

THE KARNATAKA STATE FOREST INDUSTRIES CORPORATION LTD

Regd. Office at: Vana Vikas, 3rd Floor, 18th Cross, Malleshwaram, Bengaluru - 560 003

CIN: U0200KA1973SGC002314

NOTES TO FINANCIAL STATEMENTS

Significant accounting policies and notes forming part of financial statements

1. CORPORATE INFORMATION

Karnataka State Forest Industries Corporation Ltd. is a Government of Karnataka undertaking incorporated during the year 1973 under the provisions of Companies Act, 1956. The Corporation is set up with the major objectivities of taking up the logging activities of Karnataka Forest Department and transporting of Timber, Firewood, Poles etc., to depots. Apart from this supply of Eucalyptus and Acacia pulpwood to Paper Industries is also major activity. The Corporation has got responsibility of wiping out the role of contractors in Forest Areas.

Government vide its order dated: 22.11.2004 and in accordance with the recent proceedings of the Government dated: 13.12.2014 the process of merger of the Corporation with Karnataka Forest Development Corporation is in progress.

2. BASIS OF PREPARATION

The Financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting, except as stated, in accordance with the accounting principles generally accepted in India (Indian GAAP) and comply with the Accounting standards prescribed in the Companies (Accounting standards) Rules, 2006 which continue to apply under Section 133 of the Companies Act, 2013, ('the Act') read with rule 7 of the Companies (Accounts) Rules, 2014 and other relevant provisions of the Companies Act, 2013, to the extent applicable. The accounting policies adopted in the preparation of financial statements are consistent with those of the previous year.

2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) Expenses accruing in the financial year and ascertainable with reasonable accuracy on the cut-off date are accounted.
- 2) Income accruing during the financial year and ascertainable and realizable with reasonable certainty on the cut-off date is accounted except Interest on staff advances and Recoveries of firewood shortages.
- 3) Land/Lease rent are accounted on cash basis

The significant accounting policies adopted in the preparation and presentation of financial statements are as under:

A) USE OF ESTIMATES

The preparation of financial statements in conformity with Indian generally accepted accounting principles requires the management to make judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods.

B) PROPERTY, PLANT AND EQUIPMENT

a) Property, plant and equipment are stated at cost less accumulated depreciation and impairment of losses, if any and consisting of the following class of assets;

- Land –Freehold and Leasehold
- Building
- Plant and machinery
- Furniture and fixtures
- Vehicles
- Office equipment
- Computer & Peripherals
- Weighing Scales
- Bore well

The cost comprises purchase price inclusive of non-refundable taxes, duties, freight and other incidental expenses related to acquisition and installation of the respective assets and borrowing cost if the capitalization criteria are met and directly attributable to cost of bringing the assets to its working condition for its intended use.

b) Depreciation on Property, Plant and Equipment (other than lease hold and freehold land) is provided using the straight line method on the useful life of assets and is charged to the statement of profit and loss as per the requirement of Schedule II of the Companies Act, 2013. In respect of addition made during the year, depreciation is charged for the whole year irrespective of the date of addition. In case of deletions, made during the year, no depreciation is charged, irrespective of date of deletion. Leasehold land has been amortized over the period of lease.

c) The Policy of the company regarding Capital Grant is to transfer the same to Capital Reserve and thereafter transfer proportionate amount equal to the depreciation to statement of profit & loss and the balance is shown in Capital Reserve with effect from accounting year 1998-99.

C) INVENTORIES

Inventories are valued at lower of cost and net realizable value. The cost has been measured on FIFO basis and includes costs of purchase, costs of conversion and other costs incurred in bringing them to their present location and condition.

D) All expenses incurred for own plantations are shown in the Balance Sheet under other Non-Current Assets.

E) Yield obtained from plantation is valued at cost based on the total expenditure incurred on / allocated to the year of plantation and the total quantity of yield obtained / expected from the respective year of plantation, while doing so due allowances have not been made for the lease rent payable to Karnataka Forest Department. However in respect of valuation of plantation, till maturity, valued at cost of expenditure incurred.

F) REVENUE

a) Sale of goods are recognized on transfer of significant risk and rewards to customers.

b) Logging receipts are recognized on completion of logging works.

- c) Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head “Other Income” in the Statement of Profit and Loss.
- d) All other income are recognized as of reasonably ascertainable.

G) EMPLOYEES RETIREMENT BENEFITS

- a) Company’s contributions to provident fund, superannuation fund and other funds for the year are charged to Statement of Profit and Loss.
- b) Group Gratuity premium is charged to Statement of Profit and Loss. Liabilities towards Gratuity to employees are covered by the Group Gratuity scheme under cash accumulation plan with LIC.
- c) The Liability towards leave encashment of employees at the time of retirement has been assessed on the basis of actuarial valuation as on Balance sheet date and funded with LIC under Group Leave Encashment Scheme. Premium if any, is charged to Statement of Profit & Loss.

