15.25	-0.55	1.04	15.03	20.53	1.03	5.02
51	KSBCL	2010-11	2011-12	23.98	0.12	1.02	22.84	11707.30	-	12.00	59.20	17.42	22.96	131.80
52	MSIL	2009-10	2010-11	-2.83	0.27	1.10	-4.20	58.07	-2.41	31.47	125.91	150.38	-3.93	-
53	MCA	2010-11	2011-12	12.51	-	0.26	12.25	126.41	-	7.03	32.34	41.63	12.25	29.43
	Sector-wise total			**548.89**	**55.43**	**28.99**	**464.47**	**13661.65**	**-34.03**	**381.26**	**979.54**	**2187.50**	**519.90**	**-**
POWER SECTOR														
54	KPC	2010-11	2011-12	1685.96	548.90	450.87	686.19	4149.56	-44.27	2281.97	3455.33	14415.24	1235.09	8.57
55	KREDL	2010-11	2011-12	23.60	0.34	1.41	21.85	20.97	-	0.50	39.79	46.28	22.19	47.95
56	KPTCL	2010-11	2011-12	945.95	537.33	406.99	1.63	1215.22	-151.75	1575.32	179.55	7929.41	538.96	6.80
57	BESCOM	2010-11	2011-12	347.20	199.45	145.55	2.20	8245.68	-	504.42	-350.68	4965.57	201.65	4.06
58	HESCOM	2010-11	2011-12	314.32	289.54	89.49	-64.71	3102.16	-26.22	633.68	-723.80	1824.73	224.83	12.32
59	MESCOM	2010-11	2011-12	147.24	93.79	51.13	2.32	1414.52	-	157.34	52.43	1213.46	96.11	7.92
60	CHESC	2009-10	2010-11	68.66	86.27	40.55	-58.16	1417.68	-	157.30	-285.15	633.52	28.11	4.44
61	GESCOM	2009-10	2010-11	200.21	139.14	59.22	1.85	1659.74	-93.20	305.14	-216.60	1464.26	140.99	9.63
62	KPCB	2010-11	2011-12	-0.01	-	0.03	-0.04	-	-	0.05	-5.54	-3.98	-0.04	-
63	PCKL	2010-11	2011-12	0.32	-	0.02	0.30	-	-	20.05	-4.45	170.32	0.30	0.18
64	RPCL	2010-11	2011-12	-	-	-	$$	-	-	675.90	-	14.98	-	-
	Sector-wise total			**3733.45**	**1894.76**	**1245.26**	**593.43**	**21225.53**	**-315.44**	**6311.67**	**2140.88**	**32673.79**	**2488.19**	**-**
SERVICE SECTOR														
65	KFCSCL	2010-11	2011-12	8.91	3.17	0.55	5.19	744.72	-15.14	3.25	27.29	181.29	8.36	4.61
66	KSTDC	2009-10	2010-11	-0.78	1.55	1.67	-4.00	32.69	-6.93	6.41	-6.43	20.48	-2.45	-
67	JLR	2010-11	2011-12	5.20	0.23	1.63	3.34	30.73	-0.76	0.92	14.50	34.18	3.57	10.44
	Sector-wise total			**13.33**	**4.95**	**3.85**	**4.53**	**808.14**	**-22.83**	**10.58**	**35.36**	**235.95**	**9.48**	

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-) Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)	Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed @	Return on capital employed $	Percen-tage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MISCELLANEOUS SECTOR														
68	KVTSDCL[5]	2009-10 (Oct 09 to Mar 10)	2010-11	0.06	-	0.06	-	-	-	0.04	-	63.17	-	-
69	KPLCL	2009-10	2010-11	0.30	-	0.09	0.21	-	-	-	0.15	0.08	0.21	262.50
	Sector-wise total			**0.36**	**-**	**0.15**	**0.21**	**-**	**-**	**0.04**	**0.15**	**63.25**	**0.21**	**-**
	TOTAL A (All sector-wise Government Companies)			**4508.40**	**2025.71**	**1371.14**	**1111.55**	**36659.90**	**-400.12**	**28923.85**	**2459.02**	**68866.78**	**3137.26**	**4.56**
B. WORKING STATUTORY CORPORATIONS														
AGRICULTURE AND ALLIED SECTOR														
1	KSWC	2010-11	2011-12	24.13	4.34	2.89	16.90	39.34	-1.74	10.65	61.58	197.72	21.24	10.76
	Sector-wise total			**24.13**	**4.34**	**2.89**	**16.90**	**39.34**	**-1.74**	**10.65**	**61.58**	**197.72**	**21.24**	**-**
FINANCING SECTOR														
2	KSFC	2010-11	2011-12	174.18	143.91	8.34	21.93	198.68	-6.60	678.21	-553.75	2471.96	165.84	6.71
	Sector-wise total			**174.18**	**143.91**	**8.34**	**21.93**	**198.68**	**-6.60**	**678.21**	**-553.75**	**2471.96**	**165.84**	**-**
SERVICE SECTOR														
3	KSRTC	2010-11	2011-12	272.03	19.04	190.94	62.05	1768.99	-149.23	291.89	43.15	750.06	81.09	10.81
4	BMTC	2010-11	2011-12	175.11	9.69	115.07	50.35	1211.24	-14.12	157.96	641.63	1389.57	60.04	4.32
5	NWKRTC	2009-10	2011-12	62.23	31.70	88.34	-57.81	847.40	-49.29	212.77	-325.11	324.04	-26.11	-
6	NEKRTC	2010-11	2011-12	79.66	13.20	78.51	-12.05	767.96	-3.76	229.48	-338.90	48.10	1.15	2.39
	Sector-wise total			**589.03**	**73.63**	**472.86**	**42.54**	**4595.59**	**-216.40**	**892.10**	**20.77**	**2511.77**	**116.17**	**-**
	Grand total (B)			**787.34**	**221.88**	**484.09**	**81.37**	**4833.61**	**-224.74**	**1580.96**	**-471.40**	**5181.05**	**303.25**	**5.85**
	Grand total (A+B)			**5295.74**	**2247.59**	**1855.23**	**1192.92**	**41493.51**	**-624.86**	**30504.81**	**1987.62**	**74047.83**	**3440.51**	**4.65**
C. NON WORKING GOVERNMENT COMPANIES														
AGRICULTURE AND ALLIED SECTOR														
1	KAIC	2010-11	2011-12	-25.77	10.69	0.04	-36.50	-	-6.19	55.90	-201.62	-4.03	-25.81	-
2	MTC	2010-11	2011-12	0.31	0.60	0.01	-0.30	-	-	0.78	-13.49	-9.85	0.30	-
3	KPL	2010-11	2011-12	-0.01	-	-	-0.01	-	-	15.16	-20.88	-2.76	-0.01	-
4	KSVL	2004-05	2005-06	-0.44	-	0.01	-0.45	-	-	1.00	-8.85	0.26	-0.45	-
5	MMCL	2010-11	2011-12	-0.01	-	-	-0.01	-	-	0.05	-0.29	-0.23	-0.01	-
	Sector-wise total			**-25.92**	**11.29**	**0.06**	**-37.27**	**-**	**-6.19**	**72.89**	**-245.13**	**-16.61**	**-25.98**	**-**

[5] **The company is engaged in providing services through Skill on the directions of Government of Karnataka as per the approved schemes from time to time and it is on a non-profit basis. Grants received through various departments are recognized as income and credited to the income and expenditure account to the extent of actual amount of grants spent during the year.**

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 $	Percen-tage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss (x)							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING SECTOR														
6	MLW	2010-11	2011-12	1.03	10.12	0.07	-9.16	-	-	11.81	-235.24	-111.24	0.96	-
7	VSL	2010-11	2011-12	-0.02	-	-	-0.02	-	-	12.91	-0.08	13.44	-0.02	-
8	MCL	2003-04	2004-05	-0.79	-	-	-0.79	-	-	0.16	-3.12	-0.23	-0.79	-
9	MCT	2010-11	2011-12	0.13	-	-	0.13	-	-	0.76	-9.52	-8.36	0.13	-
10	NGEF	2002-03	2003-04	-157.48	-	-	-157.48	-	-	46.51	-408.85	98.21	-157.48	-
11	KTL	2003-04	2004-05	0.05	-	-	0.05	-	-	3.00	-36.11	-29.23	0.05	-
12	CMTL	2006-07	2007-08	-0.01	-	-	-0.01	-	-	0.63	-7.97	-3.71	-0.01	-
13	KSTL	1998.99	1999-00	-0.88	-	-	-0.88	-	-	0.50	-8.91	4.32	-0.88	-
14	MACCL	2002-03	2003-04	-0.42	-	0.04	-0.46	-	-	12.18	-25.33	0.09	-0.46	-
	Sector-wise total			**-158.39**	**10.12**	**0.11**	**-168.62**	**-**	**-**	**88.46**	**-735.13**	**-36.71**	**-158.50**	-
	TOTAL C (Non working Government Companies)			**-184.31**	**21.41**	**0.17**	**-205.89**	**-**	**-6.19**	**161.35**	**-980.26**	**-53.32**	**-184.48**	**-**
	Grand total (A+B+C)			**5111.43**	**2269.00**	**1855.40**	**987.03**	**41493.51**	**-631.05**	**30666.16**	**1007.36**	**73994.51**	**3256.03**	**4.40**

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

$ 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.

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

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

(x) Net profit/loss includes adjustment for prior period income / expenses but excludes appropriations and tax provisions.

Annexure 3

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 2011

(Referred to in Paragraph 1.9)

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@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. WORKING GOVERNMENT COMPANIES													
AGRICULTURE & ALLIED SECTOR													
1	KSACPL	-	-	0.01(PS)	-	-	0.01(PS)	-	-	-	-	-	-
2	KAPPEC	-	-	4.57(PS)	-	-	4.57(PS)	-	-	-	-	-	-
3	KFDC	-	-	0.10(G)	-	-	0.10(G)	-	-	-	-	-	-
4	KSAWDCL	-	-	0.53(G)	7.29(G)	-	7.82(G)	-	-	-	-	-	-
5	KCDC	-	-	1.13(G)	-	-	1.13(G)	-	-	-	-	-	-
6	KSFIC	-	-	-	0.19(G)	-	0.19(G)	-	0.08	-	-	-	-
7	KSSCL	-	-	-	4.35(PS)	-	4.35(PS)	-	-	-	-	-	-
8	FKL	-	-	-	4.50(G)	-	4.50(G)	-	-	-	-	-	-
	Sector-wise total	**-**	**-**	**1.76(G)** **4.58(PS)**	**11.98(G)** **4.35(PS)**	**-**	**13.74(G)** **8.93(PS)**	**-**	**0.08**	-	-	-	-
FINANCING SECTOR													
9	KHDCL	7.50(S)	-	0.24(PS)	0.25(PS) 5.96(S)	-	0.49 (PS) 5.96 (S)	5.07	19.99	-	-	-	-
10	KSHDCL	-	-	0.55(G)	2.50(G)	-	3.05(G)	-	0.66	-	-	-	-
11	DUBCDCL	24.00(S)	-	-	98.17(PS)	-	98.17(PS)	24.00	77.95	-	-	-	-
12	KSWDC	-	-	-	37.91(G)	-	37.91(G)	1.00	1.50	-	-	-	-

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@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Govern-ment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
13	BRADCL	7.60(S)	-	-	179.46(G)	-	179.46(G)	40.27	143.11	-	-	-	-
14	KSTADC	-	10.04(CG)	-	73.00(G)	-	73.00(G)	10.04	36.31	-	-	-	-
15	KMDC	26.50(S)	-	-	29.50(G)	-	29.50(G)	-	31.10	-	-	-	-
16	KSIIDC	60.90(S)	3.75(S)	-	-	-	-	-	248.34	-	-	-	-
17	KTDCL	-	-	-	35.38(PS)	-	35.38(PS)	-	-	-	-	-	-
	Sector-wise total	**126.50(S)**	**3.75(S)** **10.04(CG)**	**0.55(G)** **0.24(PS)**	**322.37(G)** **133.80(PS)** **5.96(S)**	**-**	**322.92(G)** **134.04(PS)** **5.96(S)**	**80.38**	**558.96**	-	-	-	-
INFRASTRUCTURE SECTOR													
18	KRIDL	-	-	-	-	-	-	-	58.95	-	-	-	-
19	KSPHCL	-	-	-	47.31(G) 45.00(PS)	-	47.31(G) 45.00(PS)	-	167.26	-	-	-	-
20	RGRHCL	-	-	-	673.54(PS)	-	673.54(PS)	-	391.98	-	-	-	-
21	KRDCL	169.18(S)	-	-	300.00(G) 76.00(PS)	-	300.00(G) 76.00(PS)	-	390.79	-	-	-	-
22	KBJNL	123.27(S)	-	-	1077.81(G)	-	1077.81(G)	-	271.05	-	-	-	-
23	KNNL	1978.02(S)	-	-	-	-	-	-	331.75	-	-	-	-
24	CNNL	800.38(S)	-	-	-	-	-	-	370.20	-	-	-	-
25	BARL	-	-	-	15.70(PS)	-	15.70(PS)	-	-	-	-	-	-
	Sector-wise total	**3070.85(S)**	**-**	**-**	**1425.12(G)** **810.24(PS)**	**-**	**1425.12(G)** **810.24(PS)**	**-**	**1981.98**			-	-
MANUFACTURING SECTOR													
26	LIDKAR	-	-	-	4.42(G)	-	4.42(G)	-	-	-	-	-	-
27	KSSIDC	-	-	-	8.98(G) 2.73(S)	-	8.98(G) 2.73(S)	-	-	-	-	-	-
28	MPM	-	-	-	-	-	-	50.00	50.00	-	-	-	-
29	NGEFH	-	-	-	-	-	-	1.50	4.38	-	-	-	-
30	KEONICS	1.00(S)	-	0.75(G)	-	-	0.75(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@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
31	KSMB	-	12.00(S)	-	-	-	-	-	-	-	-	-	-
32	MML	2.98(S)	-	-	-	-	-	-	-	-	-	-	-
33	MYSUGAR	9.02(S)	39.57(S)	-	-	-	-	-	49.06	-	9.02	-	9.02
	Sector-wise total	**13.00(S)**	**51.57(S)**	**0.75(G)**	**13.40(G) 2.73(S)**	**-**	**14.15(G) 2.73(S)**	**51.50**	**103.44**	**-**	**9.02**	**-**	**9.02**
POWER SECTOR													
34	KPC	538.71(S)	-	4.61(G)	-	-	4.61(G)	-	181.09	-	-	-	-
35	KREDL	-	-	2.10(PS)	-	-	2.10(PS)	-	-	-	-	-	-
36	KPTCL	357.05(S)	-	-	-	-	-	-	43.28	-	-	-	-
37	BESCOM	88.45(S)	-	2.46(G)	86.64(S)	-	2.46(G) 86.64(S)	-	2.79	-	-	-	-
38	HESCOM	70.43(S)	-	8.45(G)	10.96(G) 202.92(S)	-	19.41(G) 202.92(S)	76.75	76.75	-	-	-	-
39	MESCOM	25.00(S)	2.04(S)	20.80(PS)	22.34(S)	-	20.80(PS) 22.34(S)	-	-	-	-	-	-
40	CHESC	25.00(S)	-	-	143.44(S)	-	143.44(S)	28.06	52.51	-	-	-	-
41	GESCOM	69.56(S)	-	-	-	-	-	-	-	-	-	-	-
42	PCKL	-	-	-	132.12(PS)	-	132.12(PS)	-	-	-	-	-	-
43	RPCL	665.90(S)	-	-	-	-	-	-	-	-	-	-	-
	Sector-wise total	**1840.10(S)**	**2.04(S)**	**15.52(G) 22.90(PS)**	**10.96(G) 132.12(PS) 455.34(S)**	**-**	**26.48(G) 155.02(PS) 455.34(S)**	**104.81**	**356.42**	**-**	**-**	**-**	**-**
SERVICE SECTOR													
44	KFCSCL	-	-	-	-	-	-	39.60	39.60	-	-	-	-
45	KSTDC	-	-	-	11.93(G)	-	11.93(G)	-	-	-	-	-	-
46	JLR	-	-	6.92(G)	5.79(G)	-	12.71(G)	-	-	-	-	-	-
	Sector-wise total			**6.92 (G)**	**17.72(G)**	**-**	**24.64(G)**	39.60	39.60	-	-	-	-

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@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
MISCELLANEOUS SECTOR													
47	KVTSDCL	-	-	-	20.24(G)	-	20.24(G)	-	-	-	-	-	-
48	KPLCL	0.05(S)	-	-	1.00(G)	-	1.00(G)	-	-	-	0.05	-	0.05
	Sector-wise total	**0.05(S)**	-	-	**21.24(G)**		**21.24(G)**	-	-	-	0.05	-	0.05
	TOTAL A (All sector-wise Government Companies)	**5050.45(S)**	**57.36(S) 10.04(CG)**	**25.50(G) 27.72(PS)**	**1822.79(G) 1080.51(PS) 464.03(S)**	**-**	**1848.29(G) 1108.23(PS) 464.03(S)**	**276.29**	**3040.48**	-	**9.07**	**-**	**9.07**
B. WORKING STATUTORY CORPORATIONS													
1	KSWC	0.50(CG)	-	13.00(G)	-	-	13.00 (G)	18.01	48.01	-	-	-	-
	Sector-wise total	**0.50(CG)**	**-**	**13.00 (G)**	**-**	**-**	**13.00 (G)**	**18.01**	**48.01**	-	**-**	**-**	**-**
FINANCING SECTOR													
2	KSFC	25.80(S)	-	-	-	-	-	223.00	713.89	-	-	-	-
	Sector-wise total	**25.80(S)**	**-**	**-**	**-**	**-**	**-**	**223.00**	**713.89**	**-**	**-**	**-**	**-**
SERVICES SECTOR													
3	KSRTC	-	-	-	97.38(S)	26.55(G)	97.38(S) 26.55(G)	-	-	-	-	-	-
4	BMTC	0.26(S)	-	50.99(G)	37.26(G) 57.53(S)	-	88.25(G) 57.53(S)	-	-	-	-	-	-
5	NWKRTC	25.00(S)	-	-	0.25(G) 99.93(S)	-	0.25(G) 99.93(S)	-	-	-	-	-	-
6	NEKRTC	25.25(S)	-	-	36.28(S)	-	36.28(S)	-	-	-	-	-	-
	Sector-wise total	**50.51(S)**	**-**	**50.99(G)**	**37.51(G) 291.12(S)**	**26.55(G)**	**115.05(G) 291.12(S)**	**-**	**-**	**-**	**-**	**-**	**-**
	TOTAL B (all sector-wise Statutory Corporations)	**76.31(S) 0.50(CG)**	**-**	**63.99(G)**	**37.51(G) 291.12(S)**	**26.55(G)**	**128.05(G) 291.12(S)**	**241.01**	**761.90**	-	**-**	**-**	**-**
	Grand total (A + B)	**5126.76(S) 0.50(CG)**	**57.36(S) 10.04(CG)**	**89.49(G) 27.72(PS)**	**1860.30(G) 1080.51(PS) 755.15(S)**	**26.55(G)**	**1976.34(G) 1108.23(PS) 755.15(S)**	**517.30**	**3802.38**	-	**9.07**	**-**	**9.07**

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@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Govern-ment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
C. NON WORKING GOVERNMENT COMPANIES													
MANUFACTURING SECTOR													
1	MLW	-	0.64(S)	-	-	-	-	-	-	-	-	-	-
	Sector-wise total	-	**0.64(S)**	-	-	-	-	-	-	-	-	-	-
	TOTAL C (all sector wise non-working companies)	-	**0.64(S)**	-	-	-	-	-	-	-	-	-	-
	TOTAL (A+B+C)	**5126.76(S) 0.50(CG)**	**58.00(S) 10.04(CG)**	**89.49(G) 27.72(PS)**	**1860.30(G) 1080.51(PS) 755.15(S)**	**26.55(G)**	**1976.34(G) 1108.23(PS) 755.15(S)**	**517.30**	**3802.38**	-	**9.07**	**-**	**9.07**

@ Figures indicate total guarantees outstanding at the end of the year.