H) BORROWING COST

Borrowing cost that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowings costs are charges to Statement of Profit and Loss.

I) LEASES

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight line basis over the lease term.

J) TAXES ON INCOME

- a) Current Tax Liabilities are provided on the basis of applicable Tax rates for the year estimated as per the Income Tax Act, 1961
- b) Deferred Income Taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and tax laws enacted or substantially enacted at the reporting date. Deferred Tax Liabilities are recognized for all taxable timing differences. Deferred Tax Assets are not as a matter of prudence, as virtual certainty for realization of the same does not exist.

K) EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit or loss for the period attributable to Equity Shareholders by the Weighted Average No. of Equity Shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to Equity Shareholders and the weighted number of Shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

L) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value

M) CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit/ (loss) before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. Cash flow for the year are classified by operating, investing and financing activities.

N) PROVISIONS

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amounts of the obligation. All provisions have been made for known liabilities which can be measured by using substantial degree of estimation.

O) CONTINGENT LIABILITIES

Contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The company does not recognize a contingent asset.

P) RELATED PARTY DISCLOSURES

The transactions between the company and the related parties if any, are disclosed in the notes to financial statements.

Q) PRIOR PERIOD ITEMS & CHANGES IN ACCOUNTING POLICIES

There are no changes in the accounting policies affecting the current year financial statements.

Prior period items are shown separately.

THE KARNATAKA STATE FOREST INDUSTRIES CORPORATION LTD.

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NOTE “31”

NOTES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2023 AND STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2023.

1. Figures for the previous year have been regrouped and re-classified wherever necessary.
2. Provision is based on estimates determined as on the balance sheet date.
3. Balances under Trade receivables, Trade payables, Deposits, Advances from Customers etc., are subject to confirmation and reconciliation.
4. Mysore Match Company Limited, a subsidiary is under voluntary winding up. Investment made in subsidiary of Rs. 2,94,550/- (Rs.2,94,550/-) and are stated at cost. A property of the said Subsidiary Company has been valued by the certified valuares for Rs.45,68,00,000/- in the year 2013. The Shareholders in the Annual General Body meeting held on 29.05.2023 resolved that subject to approval of Government, to sell the property through public auction, clear the liabilities and pay the amount to the Shareholders as per rules and authorized the Chairman & Managing Director to take appropriate action. Accordingly Government has been requested to accord approval vide letter No.ಸಂ.ಮೈಮ್ಯಾಕ್/ಎಜೆಎ/2023-24, ದಿನಾಂಕ:15.06.2023
5. Sale of 6202.793 cubic meters of confiscated granite blocks was accounted in the year 1994-95 subject to lifting of the material by the buyers. However, till March 31, 2005 only 1575.302 cubic meters have been lifted by various buyers. The balance was not lifted due to non-issue of permits by the Mines and Geology Department and also in view of non-payment by the Tenderers as per terms and conditions of tender. The Government of Karnataka ordered that KSFIC is no longer involved in the sale of the granite blocks, hence to refund the advances received from the buyers. Upon the request of the Company the earlier order of the Government referred above was modified by the Government stating that the earlier instructions were of the advisory in nature and the Company can initiate action as per terms and conditions of the tender. In view of this development the Company is taking steps.

In respect of the above, certain buyers had gone to Court seeking, inter alia, refund of advance and in some cases the matter was decided in favor of the buyers. In view of the judgment dated 24.10.2008 in civil appeal by the Hon'ble Supreme Court of India, settlement has been made as per orders. Advance received for Granite Rs. 22,88,594 (Rs. 22,88,594), Sundry Debtors for Granite Rs.72,37,934 (Rs.72,37,934) and Amount Payable to Forest Dept. for Granite Rs.60,88,064 (Rs. 60,88,064) are not adjusted as the same has to be reviewed and reconciled. The Karnataka Forest Department confiscated the granite blocks and still in their possession the role of KSFIC is to sell the granite blocks through tenders on behalf of the KFD. Further one M/s. SGR Traders approached the Hon'ble High Court in WP No.8840/2012 and in the judgment dated:27.06.2022 passed orders to refund Rs.6,74,388/- with interest @ 6% pa. On the advise of the

Advocate general in letter dated:07.09.2022 and Government letter No.FPG 32 FPC 2018 dated:30.09.2022 filed writ appeal No.1034/2022 against the judgment. The matter is before the Hon'ble High Court. Since the Granite blocks confiscated by the KFD and still in their possession they have been requested to conduct physical verification and to assess the blocks.