Note: Figures are provisional and as furnished by the companies in respect of companies that have not finalised their accounts for 2010-11.

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.

Annexure 4

Statement showing the investments made by the State Government in PSUs whose accounts are in arrears at the end of March 2011

(Referred to in Paragraph 1.24)

₹ 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	Loans	Grants	Project subsidy	Subsidy
A. WORKING GOVERNMENT COMPANIES									
AGRICULTURE AND ALLIED SECTOR									
1	KTAML	2009-10	5.00	2010-11	-	-	-	-	-
2	KFDC	2009-10	16.16	2010-11	-	-	-	-	-
3	KSAWDCL	2009-10	6.05	2010-11	-	-	7.29	-	-
4	KSSCL	2009-10	3.68	2010-11	-	-	-	4.35	
FINANCING SECTOR									
5	KSWDC	2009-10	12.84	2010-11	-	-	37.91		-
6	KSTADC	2008-09	3.82	2009-10 2010-11	-	-	73.00	-	-
7	KTDCL	First accounts pending	0.01		0.01	-	-	-	-
INFRASTRUCTURE SECTOR									
8	KSCCL	2009-10	2.05	2010-11	-	--	--	-	-
9	KRIDL	2009-10	12.25	2010-11	-	-	-	-	-
10	RGRHCL	2009-10	3.00	2010-11	-	-	-	673.54	
11	KNNL	2009-10	7848.16	2010-11	1978.02	-	-	-	-
MANUFACTURING SECTOR									
12	LIDKAR	2009-10	6.85	2010-11	-	-	4.42	-	-
13	KSSIDC	2009-10	24.66	2010-11	-	-	8.98	2.73	-
14	KSIC	2009-10	58.00	2010-11	-	-	-	-	-

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	Loans	Grants	Project subsidy	Subsidy
15	KECL	First accounts pending	0.05	2010-11	-	-	-	-	-
16	HGML	2009-10	2.96	2010-11	-	-	-	-	-
17	MYSUGAR	2009-10	8.74	2010-11	9.02	39.57	-	-	-
18	MSIL	2009-10	31.47	2010-11	-	--	-	-	-
POWER SECTOR									
19	CHESC	2009-10	157.30	2010-11	25.00	-	-	-	143.44
20	GESCOM	2009-10	305.14	2010-11	69.56	-	-	-	-
SERVICE SECTOR									
21	KSTDC	2009-10	6.41	2010-11	-	-	11.93	-	-
MISCELLANEOUS SECTOR									
22	KVTSDCL	2009-10	0.04	2010-11	-	-	20.24	-	-
23	KPLCL	2009-10	0.05	2010-11	0.05	-	1.00	-	-
B. WORKING STATUTORY CORPORATIONS									
SERVICE SECTOR									
1	NWKRTC	2009-10	212.77	2010-11	25.00	-	0.25	-	99.93
	Total		**8727.46**		**2106.66**	**39.57**	**165.02**	**680.62**	**243.37**

Annexure 5
Statement showing financial position of Statutory Corporations
(Referred to in Paragraph 1.14)

Working Statutory Corporations

1. Bangalore Metropolitan Transport Corporation, Bangalore

₹ in crore

Particulars	2008-09	2009-10	2010-11 (Provisional)
Liabilities			
Paid up capital	157.71	157.71	157.96
Reserve and surplus (including capital grants but excluding depreciation reserve)	735.03	806.82	913.83
Borrowings (loan funds)	49.66	276.43	313.79
Current liabilities and provisions	160.94	243.80	182.94
Total	**1103.34**	**1484.76**	**1568.52**
Assets			
Gross block	1071.40	1305.66	1395.07
Less: Depreciation	359.43	419.63	531.54
Net fixed assets	711.97	886.03	863.53
Capital works-in-progress (including cost of chassis)	243.20	451.81	543.92
Investments	20.02	14.20	20.16
Current assets, loans and advances	128.15	132.72	140.91
Accumulated losses	0	0	0
Total	**1103.34**	**1484.76**	**1568.52**
Capital employed	**922.38**	**1226.71**	**1365.42**

Annexure 5

Statement showing financial position of Statutory Corporations

(Referred to in Paragraph 1.14)

2. Karnataka State Road Transport Corporation, Bangalore

₹ in crore

Particulars	2008-09	2009-10	2010-11 (Provisional)
Liabilities			
Paid up capital	311.07	291.89	291.89
Reserve and surplus (including capital grants but excluding depreciation reserve)	44.83	95.48	161.30
Borrowings (loan funds)	313.65	274.75	227.89
Current liabilities and provisions	282.25	262.28	333.89
Total	**951.80**	**924.40**	**1014.97**
Assets			
Gross block	1262.59	1340.28	1603.74
Less: Depreciation	640.40	732.79	844.96
Net fixed assets	622.19	607.49	758.78
Capital works-in-progress (including cost of chassis)	68.48	142.72	105.07
Investments	0.05	0.05	0.05
Current assets, loans and advances	193.33	155.23	151.07
Accumulated losses	67.75	18.91	0.00
Total	**951.80**	**924.40**	**1014.97**
Capital employed[6]	**598.16**	**638.93**	**678.25**

[6] **Excluding deferred revenue expenditure.**

Annexure 5
Statement showing financial position of Statutory Corporations
(Referred to in Paragraph 1.14)

3. North Western Karnataka Road Transport Corporation, Hubli

₹ in crore

Particulars	2008-09	2009-10	2010-11 (Provisional)
Liabilities			
Paid up capital	214.38	212.78	238.55
Reserve and surplus (including capital grants but excluding depreciation reserve)	40.52	44.12	48.08
Borrowings (loan funds)	314.36	317.79	319.79
Current liabilities and provisions	214.77	204.93	218.22
Total	**784.03**	**779.62**	**824.64**
Assets			
Gross block	648.85	593.90	629.49
Less: Depreciation	348.49	327.62	355.40
Net fixed assets	300.36	266.28	274.09
Capital works-in-progress (including cost of chassis)	14.29	17.44	25.10
Investments	0	0	0
Current assets, loans and advances	135.87	170.79	169.90
Accumulated losses	333.51	325.11	355.55
Total	**784.03**	**779.62**	**824.64**
Capital employed	**233.81**	**249.58**	**235.04**

Annexure 5
Statement showing financial position of Statutory Corporations
(Referred to in Paragraph 1.14)

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

₹ in crore

Particulars	2008-09	2009-10	2010-11 (Provisional)
Liabilities			
Paid up capital	149.25	204.23	229.48
Reserve and surplus (including capital grants but excluding depreciation reserve)	34.24	43.07	47.97
Borrowings (loan funds)	128.77	187.36	172.39
Current liabilities and provisions	273.87	348.48	385.79
Total	**586.13**	**783.14**	**835.63**
Assets			
Gross block	403.93	590.64	645.96
Less: Depreciation	203.40	306.06	358.05
Net fixed assets	200.53	284.58	287.91
Capital works-in-progress (including cost of chassis)	29.17	34.70	50.66
Investments	0.05	0.05	0.05
Current assets, loans and advances	63.39	70.74	158.10
Accumulated losses	292.99	393.07	338.91
Total	**586.13**	**783.14**	**835.63**
Capital employed[7]	**19.22**	**41.54**	**44.66**

[7] **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 1.14)

5. Karnataka State Financial Corporation, Bangalore

₹ in crore

Sl. No.	Particulars	2008-09	2009-10	2010-11 (Provisional)
A.	**Liabilities**			
	Paid up capital	123.05	509.06	619.06
	Share application money	401.83	143.34	59.15
	Reserve fund and other reserves and surplus	55.67	54.93	47.68
	Borrowings			
	i) Bonds and debentures	683.31	696.39	790.20
	ii) Fixed deposits	24.45	38.59	112.52
	iii) Industrial Development Bank of India and Small Industries Development Bank of India	965.94	911.87	936.46
	iv) Loan towards Share capital- Industrial Development Bank of India	9.18	0	0
	v) Others (including State Government)	98.93	106.90	171.48
	Other liabilities and provisions	322.35	382.29	299.92
	Total	**2694.71**	**2843.37**	**3036.47**
B.	**Assets**			
	Cash and bank balances	164.44	115.41	224.16
	Investments	393.10	564.96	500.59
	Loans and advances	1406.03	1440.42	1620.42
	Net fixed assets	60.94	60.12	52.81
	Other assets	91.61	86.84	84.74
	Miscellaneous expenditure	578.59	575.62	553.75
	Total	**2694.71**	**2843.37**	**3036.47**
C.	**Capital employed[8]**	**2061.77**	**2287.66**	**2471.96**

[8] **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 1.14)

6. Karnataka State Warehousing Corporation, Bangalore

₹ in crore

Sl. No.	Particulars	2008-09	2009-10	2010-11 (Provisional)
A.	**Liabilities**			
	Paid-up capital	10.15	10.65	10.65
	Reserves and surplus	44.61	54.62	61.58
	Borrowings (Government)	18.41	18.41	18.41
	(Others)	65.31	174.02	117.30
	Trade dues and current liabilities (including provisions)	53.40	88.42	82.87
	Total	**191.88**	**346.12**	**290.81**
B.	**Assets**			
	Gross block	142.22	153.66	175.25
	Less: Depreciation	16.44	18.97	21.86
	Net fixed assets	125.78	134.69	153.39
	Capital work-in-progress	3.90	11.37	34.54
	Investments	0	0	0
	Current assets, loans and advances	62.20	200.06	102.88
	Total	**191.88**	**346.12**	**290.81**
C.	**Capital employed**[9]	**138.48**	**257.70**	**207.94**

[9] **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 1.14)

1. Bangalore Metropolitan Transport Corporation, Bangalore

₹ in crore

Sl. No.	Description	2008-09	2009-10	2010-11 (Provisional)
1	Total revenue	1000.63	1129.62	1327.55
2	Operating revenue[10]	909.15	1012.29	1211.24
3	Total expenditure	**945.45**	**1065.20**	**1276.72**
4	Operating expenditure[11]	929.82	1047.95	1250.04
5	Operating profit/loss (-)	(-)20.67	(-)35.66	(-)38.80
6	**Profit for the year**	**55.18**	**65.13**[Σ]	**50.83**
7	Accumulated profit	587.55	625.21	641.63
8	Fixed costs			
	Personnel costs	325.05	357.08	464.84
	Depreciation	97.66	103.41	115.07
	Interest	0.67	1.39	9.69
	Other fixed costs	27.42	26.99	27.34
	Total fixed costs	**450.80**	**488.87**	**616.94**
9	Variable costs			
	Fuel and lubricants	365.36	417.36	501.82
	Tyres and tubes	21.37	16.97	32.18
	Other Items/spares	47.28	35.39	50.00
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	50.28	56.23	67.10
	Other variable costs	10.36	50.38	8.68
	Total variable costs	**494.65**	**576.33**	**659.78**
10	Effective KMs operated (in lakh)	4062.43	4,383.16	**4544.68**
11	Earnings *per* KM (₹)(1/10)	24.63	25.77	29.21
12	Fixed cost *per* KM (₹) (8/10)	11.10	11.15	13.57
13	Variable cost *per* KM (₹) (9/10)	12.18	13.15	**14.52**
14	Cost *per* KM (₹) (12+13)	23.28	24.30	28.09
15	Net earnings *per* KM (₹) (11-14)	1.35	1.47	1.12
16	Traffic revenue[12] (₹ in crore)	907.50	1012.29	1211.23
17	Traffic revenue *per* KM (₹) (16/10)	22.34	23.09	26.65
18	Return on capital employed	55.85	66.52	6.04
19	Percentage on capital employed	6.06	5.42	4.40

[10] **Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.***

[11] **Operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.**

[Σ] **After net prior period (credits) of ₹ 0.71 crore.**

[12] **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 1.14)

2. Karnataka State Road Transport Corporation, Bangalore

₹ in crore

Sl. No	Description	2008-09	2009-10	2010-11 (Provisional)
1	Total revenue	1639.35	1746.36	2078.64
2	Operating revenue[13]	1429.53	1592.86	1866.37
3	**Total expenditure**	**1581.66**	**1697.51**	**2016.63**
4	Operating expenditure[14]	1513.75	1628.52	1947.72
5	Operating profit/loss (-)	(-)84.22	(-)35.66	(-)81.35
6	**Profit/loss for the year[15]**	**57.71**	**48.85**	**62.05**
7	Accumulated profit/loss (-)	(-)67.75	(-)18.91	43.14
8	Fixed costs			
	Personnel costs	427.09	493.85	627.65
	Depreciation	161.50	176.82	190.94
	Interest	31.66	25.13	19.04
	Other fixed costs	76.62	80.69	92.48
	Total fixed costs	**696.87**	**776.49**	**930.11**
9	Variable costs			
	Fuel and lubricants	647.13	671.57	784.92
	Tyres and tubes	63.38	66.09	77.07
	Other items/ spares	84.54	99.70	126.97
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	89.74	83.67	97.56
	Other variable costs	0	0	0
	Total variable costs	**884.79**	**921.03**	**1086.52**
10	Effective KMs operated (in lakh) (own + hired)	8104.27	8428.26	8707.67
11	Earnings *per* KM (₹)(1/10)	20.23	20.72	23.87
12	Fixed cost *per* Km (₹) (8/10)	8.60	9.21	10.68
13	Variable cost *per* KM (₹) (9/10)	10.92	10.93	12.48
14	Cost per KM (₹) (3/10)	19.52	20.14	23.16
15	Net earnings *per* KM (₹)(11-14)	0.71	0.58	0.71
16	Traffic revenue (₹ in crore)	1429.53	1515.06	1768.99
17	Traffic revenue *per* km (₹) (16/10)	17.64	17.98	20.32
18	Return on capital employed	89.37	73.98	81.09
19	Percentage on capital employed	14.94	11.58	11.95

[13] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.*

[14] Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.

[15] Excludes net prior period adjustments.

Annexure 6
Statement showing working results of Statutory Corporations
(Referred to in Paragraph 1.14)

3. North Western Karnataka Road Transport Corporation, Hubli

₹ in crore

Sl. No	Description	2008-09	2009-10	2010-11 (Provisional)
1	Total revenue	994.94	961.46	1032.59
2	Operating revenue[16]	922.97	847.40	904.76
3	**Total expenditure**	**1063.51**	**1019.28**	**1063.04**
4	Operating expenditure[17]	1006.39	968.38	1009.78
5	Operating profit/loss (-)	(-)83.42	(-)120.98	(-)105.02
6	**Profit/loss for the year**	**-68.57**	**-57.82**	**-30.45**
7	Accumulated profit/loss (-)	(-)333.51	(-)325.11	(-)355.55
8	Fixed costs			
	Personnel costs	326.63	339.59	302.33
	Depreciation	81.88	88.34	76.92
	Interest	35.29	31.70	28.53
	Other fixed costs	0	0	0
	Total fixed costs	**443.80**	**459.63**	**407.88**
9	Variable costs			
	Fuel and lubricants	427.93	389.52	407.89
	Tyres and tubes	41.62	37.88	42.05
	Other items/spares	106.23	89.07	160.86
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	43.93	43.18	44.46
	Other variable costs	0.00	0.00	0.00
	Total variable costs	**619.71**	**559.65**	**655.26**
10	Effective KMs operated (in lakh) (own + hired)	5541.02	5241.34	4800.93
11	Earnings *per* KM (₹)(1/10)	17.96	18.34	21.51
12	Fixed cost *per* Km (₹) (8/10)	8.01	8.77	8.49
13	Variable cost *per* KM (₹) (9/10)	11.18	10.68	13.65
14	Cost *per* KM (₹) (3/10)	19.19	19.45	22.14
15	Net earnings *per* KM (₹)(11-14)	(-)1.23	(-)1.11	(-)0.63
16	Traffic revenue (₹ in crore)	863.15	828.14	903.07
17	Traffic revenue *per* km (₹)(16/10)	15.58	15.80	18.81
18	Return on capital employed	(-)33.28	(-)26.12	(-)1.92
19	Percentage on capital employed	-	-	-

[16] **Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.***

[17] **Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.**

Annexure 6
Statement showing working results of Statutory Corporations
(Referred to in Paragraph 1.14)

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

₹ in crore

SL. No	Description	2008-09	2009-10	2010-11 (Provisional)
1	Total revenue	561.07	663.35	864.38
2	Operating revenue[18]	523.29	618.90	804.24
3	**Total expenditure**	**589.72**	**697.20**	**876.43**
4	Operating expenditure[19]	564.13	670.15	843.20
5	Operating profit/loss (-)	(-)40.84	(-)51.25	(-)38.96
6	**Profit/loss for the year (-)**	**(-)28.65**	**(-)33.85**	**(-)12.05**
7	Accumulated profit/loss (-)	(-)292.99	(-)326.84	(-)338.90
8	Fixed costs			
	Personnel costs	172.91	221.78	281.33
	Depreciation	52.60	69.33	78.52
	Interest	13.60	14.00	13.20
	Other fixed costs	24.79	22.11	27.16
	Total fixed costs	**263.90**	**327.22**	**400.21**
9	Variable costs			
	Fuel and lubricants	232.56	276.23	355.52
	Tyres and tubes	23.34	28.06	43.06
	Other items/ spares	16.72	26.09	32.97
	Taxes (Motor vehicle tax, Passenger tax, *etc.*)	30.93	32.50	40.10
	Other variable costs	22.27	7.10	4.57
	Total variable costs	**325.82**	**369.98**	**476.22**
10	Effective KMs operated (in lakh) (own + hired)	3297.27	3836.30	4294.94
11	Earnings *per* KM (₹)(1/10)	17.02	17.29	20.13
12	Fixed cost *per* Km (₹) (8/10)	8.00	8.53	9.32
13	Variable cost *per* KM (₹) (9/10)	9.88	9.64	11.09
14	Cost *per* KM (₹) (3/10)	17.88	18.17	20.41
15	Net earnings *per* KM (₹)(11-14)	(-)0.86	(-)0.88	(-)0.28
16	Traffic revenue (₹ in crore)	512.25	600.49	767.96
17	Traffic revenue *per* km (₹) (16/10)	15.54	15.65	17.88
18	Return on capital employed	(-)15.05	(-)19.98	1.03
19	Percentage on capital employed	-	-	-

[18] **Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, fare realised from private operators under 'KM Scheme', *etc.***

[19] **Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes, general administration expenses and depreciation on fleet.**

Annexure 6
Statement showing working results of Statutory Corporations
(Referred to in Paragraph 1.14)

5. Karnataka State Financial Corporation, Bangalore

₹ in crore

Sl. No.	Particulars	2008-09	2009-10	2010-11 (Provisional)
1	**Income**			
	a) Interest on loans	172.17	182.14	198.68
	b) Other income	54.87	20.54	20.49
	Total (1)	**227.04**	**202.68**	**219.17**
2	**Expenses**			
	a) Interest on long term and short term loans	162.83	132.53	137.80
	b) Other expenses	60.37	73.45	87.24
	c) Provision for non performing assets	43.01	0.00	0.00
	Total (2)	**266.21**	**205.98**	**225.04**
3	Profit/ loss (-) before tax (1-2)	(-)39.17	(-)3.30	(-)5.87
4	Total return on capital employed	166.67	129.23	131.93
5	Percentage of return on capital employed	8.08	5.65	5.34

Annexure 6
Statement showing working results of Statutory Corporations
(Referred to in Paragraph 1.14)

6. Karnataka State Warehousing Corporation, Bangalore

₹ in crore

Sl. No.	Particulars	2008-09	2009-10	2010-11 (Provisional)
1	**Income**			
	a) Warehousing charges	26.99	25.20	23.33
	b) Other income	3.30	21.30	28.12
	Total	**30.29**	**46.50**	**51.45**
2	**Expenses**			
	a) Establishment charges	8.90	10.46	12.93
	b) Other expenses	16.06	19.25	21.61
	Total	**24.96**	**29.71**	**34.54**
3	Profit before tax	5.33	16.79	16.91
4	Provision for tax	1.94	5.05	8.12
5	Amount available for dividend	3.39	11.74	8.79
6	Dividend for the year	0.68	1.48	1.56
7	Total return on capital employed	8.45	20.55	21.25
8	Percentage of return on capital employed	5.65	7.97	10.22

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 1.34)

PSU	Year	Comments
Karnataka Rural Infrastructure Development Limited	2009-10	➢ An Audit Committee as required under Section 292A of the Companies Act, 1956 was not formed.
Karnataka Sheep and Wool Development Corporation Limited	2009-10	➢ An Audit Committee as required under Section 292A of the Companies Act, 1956 was not formed. ➢ Work flow and document flow were not in place to ensure proper controls and system commensurate with delegation of work. ➢ Fixed assets register was not maintained.
The Mysore Sugar Company Limited.	2009-10	➢ Audit Committee did not hold any meeting in 2009-10. ➢ There was no system to ensure proper documentation such as minuting the meeting.
Karnataka Fisheries Development Corporation Limited	2009-10	➢ Fixed assets registers were not maintained.
Karnataka Vocational Training and Skill Development Corporation Limited	2009-10	➢ The system of accounts and financial controls needed to be strengthened particularly in monitoring of accounting of bills received from service providers and monthly reconciliation of bank accounts. ➢ There was no security policy for data, software and hardware.
Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited	2009-10	➢ An Audit Committee as required under Section 292A of the Companies Act, 1956 was not formed. ➢ The management had not designed and put in place adequate prevention and detection controls to prevent reduce and discover the fraud and other irregularities.
Karnataka State Tourism Development Corporation Limited	2009-10	➢ An Audit Committee as required under Section 292A of the Companies Act, 1956 was not formed. ➢ There was no proper control in respect of Golden Chariot books of accounts with regard to issue of tickets, complimentary pass, and collection of money from booking agents etc. ➢ The company had not established any system for monitoring and recovery of outstanding dues and transfer of funds from various units to the Head Office. ➢ Fixed assets register and proper records for inventories were not maintained.
D Devaraj Urs Backward Classes Development Corporation Limited	2010-11	➢ An Audit Committee as required under Section 292A of the Companies Act, 1956 was not formed. ➢ There was no system of monitoring the timely recovery of outstanding dues. ➢ No system of tendering for awarding of various contracts had been devised. ➢ There was no clear policy to give loan to population coming under backward classes.
Karnataka Power Corporation Limited	2010-11	➢ Internal audit reports were not discussed by the Audit Committee.
Karnataka State Forest Industries Corporation Limited	2010-11	➢ Fixed assets register were not maintained properly.
Karnataka Renewable Energy Development Limited	2010-11	➢ There was no system of preparing business plan and reviewing of the same.

PSU	Year	Comments
Dr. B R Ambedkar Development Corporation Limited	2010-11	➢ An audit Committee as required under Section 292A of the Companies Act, 1956 was not formed. ➢ Internal controls at district office with regard to receipt and expenditure, drawing trial balance, maintaining subsidiary ledger *etc*., were not reviewed.
Karnataka Soaps and Detergents Limited	2010-11	➢ Adequate prevention and detection controls to prevent the fraud and other irregularities were not in place.
Karnataka Handloom Development Corporation Limited	2010-11	➢ The present system of monitoring collection of dues needed to be strengthened. There was no effective follow up to realize the dues.
The Karnataka Minorities Development Corporation Limited	2010-11	➢ An Audit Committee as required under Section 292A of the companies Act, 1956 was not formed. ➢ There was a continuing failure to correct major weakness in internal control system. ➢ The Company had not got its accounts audited under Section 44AB of the Income Tax Act, 1961 for many years.
Jungle Lodges and Resorts Limited	2010-11	➢ There was no system of monitoring the recovery of outstanding dues. Advances were not adjusted against the subsequent payment of the contractor/supplier in some cases.
Karnataka Cashew Development Corporation Limited	2010-11	➢ Adequate prevention and detection control to prevent reduce and discover the possible frauds and other irregularities were not designed and put in place.
Karnataka State Textile Infrastructure Development Corporation Limited	2010-11	➢ There was no security policy for its Information Technology.
Karnataka Agro Industries Corporation Limited.	2010-11	➢ An audit committee as required under Section 292A of the Companies Act, 1956 was not constituted.
Krishna Bhagya Jala Nigam Limited	2010-11	➢ Assets registers at the concerned zonal office were needed to be updated with assets capitalized/ added/ deleted during the year.
Karnataka State Coir Development Corporation Limited	2010-11	➢ The company had not utilised even 25 *per cent* of the production facility already created and made further investment during the year. ➢ There was no delegation of financial power to senior management.
Karnataka State Agro Corn Products Limited	2010-11	➢ There were no plans or budget during the year 2010-11
Cauvery Neeravari Nigama Limited	2010-11	➢ Adequate prevention and detection controls to prevent, reduce and discover the possible fraud and other irregularities were in vogue. ➢ The Audit Committee had not examined the replies to Paragraph, Mini Review, Comprehensive appraisals *etc.,* included in various audit reports of the CAG before their submission to Government audit/Committee on Public Undertaking (COPU).

Annexure 8
Consolidated statement showing particulars of distribution network at the end of 2010-11

(Referred to in Paragraph 2.1.1.3)

Sl. No.	Description	
1	No. of Sub-stations of various categories in ESCOMs (excluding BESCOM and CESC)	330
2	HT lines (in circuit kilometres)	2,17,050.88
3	LT lines (in circuit kilometres)	4,64,113.56
4	Total distribution lines (in circuit kilometres)	6,81,164.44
5	HT : LT ratio of lines	0.47
6	Transformers capacity (in MVA)	27,889.83

Annexure 9(a)

Statement showing ESCOM-wise DTRs, failure of DTRs and norms of failure allowed by KERC

(Referred to in Paragraphs 2.1.1.3, 2.1.11.8)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
BESCOM					
Existing DTRs at the close of the year (in number)	104069	112745	125601	138618	151458
DTR Failures (in number)	9772	9532	10955	10603	10579
Percentage of failures[20]	9.39	8.45	8.72	7.65	6.98
Norm for failure (in percentage)	7.50	7.50	7.50	7.50	7.50
Excess failure percentage over norms	1.89	0.95	1.22	0.15	0
Expenditure on repair of failed DTRs (₹ in crore)	11.61	14.61	13.76	13.54	14.24
CESC					
Existing DTRs at the close of the year (in number)	35667	41127	45431	49418	52226
DTR Failures (in number)	6757	6807	7336	7753	6573
Percentage of failures	18.94	16.55	16.15	15.69	12.59
Norm for failure (in percentage)	7.50	7.50	7.50	7.50	7.50
Excess failure percentage over norms	11.44	9.05	8.65	8.19	5.09
Expenditure on repair of failed DTRs (₹ in crore)	17.26	20.76	24.14	30.41	34.32
GESCOM					
Existing DTRs at the close of the year (in number)	36632	40555	44467	47377	50145
DTR Failures (in number)	6094	7778	6892	11103	10185
Percentage of failures	16.64	19.18	15.50	23.44	20.31
Norm for failure (in percentage)	10.67	10.57	10.61	10.65	10.69
Excess failure percentage over norms	5.97	8.61	4.89	12.79	9.62
Expenditure on repair of failed DTRs (₹ in crore)	6.71	5.66	7.17	12.32	15.89
HESCOM					
Existing DTRs at the close of the year (in number)	70737	76665	82665	87020	90994
DTR Failures (in number)	9159	9892	10806	13026	10,957
Percentage of failures	12.95	12.90	13.07	14.97	12.04
Norm for failure (in percentage)	12.00	12.00	12.00	12.00	12.00
Excess failure percentage over norms	0.95	0.90	1.07	2.97	0.04
Expenditure on repair of failed DTRs (₹ in crore)	10.83	13.09	14.62	17.1	18.68
MESCOM					
Existing DTRs at the close of the year (in number)	24395	26994	29643	32140	35340
DTR Failures (in number)	2816	2925	3063	3049	3236
Percentage of failures	11.54	10.84	10.33	9.49	9.16
Norm for failure (in percentage)	10.00	10.00	10.00	10.00	10.00
Excess failure percentage over norms	1.54	0.84	0.33	0	0
Expenditure on repair of failed DTRs (₹ in crore)	4.08	4.81	5.09	5.23	4.81
Consolidated					
Existing DTRs at the close of the year (in number)	271500	298086	327807	354573	380163
DTR Failures (in number)	34598	36934	39052	45534	41530
Percentage of failures	12.74	12.39	11.91	12.84	10.92
Norm for failure (in percentage)	9.32	9.30	9.28	9.25	9.23
Excess failure percentage over norms	3.42	3.09	2.63	3.59	1.69
Expenditure on repair of failed DTRs (₹ in crore)	50.49	58.93	64.78	78.60	87.94

[20] **The percentage of failures as per Standards of Performance (SOP : refer Paragraph 2.1.18.1) was 5 *per cent* for DTRs in urban areas and 12 *per cent* for DTRs in rural areas. The norm for failure of DTRs adopted in the table is as furnished by respective ESCOMs. Analysis of failures of DTRs in urban and rural areas could not be compared in the absence of data from all ESCOMs (data in respect of GESCOM only was available).**

Annexure 9 (b)

Statement showing ESCOM-wise failures of transformers due to over-loading

(Referred to in Paragraph 2.1.11.9)

Year	Total number of DTRs failed during the year	Number of failures due to over-loading	Percentage of failures due to over-loading
BESCOM			
2006-07	9772	6039	61.80
2007-08	9532	4960	52.04
2008-09	10955	6396	58.38
2009-10	10603	6034	56.91
2010-11	10579	5535	52.32
CESC			
2006-07	6757	1141	16.89
2007-08	6807	934	13.72
2008-09	7336	Not available	Not available
2009-10	7753	1352	17.44
2010-11	6573	510	7.76
GESCOM			
2006-07	6094	1518	24.91
2007-08	7778	1905	24.49
2008-09	6892	1815	26.33
2009-10	11103	2841	25.59
2010-11	10185	3151	30.94
HESCOM			
2006-07	9159	1305	14.25
2007-08	9892	1295	13.09
2008-09	10806	1491	13.80
2009-10	13026	1618	12.42
2010-11	10957	1664	15.19
MESCOM			
2006-07	2816	250	8.88
2007-08	2925	211	7.21
2008-09	3063	215	7.02
2009-10	3049	167	5.48
2010-11	3236	137	4.23

Annexure 10 (a)
Statement showing details of growth in consumer base in all the ESCOMs
(Referred to in Paragraph 2.1.6.1)

in numbers

	2006-07			2007-08			2008-09			2009-10			2010-11		
	LT	HT	Total	LT	HT	Total	LT	HT	Total	LT	HT	Total	LT	HT	Total
BESCOM	5915643	5193	5920836	6528633	5914	6534547	6998443	6654	7005097	7312592	7269	7319861	7570485	7979	7578464
CESC	1960229	773	1961002	2010792	858	2011650	2170280	956	2171236	2300708	1085	2301793	2380015	1242	2381257
GESCOM	1960358	795	1961153	2000778	914	2001692	2056941	1043	2057984	2194908	1172	2196080	2271938	1316	2273254
HESCOM	2860046	890	2860936	3098281	1098	3099379	3254017	1240	3255257	3438162	1385	3439547	3557168	1528	3558696
MESCOM	1486269	786	1487055	1542971	854	1543825	1600680	942	1601622	1659444	1008	1660452	1751022	1113	1752135
TOTAL	**14182545**	**8437**	**14190982**	**15181455**	**9638**	**15191093**	**16080361**	**10835**	**16091196**	**16905814**	**11919**	**16917733**	**17530628**	**13178**	**17543806**

Annexure 10(b)
Statement showing details of connected load in all the ESCOMs
(Referred to in Paragraph 2.1.6.1)

	2006-07		2007-08		2008-09		2009-10		2010-11	
	MVA	MW	MVA	MW	MVA	MW	MVA	MW	MVA	MW
BESCOM	9970.78	8475.16	10917.34	9279.74	11673.98	9922.88	12580.02	10693.02	13895.31	11811.01
CESC	2178.90	1852.07	2657.18	2258.60	2494.77	2120.55	2469.35	2098.95	2766.41	2351.45
GESCOM	3427.07	2913.01	3537.66	3007.01	3667.13	3117.06	3770.92	3205.28	3963.98	3369.39
HESCOM	5341.34	4540.14	5721.65	4863.40	6252.82	5002.26	7051.21	5640.97	7351.00	6248.35
MESCOM	2686.41	2283.45	2889.49	2456.06	3072.44	2611.58	3195.92	2716.53	3226.58	2742.59
TOTAL	**23604.50**	**20063.83**	**25723.32**	**21864.81**	**27161.14**	**22774.33**	**29067.42**	**24354.75**	**31203.28**	**26522.79**

Figures are pending confirmation. Conversion parameters adopted by Audit are as follows:

1 HP	=0.746 KW
1 KVA	=0.85 KW
1 HP	=0.878 KVA

Annexure 11 (a)

Statement showing particular of distribution network planned[21] *vis-à-vis* achievements in BESCOM during 2006-07 to 2010-11

(Referred to in Paragraphs 2.1.6.2, 2.1.11.13)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Sub-stations (of various categories)**					
i	At the beginning of the year	248	285	323	363	377
ii	Additions planned for the year	68	96	68	42	29
iii	Additions made during the year	37	38	40	14	17
iv	At the end of the year	285	323	363	377	394
v	Shortage in addition (ii - iii)	31	58	28	28	12
(B)	**HT lines (in CKM)**					
i	At the beginning of the year	57439.35	60325.00	62942.00	65898.64	68693.00
ii	Additions planned for the year[21]	-	-	-	-	-
iii	Additions made during the year	2885.65	2617.00	2956.64	2794.36	3518.28[22]
iv	At the end of the year	60325.00	62942.00	65898.64	68693.00	72211.28
v	Shortage in addition (ii - iii)	-	-	-	-	-
(C)	**LT lines (in CKM)**					
i	At the beginning of the year	134971.43	136591.00	140066.00	141951.00	143544.00
ii	Additions planned for the year[21]	-	-	-	-	-
iii	Additions made during the year	1619.57	3475.00	1885.00	1593.00	4823.56[22]
iv	At the end of the year	136591.00	140066.00	141951.00	143544.00	148367.56
v	Shortage in addition (ii - iii)	-	-	-	-	-
	HT : LT ratio of lines	**0.44**	**0.45**	**0.46**	**0.48**	**0.49**
(D)	**Transformers capacity (in MVA)**					
i	At the beginning of the year	9340.00	10052.87	10659.28	11454.35	12466.15
ii	Additions planned for the year[21]	-	-	-	-	-
iii	Additions made during the year	712.87	606.41	795.07	1011.80	954.92
iv	At the end of the year	10052.87	10659.28	11454.35	12466.15	13421.07
v	Shortage in addition (ii - iii)	-	-	-	-	-