6. Deferred Tax:

| | 2022-23 | 2021-22 |
|------------------------|-----------|-----------|
| Deferred Tax Liability | Rs | Rs |
| Related to fixed asset | 13,00,887 | 14,32,097 |

Due to covid-19 pandemic in 2019-20 and 2020-21, there was delay in holding AGM's and caused delay in filing of IT returns. As per the Board resolution, appeal preferred before the CBDT (now the Commissioner of Income Tax) for condonation of delay in filing the IT returns for 2019-20 and onwards and further action will be taken regarding deferred Tax.

7. a) Number of persons who were in receipt of remuneration of not less than Rs.1,02,00,000/- (Previous Year Rs.1,02,00,000/-) per annum and employed throughout the year- Nil (Nil).

b) Number of persons who were in receipt of remuneration of not less than Rs.8,50,000/- (Previous Year Rs.8,50,000/-) per month and employed for the part of the year – Nil (Nil).

8. Due to breach of agreement, the Company has filed a civil suit for recovery of Rs.37,65,000/-(Rs.37,65,000/-) including interest of Rs.10,66,989/- (Rs.10,66,989/-) from M/s. Maheshwari Traders, Gadag. The Court in the judgment on 15.03.2010 dismissed the claims of KSFIC and allowed partly the counter claims of the defendant company M/s. Maheshwari Traders for an amount of Rs.12,84,796/-. The Company has filed an appeal vide RFA 1078/2010 before the Honorable High Court and obtained stay order against the judgment no provision has been made in the books of accounts. Further the Hon'ble High court on 06.06.2023 suggested for settlement as the case is a decade old. In the mean while the defendant Sri. S S Yalameli, proprietor of M/s. Maheshwari Traders reported to have died on 15.05.2023. I A has been filed before the hon'ble court to bring the legal heirs on record in this case. Orders of the court is awaited.

9. Government of Karnataka had sanctioned a loan of Rs. 1,51,05,000/- to the Company and the same was converted into Equity during October 2001. The Company had provided Interest amounting to Rs.32,13,000/- (Rs.32,13,000/-) up to 31-03-2001 and a proposal to convert the interest into Equity is under the consideration of the Government. In view of this, Interest for the period April to October, 2001 amounting to Rs. 8,17,000/- (Rs.8,17,000) has not been provided in the books and proposal has been sent to Government for waiver. The Government has convened a meeting on 19.08.2010 and discussed the subject in detail and agreed that since the principal amount has been converted into equity, there is justification to convert this also. Hence, there is no need to reject this and decided to send the proposal to Finance Department for initiating necessary action to

issue orders. As such the provision of Rs.8,17,000/- as interest has not been provided awaiting Government order.

10. The Title Deeds of land at Shivamogga (WPP) and measuring 18acres 35guntas and Dandeli 15acres 23 guntas and the book value of the land being Rs.1,89,879. The DC Shivamogga has been requested vide letter No.RM/SMG/RTC/2022-23/411, dt:02.02.2023 to direct the Tahasildar Shivamogga to register the property in the name of KSFIC in the RTC. In respect of Dandeli there is proposal to revive the Saw Mill and action will be initiated to valuate entire property. However KSFIC is paying the Property Tax to the concerned local body since it is registered in the name of KSFIC.
11. The Government in their order No. FEE 104 FPC 2014 dated 14.11.2014 have granted permission to exchange the KSFIC land bearing Sy.23/6A1B2,23-4B,23-12B23-6A2B,23-6B & 23/3(portion) totally measuring 5-89 acres in favor of Deputy Commissioner D.K District for the proposed construction of District office Complex. In lieu the Deputy Commissioner, Dakshina Kannada District Mangalore has to exchange lands to an extent of 4-50 acres in Sy.38-1A of Bangrakuluru Village of Mangalore Taluk to KSFIC Mangalore subject to certain conditions imposed in the order cited above. Accordingly the entries in the R.T.C of the above said land has been incorporated. The Conditions imposed viz. ,construction of compound, granting of further 3.50 acres to compensate the excess 1-39 acres taken over, allotment of 5000sqft building in new building, etc. are yet to be fulfilled. The Revenue authorities have earmarked in the ground floor for KSFIC and reported that electrification is still under process. The 4-50 acres in Bangarakuluru has been taken over by the KSFIC, fenced all around. The other land of 3-50 acres still to be handed over to KSFIC. The old building in the property was demolished and materials sold through auction during 2018-19 and Rs.2,75,000/- has been adjusted in the books of accounts.
12. The BBMP has assessed the property at Timber Yard Layout and fixed the tax considering the value of the property and tax has been paid up to date.
13. In pursuance of the Government letter No.FFD.190: FWL.82. dated:21-08-1985, the Company has handed over the possession of certain immovable property of Murkal Unit to the Karnataka Forest Development Corporation Ltd., Since the land handed over to KFDC, no depreciation is being made in the accounts of KSFIC.
14. The Company had acquired 9,750 sq.ft of office space valued at Rs. 45,21,797/- (NBV as at 31.03.2023 – Rs.23,01,695, Previous year NBV Rs. 23,78,569)in “Vanavikas”, Malleshwaram, Bangalore from the Karnataka Forest Development Corporation Limited. Pending conveyance of the title deeds, depreciation has been charged from the financial year 1990-91 onwards. Further, the Board had instructed to carry out reconciliation and valuation of payments consideration along with transfer of Murkal property for taking further action for conveyance of title deeds. Company has paid property tax and made a request to KFDC for arranging transfer of title deeds. KFDC has not responded to the letter dated 28.06.2012 till date nor convey