[21] **Not available in respect of HT/LT lines and transformers capacity.**

[22] **2010-11 additions include previously unreported figures reconciled during 2010-11. Actual additions to HT lines was 2885.51 Kms and to LT lines was 1443.68 Kms during 2010-11**

Annexure 11(b)

Statement showing particular of distribution network planned[23] *vis-à-vis* achievements in CESC during 2006-07 to 2010-11

(Referred to in Paragraphs 2.1.6.2, 2.1.11.13)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Sub-stations (of various categories)**					
i	At the beginning of the year	93	111	142	165	165
ii	Additions planned for the year	106	106	30	16	18
iii	Additions made during the year	18	31	23	0	10
iv	At the end of the year	111	142	165	165	175
v	Shortage in addition (ii - iii)	88	75	7	16	8
(B)	**HT lines (in CKM)**					
i	At the beginning of the year	22792.07	24578.00	26557.69	27657.44	29096.83
ii	Additions planned for the year[23]	-	-	-	-	-
iii	Additions made during the year	1785.93	1979.69	1099.75	1439.39	918.17
iv	At the end of the year	24578.00	26557.69	27657.44	29096.83	30015.00
v	Shortage in addition (ii - iii)	-	-	-	-	-
(C)	**LT lines (in CKM)**					
i	At the beginning of the year	63567.55	66003.57	67293.09	68033.44	68867.56
ii	Additions planned for the year[23]	-	-	-	-	-
iii	Additions made during the year	2436.02	1289.52	740.35	834.12	628.44
iv	At the end of the year	66003.57	67293.09	68033.44	68867.56	69496
v	Shortage in addition (ii - iii)	-	-	-	-	-
	HT : LT ratio of lines	**0.37**	**0.39**	**0.41**	**0.42**	**0.43**
(D)	**Transformers capacity (in MVA)**					
i	At the beginning of the year	2310.16	2571.00	2777.92	2937.25	3029.61
ii	Additions planned for the year[23]	-	-	-	-	-
iii	Additions made during the year	260.84	206.92	159.33	92.36	134.88
iv	At the end of the year	2571.00	2777.92	2937.25	3029.61	3164.49
v	Shortage in addition (ii - iii)	-	-	-	-	-

[23] **Not available in respect of HT/LT lines and transformers capacity.**

Annexure 11(c)

Statement showing particular of distribution network planned *vis-à-vis* achievements in GESCOM during 2006-07 to 2010-11

(Referred to in Paragraphs 2.1.6.2, 2.1.11.13)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A) No of Sub-stations (of various categories)						
i	At the beginning of the year	68	76	86	101	109
ii	Additions planned for the year	26	30	30	30	20
iii	Additions made during the year	8	10	15	8	13
iv	At the end of the year	76	86	101	109	122
v	Shortage in addition (ii - iii)	18	20	15	22	7
(B) HT lines (in CKM)						
i	At the beginning of the year	29555.45	30168.71	31963.94	33442.96	34507.18
ii	Additions planned for the year	1800.00	2000.00	1600.00	1200.00	1000.00
iii	Additions made during the year	613.26	1795.23	1479.02	1064.22	1005.65
iv	At the end of the year	30168.71	31963.94	33442.96	34507.18	35512.83
v	Shortage in addition (ii - iii)	1186.74	204.77	120.98	135.78	0.00
(C) LT lines (in CKM)						
i	At the beginning of the year	67412.74	68076.65	71019.86	72734.43	73544.48
ii	Additions planned for the year	2500.00	3000.00	2000.00	1000.00	1000.00
iii	Additions made during the year	663.91	2943.21	1714.57	810.05	932.29
iv	At the end of the year	68076.65	71019.86	72734.43	73544.48	74476.77
v	Shortage in addition (ii - iii)	1836.09	56.79	285.43	189.95	67.71
	HT : LT ratio of lines	**0.44**	**0.45**	**0.46**	**0.47**	**0.48**
(D) Transformers capacity (in MVA)						
i	At the beginning of the year	2491.40	2576.82	2750.37	2921.41	3069.83
ii	Additions planned for the year	90.00	175.00	175.00	150.00	100.00
iii	Additions made during the year	85.42	173.55	171.04	148.42	105.55
iv	At the end of the year	2576.82	2750.37	2921.41	3069.83	3175.38
v	Shortage in addition (ii - iii)	4.58	1.45	3.96	1.58	0.00

Annexure 11(d)

Statement showing particular of distribution network planned[24] *vis-à-vis* achievements in HESCOM during 2006-07 to 2010-11

(Referred to in Paragraphs 2.1.6.2, 2.1.11.13)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Sub-stations (of various categories)**					
i	At the beginning of the year	120	128	135	159	171
ii	Additions planned for the year	21	64	30	26	13
iii	Additions made during the year	8	7	24	12	5
iv	At the end of the year	128	135	159	171	176
v	Shortage in addition (ii - iii)	13	57	6	14	8
(B)	**HT lines (in CKM)**					
i	At the beginning of the year	47119.88	47679.62	49044.60	50578.12	53104.28
ii	Additions planned for the year[24]	-	-	-	-	-
iii	Additions made during the year	559.74	1364.98	1533.52	2526.16	1295.93
iv	At the end of the year	47679.62	49044.60	50578.12	53104.28	54400.21
v	Shortage in addition (ii - iii)	-	-	-	-	-
(C)	**LT lines (in CKM)**					
i	At the beginning of the year	94070.08	94797.07	97078.34	99691.03	101772.50
ii	Additions planned for the year[24]	-	-	-	-	-
iii	Additions made during the year	726.99	2281.27	2612.69	2081.47	1243.53
iv	At the end of the year	94797.07	97078.34	99691.03	101772.50	103016.03
v	Shortage in addition (ii - iii)	-	-	-	-	-
	HT : LT ratio of lines	**0.50**	**0.51**	**0.51**	**0.52**	**0.53**
(D)	**Transformers capacity (in MVA)**					
i	At the beginning of the year	4698.57	4906.47	5178.49	5401.24	5565.76
ii	Additions planned for the year[24]	-	-	-	-	-
iii	Additions made during the year	207.90	272.02	222.75	164.52	163.90
iv	At the end of the year	4906.47	5178.49	5401.24	5565.76	5729.66
v	Shortage in addition (ii - iii)	-	-	-	-	-

[24] **Not available in respect of HT/LT lines and transformers capacity.**

Annexure 11(e)

Statement showing particular of distribution network planned[25] *vis-à-vis* achievements in MESCOM during 2006-07 to 2010-11

(Referred to in Paragraphs 2.1.6.2, 2.1.11.13)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Sub-stations (of various categories)**					
i	At the beginning of the year	25	25	26	28	29
ii	Additions planned for the year	0	1	2	2	3
iii	Additions made during the year	0	1	2	1	3
iv	At the end of the year	25	26	28	29	32
v	Shortage in addition (ii - iii)	0	0	0	1	0
(B)	**HT lines (in CKM)**					
i	At the beginning of the year	18990.01	20403.07	21591.34	22693.39	23647.32
ii	Additions planned for the year[25]	-	-	-	-	-
iii	Additions made during the year	1413.06	1188.27	1102.05	953.93	1264.24
iv	At the end of the year	20403.07	21591.34	22693.39	23647.32	24911.56
v	Shortage in addition (ii - iii)	-	-	-	-	-
(C)	**LT lines (in CKM)**					
i	At the beginning of the year	59807.47	61591.51	63095.37	64653.53	66084.17
ii	Additions planned for the year[25]	-	-	-	-	-
iii	Additions made during the year	1784.04	1503.86	1558.16	1430.64	2673.03
iv	At the end of the year	61591.51	63095.37	64653.53	66084.17	68757.20
v	Shortage in addition (ii - iii)	-	-	-	-	-
	HT : LT ratio of lines	**0.33**	**0.34**	**0.35**	**0.36**	**0.36**
(D)	**Transformers capacity (in MVA)**					
i	At the beginning of the year	1738.42	1902.97	2028.16	2143.95	2264.41
ii	Additions planned for the year[25]	-	-	-	-	-
iii	Additions made during the year	164.55	125.19	115.79	120.46	134.82
iv	At the end of the year	1902.97	2028.16	2143.95	2264.41	2399.23
v	Shortage in addition (ii - iii)	-	-	-	-	-

[25] **Not available in respect of HT/LT lines and transformers capacity.**

Annexure 12

Statement showing source-wise purchase of power and average cost of purchase for the period 2006-07 to 2010-11

(Referred to in Paragraph 2.1.10.2)

(Purchase of power in MU and cost per unit in ₹)

Year	Purchases from State Sector Generation PSUs	Purchases from Central Generating Stations	Purchases from Independent Power Producers (IPPs)	Purchases from others	Total
BESCOM					
2006-07	11998.46	4810.23	610.7	2356.94	**19776.33**
	1.80	1.83	11.52	3.56	**2.32**
2007-08	11838.07	4755.01	662.4	2578.96	**19834.44**
	1.94	1.90	12.32	3.58	**2.49**
2008-09	11764.64	4498.51	574.79	3601.94	**20439.88**
	2.42	2.12	8.36	5.02	**2.98**
2009-10	12220.01	4983.08	433.12	3692.60	**21328.81**
	2.46	2.32	7.77	4.15	**2.83**
2010-11	10311.09	5178.57	1120.77	6780.43	**23390.86**
	2.84	2.74	4.65	4.26	**3.32**
Total power purchased (MUs)	**58132.27**	**24225.40**	**3401.78**	**19010.87**	**104770.32**
Cost per unit (₹)	**2.28**	**2.19**	**8.40**	**4.20**	**2.81**
CESC					
2006-07	3033.63	1014.65	0	404.69	**4452.97**
	1.56	1.85	0	4.63	**1.91**
2007-08	2948.55	1002.79	0	463.62	**4414.96**
	1.58	1.94	0	3.74	**1.89**
2008-09	2847.04	946.20	0	746.48	**4539.72**
	1.85	2.03	0	4.97	**2.40**
2009-10	2856.10	1010.44	0	787.95	**4654.49**
	2.04	2.27	0	4.08	**2.44**
2010-11	2402.85	1110.75	171.13	1439.43	**5124.16**
	2.20	2.56	2.56	4.47	**2.93**
Total power purchased (MUs)	**14088.17**	**5084.83**	**171.13**	**3842.17**	**23186.30**
Cost per unit (₹)	**1.83**	**2.14**	**2.56**	**4.42**	**2.33**
GESCOM					
2006-07	3559.14	1694.71	302.15	113.88	**5669.88**
	1.36	1.96	3.26	3.64	**1.69**
2007-08	3322.85	1826.85	445.87	163.58	**5759.15**
	1.57	1.98	4.43	4.61	**2.01**
2008-09	3448.37	1605.05	413.47	531.99	**5998.88**
	1.34	2.21	3.60	6.28	**2.17**
2009-10	3322.88	1695.94	434.27	553.11	**6006.20**
	1.75	1.93	3.11	4.23	**2.13**
2010-11	3043.69	1338.97	660.59	1211.40	**6254.65**
	1.98	2.70	3.31	4.57	**2.78**
Total power purchased (MUs)	**16696.93**	**8161.52**	**2256.35**	**2573.96**	**29688.76**
Cost per unit (₹)	**1.59**	**2.13**	**3.54**	**4.81**	**2.17**
HESCOM					
2006-07	5120.67	1987.51	1.84	500.72	**7610.74**
	1.50	1.95	5.98	3.14	**1.73**
2007-08	4786.95	1939.13	0	712.50	**7438.58**
	1.51	2.15	0	3.55	**1.87**
2008-09	4458.36	1993.21	0	1546.12	**7997.69**
	1.54	2.25	0	5.12	**2.41**
2009-10	4175.91	2016.99	0	1205.69	**7398.59**
	1.93	2.34	0	4.26	**2.42**
2010-11	4153.03	1889.77	325.24	2309.17	**8677.21**
	2.18	2.62	2.62	5.58	**3.20**
Total power purchased (MUs)	**22694.92**	**9826.61**	**327.08**	**6274.20**	**39122.81**
Cost per unit (₹)	**1.71**	**2.26**	**2.64**	**4.79**	**2.35**

Annexure -12 continued…

(Purchase of power in MU and cost per unit in ₹)

Year	Purchases from State Sector Generation PSUs	Purchases from Central Generating Stations	Purchases from Independent Power Producers (IPPs)	Purchases from others	Total
MESCOM					
2006-07	1913.59	914.16	141.78	344.23	**3313.76**
	0.98	1.65	11.30	5.74	**2.10**
2007-08	1556.70	902.88	55.13	517.75	**3032.46**
	0.87	1.79	8.75	6.90	**2.32**
2008-09	1771.53	854.99	104.23	590.46	**3321.21**
	1.48	1.91	7.17	6.50	**2.66**
2009-10	1798.84	892.90	97.82	592.42	**3381.98**
	1.60	2.07	7.88	5.53	**2.59**
2010-11	1528.72	865.95	197.33	1173.60	**3765.60**
	1.18	2.39	5.17	5.24	**2.93**
Total power purchased (MUs)	**8569.38**	**4430.88**	**596.29**	**3218.46**	**16815.01**
Cost per unit (₹)	**1.23**	**1.96**	**7.75**	**5.85**	**2.54**
Consolidated					
2006-07	25625.49	10421.26	1056.47	3720.46	**40823.68**
	1.59	1.86	9.12	3.82	**2.06**
2007-08	24453.12	10426.66	1163.40	4436.41	**40479.59**
	1.69	1.95	9.13	4.02	**2.23**
2008-09	24289.94	9897.96	1092.49	7016.99	**42297.38**
	1.97	2.13	6.44	5.26	**2.67**
2009-10	24373.74	10599.35	965.21	6831.77	**42770.07**
	2.16	2.24	5.68	4.29	**2.60**
2010-11	21439.38	10384.01	2475.06	12914.03	**47212.48**
	2.40	2.66	3.92	4.64	**3.15**
Total power purchased (MUs)	120181.67	51729.24	6752.63	34919.66	**213583.20**
Cost per unit (₹)	**1.95**	**2.17**	**6.29**	**4.53**	**2.56**

Annexure 13
Statement showing energy losses in ESCOMs during 2006-07 to 2010-11
(Referred to in Paragraph 2.1.11.3)

MUs

Sl.No	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
	BESCOM					
1	Energy purchased at Interface point	18521.64	18654.22	19566.47	20328.63	21909.37
2	Energy sold	14126.45	14933.57	16310.48	17251.6	18736.12
3	Energy losses (1 – 2)	4395.19	3720.65	3255.99	3077.03	3173.25
4	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	23.73	19.95	16.64	15.14	14.48
5	Percentage of losses allowed by KERC (*per cent*)	20.50	20.00	19.00	16.00	14.75
6	Excess losses (in MUs)	598.25	0	0	0	0
7	Average realisation rate per unit (in ₹)	3.812	3.962	3.885	4.028	4.496
8	Value of excess losses (₹ in crore)	228.05	0	0	0	0
	CESC					
1	Energy purchased at Interface point	4222.17	4093.25	4124.71	4244.86	4683.18
2	Energy sold	3132.80	3167.30	3409.11	3548.26	3958.39
3	Energy losses (1 – 2)	1089.37	925.95	715.60	696.60	724.79
4	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	25.80	22.62	17.35	16.41	15.48
5	Percentage of losses allowed by KERC (*per cent*)	25.03	22.00	21.00	19.50	15.50
6	Excess losses (in MUs)	32.51	25.38	0	0	0
7	Average realisation rate per unit (in ₹)	3.491	3.510	3.450	4.040	4.730
8	Value of excess losses (₹ in crore)	11.35	8.91	0	0	0
	GESCOM					
1	Energy purchased at Interface point	5432.88	5518.42	5737.93	5764	5991.95
2	Energy sold	3502.89	4082.06	4245.51	4292.21	4670.13
3	Energy losses (1 – 2)	1929.99	1436.36	1492.42	1471.79	1321.82
4	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	35.52	26.03	26.01	25.53	22.06
5	Percentage of losses allowed by KERC (*per cent*)	29.23	27.05	26.50	24.02	23.00
6	Excess losses (in MUs)	341.73	0	0.0	87.04	0
7	Average realisation rate per unit (in ₹)	3.470	3.650	3.250	3.936	4.316
8	Value of excess losses (₹ in crore)	118.58	0	0	34.26	0
	HESCOM					
1	Energy purchased at Interface point[26]	7118.79	6937.54	7326.3	7330.78	8407.44
2	Energy sold	5238.42	5302.74	5528.71	5858.03	6679.56
3	Energy losses (1 – 2)	1880.37	1634.80	1797.59	1472.75	1727.88
4	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	26.41	23.56	24.54	20.09	20.55
5	Percentage of losses allowed by KERC (*per cent*)	24.99	25.00	24.00	22.50	20.00
6	Excess losses (in MUs)	101.09	0	39.56	0	46.24
7	Average realisation rate per unit (in ₹)	3.311	3.539	3.403	3.910	4.670
8	Value of excess losses (₹ in crore)	33.47	0	13.46	0	21.60
	MESCOM					
1	Energy purchased at Interface point	2894.98	2899.95	3137.76	3273.83	3600.09
2	Energy sold	2452.26	2502.26	2731.57	2860.15	3170.90
3	Energy losses (1 – 2)	442.72	397.69	406.19	413.68	429.19
4	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	15.29	13.71	12.95	12.64	11.92
5	Percentage of losses allowed by KERC (*per cent*)	15.00	14.90	14.8	14.60	12.50
6	Excess losses (in MUs)	8.40	0	0	0	0
7	Average realisation rate per unit (in ₹)	3.670	3.680	3.930	4.200	4.540
8	Value of excess losses (₹ in crore)	3.08	0	0	0	0
	Consolidated					
1	Energy purchased at Interface point	38190.46	38103.38	39893.17	40942.10	44592.03
2	Energy sold	28452.82	29987.93	32225.38	33810.25	37215.10
3	Energy losses (1 – 2)	9737.64	8115.45	7667.79	7131.85	7376.93
4	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	25.50	21.30	19.22	17.42	16.54
5	Percentage of losses allowed by KERC (*per cent*)	As given above				
6	Excess losses (in MUs)	1081.98	25.38	39.56	87.04	46.24
7	Average realisation rate per unit (in ₹)	3.630	3.774	3.676	4.012	4.534
8	Value of excess losses (₹ in crore)	394.53	8.91	13.46	34.26	21.60

[26] The energy balancing at HESCOM is being done by considering interface points at 33 KV and 11 KV levels. To this, EHT consumption of 14 installations is also taken into account as billing is done by HESCOM. To this, import energy from other ESCOMs is added and export from HESCOM is deducted. This does not include transmission loss of KPTCL. The transmission loss is being adopted as per data furnished by Regulatory Affairs Section of HESCOM.

Annexure 14
Statement showing billing and collection efficiency in ESCOMs
(Referred to in Paragraph 2.1.13.2)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Notes
BESCOM						
Balance outstanding at the beginning of the year	1526.38	1625.22	2094.52	2227.95	2438.16	Figures are as per accounts
Revenue assessed/billed during the year	5266.10	5806.69	6190.32	6791.58	8245.68	
Total amount due for realisation	6792.48	7431.91	8284.84	9019.53	10683.84	
Amount realised during the year	5167.26	5337.39	6056.89	6581.37	8259.88	
Amount written off during the year	0	0	0	0	0	
Balance outstanding at the end of the year	1625.22	2094.52	2227.95	2438.16	2423.96	
Percentage of amount realised to total dues	76.07	71.82	73.11	72.97	77.31	
Arrears in terms of number of months' assessment	3.70	4.33	4.32	4.31	3.53	
CESC						
Balance outstanding at the beginning of the year	401.84	521.58	665.01	582.09	622.49	Figures are as per accounts. Outstanding balances do not include provision for unbilled revenue, but demand and realization include unbilled revenue
Revenue assessed/billed during the year	1069.41	1088.59	1148.68	1417.68	1852.53	
Total amount due for realization	1471.25	1610.17	1813.69	1999.77	2475.02	
Amount realised during the year	949.67	945.16	1231.60	1377.28	1796.85	
Amount written off during the year	0	0	0	0	0	
Balance outstanding at the end of the year	521.58	665.01	582.09	622.49	678.17	
Percentage of amount realised to total dues	64.55	58.70	67.91	68.87	72.60	
Arrears in terms of number of months' assessment	5.85	7.33	6.08	5.27	4.39	
GESCOM						
Balance outstanding at the beginning of the year	595.80	842.29	1020.97	1196.14	1545.73	Opening balance of 2006-07 and amount realised during 2010-11 are as per Demand Collection and Balance (DCB) statement. 2010-11 figures are provisional.
Revenue assessed/billed during the year	1203.97	1473.39	1361.27	1659.74	1991.10	
Total amount due for realisation	1799.77	2315.68	2382.24	2855.88	3536.83	
Amount realised during the year	957.48	1294.71	1186.10	1310.15	2046.62	
Amount written off during the year	0	0	0	0	0	
Balance outstanding at the end of the year	842.29	1020.97	1196.14	1545.73	1490.21	
Percentage of amount realised to total dues	53.20	55.91	49.79	45.88	57.87	
Arrears in terms of number of months' assessment	8.40	8.32	10.54	11.18	8.98	
HESCOM						
Balance outstanding at the beginning of the year	669.35	813.24	1062.05	1206.21	1364.63	Figures are as per accounts
Revenue assessed/billed during the year	1724.48	1869.71	1868.95	2277.59	3102.16	
Total amount due for realisation	2393.83	2682.95	2931.00	3483.80	4466.79	
Amount realised during the year	1580.59	1620.90	1724.79	2119.17	3011.65	
Amount written off during the year	0	0	0	0	0	
Balance outstanding at the end of the year	813.24	1062.05	1206.21	1364.63	1455.14	
Percentage of amount realised to total dues	66.03	60.41	58.85	60.83	67.42	
Arrears in terms of number of months' assessment	5.66	6.82	7.74	7.19	5.63	

Annexure- 14 continued…

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Notes
MESCOM						
Balance outstanding at the beginning of the year	213.18	196.15	283.46	283.50	348.61	Figures as per accounts. Closing balance for 2010-11 as per DCB.
Revenue assessed/billed during the year	888.89	900.60	1047.84	1175.25	1414.52	
Total amount due for realisation	1102.07	1096.75	1331.30	1458.75	1763.13	
Amount realised during the year	905.92	813.29	1047.80	1110.14	1432.41	
Amount written off during the year	0	0	0	0	0	
Balance outstanding at the end of the year	196.15	283.46	283.50	348.61	330.72	
Percentage of amount realised to total dues	82.20	74.15	78.71	76.10	81.24	
Arrears in terms of number of months' assessment	2.65	3.78	3.25	3.56	2.81	
CONSOLIDATED						
Balance outstanding at the beginning of the year	3406.55	3998.48	5126.01	5495.89	6319.62	
Revenue assessed/Billed during the year	10152.85	11138.98	11617.06	13321.84	16605.99	
Total amount due for realisation	13559.40	15137.46	16743.07	18817.73	22925.61	
Amount realised during the year	9560.92	10011.45	11247.18	12498.11	16547.41	
Amount written off during the year	0	0	0	0	0	
Balance outstanding at the end of the year	3998.48	5126.01	5495.89	6319.62	6378.20	
Percentage of amount realised to total dues	70.51	66.14	67.18	66.42	72.18	
Arrears in terms of number of months' assessment	4.73	5.52	5.68	5.69	4.61	

Annexure 15 (a)

Statement showing the financial position of BESCOM for the five years ending 2010-11

(Referred to in Paragraph 2.1.14)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
A. Liabilities					
Paid up capital (including share deposit)	205.97	205.97	205.97	415.97	504.42
Reserve and surplus (including capital grants but excluding depreciation reserve)	684.37	931.96	906.38	985.89	1045.35
Borrowings (loan funds)					
Secured	613.62	424.66	509.32	330.47	747.60
Unsecured	97.46	92.07	295.98	647.15	1017.03
Other funds: Service line and security deposits	1373.48	1570.14	1740.13	1832.51	1963.22
Current liabilities and provisions	1375.76	1516.76	1750.02	1700.87	1857.02
Total	**4350.66**	**4741.56**	**5407.80**	**5912.86**	**7134.64**
B. Assets					
Gross block	2323.52	2792.46	3505.34	3908.24	4122.09
Less: Depreciation	781.69	858.97	945.49	1087.44	1279.39
Net fixed assets	**1541.83**	**1933.49**	**2559.85**	**2820.80**	**2842.70**
Capital works-in-progress	77.10	175.53	137.89	163.48	387.75
Investments	0	0	0.01	0.01	0.01
Current assets, loans and advances	2731.73	2632.54	2347.57	2577.68	3553.50
Accumulated losses	0	0	362.48	350.89	350.68
Total	**4350.66**	**4741.56**	**5407.80**	**5912.86**	**7134.64**
Debt:Equity	3.45	2.51	2.60	0.99	2.37
Net worth	**890.34**	**1137.93**	**749.87**	**1050.97**	**1199.09**

Calculation of Debt-Equity ratio and net worth of BESCOM

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Equity	205.97	205.97	205.97	415.97	504.42
Reserves	471.17	706.20	906.38	985.89	1045.35
Accumulated profits/losses (-)	213.20	225.76	(-)362.48	(-)350.89	(-)350.68
Misc expenses not written off	0	0	0	0	0
Net worth	**890.34**	**1137.93**	**749.87**	**1050.97**	**1199.09**
Long term debt	711.08	516.73	535.39	411.29	1197.87
Debt-Equity ratio	3.45	2.51	2.60	0.99	2.37

Annexure 15 (b)

Statement showing the financial position of CESC for the five years ending 2010-11

(Referred to in Paragraph 2.1.14)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11[27]
A. Liabilities					
Paid up capital (including share deposit)	29.30	79.30	79.30	157.30	182.30
Reserve and surplus (including capital grants but excluding depreciation reserve)	157.72	188.38	224.46	272.65	294.48
Borrowings (loan funds)					
Secured	36.97	24.54	23.83	81.05	163.47
Unsecured	152.68	133.60	190.96	141.73	133.52
Other funds: Service line and security deposits	292.14	296.59	251.07	265.95	314.59
Current liabilities and provisions	733.88	925.31	1326.03	1550.94	1746.35
Total	**1402.69**	**1647.72**	**2095.65**	**2469.62**	**2834.71**
B. Assets					
Gross block	666.77	768.66	869.62	987.20	1121.10
Less: Depreciation	282.36	299.92	319.07	352.59	391.24
Net fixed assets	**384.41**	**468.74**	**550.55**	**634.61**	**729.86**
Capital works-in-progress	48.01	43.98	62.85	90.04	88.82
Investments	0	2.51	2.51	0.01	26.66
Current assets, loans and advances	970.27	1132.49	1268.11	1459.81	1670.12
Accumulated losses	0.00	0.00	211.63	285.15	319.25
Total	**1402.69**	**1647.72**	**2095.65**	**2469.62**	**2834.71**
Debt:Equity	6.47	1.99	2.71	0.92	1.63
Net worth	**187.02**	**267.68**	**92.13**	**144.80**	**157.53**

Calculation of Debt-Equity ratio and net worth of CESC

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11[27]
Equity	29.30	79.30	79.30	157.30	182.30
Reserves	156.10	187.87	224.46	272.65	294.48
Accumulated profits/losses (-)	1.62	0.51	(-)211.63	(-)285.15	(-)319.25
Misc expenses not written off	0	0	0	0	0
Net worth	**187.02**	**267.68**	**92.13**	**144.80**	**157.53**
Long term debt	189.65	158.14	214.79	144.81	296.99
Debt-Equity ratio	6.47	1.99	2.71	0.92	1.63

[27] **2010-11 figures are provisional.**

Annexure 15(c)

Statement showing the financial position of GESCOM for the five years ending 2010-11

(Referred to in Paragraph 2.1.14)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11[28]
A. Liabilities					
Paid up capital (including share deposit)	130.14	130.14	130.14	305.14	374.70
Reserve and surplus (including capital grants but excluding depreciation reserve)	120.56	217.99	251.24	298.76	339.81
Borrowings (loan funds)					
Secured	315.82	433.79	497.40	692.61	559.92
Unsecured	54.26	43.66	98.88	23.09	18.91
Other funds: Service line and security deposits	238.41	276.46	284.57	336.87	391.80
Current liabilities and provisions	977.72	1301.15	1625.14	1713.96	2155.12
Total	**1836.91**	**2403.19**	**2887.37**	**3370.43**	**3840.26**
B. Assets					
Gross block	792.58	959.08	1269.63	1488.91	1701.77
Less: Depreciation	347.18	358.59	381.75	428.82	487.63
Net fixed assets	**445.40**	**600.49**	**887.88**	**1060.09**	**1214.14**
Capital works-in-progress	121.47	173.87	143.95	161.68	78.22
Investments	0	0.01	0.01	0.01	0.01
Current assets, loans and advances	1269.95	1628.82	1670.04	1932.05	2094.76
Accumulated losses	0.09	0	185.49	216.60	453.13
Total	**1836.91**	**2403.19**	**2887.37**	**3370.43**	**3840.26**
Debt:Equity	1.24	2.05	3.26	1.57	1.35
Net worth	**250.61**	**348.13**	**195.89**	**387.30**	**261.38**

Calculation of Debt-Equity ratio and net worth of GESCOM

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11[28]
Equity	130.14	130.14	130.14	305.14	374.70
Reserves	120.56	205.32	251.24	298.76	339.81
Accumulated profits/losses (-)	(-)0.09	12.67	(-)185.49	(-)216.6	(-)453.13
Misc expenses not written off	0	0	0	0	0
Net worth	**250.61**	**348.13**	**195.89**	**387.30**	**261.38**
Long term debt	160.92	266.82	424.25	480.23	507.21
Debt-Equity ratio	1.24	2.05	3.26	1.57	1.35

[28] **2010-11 figures are provisional.**

Annexure 15 (d)

Statement showing the financial position of HESCOM for the five years ending 2010-11

(Referred to in Paragraph 2.1.14)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
A. Liabilities					
Paid up capital (including share deposit)	233.34	233.34	233.34	563.25	633.68
Reserve and surplus (including capital grants but excluding depreciation reserve)	307.61	447.05	508.94	573.05	614.74
Borrowings (loan funds)					
Secured	386.85	514.40	1107.42	1471.33	1326.54
Unsecured	474.20	621.26	500.39	245.91	210.89
Other funds: Service line and security deposits	347.56	342.68	297.72	347.67	375.63
Current liabilities and provisions	914.96	1086.87	1556.77	1821.93	2286.62
Total	**2664.52**	**3245.60**	**4204.58**	**5023.14**	**5448.10**
B. Assets					
Gross block	1536.04	1869.12	2342.61	2633.15	2765.73
Less: Depreciation	574.74	608.08	624.04	700.32	771.42
Net fixed assets	**961.30**	**1261.04**	**1718.57**	**1932.83**	**1994.31**
Capital works-in-progress	25.08	47.76	47.70	33.33	25.85
Investments	0	3.50	0.01	2.51	2.51
Current assets, loans and advances	1678.14	1933.30	1952.86	2395.39	2701.63
Accumulated losses	0.00	0.00	485.44	659.08	723.80
Total	**2664.52**	**3245.60**	**4204.58**	**5023.14**	**5448.10**
Debt:Equity	3.38	4.59	6.37	2.15	1.80
Net worth	**540.95**	**680.39**	**256.84**	**477.22**	**524.62**

Calculation of Debt-Equity ratio and net worth of HESCOM

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Equity	233.34	233.34	233.34	563.25	633.68
Reserves	241.65	372.24	508.94	573.05	614.74
Accumulated profits/losses (-)	65.96	74.81	(-)485.44	(-)659.08	(-)723.80
Misc expenses not written off	0	0	0	0	0
Net worth	**540.95**	**680.39**	**256.84**	**477.22**	**524.62**
Long term debt	788.43	1072.19	1485.45	1211.09	1141.08
Debt-Equity ratio	3.38	4.59	6.37	2.15	1.80

Annexure 15 (e)

Statement showing the financial position of MESCOM for the five years ending 2010-11

(Referred to in Paragraph 2.1.14)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
A. Liabilities					
Paid up capital (including share deposit)	100.34	100.34	100.34	132.34	157.34
Reserve and surplus (including capital grants but excluding depreciation reserve)	207.05	235.74	250.01	300.79	340.01
Borrowings (loan funds)					
Secured	186.88	178.78	271.86	342.21	372.48
Unsecured	31.99	25.01	39.35	8.36	8.54
Other funds: Service line and security deposits	242.37	274.37	260.34	281.94	306.80
Current liabilities and provisions	534.57	507.99	654.74	809.22	1090.65
Total	**1303.20**	**1322.23**	**1576.64**	**1874.86**	**2275.82**
B. Assets					
Gross block	629.20	717.48	918.16	1070.52	1237.01
Less: Depreciation	290.53	299.22	317.36	351.06	393.66
Net fixed assets	**338.67**	**418.26**	**600.80**	**719.46**	**843.35**
Capital works-in-progress	45.24	55.84	64.95	91.93	93.21
Investments	0	0.01	0.01	2.51	2.51
Current assets, loans and advances	919.29	848.12	910.88	1060.96	1336.75
Accumulated losses	0	0	0	0	0
Total	**1303.20**	**1322.23**	**1576.64**	**1874.86**	**2275.82**
Debt:Equity	2.18	2.03	3.10	2.65	2.42
Net worth	**307.39**	**336.08**	**350.35**	**433.13**	**497.35**

Calculation of Debt-Equity ratio and net worth of MESCOM

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Equity	100.34	100.34	100.34	132.34	157.34
Reserves	132.06	152.46	208.06	250.06	287.58
Accumulated profits/losses (-)	74.99	83.28	41.95	50.73	52.43
Misc expenses not written off	0	0	0	0	0
Net worth	**307.39**	**336.08**	**350.35**	**433.13**	**497.35**
Long term debt	218.87	203.70	311.21	350.58	381.02
Debt-Equity ratio	2.18	2.03	3.10	2.65	2.42

Annexure 15 (f)

Statement showing the consolidated financial position of ESCOMs for the five years ending 2010-11

(Referred to in Paragraph 2.1.14)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
A. Liabilities					
Paid up capital (including share deposit)	699.09	749.09	749.09	1574.00	1852.44
Reserve and surplus (including capital grants but excluding depreciation reserve)	1477.31	2021.12	2141.03	2431.14	2634.39
Borrowings (loan funds)					
Secured	1540.14	1576.17	2409.83	2917.67	3170.01
Unsecured	810.59	915.60	1125.56	1066.24	1388.89
Other funds: Service line and security deposits	2493.96	2760.24	2833.83	3064.94	3352.04
Current liabilities and provisions	4536.89	5338.08	6912.70	7596.92	9135.76
Total	**11557.98**	**13360.30**	**16172.04**	**18650.91**	**21533.53**
B. Assets					
Gross block	5948.11	7106.80	8905.36	10088.02	10947.70
Less: Depreciation	2276.50	2424.78	2587.71	2920.23	3323.34
Net fixed assets	**3671.61**	**4682.02**	**6317.65**	**7167.79**	**7624.36**
Capital works-in-progress	316.90	496.98	457.34	540.46	673.85
Investments	0	6.03	2.55	5.05	31.70
Current assets, loans and advances	7569.38	8175.27	8149.46	9425.89	11356.76
Accumulated losses	0.09	0	1245.04	1511.72	1846.86
Total	**11557.98**	**13360.30**	**16172.04**	**18650.91**	**21533.53**
Debt:Equity	2.96	2.96	3.97	1.65	1.90
Net worth	**2176.31**	**2770.21**	**1645.08**	**2493.42**	**2639.97**

Calculation of Debt-Equity ratio and net worth of ESCOMs (consolidated)