the title deeds. However, the Government has ordered for merging of KSFIC with KFDC and KCDC. Once the merger is affected the entire property will be in the possession of KFDC.

15. The Company has leased 15 cents of land at Mangalore to Zilla Parishad, Mangalore during 1993-94 on a lease rental of Rs.30,000/- p.a. The Zilla Parishad authorities requested to waive the lease rent, the same has been rejected and insisting for payment. The 15 cents land leased to the DCF social forestry division Mangalore for construction of residence to the DCF. In principal land belongs to the Forest Department which was handed over to KSFIC vide order No. AFD 202 FDP 73 dt:27.03.1975, The Zillapanchayath DK Mangalore stated that the social forestry division and KSFIC belongs to Karnataka Forest Department and requested vide letter dt:10.01.2012 to drop the issue of payment of lease rent. The PCCF (HoFF) vide DO letter No. A5 CFN CR 263/1993-94, dt:03.02.1994 addressed to the Government indicated that the land is under the control of KFD, the residential quarters constructed out of funds of Forest Department and requested for waiving of the lease rent. Hence no provision is made in the accounts.
16. Loans & Advances include amount due from Mysore Match Co. Ltd., Rs.23,33,830/- (Previous Year Rs.23,33,830/-). The property of the company had been valued at Rs.45,68,00,000/- in the year 2013 (previous year Rs.17,07,00,000/-) and in view of the explanation vide Sl. No.04 the Company is certain of recovering advances made, hence no provision is made.
17. The Government of Karnataka has sanctioned Rs.800,000/- of loan vide G.O.No.90 2001 dated 26th December, 2001 for financial requirement of Mysore Match Company, Shivamogga (subsidiary) to meet the voluntary retirement scheme and Rs.15,20,000/- vide G.O. no APJ 77 FPC 2010 Bangalore Dated 18.05.2011 through KSFIC for settlement of VRS of employees and settlement of court case in favor of M/s Western India Pulpwood's limited respectively and the principal amount repayable on receipt on disposal of assets. As the Government Orders had not specified the rate of interest, therefore interest is not provided on this loan as in the past. No adjustments were made in respect of refund of loans availed from Government through Corporation.
18. The suit filed against agent at Puttur towards recovery of firewood shortage amounting to Rs.2,28,308/- (Rs.2,28,308/-) has been dismissed. However, the company has initiated action to recover the entire amount from the then Regional Manager Sri. B.D. Prasanna Kumar for the cause. Further it has initiated for the department enquiry on 05.09.2017. Permission is awaited from the Government. However, provision is made in the accounts of 2016-17 for Rs.2,08,308/- (net) as per decision taken at the 241st meeting of the Board pending action for recovery.
19. During the year corporation has not taken up any own plantation work. However there are two own plantations, the details as follows:-

| Name | Area | year of planting | Ha. | Plantation details | Harvesting |
|-----------------|-----------------|--|--|--|--|
| Mundgena halli | 190 Aca (76 Ha) | 2007 and 2010 | 20.00 20.00 | Aca/EUC Mednl. Pltn. | The 1 st harvest made in the year 2014-15. The 2 nd harvest is due in 2023-24. Necessary direction issued to Sirsi unit to enumerate the trees and obtain necessary permission from the Forest department and take up harvesting. After realisation of value the same will be taken to accounts. |
| GGDP, Balekoppa | 400 Aca (160Ha) | 2006 2006 2006 2007 2010 2011 2011 | 71.00 11.00 3.50 40.00 12.00 5.00 6.00 | EUC Acacia Aca/EUC Pulpwood Bamboo Bamboo Bamboo | |

20. The liability towards the Gratuity and Leave Encashment has been assessed on the basis of actuarial valuation as on Balance Sheet date. Therefore, the particulars are disclosed.

**GRATUITY AND GLES REPORT UNDER AS-15 (REVISED 2005) FOR YEAR ENDED 31/03/2023 IN RESPECT OF KSFIC LTD., BANGALORE,
EMPLOYEES GRATUITY FUND TRUST FOR POLICY NO.35112 AND GLES POLICY NO.525059**

(Amount in Rupees)

| 1. Assumption | As on 31.03.2023 | As on 31.03.2022 |
|-------------------|------------------|------------------|
| Discount rate | 7.25% | 7.25% |
| Salary Escalation | 7.00% | 7.00% |

2. Table showing changes in present value of obligation

| | As on 31.03.2023 | | As on 31.03.2022 | |
|--|------------------|----------------|------------------|---------------|
| | GGP | GLES | GGP | GLES |
| Present Value obligation as at beginning of year | 1,30,40,532.00 | 78,56,167.00 | 1,45,73,634.00 | 78,25,554.00 |
| Interest Cost | 9,12,837.00 | 5,69,572.00 | 10,20,154.00 | 5,47,789.00 |
| Current Service cost | 7,41,183.00 | 3,15,673.00 | 7,48,677.00 | 3,04,479.00 |
| Benefits paid | (26,23,631.00) | (10,93,616.00) | (28,94,012.00) | (8,58,938.00) |
| Actuarial (gain) / loss on obligations | 13,80,218.00 | 8,69,648.00 | (4,07,921.00) | 37,283.00 |
| Present value of obligations as at end of year | 1,34,51,139.00 | 85,17,444.00 | 1,30,40,532.00 | 78,56,167.00 |

3. Table showing changes in the fair value of plan assets

| | As on 31.03.2023 | | As on 31.03.2022 | |
|--|------------------|----------------|------------------|----------------|
| | GGP | GLES | GGP | GLES |
| Fair Value of plan assets at beginning of year | 1,33,88,836.16 | 1,59,27,963.74 | 1,47,79,422.36 | 1,56,87,995.39 |
| Expected return on plan assets | 9,43,304.70 | 9,99,513.40 | 10,44,983.30 | 10,87,988.47 |
| Contributions | 18,27,968.56 | 0.00 | 4,58,442.46 | 10,917.88 |
| Benefits paid | (26,23,631.00) | (10,93,616.00) | (28,94,012.00) | (8,58,938.00) |
| Actuarial gain / (loss) on plan assets | NIL | NIL | NIL | NIL |
| Fair value of plan assets at the end of year | 1,35,36,478.42 | 1,58,33,861.15 | 1,33,88,836.16 | 1,59,27,963.74 |

4. Table showing fair value of plan assets

| | As on 31.03.2019 | | As on 31.03.2018 | |
|--|------------------|------|------------------|------|
| | GGP | GLES | GGP | GLES |
| | | | | |

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Fair value of plan assets at beginning of the year | 1,33,88,836.16 | 1,59,27,963.74 | 1,47,79,422.36 | 1,56,87,995.39 |
| Actual return on plan assets | 9,43,304.70 | 9,99,513.40 | 10,44,983.30 | 10,87,988.47 |
| Contributions | 18,27,968.56 | 0.00 | 4,58,442.46 | 10,917.88 |
| Benefits paid | (26,23,631.00) | (10,93,616.00) | 28,94,012.00 | (8,58,938.00) |
| Fair value of plan assets at the end of year | 1,35,36,478.42 | 1,58,33,861.15 | 1,33,88,836.16 | 1,59,27,963.74 |
| Funded Status | 85,339.42 | 73,16,417.15 | 3,48,304.16 | 80,71,796.74 |

Excess of actual over estimated return on plan assets **NIL**

(Actual rate of return = Estimated rate of return as ARD falls on 31st March)

| 5. Actuarial Gain / Loss recognized | As on 31.03.2023 | | As on 31.03.2022 | |
|--|-------------------------|---------------|-------------------------|-------------|
| | GGP | GLES | GGP | GLES |
| Actuarial (gain) / loss on obligations | (13,80,218.00) | (8,69,648.00) | 4,07,921.00 | (37,283.00) |
| Actuarial (gain) / loss for the year - plan assets | NIL | NIL | NIL | NIL |
| Total (gain) / loss for the year | 13,80,218.00 | 8,69,648.00 | (4,07,921.00) | 37,283.00 |
| Actuarial (gain) / loss recognized in the year | 13,80,218.00 | 8,69,648.00 | (4,07,921.00) | 37,283.00 |