₹ in crore

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Equity	699.09	749.09	749.09	1574.00	1852.44
Reserves	1121.54	1624.09	2099.08	2380.41	2581.96
Net accumulated profit/loss	355.68	397.03	(-)1203.09	(-)1460.99	(-)1794.43
Accumulated loss	0.09	0	1245.04	1511.72	1846.86
Accumulated profit	355.77	397.03	41.95	50.73	52.43
Misc expenses not written off	0	0	0	0	0
Net worth	**2176.31**	**2770.21**	**1645.08**	**2493.42**	**2639.97**
Long term debt	2068.95	2217.58	2971.09	2598.00	3524.17
Debt-Equity ratio	2.96	2.96	3.97	1.65	1.90

Annexure 16 (a)
Statement showing the particulars[29] of cost of electricity *vis-à-vis* revenue realisation per unit in BESCOM for the five years ending 2010-11
(Referred to in Paragraphs 2.1.14.1, 2.1.14.4, 2.1.16.6)

₹ in crore

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Income**					
(i)	Revenue from sale of power	4938.91	5583.09	5770.79	6339.18	7425.18
(ii)	Revenue subsidy and grants	327.19	223.60	419.53	452.40	820.50
(ii)	Other income	118.88	109.79	146.40	156.62	178.58
	Total income	**5384.98**	**5916.48**	**6336.72**	**6948.20**	**8424.26**
2	**Expenditure on distribution of electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	263.05	347.02	339.91	430.91	542.01
(ii)	Administrative and general expenses	63.55	67.81	60.90	65.15	60.94
(iii)	Depreciation	70.29	48.07	64.25	121.99	145.55
(iv)	Interest and finance charges	136.84	172.08	123.17	180.91	199.45
(v)	Other expenses	232.80	230.44	281.40	154.95	85.98
	Total fixed cost	**766.53**	**865.42**	**869.63**	**953.91**	**1033.93**
(b)	**Variable cost**					
(i)	Purchase of Power	4125.73	4453.15	5589.25	5512.81	7009.10
(ii)	Electricity duty	0	0	0	0	0
(iii)	Transmission / Wheeling charges	454.85	486.84	497.80	519.22	748.40
(iv)	Repairs and maintenance	39.55	43.45	37.07	32.11	30.69
	Total variable cost	**4620.13**	**4983.44**	**6124.12**	**6064.14**	**7788.19**
(c)	**Total cost 2(a) + (b)**	**5386.66**	**5848.86**	**6993.75**	**7018.05**	**8822.12**
3	Realisation (including revenue subsidy and other income) (₹ per unit) Sl. No.1÷Sl.No.9(v)	3.812	3.962	3.885	4.028	4.496
4	Fixed cost (₹ per unit) Sl. No.2(a)÷Sl.No.9(v)	0.543	0.580	0.533	0.553	0.552
5	Variable cost (₹ per unit) Sl. No.2(b)÷Sl.No.9(v)	3.271	3.337	3.755	3.515	4.157
6	Total cost or average cost of supply (₹ per unit) (Sl.No.4+Sl.No.5)	3.814	3.917	4.288	4.068	4.709
7	Contribution (₹ per unit) (Sl.No.3-Sl.No.5)	0.541	0.625	0.130	0.513	0.339
8	**Profit (+) / loss(-) per unit (in ₹) (Sl.No.3-Sl.No.6)**	**(-)0.002**	**0.045**	**(-)0.403**	**(-)0.040**	**(-)0.213**
9	**Distribution (in MUs)**					
(i)	Total power purchased	19776.33	19834.44	20439.88	21328.81	23390.86
(ii)	*Less*: Transmission losses, if applicable	1254.69	1180.22	873.41	1000.18	1481.49
(iii)	Net Power available for sale	18521.64	18654.22	19566.47	20328.63	21909.37
(iv)	*Less*: Sub-transmission and distribution losses	4395.19	3720.65	3255.99	3077.03	3173.25
(v)	**Net power sold (MUs)**	**14126.45**	**14933.57**	**16310.48**	**17251.60**	**18736.12**

Statement showing profitability of BESCOM
(Referred to in Paragraphs 2.1.14.4, 2.1.16.6)

₹ in crore

BESCOM	2006-07	2007-08	2008-09	2009-10	2010-11
Profit/loss(-) before prior period adjustments, depreciation, interest and tax	205.45	287.76	(-)469.62	233.05	(-)52.86
Depreciation	70.29	48.07	64.25	121.99	145.55
Profit/loss(-) before interest, prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	135.16	239.69	(-)533.87	111.06	(-)198.41
Interest	136.84	172.08	123.17	180.91	199.45
Profit/loss(-) before prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	(-)1.68	67.61	(-)657.04	(-)69.85	(-)397.86
Prior period adjustments	58.82	(-)52.68	69.68	81.85	400.06
Profit/loss(-) before tax (income tax, fringe benefit tax and deferred tax)	57.14	14.93	(-)587.36	12.00	2.20
Tax	6.83	2.36	0.88	0.41	2.00
Profit/loss(-) after tax	50.31	12.57	(-)588.24	11.59	0.20

[29] **Does not include prior period items.**

Annexure 16 (b)

Statement showing the particulars[30] of cost of electricity *vis-à-vis* revenue realisation per unit in CESC for the five years ending 2010-11

(Referred to in Paragraphs 2.1.14.1, 2.1.14.4, 2.1.16.6)

₹ in crore

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11[31]
1	**Income**					
(i)	Revenue from sale of power	783.60	854.67	864.55	929.02	1112.90
(ii)	Revenue subsidy and grants	285.81	233.92	284.13	488.66	739.63
(ii)	Other income	24.20	24.17	27.45	16.59	18.16
	Total income	**1093.61**	**1112.76**	**1176.13**	**1434.27**	**1870.69**
2	**Expenditure on distribution of electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	110.90	133.47	154.99	170.39	195.89
(ii)	Administrative and general expenses	18.97	20.76	23.44	27.60	25.85
(iii)	Depreciation	21.31	22.90	27.32	40.55	47.15
(iv)	Interest and finance charges	39.72	52.27	67.26	86.27	119.51
(v)	Other expenses	34.36	21.38	15.42	10.22	-14.46
	Total fixed cost	**225.26**	**250.78**	**288.43**	**335.03**	**373.94**
(b)	**Variable cost**					
(i)	Purchase of Power	757.69	747.51	993.25	1021.80	1355.74
(ii)	Electricity duty	0	0	0	0	0
(iii)	Transmission / Wheeling charges	90.95	85.52	95.44	111.65	145.85
(iv)	Repairs and maintenance	17.57	22.42	19.49	19.48	23.39
	Total variable cost	**866.21**	**855.45**	**1108.18**	**1152.93**	**1524.98**
(c)	**Total cost 2(a) + (b)**	**1091.47**	**1106.23**	**1396.61**	**1487.96**	**1898.92**
3	Realisation (including revenue subsidy and other income) (₹ per unit) Sl. No.1÷Sl.No.9(v)	3.491	3.513	3.450	4.042	4.726
4	Fixed cost (₹ per unit) Sl. No.2(a)÷Sl.No.9(v)	0.719	0.792	0.846	0.944	0.945
5	Variable cost (₹ per unit) Sl. No.2(b)÷Sl.No.9(v)	2.765	2.701	3.251	3.249	3.853
6	Total cost or average cost of supply (₹ per unit) (Sl.No.4+Sl.No.5)	3.484	3.493	4.097	4.193	4.798
7	Contribution (₹ per unit) (Sl.No.3-Sl.No.5)	0.726	0.812	0.199	0.793	0.873
8	**Profit (+) / loss(-) per unit (in ₹) (Sl.No.3-Sl.No.6)**	**0.007**	**0.020**	**(-)0.647**	**(-)0.151**	**(-)0.072**
9	**Distribution (in MUs)**					
(i)	Total power purchased	4452.97	4414.96	4539.72	4654.49	5124.16
(ii)	*Less*: Transmission losses, if applicable	230.80	321.71	415.01	409.63	440.98
(iii)	Net Power available for sale	4222.17	4093.25	4124.71	4244.86	4683.18
(iv)	*Less*: Sub-transmission and distribution losses	1089.37	925.95	715.60	696.60	724.79
(v)	**Net power sold (MUs)**	**3132.80**	**3167.30**	**3409.11**	**3548.26**	**3958.39**

Statement showing profitability of CESC

(Referred to in Paragraphs 2.1.14.4, 2.1.16.6)

₹ in crore

CESC	2006-07	2007-08	2008-09	2009-10	2010-11
Profit/loss(-) before prior period adjustments, depreciation, interest and tax	63.17	81.70	(-)125.91	73.13	138.43
Depreciation	21.31	22.90	27.32	40.55	47.15
Profit/loss(-) before interest, prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	41.86	58.80	(-)153.23	32.58	91.28
Interest	39.72	52.27	67.26	86.27	119.51
Profit/loss(-) before prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	2.14	6.53	(-)220.49	(-)53.69	(-)28.23
Prior period adjustments	3.86	2.02	3.34	(-)4.47	8.53
Profit/loss(-) before tax (income tax, fringe benefit tax and deferred tax)	6.00	8.55	(-)217.15	(-)58.16	(-)19.70
Tax	4.38	8.04	3.86	15.36	14.40
Profit/loss(-) after tax	1.62	0.51	(-)221.01	(-)73.52	(-)34.10

[30] Does not include prior period items.
[31] 2010-11 figures are provisional.

Annexure 16(c)
Statement showing the particulars[32] of cost of electricity *vis-à-vis* revenue realisation per unit in GESCOM for the five years ending 2010-11

(Referred to in Paragraphs 2.1.14.1,2.1.14.4,2.1.16.6)

₹ in crore

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11[33]
1	**Income**					
(i)	Revenue from sale of power	822.60	1006.48	1044.30	1057.49	1149.96
(ii)	Revenue subsidy and grants	381.37	466.91	316.97	602.25	841.14
(ii)	Other income	11.78	17.86	17.78	29.60	24.50
	Total income	**1215.75**	**1491.25**	**1379.05**	**1689.34**	**2015.60**
2	**Expenditure on distribution of electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	97.78	121.07	117.53	151.60	162.89
(ii)	Administrative and general expenses	22.46	27.20	28.69	30.44	34.42
(iii)	Depreciation	43.32	25.74	33.11	59.22	68.44
(iv)	Interest and finance charges	65.96	102.67	92.99	139.14	157.90
(v)	Other expenses	15.69	21.27	10.81	14.61	6.38
	Total fixed cost	**245.21**	**297.95**	**283.13**	**395.01**	**430.03**
(b)	**Variable cost**					
(i)	Purchase of Power	770.33	1049.49	1195.81	1129.46	1554.49
(ii)	Electricity duty	0	0	0	0	0
(iii)	Transmission / Wheeling charges	188.03	107.21	103.20	147.63	181
(iv)	Repairs and maintenance	14.99	15.74	14.75	20.92	24.19
	Total variable cost	**973.35**	**1172.44**	**1313.76**	**1298.01**	**1759.68**
(c)	**Total cost 2(a) + (b)**	**1218.56**	**1470.39**	**1596.89**	**1693.02**	**2189.71**
3	Realisation (including revenue subsidy and other income) (₹ per unit) Sl. No.1÷Sl.No.9(v)	3.471	3.653	3.248	3.936	4.316
4	Fixed cost (₹ per unit) Sl. No.2(a)÷Sl.No.9(v)	0.700	0.730	0.667	0.920	0.921
5	Variable cost (₹ per unit) Sl. No.2(b)÷Sl.No.9(v)	2.779	2.872	3.094	3.024	3.768
6	Total cost or average cost of supply (₹ per unit) (Sl.No.4+Sl.No.5)	3.479	3.602	3.761	3.944	4.689
7	Contribution (₹ per unit) (Sl.No.3-Sl.No.5)	0.692	0.781	0.154	0.912	0.548
8	**Profit (+) / loss(-) per unit (in ₹) (Sl.No.3-Sl.No.6)**	**(-)0.008**	**0.051**	**(-)0.513**	**(-)0.008**	**(-)0.373**
9	**Distribution (in MUs)**					
(i)	Total power purchased	5669.88	5759.15	5998.88	6006.20	6254.65
(ii)	*Less*: Transmission losses, if applicable	237.00	240.73	260.95	242.20	262.70
(iii)	Net Power available for sale	5432.88	5518.42	5737.93	5764.00	5991.95
(iv)	*Less*: Sub-transmission and distribution losses	1929.99	1436.36	1492.42	1471.79	1321.82
(v)	**Net power sold (MUs)**	**3502.89**	**4082.06**	**4245.51**	**4292.21**	**4670.13**

Statement showing profitability of GESCOM
(Referred to in Paragraphs 2.1.14.4,2.1.16.6)

₹ in crore

GESCOM	2006-07	2007-08	2008-09	2009-10	2010-11
Profit/loss(-) before prior period adjustments, depreciation, interest and tax	106.46	149.26	(-)91.75	194.68	52.23
Depreciation	43.32	25.74	33.11	59.22	68.44
Profit/loss(-) before interest, prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	63.14	123.52	(-)124.86	135.46	(-)16.21
Interest	65.96	102.67	92.99	139.14	157.90
Profit/loss(-) before prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	-2.82	20.85	(-)217.85	(-)3.68	(-)174.11
Prior period adjustments	22.87	0.72	1.60	5.53	(-)27.42
Profit/loss(-) before tax (income tax, fringe benefit tax and deferred tax)	20.05	21.57	(-)216.25	1.85	(-)201.53
Tax	9.07	18.45	(-)18.08	32.96	35.00
Profit/loss(-) after tax	10.98	3.12	(-)198.17	(-)31.11	(-)236.53

[32] Does not include prior period items.
[33] 2010-11 figures are provisional.

Annexure 16(d)

Statement showing the particulars[34] of cost of electricity *vis-à-vis* revenue realisation per unit in HESCOM for the five years ending 2010-11

(Referred to in Paragraphs 2.1.14.1,2.1.14.4,2.1.16.6)

₹ in crore

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Income**					
(i)	Revenue from sale of power	1084.42	1190.83	1181.63	1262.58	1484.22
(ii)	Revenue subsidy and grants	640.06	678.88	687.32	1015.01	1617.94
(ii)	Other income	10.09	7.17	12.65	13.10	17.88
	Total income	**1734.57**	**1876.88**	**1881.60**	**2290.69**	**3120.04**
2	**Expenditure on distribution of electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	165.85	207.42	208.87	223.84	306.01
(ii)	Administrative and general expenses	34.20	38.12	41.16	46.17	45.40
(iii)	Depreciation	83.16	43.17	51.54	82.27	89.49
(iv)	Interest and finance charges	129.83	160.04	193.79	270.18	289.54
(v)	Other expenses	21.11	6.90	14.76	9.38	8.10
	Total fixed cost	**434.15**	**455.65**	**510.12**	**631.84**	**738.54**
(b)	**Variable cost**					
(i)	Purchase of Power	1127.84	1212.91	1743.71	1569.33	2478.35
(ii)	Electricity duty	0	0	0	0	0
(iii)	Transmission / Wheeling charges	185.98	180.82	182.23	221.18	293.12
(iv)	Repairs and maintenance	17.80	19.99	21.76	23.38	22.09
	Total variable cost	**1331.62**	**1413.72**	**1947.70**	**1813.89**	**2793.56**
(c)	**Total cost 2(a) + (b)**	**1765.77**	**1869.37**	**2457.82**	**2445.73**	**3532.10**
3	Realisation (including revenue subsidy and other income) (₹ per unit) Sl. No.1÷Sl.No.9(v)	3.311	3.539	3.403	3.910	4.671
4	Fixed cost (₹ per unit) Sl. No.2(a)÷Sl.No.9(v)	0.829	0.859	0.923	1.079	1.106
5	Variable cost (₹ per unit) Sl. No.2(b)÷Sl.No.9(v)	2.542	2.666	3.523	3.096	4.182
6	Total cost or average cost of supply (₹ per unit) (Sl.No.4+Sl.No.5)	3.371	3.525	4.446	4.175	5.288
7	Contribution (₹ per unit) (Sl.No.3-Sl.No.5)	0.769	0.873	-0.120	0.814	0.489
8	**Profit (+) / loss(-) per unit (in ₹) (Sl.No.3-Sl.No.6)**	**(-)0.060**	**0.014**	**(-)1.043**	**(-)0.265**	**(-)0.617**
9	**Distribution (in MUs)**					
(i)	Total power purchased	7610.74	7438.58	7997.69	7398.59	8677.21
(ii)	*Less*: Transmission losses, if applicable	491.95	501.04	671.39	67.81	269.77
(iii)	Net Power available for sale	7118.79	6937.54	7326.30	7330.78	8407.44
(iv)	*Less*: Sub-transmission and distribution losses	1880.37	1634.80	1797.59	1472.75	1727.88
(v)	**Net power sold (MUs)**	**5238.42**	**5302.74**	**5528.71**	**5858.03**	**6679.56**

Statement showing profitability of HESCOM

(Referred to in Paragraphs 2.1.14.4,2.1.16.6)

₹ in crore

HESCOM	2006-07	2007-08	2008-09	2009-10	2010-11
Profit/loss(-) before prior period adjustments, depreciation, interest and tax	181.77	210.72	(-)330.90	197.39	260.10
Depreciation	83.16	43.17	51.54	82.27	89.49
Profit/loss(-) before interest, prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	98.61	167.55	(-)382.44	115.12	170.61
Interest	129.83	160.04	193.79	270.18	289.54
Profit/loss(-) before prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	(-)31.22	7.51	(-)576.23	(-)155.06	(-)118.93
Prior period adjustments	34.75	8.74	15.72	(-)18.58	54.22
Profit/loss(-) before tax (income tax, fringe benefit tax and deferred tax)	3.53	16.25	(-)560.51	(-)173.64	(-)64.71
Tax	(-)6.97	7.39	(-)0.26	0	0
Profit/loss(-) after tax	10.50	8.86	(-)560.25	(-)173.64	(-)64.71

[34] **Does not include prior period items.**

Annexure 16 (e)

Statement showing the particulars[35] of cost of electricity *vis-à-vis* revenue realisation per unit in MESCOM for the five years ending 2010-11

(Referred to in Paragraphs 2.1.14.1,2.1.14.4,2.1.16.6)