6. The amounts to be recognized in the balance sheet and statements of profit and loss

| | As on 31.03.2023 | | As on 31.03.2022 | |
|---|-------------------------|----------------|-------------------------|----------------|
| | GGP | GLES | GGP | GLES |
| Present value of obligations as at the end of year | 1,34,51,139.00 | 85,17,444.00 | 1,30,40,532.00 | 78,56,167.00 |
| Fair value of plan assets as at the end of the year | 1,35,36,478.42 | 1,58,33,861.15 | 1,33,88,836.16 | 1,59,27,963.74 |
| Funded Status | 85,339.42 | 73,16,417.15 | 3,48,304.16 | 80,71,796.74 |
| Net asset / (liability) recognized in balance sheet | 85,339.42 | 73,16,417.15 | 3,48,304.16 | 80,71,796.74 |

7. Expenses recognized in statement of profit and loss

| | As on 31.03.2023 | | As on 31.03.2022 | |
|---|-------------------------|---------------|-------------------------|----------------|
| | GGP | GLES | GGP | GLES |
| Current service cost | 7,41,183.00 | 3,15,673.00 | 7,48,677.00 | 3,04,479.00 |
| Interest cost | 9,12,837.00 | 5,69,572.00 | 10,20,154.00 | 5,47,789.00 |
| Expected return on plan assets | (9,43,304.70) | (9,99,513.41) | (10,44,983.34) | (10,87,988.47) |
| Net Actuarial (gain) / loss recognized in the year | 13,80,218.00 | 8,69,648.00 | (4,07,921.00) | 37,283.00 |
| Expenses recognized in statement of profit and loss | 20,90,933.00 | 7,55,380.00 | 3,15,927.00 | (1,98,437.00) |

21. Company has not accounted for the rental income receivable from the Tenants of quarters at Dandeli Saw Mills as there is no certainty of recovering these dues. The quarters which were constructed during 1939 and 1950, handed over from KFD at the time of formation of KSFIC, they are in dilapidated condition. After depreciation the current value will be zero. However, notices have been issued to all tenants for settlement of arrears and also to vacate the houses which may cause loss of life of occupants for which KSFIC will not take the responsibility. However some of the occupants are paying nominal rent once in 3 to 4 months.

22. In the tenders for procurement of furniture, a condition regarding inspection of material will be done by the Regional Manager and bill value will be paid after the sale and realization of the bill value from the customers/departments. The suppliers agreeing to this condition quote their rates and supply the material. This condition has become part and parcel of the agreement in terms of SEC.16 of the MSMED ACT 2006. Therefore SEC 15 of the ACT will not be attracted.

23. In respect of Rs. 3,33,000/- receivables from Karnataka Housing Board, Yelahanka, The Chief Executive Officer had written to Executive Engineer vide letter dated 31.07.2012 seeking clarification against the payment on which KSFIC had written letter to the Chairman, Karnataka Housing Board to intervene and arrange for payment vide letter dated 16.08.2012. Further to the above a meeting was held with the Chief Engineer, KHB on 27.05.2013 and he had instructed Executive Engineer to process for settlement of final bills of KSFIC. Further on 26.06.2018 the Assistant Executive Engineer has been reminded to settle the issue. As per management response the KSFIC as written letter to chief Engineer KHB requested to release Rs.3,32,626/-.

24. In Shivamoga unit the total irregular logging advances of Rs.14,90,290/- was due from Sri. T.S. Basappa. Departmental enquiry was initiated against the employee for recovery of Rs.14,90,290/- on request of Sri. T.S. Basappa for adjustment of his retirement benefits, Rs.6,22,080/- was adjusted. There by the remaining balance is Rs.8,68,222/- based on the observations of CAG in the audit of accounts for 2014-15 and as per the Board resolution in its 241st meeting held on 26.12.2016 necessary provision was made during 2016-17. In spite of repeated efforts to recover the amount from Sri. T. S. Basappa, a criminal case filed vide No. P.C.R./3/2018 dated: 05.04.2018. The case is under investigation of the police.

25. Comptroller and Auditor General of India made an observation during audit of Karnataka Forest Department (KFD) for the year 2007-2012 that KSFIC has to levy and collect Forest Development Tax (FDT) on sale of pulpwood. KSFIC had paid FDT only on purchase value on the seigniorage rate. This has resulted in non-levy of FDT and short payment to Forest Department amounting to Rs. 2,02,00,000/-. The Forest Department has sought further clarification from KSFIC vide letter No.D-4(A) CR-04/2012-13 Dt.19.10.2012. In response to this, KSFIC vide its letter dated.05.11.2012 rejected the contention of AG as the payment of FDT cannot be charged twice. Once the sale by KFD is completed, the KFD does not hold any right on the materials in which the buyer make further sale. In this regard reply submitted by the office of the PCCF to AG vide letter dt.12.08.2010 informing that FDT is payable only on the purchase of pulpwood by KSFIC and not on further sales made by the Corporation and FDT on difference of values is not applicable and requested for withdrawal of observation, which confirms the stand of KSFIC. The same has been brought before the Meeting called by PCCF held on 25.02.2013. During discussion the MD, KSFIC sought a joint meeting of the PCCF, KSFIC & AG to sort out the issue. Accordingly the PCCF informed that this will be examined and action will be taken. The PCCF (HoFF) has been requested vide letter No. ಕರಾಳಕ್ಕೆನಿ/ಲೆಕ್ಕ/ ಎಜೆಂಡಿಎ/2023-24 ದಿ:12.07.2023 to clarify the issue. Awaiting this process, the Corporation has collected FDT/FDF on sale value of pulpwood

from 2013-14. The differential amount between Sale value and Purchase value amounting to Rs.8,21,26,516/- (Rs.8,23,30,292/-) (net) is disclosed under other current liability till further decision is taken.

26. The West Coast Paper Mills, Dandeli & M/s. Harihara Poly Fibers, Kumarapattanam have got the stay for the collection of Forest Development Fee on pulpwood supply from the Hon'ble High Court of the Karnataka on 21.03.2018 vide WP No. 11805/2018 (GM-FOR) and on 27.04.2018 vide WP No. 103167/2018 (GM-FOR) respectively. Accordingly collection of FDF on pulpwood from the bills has been stopped. However on 28.07.2018 an undertaking has also been obtained from the West Coast Paper Mills, wherein it is agreed to pay the FDF subject to decision of the Hon'ble High Court. Suitable condition has also been included in tender terms and conditions for payment of FDF. The FDF to be collectible for the year 2022-23 works out to Rs.74,91,833/- (PY Rs. 67,34,733/-). The aggregate amount of FDF collectible works out to Rs. 74,73,772/- (PY Rs. 73,82,920/-). Pending decision of the Hon'ble High Court, no provision has been made towards such FDF liability to the Forest Department amounting in aggregate to Rs.74,73,772/-
27. Government of Karnataka vide its order No. FEE 33 FPC 2004, Bengaluru dated: 22.11.2004 has order merger of Companies coming under Forest Ecology and Environment, to merge Rubber Division of KFDC with KCDC and KSFIC with KFDC. The process of merger has been taken up by KFDC. In supersession of the Government order dated:22.11.2004 the government vide order No. FEE 55 FPC 2021 dated:05.08.2022 ordered for the merger of KSFIC, KCDC with KFDC and to continue a single corporation namely "**Karnataka Forest Corporation**" the Government appointed KFDC as the nodal agency. The Board of directors of KSFIC in the 261st Meeting held on 07.03.2023 taken note of the Government order dated:05.08.2022 and authorized the Managing Director to take all administrative steps for the merger of the Companies. All necessary information and material have been furnished to the nodal agency, the KFDC. The merger process is being taken up by the KFDC.
28. Depreciation in respect of Assets as on 31.03.2023 including the additions made during the year are calculated/accounted on the basis of Straight line method as per part C of Schedule II of Companies Act 2013.
29. As per Section 135 of the Companies Act, 2013, the Board of Directors of the Company in the meeting held on 26.12.2016 has constituted a CSR Committee and the Committee is in the process of formulating policies for allocating funds for activities as specified in Schedule VII of the Companies Act, 2013. During the year 2016-17 an amount of Rs. 2,98,602/- has been incurred and Rs.45,00,000/- during 2021-22 and 2022-23. Only Rs.3,00,000/- remains unspent. Further during 2019-20, 2020-21,2021-22 and 2022-23 the net profit has not crossed Rs.5,00,00,000/- in each year and no provision for CSR activities made during these years.
30. Comptroller and Auditor General of India made an observation during the review of Karnataka Forest Industries Corporation Limited (KSFIC) for the year 2019-2020. CAG sought clarification from KSFIC vide letter No. AG (Au-II)/AMG-I/Accounts- 2019-20/B/2022-23/71 that the statement of profit and loss for the year ended 31stMarch 2020 – Note 22 other income included amount due to some retired employees which were kept in Fixed Deposits since 1999. The total amount including interest earned as at the end of March

2020 was Rs.6,75,000. The present amount is Rs.7,90,523/- these amounts pertaining to some retired employees in RMP & Shivamogga units. There is court cases against the retired employees and pending disposal of the court cases it cannot be adjusted to miscellaneous income as suggested by the audit. Action will be taken after the court judgments and will be adjusted in 2023-24.