₹ in crore

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Income**					
(i)	Revenue from sale of power	739.67	770.91	829.92	935.82	1181.07
(ii)	Revenue subsidy and grants	149.22	129.69	217.92	239.43	233.45
(ii)	Other income	10.34	19.69	24.75	25.41	26.44
	Total income	**899.23**	**920.29**	**1072.59**	**1200.66**	**1440.96**
2	**Expenditure on distribution of electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	87.86	100.04	119.72	128.39	173.05
(ii)	Administrative and general expenses	18.51	21.69	24.88	30.26	29.58
(iii)	Depreciation	18.15	20.42	26.27	45.39	51.13
(iv)	Interest and finance charges	41.99	44.56	48.70	78.71	93.79
(v)	Other expenses	19.31	3.78	2.71	4.09	2.27
	Total fixed cost	**185.82**	**190.49**	**222.28**	**286.84**	**349.82**
(b)	**Variable cost**					
(i)	Purchase of Power	640.11	646.11	805.32	786.72	972.65
(ii)	Electricity duty	0	0	0	0	0
(iii)	Transmission / Wheeling charges	56.30	55.70	79.13	90.63	130.95
(iv)	Repairs and maintenance	6.29	8.58	11.57	12.42	13.67
	Total variable cost	**702.70**	**710.39**	**896.02**	**889.77**	**1117.27**
(c)	**Total cost 2(a) + (b)**	**888.52**	**900.88**	**1118.30**	**1176.61**	**1467.09**
3	Realisation (including revenue subsidy and other income) (₹ per unit) Sl. No.1÷Sl.No.9(v)	3.667	3.678	3.927	4.198	4.544
4	Fixed cost (₹ per unit) Sl. No.2(a)÷Sl.No.9(v)	0.758	0.761	0.814	1.003	1.103
5	Variable cost (₹ per unit) Sl. No.2(b)÷Sl.No.9(v)	2.866	2.839	3.280	3.111	3.524
6	Total cost or average cost of supply (₹ per unit) (Sl.No.4+Sl.No.5)	3.624	3.600	4.094	4.114	4.627
7	Contribution (₹ per unit) (Sl.No.3-Sl.No.5)	0.801	0.839	0.647	1.087	1.020
8	**Profit (+) / loss(-) per unit (in ₹) (Sl.No.3-Sl.No.6)**	**0.043**	**0.078**	**(-)0.167**	**0.084**	**(-)0.083**
9	**Distribution (in MUs)**					
(i)	Total power purchased	3313.76	3032.46	3321.21	3381.98	3765.60
(ii)	*Less*: Transmission losses, if applicable	418.78	132.51	183.45	108.15	165.51
(iii)	Net Power available for sale	2894.98	2899.95	3137.76	3273.83	3600.09
(iv)	*Less*: Sub-transmission and distribution losses	442.72	397.69	406.19	413.68	429.19
(v)	**Net power sold (MUs)**	**2452.26**	**2502.26**	**2731.57**	**2860.15**	**3170.90**

Statement showing profitability of MESCOM

(Referred to in Paragraphs 2.1.14.4,2.1.16.6)

₹ in crore

MESCOM	2006-07	2007-08	2008-09	2009-10	2010-11
Profit/loss(-) before prior period adjustments, depreciation, interest and tax	70.85	84.38	29.26	148.14	118.80
Depreciation	18.15	20.42	26.27	45.39	51.13
Profit/loss(-) before interest, prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	52.70	63.96	2.99	102.75	67.67
Interest	41.99	44.56	48.70	78.71	93.79
Profit/loss(-) before prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	10.71	19.40	(-)45.71	24.04	(-)26.12
Prior period adjustments	14.93	(-)10.38	4.69	(-)13.17	28.44
Profit/loss(-) before tax (income tax, fringe benefit tax and deferred tax)	25.64	9.02	(-)41.02	10.87	2.32
Tax	3.07	0.74	0.30	2.09	0.62
Profit/loss(-) after tax	22.57	8.28	(-)41.32	8.78	1.70

[35] **Does not include prior period items.**

Annexure 16 (f)
Statement showing the consolidated[36] particulars of cost of electricity *vis-à-vis* revenue realisation per unit of ESCOMS for the five years ending 2010-11
(Referred to in Paragraphs 2.1.14.1,2.1.14.4,2.1.16.6)

₹ in crore

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11 (provisional)
1	**Income**					
(i)	Revenue from sale of power	8369.20	9405.98	9691.19	10524.09	12353.33
(ii)	Revenue subsidy and grants	1783.65	1733.00	1925.87	2797.75	4252.66
(ii)	Other income	175.29	178.68	229.03	241.32	265.56
	Total income	**10328.14**	**11317.66**	**11846.09**	**13563.16**	**16871.55**
2	**Expenditure on distribution of electricity**					
(a)	**Fixed cost**					
(i)	Employees cost	725.44	909.02	941.02	1105.13	1379.85
(ii)	Administrative and general expenses	157.69	175.58	179.07	199.62	196.19
(iii)	Depreciation	236.23	160.30	202.49	349.42	401.76
(iv)	Interest and finance charges	414.34	531.62	525.91	755.21	860.19
(v)	Other expenses	323.27	283.77	325.10	193.25	88.27
	Total fixed cost	**1856.97**	**2060.29**	**2173.59**	**2602.63**	**2926.26**
(b)	**Variable cost**					
(i)	Purchase of Power	7421.70	8109.17	10327.34	10020.12	13370.33
(ii)	Electricity duty	0	0	0	0	0
(iii)	Transmission / Wheeling charges	976.11	916.09	957.80	1090.31	1499.32
(iv)	Repairs and maintenance	96.20	110.18	104.64	108.31	114.03
	Total variable cost	**8494.01**	**9135.44**	**11389.78**	**11218.74**	**14983.68**
(c)	**Total cost 2(a) + (b)**	**10350.98**	**11195.73**	**13563.37**	**13821.37**	**17909.94**
3	Realisation (including revenue subsidy and other income) (₹ per unit) Sl. No.1÷Sl.No.9(v)	3.630	3.774	3.676	4.012	4.534
4	Fixed cost (₹ per unit) Sl. No.2(a)÷Sl.No.9(v)	0.653	0.687	0.674	0.770	0.786
5	Variable cost (₹ per unit) Sl. No.2(b)÷Sl.No.9(v)	2.985	3.046	3.534	3.318	4.026
6	Total cost or average cost of supply (₹ per unit) (Sl.No.4+Sl.No.5)	3.638	3.733	4.208	4.088	4.812
7	Contribution (₹ per unit) (Sl.No.3-Sl.No.5)	0.645	0.728	0.142	0.694	0.508
8	**Profit (+) / loss(-) per unit (in ₹) (Sl.No.3-Sl.No.6)**	**(-)0.008**	**0.041**	**(-)0.532**	**(-)0.076**	**(-)0.278**
9	**Distribution (in MUs)**					
(i)	Total power purchased	40823.68	40479.59	42297.38	42770.07	47212.48
(ii)	*Less*: Transmission losses, if applicable	2633.22	2376.21	2404.21	1827.97	2620.45
(iii)	Net Power available for sale	38190.46	38103.38	39893.17	40942.10	44592.03
(iv)	*Less*: Sub-transmission and distribution losses	9737.64	8115.45	7667.79	7131.85	7376.93
(v)	**Net power sold (MUs)**	**28452.82**	**29987.93**	**32225.38**	**33810.25**	**37215.10**

Statement showing profitability of ESCOMs
(Referred to in Paragraphs 2.1.14.4, 2.1.16.6)

₹ in crore

Consolidated	2006-07	2007-08	2008-09	2009-10	2010-11 (provisional)
Profit/loss(-) before prior period adjustments, depreciation, interest and tax	627.70	813.82	(-)988.92	846.39	516.70
Depreciation	236.23	160.30	202.49	349.42	401.76
Profit/loss(-) before interest, prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	391.47	653.52	(-)1191.41	496.97	114.94
Interest	414.34	531.62	525.91	755.21	860.19
Profit/loss(-) before prior period adjustments and tax (income tax, fringe benefit tax and deferred tax)	(-)22.87	121.90	(-)1717.32	(-)258.24	(-)745.25
Prior period adjustments	135.23	(-)51.58	95.03	51.16	463.83
Profit/loss(-) before tax (income tax, fringe benefit tax and deferred tax)	112.36	70.32	(-)1622.29	(-)207.08	(-)281.42
Tax	16.38	36.98	(-)13.30	50.82	52.02
Profit/loss(-) after tax	95.98	33.34	(-)1608.99	(-)257.90	(-)333.44

[36] **Does not include prior period items.**

Annexure 17(a)

Cash flow statement of BESCOM for five years ending 2010-11

(Referred to in Paragraph 2.1.15)

₹ in crore

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Cash inflow						
1	Net profit / loss(-)	57.14	14.93	(-)587.36	12.00	2.20
2	*Add*: adjustments	22.60	55.32	109.82	227.72	564.48
3	Operating profit/loss(-) before working capital changes (Sl.No.1+Sl.No.2)	79.74	70.25	(-)477.54	239.72	566.68
4	Operating activities	269.33	819.38	619.85	227.36	266.41
5	Investing activities	0	0	37.63	0	0
6	Financing activities	498.03	325.06	604.98	640.32	1184.75
7	**Total (Sl.No.3 to Sl.No.6)**	**847.10**	**1214.69**	**784.92**	**1107.40**	**2017.84**
Cash outflow						
8	Operating activities	224.07	171.02	318.33	457.70	1398.27
9	Investing activities	409.22	538.15	690.63	408.51	391.72
10	Financing activities	141.59	371.85	123.17	189.92	199.45
11	**Total (Sl.No.8 to Sl.No.10)**	**774.88**	**1081.02**	**1132.13**	**1056.13**	**1989.44**
12	**Net increase/decrease(-) in cash and cash equivalent (Sl.No.7-Sl.No.11)**	**72.22**	**133.67**	**(-)347.21**	**51.27**	**28.40**

Annexure 17(b)

Cash flow statement of CESC for five years ending 2010-11

(Referred to in Paragraph 2.1.15)

₹ in crore

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (provisional)
Cash inflow						
1	Net profit / loss(-)	6.00	8.55	(-)217.15	(-)58.16	(-)19.70
2	*Add*: adjustments	71.50	84.86	93.70	128.92	166.17
3	Operating profit/loss(-) before working capital changes (Sl.No.1+Sl.No.2)	77.50	93.41	(-)123.45	70.76	146.47
4	Operating activities	225.93	179.43	399.38	182.32	173.50
5	Investing activities	12.65	4.03	0	2.50	1.22
6	Financing activities	115.99	112.33	98.24	207.23	189.38
7	**Total (Sl.No.3 to Sl.No.6)**	**432.07**	**389.20**	**374.17**	**462.81**	**510.57**
Cash outflow						
8	Operating activities	202.81	168.59	118.76	271.44	241.83
9	Investing activities	91.70	104.40	119.82	144.78	160.55
10	Financing activities	69.72	119.54	112.79	86.27	119.51
11	**Total (Sl.No.8 to Sl.No.10)**	**364.23**	**392.53**	**351.37**	**502.49**	**521.89**
12	**Net increase/decrease(-) in cash and cash equivalent (Sl.No.7-Sl.No.11)**	**67.84**	**(-)3.33**	**22.80**	**(-)39.68**	**(-)11.32**

Annexure 17(c)

Cash flow statement of GESCOM for five years ending 2010-11

(Referred to in Paragraph 2.1.15)

₹ in crore

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (provisional)
Cash inflow						
1	Net profit / loss(-)	20.05	21.57	(-)216.25	1.85	(-)201.53
2	*Add*: adjustments	109.21	128.50	126.09	198.36	226.34
3	Operating profit/loss(-) before working capital changes (Sl.No.1+Sl.No.2)	129.26	150.07	(-)90.16	200.21	24.81
4	Operating activities	346.08	322.31	412.47	85.97	441.16
5	Investing activities	0.00	0.00	29.91	0.00	83.46
6	Financing activities	198.36	225.49	195.85	364.13	130.54
7	**Total (Sl.No.3 to Sl.No.6)**	**673.70**	**697.87**	**548.07**	**650.31**	**679.97**
Cash outflow						
8	Operating activities	360.88	345.23	185.91	219.31	160.75
9	Investing activities	198.65	233.24	320.49	249.15	222.49
10	Financing activities	78.87	105.75	96.89	139.14	294.77
11	**Total (Sl.No.8 to Sl.No.10)**	**638.40**	**684.22**	**603.29**	**607.60**	**678.01**
12	**Net increase/decrease(-) in cash and cash equivalent (Sl.No.7-Sl.No.11)**	**35.30**	**13.65**	**(-)55.22**	**42.71**	**1.96**

Annexure 17(d)

Cash flow statement of HESCOM for five years ending 2010-11

(Referred to in Paragraph 2.1.15)

₹ in crore

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Cash Inflow						
1	Net profit / loss(-)	3.53	16.25	(-)560.51	(-)173.64	(-)64.71
2	*Add*: adjustments	187.68	208.72	287.21	387.59	428.32
3	Operating profit/loss(-) before working capital changes (Sl.No.1+Sl.No.2)	191.21	224.97	(-)273.30	213.95	363.61
4	Operating activities	18.15	230.07	441.79	238.00	414.87
5	Investing activities	0	0	157.97	1.11	0
6	Financing activities	436.21	565.14	716.99	939.25	261.68
7	**Total (Sl.No.3 to Sl.No.6)**	**645.57**	**1020.18**	**1043.45**	**1392.31**	**1040.16**
Cash Outflow						
8	Operating activities	218.73	260.40	148.30	498.46	292.89
9	Investing activities	170.33	418.89	509.01	284.66	156.01
10	Financing activities	263.50	323.67	346.50	661.10	590.31
11	**Total (Sl.No.8 to Sl.No.10)**	**652.56**	**1002.96**	**1003.81**	**1444.22**	**1039.21**
12	**Net increase/decrease(-) in cash and cash equivalent (Sl.No.7-Sl.No.11)**	**(-)6.99**	**17.22**	**39.64**	**(-)51.91**	**0.95**

Annexure 17(e)

Cash flow statement of MESCOM for five years ending 2010-11

(Referred to in Paragraph 2.1.15)

₹ in crore

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Cash inflow						
1	Net profit / loss(-)	25.64	9.02	(-)41.02	10.87	2.32
2	*Add*: adjustments	51.09	75.35	74.64	123.24	144.38
3	Operating profit/loss(-) before working capital changes (Sl.No.1+Sl.No.2)	76.73	84.37	33.62	134.11	146.70
4	Operating activities	143.52	89.35	147.89	158.34	279.98
5	Investing activities	0.59	22.63	9.16	0.86	0.54
6	Financing activities	56.90	49.69	163.01	134.96	117.82
7	**Total (Sl.No.3 to Sl.No.6)**	**277.74**	**246.04**	**353.68**	**428.27**	**545.04**
Cash outflow						
8	Operating activities	91.62	111.52	18.91	138.98	281.73
9	Investing activities	114.93	110.61	217.92	220.19	173.43
10	Financing activities	45.36	59.65	65.83	88.70	104.86
11	**Total (Sl.No.8 to Sl.No.10)**	**251.91**	**281.78**	**302.66**	**447.87**	**560.02**
12	**Net increase/decrease(-) in cash and cash equivalent (Sl.No.7-Sl.No.11)**	**25.83**	**(-)35.74**	**51.02**	**(-)19.60**	**(-)14.98**

Annexure 18(a)

Statement showing the details of cross subsidy in BESCOM for the period 2006-07 and 2010-11

(Referred to in Paragraphs 2.1.16.4, 2.1.16.5)

Average cost of supply per unit (ACOS) in ₹		3.814						4.709					
Year →		**2006-07**						**2010-11**					
Category	**Tariff**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)[37]**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**
BJ/KJ	LT1	81.90	28.40	3.468	0.346	2.84	90.93	111.25	47.70	4.287	0.422	4.69	91.04
Domestic heating and lighting	LT2	2997.00	1034.61	3.452	0.362	108.49	90.51	4210.24	1527.42	3.628	1.081	455.13	77.04
Commercial lighting and heating and motive power	LT3	770.85	493.78	6.406	(-)2.592	(-)199.80	167.96	1191.50	829.23	6.960	(-)2.251	(-)268.20	147.80
Agricultural pump sets and private horticultural nurseries / plantations	LT4	3979.53	289.51	0.727	3.087	1228.48	19.06	4481.42	754.20	1.683	3.026	1356.08	35.74
Industrial heating and motive power	LT5	937.86	434.07	4.628	(-)0.814	(-)76.34	121.34	987.13	493.79	5.002	(-)0.293	(-)28.92	106.22
Water supply and public lighting installations	LT6	604.78	225.31	3.725	0.089	5.38	97.67	763.76	406.40	5.321	(-)0.612	(-)46.74	113.00
Temporary power Supply	LT7	90.82	75.46	8.309	(-)4.495	(-)40.82	217.86	94.08	103.57	11.008	(-)6.299	(-)59.26	233.77
Water supply / sewerage treatment plants	HT1	471.23	167.72	3.559	0.255	12.02	93.31	482.27	191.29	3.966	0.743	35.83	84.22
Industrial	HT2	4096.89	2125.43	5.188	(-)1.374	(-)562.91	136.03	6295.67	3708.91	5.891	(-)1.182	(-)744.15	125.10
Lift irrigation schemes	HT3	0.69	0.61	8.841	(-)5.027	(-)0.35	231.80	1.80	0.72	4.000	0.709	0.13	84.94
Residential apartments	HT4	90.98	30.71	3.375	0.439	3.99	88.49	105.98	48.16	4.545	0.164	1.74	96.52
Total[38]		**14122.53**	**4905.61**	**3.474**		**480.98**		**18725.10**	**8111.39**	**4.332**		**706.33**	

[37] Revenue demand excludes adjustments on account of inter-ESCOM transactions, miscellaneous income, tariff subsidy and withdrawal of revenue demand, together amounting to ₹ 360.49 crore in 2006-07 and ₹ 134.29 crore in 2010-11.

[38] Excludes adjustments/provision for unbilled revenue in respect of 3.92 MUs in 2006-07 and 11.02 MUs in 2010-11.

Annexure 18(b)

Statement showing the details of cross subsidy in CESC for the period 2006-07 and 2010-11

(Referred to in Paragraphs 2.1.16.4, 2.1.16.5)

Average cost of supply per unit (ACOS) in ₹	3.484							4.798					
Year →		**2006-07**						**2010-11**					
Category	**Tariff**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)[39]**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**
BJ/KJ	LT1	28.43	10.35	3.641	(-)0.157	(-)0.45	104.51	72.33	29.54	4.084	0.714	5.16	85.12
Domestic heating and lighting	LT2	497.84	154.42	3.102	0.382	19.02	89.04	650.77	209.21	3.215	1.583	103.02	67.01
Commercial lighting and heating and motive power	LT3	100.44	66.57	6.628	(-)3.144	(-)31.58	190.24	180.35	125.08	6.935	(-)2.137	(-)38.54	144.54
Agricultural pump sets and private horticultural nurseries / plantations	LT4	1485.83	91.28	0.614	2.870	426.43	17.62	1705.84	586.19	3.436	1.362	232.34	71.61
Industrial heating and motive power	LT5	116.47	51.90	4.456	(-)0.972	(-)11.32	127.90	125.90	62.80	4.988	(-)0.190	(-)2.39	103.96
Water supply and public lighting installations	LT6	213.13	61.01	2.863	0.621	13.24	82.18	202.41	86.97	4.297	0.501	10.14	89.56
Temporary power Supply	LT7	4.89	4.53	9.264	(-)5.780	(-)2.83	265.90	7.78	9.27	11.915	(-)7.117	(-)5.54	248.33
Water supply / sewerage treatment plants	HT1	264.17	90.14	3.412	0.072	1.90	97.93	306.58	117.69	3.839	0.959	29.40	80.01
Industrial	HT2	409.38	197.20	4.817	(-)1.333	(-)54.57	138.26	674.59	382.69	5.673	(-)0.875	(-)59.03	118.24
Lift irrigation schemes	HT3	7.29	4.94	6.776	(-)3.292	(-)2.40	194.50	24.82	0.8	0.322	4.476	11.11	6.71
Residential apartments	HT4	4.93	2.22	4.503	(-)1.019	(-)0.50	129.25	7.02	2.86	4.074	0.724	0.51	84.91
Total		**3132.80**	**734.56**	**2.345**		**356.94**		**3958.39**	**1613.10**	**4.075**		**286.18**	

[39] **Revenue demand excludes adjustments on account of inter-ESCOM transactions, miscellaneous income, tariff subsidy and withdrawal of revenue demand, together amounting to ₹ 334.85 crore in 2006-07 and ₹ 239.43 crore in 2010-11.**

Annexure 18(c)

Statement showing the details of cross subsidy in GESCOM for the period 2006-07 and 2010-11

(Referred to in Paragraphs 2.1.16.4, 2.1.16.5)

Average cost of supply per unit (ACOS) in ₹	3.479							4.689					
Year →		**2006-07**						**2010-11**					
Category	**Tariff**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)[40]**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**
BJ/KJ	LT1	91.94	18.13	1.972	1.507	13.86	56.68	108.92	55.99	5.140	(-)0.451	(-)4.91	109.62
Domestic heating and lighting	LT2	452.21	137.88	3.049	0.430	19.45	87.64	667.12	226.45	3.394	1.295	86.39	72.38
Commercial lighting and heating and motive power	LT3	104.46	62.99	6.030	(-)2.551	(-)26.65	173.33	182.21	125.67	6.897	(-)2.208	(-)40.23	147.09
Agricultural pump sets and private horticultural nurseries / plantations	LT4	1771.59	82.84	0.468	3.011	533.43	13.45	2203.64	803.00	3.644	1.045	230.28	77.71
Industrial heating and motive power	LT5	150.17	68.45	4.558	(-)1.079	(-)16.20	131.01	160.76	79.41	4.940	(-)0.251	(-)4.04	105.35
Water supply and public lighting installations	LT6	198.66	51.97	2.616	0.863	17.14	75.19	254.08	133.57	5.257	(-)0.568	(-)14.43	112.11
Temporary power Supply	LT7	5.14	4.63	9.008	(-)5.529	(-)2.84	258.92	14.42	14.67	10.173	(-)5.484	(-)7.91	216.95
Water supply / sewerage treatment plants	HT1	47.25	18.32	3.877	(-)0.398	(-)1.88	111.44	63.32	28.65	4.525	0.164	1.04	96.50
Industrial	HT2	643.02	309.01	4.806	(-)1.327	(-)85.33	138.14	934.6	519.13	5.555	(-)0.866	(-)80.94	118.47
Lift irrigation schemes	HT3	27.08	4.49	1.658	1.821	4.93	47.66	66.11	8.53	1.290	3.399	22.47	27.51
Residential apartments	HT4	11.37	4.16	3.659	(-)0.180	-0.20	105.17	14.95	6.37	4.261	0.428	0.64	90.87
Total		**3502.89**	**762.87**	**2.178**		**455.71**		**4670.13**	**2001.44**	**4.286**		**188.36**	

[40] **Revenue demand excludes adjustments on account of inter-ESCOM transactions, miscellaneous income, tariff subsidy and withdrawal of revenue demand, together amounting to ₹ 441.10 crore in 2006-07 and ₹ 10.34 crore in 2010-11.**

Annexure 18 (d)

Statement showing the details of cross subsidy in HESCOM for the period 2006-07 and 2010-11

(Referred to in Paragraphs 2.1.16.4, 2.1.16.5)

Average cost of supply per unit (ACOS) in ₹	3.371							5.288					
Year →		**2006-07**						**2010-11**					
Category	**Tariff**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)[41]**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**
BJ/KJ	LT1	108.93	35.61	3.269	0.102	1.11	96.97	150.14	74.08	4.934	0.354	5.31	93.31
Domestic heating and lighting	LT2	734.88	230.92	3.142	0.229	16.83	93.21	968.89	319.09	3.293	1.995	193.29	62.27
Commercial lighting and heating and motive power	LT3	165.38	108.05	6.533	(-)3.162	(-)52. 29	193.80	280.90	194.47	6.923	(-)1.635	(-)45.93	130.92
Agricultural pump sets and private horticultural nurseries / plantations	LT4	3012.38	155.96	0.518	2.853	859.43	15.37	3612.72	1383.11	3.828	1.460	527.46	72.39
Industrial heating and motive power	LT5	245.19	112.70	4.596	(-)1.225	(-)30.04	136.34	282.85	136.54	4.827	0.461	13.04	91.28
Water supply and public lighting installations	LT6	202.66	78.85	3.891	(-)0.520	(-)10.54	115.43	266.06	114.52	4.304	0.984	26.18	81.39
Temporary power Supply	LT7	8.76	8.25	9.418	(-)6.047	-5.30	279.38	15.04	20.59	13.690	(-)8.402	(-)12.64	258.89
Water supply / sewerage treatment plants	HT1	125.65	47.69	3.795	(-)0.424	-5.33	112.58	146.52	61.05	4.167	1.121	16.42	78.80
Industrial	HT2	564.83	265.46	4.700	(-)1.329	-75.07	139.42	854.60	474.21	5.549	(-)0.261	(-)22.31	104.94
Lift irrigation schemes	HT3	45.24	7.79	1.722	1.649	7.46	51.08	82.08	12.77	1.556	3.732	30.63	29.43
Residential apartments	HT4	24.52	8.77	3.577	(-)0.206	-0.51	106.11	19.76	5.20	2.632	2.656	5.26	49.77
Total		**5238.42**	**1060.05**	**2.024**		**705.75**		**6679.56**	**2795.63**	**4.185**		**736.71**	

[41] Revenue demand excludes adjustments on account of inter-ESCOM transactions, miscellaneous income, tariff subsidy and withdrawal of revenue demand, together amounting to ₹ 664.43 crore in 2006-07 and ₹ 306.53 crore in 2010-11.

Annexure 18(e)

Statement showing the details of cross subsidy in MESCOM for the period 2006-07 and 2010-11

(Referred to in Paragraphs 2.1.16.4, 2.1.16.5)

Average cost of supply per unit (ACOS) in ₹	3.624							4.627					
Year →		**2006-07**						**2010-11**					
Category	**Tariff**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)**[42]	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**
BJ/KJ	LT1	32.31	8.31	2.572	1.052	3.40	70.97	102.89	12.23	1.189	3.438	35.37	25.70
Domestic heating and lighting	LT2	639.38	204.05	3.191	0.433	27.69	88.05	913.43	304.49	3.333	1.294	118.20	72.03
Commercial lighting and heating and motive power	LT3	141.73	90.39	6.378	(-)2.754	(-)39.03	175.99	235.47	159.08	6.756	(-)2.129	(-)50.13	146.01
Agricultural pump sets and private horticultural nurseries / plantations	LT4	760.15	40.16	0.528	3.096	235.34	14.57	756.56	228.55	3.021	1.606	121.50	65.29
Industrial heating and motive power	LT5	123.59	57.35	4.640	(-)1.016	(-)12.56	128.04	131.94	64.70	4.904	(-)0.277	(-)3.65	105.99
Water supply and public lighting installations	LT6	120.16	36.41	3.030	0.594	7.14	83.61	129.18	55.70	4.312	0.315	4.07	93.19
Temporary power Supply	LT7	4.90	4.43	9.041	(-)5.417	(-)2.65	249.48	43.41	40.93	9.429	(-)4.802	(-)20.85	203.78
Water supply / sewerage treatment plants	HT1	40.60	15.55	3.830	(-)0.206	(-)0.84	105.68	72.58	29.52	4.067	0.560	4.06	87.90
Industrial	HT2	570.93	261.90	4.587	(-)0.963	(-)54.98	126.57	766.27	404.32	5.276	(-)0.649	(-)49.73	114.03
Lift irrigation schemes	HT3	0.14	0.16	11.429	(-)7.805	-0.11	315.37	0.42	0.22	5.238	(-)0.611	(-)0.03	113.21
Residential apartments	HT4	18.37	5.17	2.814	0.810	1.49	77.65	18.76	8.09	4.311	0.316	0.59	93.17
Total		**2452.26**	**723.88**	**2.952**		**164.89**		**3170.91**	**1307.83**	**4.124**		**159.40**	

[42] Revenue demand excludes adjustments on account of inter-ESCOM transactions, miscellaneous income, tariff subsidy and withdrawal of revenue demand, together amounting to ₹ 165.01 crore in 2006-07 and ₹ 106.69 crore in 2010-11.

Annexure 18(f)

Statement showing the details of cross subsidy of all ESCOMs for the period 2006-07 and 2010-11

(Referred to in Paragraphs 2.1.16.4, 2.1.16.5)

Average cost of supply per unit (ACOS) in ₹	3.638							4.812					
Year →		**2006-07**						**2010-11**					
Category	**Tariff**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)[43]**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**	**No. of units sold during the year (MUs)**	**Revenue demand for the year (₹ in crore)**	**ARR per unit for the year (₹)**	**Cross subsidy per unit (₹)**	**Cross subsidy (₹ in crore)**	**Percentage of ACOS**
BJ/KJ	LT1	343.51	100.80	2.934	0.704	24.18	80.66	545.53	219.53	4.024	0.788	42.99	83.62
Domestic heating and lighting	LT2	5321.31	1761.88	3.311	0.327	174.01	91.01	7410.45	2586.66	3.491	1.321	978.92	72.55
Commercial lighting and heating and motive power	LT3	1282.86	821.78	6.406	(-)2.768	(-)355.09	176.08	2070.43	1433.53	6.924	(-)2.112	(-)437.27	143.89
Agricultural pump sets and private horticultural nurseries / plantations	LT4	11009.48	659.75	0.599	3.039	3345.78	16.47	12760.17	3755.06	2.943	1.869	2384.88	61.16
Industrial heating and motive power	LT5	1573.28	724.47	4.605	(-)0.967	(-)152.14	126.58	1688.58	837.24	4.958	(-)0.146	(-)24.65	103.03
Water supply and public lighting installations	LT6	1339.39	453.55	3.386	0.252	33.75	93.08	1615.49	797.16	4.934	(-)0.122	(-)19.71	102.54
Temporary power Supply	LT7	114.51	97.30	8.497	(-)4.859	(-)55.64	233.56	174.73	189.03	10.818	(-)6.006	(-)104.94	224.81
Water supply / sewerage treatment plants	HT1	948.90	339.42	3.577	0.061	5.79	98.32	1071.27	428.20	3.997	0.815	87.31	83.06
Industrial	HT2	6285.05	3159.00	5.026	(-)1.388	(-)872.36	138.16	9525.73	5489.26	5.763	(-)0.951	(-)905.90	119.76
Lift irrigation schemes	HT3	80.44	17.99	2.236	1.402	11.28	61.47	175.23	23.04	1.315	3.497	61.28	27.33
Residential apartments	HT4	150.17	51.03	3.398	0.240	3.60	93.41	166.47	70.67	4.245	0.567	9.34	88.24
Total[44]		**28448.90**	**8186.97**	**2.878**		**2163.16**		**37204.08**	**15829.38**	**4.255**		**2073.23**	

43 Revenue demand excludes adjustments on account of inter-ESCOM transactions, miscellaneous income, tariff subsidy and withdrawal of revenue demand, together amounting to ₹ 1965.88 crore in 2006-07 and ₹ 776.61 crore in 2010-11.

44 Excludes adjustments/provision for unbilled revenue in respect of 3.92 MUs in 2006-07 and 11.02 MUs in 2010-11 in respect of ESCOMs. The total cross subsidy as per Annexures 18(a) to (e) is ₹ 2164.27 crore in 2006-07 and ₹ 2076.98 crore in 2010-11 and the difference is due to rounding off.

Annexure 19

Statement showing the delays in filing of returns by the ESCOMs

(Referred to in Paragraph 2.1.17.1)

Year	Tariff Order date	No. of days delayed due to delayed application	Probable date of order but for the delay	Total units billed from at lower rate (other than BJ/KJ and IP sets) (MU)	Average increase in tariff for all categories (other than BJ/KJ and IP sets) (in paise)	Loss of potential revenue (energy charges) (₹ in crore)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)=(5)*(6)**
BESCOM						
2009-10	01.12.2009	212	01.05.2009	7603.53	40.11	304.98
2010-11	07.12.2010	256	01.04.2010	9465.16	30.75	291.05
			Total			**596.03**
CESC						
2009-10	01.12.2009	212	01.05.2009	1141.15	24.90	28.41
2010-11	07.12.2010	256	01.04.2010	1248.88	20.00	24.98
			Total			**53.39**
GESCOM						
2009-10	01.12.2009	212	01.05.2009	1950.54	26.57	51.83
2010-11	07.12.2010	256	01.04.2010	2366.82	29.48	69.77
			Total			**121.60**
HESCOM						
2009-10	01.12.2009	212	01.05.2009	1510.24	24.87	37.56
2010-11	07.12.2010	256	01.04.2010	1919.28	28.64	54.97
			Total			**92.53**
MESCOM						
2009-10	01.12.2009	212	01.05.2009	1371.01	30	41.13
2010-11	07.12.2010	256	01.04.2010	1733.28	21	36.40
			Total			**77.53**
Grand Total						**941.08**

Annexure 20

Statement showing the disallowances[45] made by KERC

(Referred to in Paragraph 2.1.17.3)

₹ in crore

	Interest on belated payment of energy bills	Interest on consumers security deposit	Operation and maintenance expenses	Total amount disallowed
2007-08				
BESCOM	18.97	15.22	8.21	42.40
CESC	22.52	1.55	20.45	44.52
GESCOM	54.26	0.00	19.23	73.49
HESCOM	39.20	1.47	27.23	67.90
MESCOM	11.90	1.12	8.43	21.45
Total	**146.85**	**19.36**	**83.55**	**249.76**
2008-09				
BESCOM	12.93	0.00	0.00	12.93
CESC	39.03	0.98	24.60	64.61
GESCOM	57.43	1.65	27.21	86.29
HESCOM	41.35	3.37	10.00	54.72
MESCOM	11.00	0.00	24.48	35.48
Total	**161.74**	**6.00**	**86.29**	**254.03**
2009-10				
BESCOM	0.03	3.44	0.00	3.47
CESC	57.11	0.62	28.33	86.06
GESCOM	58.27	3.71	34.64	96.62
HESCOM	81.45	2.53	12.67	96.65
MESCOM	28.60	0.79	26.86	56.25
Total	**225.46**	**11.09**	**102.50**	**339.05**
Grand Total	**534.05**	**36.45**	**272.34**	**842.84**

[45] **Refer to tariff order 2009 of November 2009 (In the tariff order 2009, APR of both 2007-08 and 2008-09 was carried out) delay in filing of returns in the ESCOMs.**

Annexure 21
Statement showing the department-wise outstanding Inspection Reports (IRs)
(Referred to in Paragraph 3.11)

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	6	9	31	2005-06
2	Animal Husbandry, Fisheries and Forest	5	6	48	2007-08
3	Commerce and Industries	25	41	280	2003-04
4	Home and Transport	5	68	244	2003-04
5	Co-operation	1	2	9	2006-07
6	Information, Tourism and Youth Service	3	5	22	2005-06
7	Irrigation	3	181	556	2003-04
8	Public Works	2	4	19	2005-06
9	Energy	10	188	1052	2003-04
10	Social Welfare and Labour	4	8	47	2005-06
11	Food and Civil Supplies	1	3	20	2006-07
12	Rural Development and Panchayat Raj	1	3	29	2005-06
13	Finance	3	12	55	2006-07
14	Housing	1	2	19	2008-09
15	Information and Technology	1	1	18	2007-08
16	Urban Development	1	1	8	2006-07
	Total	**72**	**534**	**2457**	

Annexure 22
Statement showing the department-wise Draft Paragraphs and Reviews replies to which are awaited

(Referred to in Paragraph 3.11)

Sl. No.	Name of the Department	No of Reviews	No. of Draft Paragraphs	Period of issue
1	Energy	1*	2	May to August 2011
2	Rural Development and Panchayat Raj	1	-	July 2011
3	Commerce and Industries	-	1	July 2011
4	Water Resources	-	1	August 2011
5	Home	-	1	September 2011
6	Transport	-	1	September 2011
	Total	**2**	**6**	

* Partial reply received.