31. Comptroller and Auditor General of India made an observation during the review of Karnataka Forest Industries Corporation Limited (KSFIC) for the year 2019-2020. CAG sought clarification from KSFIC vide letter No. AG (Au-II)/AMG-I/Accounts- 2019-20/B/2022-23/71 that the current liabilities and provision under Equities and Liabilities in Balance sheet included an amount of 13,31,109, relating to deposits from employees which were outstanding and payable prior to 2014-15. As against this a sum of Rs.15,34,377/- pertaining to unclaimed deposits have been adjusted to miscellaneous income in the accounts for 2021-22 as suggested by the audit.

32. Comptroller and Auditor General of India made an observation during the review of Karnataka Forest Industries Corporation Limited (KSFIC) for the year 2019-2020. CAG sought clarification from KSFIC vide letter No. AG (Au-II)/AMG-I/Accounts-2019-20/B/2022-23/71 that The Advance recoverable in cash or value to be recovered shown under Short term Loans and Advances in Balance sheet included Income Tax Refund of 157.65 lakh. Pertaining to the period from 2011-12 to 2018-19, due from Income Tax Department.

The matter is being consistently pursued with the income tax department. An amount of Rs.53,28,525/- which inclusive interest amount of Rs.3,77,778/- refunded in FY 2020-21 and amount of Rs.50,94,746 which inclusive interest amount of Rs.9,97,391/- refunded in FY 2021-22 and is being accounted in the Books of Accounts. The balance outstanding Rs.68.58 lakhs which has been ordered for refund by the Income Tax department for the years 2011-12, 2012-13 and 2014-15 is still to be transferred to the account of KSFIC for which an application for grievances cell is filed for early settlement. Soon after the refund it will be taken to the accounts.

33. As at the close of 31.03.2023, trade receivables (unsecured, considered good) amounting to Rs.18,46,90,835/- (PY Rs.17,20,92,113/-) are outstanding for a period exceeding six months. There are trade receivables outstanding for over one to over three years and the management has followed up with the parties concerned and maximum amount pertaining to bills from Karnataka Forest Department to whom age-wise details furnished and requested for payment.

34. The special audit for the period from 01.04.2019 to 30.09.2022 to reveled amount recoverable from Sri. Sudheendra Nayak is Rs.8,35,38,991 which includes amount receivable from the contractors Rs.2,66,40,233. The net recoverable from Sri. Sudheendra Nayak is Rs.5,68,98,780. Action has been initiated for recovery of outstanding balance from the contractors and Rs.87,40,239 has been recovered and balance is Rs.1,78,99,972. The contractors have given an undertaking that they will pay the balance amount. Regarding outstanding from Sri. Sudheendra Nayak is Rs.5,68,98,780. Departmental enquiry is already initiated against Sri. Sudheendra Nayak and action will be taken as per the finding of the enquiry.

35. The 12 Red Sanders trees naturally grown up in the premises of KSFIC, Shivamogga unit which were dried up and fallen have been cut and transported by the Karnataka Forest Department and kept in the Sandal wood godown of Forest department for safety purpose. The total output is 23560 kgs and the same has to be sold through public auction after obtaining approval from the competent authorities. In this regard the APCCF (FRM), has been requested vide letter No. KSFIC/RM/Red sanders/2023-24 dated:08.05.2023 to fix the rate through public auction and transfer the amount to KSFIC after deducting the preparation and transportation charges. Till such time it is not possible to assess the value and taken to account.

36. Balance under trade receivables, trade payables, Deposits, advances from customers, Advances Receivable in Cash or kind etc., are subject to confirmation and reconciliation. Most of the receivables are from the Forest department for which age-wise details have been furnished to the Forest department, who are releasing the amount depending on receipt of grants from the Government.

37. As suggested by the Accountant General during 2021-22, the closing balance value of stock for the year 2022-23 is considered by deducting the purchase value out of sale value.

38. Financial Ratios

| Sl. No | Ratio | Numerator | Denominator | 31-03-2023 | 31-03-2022 |
|--------|---|--|--|------------|------------|
| 1 | Current Ratio (in times) | Current Asset | Current Liabilities | 2.19 | 2.19 |
| 2 | Return on Equity Ratio (in%) | Profit for the year | Average shareholder's equity | 0.14 | 0.13 |
| 3 | Inventory turnover Ratio (in times) | Gross Revenue from sale of products and services | Average Inventories | 13.48 | 14.70 |
| 4 | Trade Receivables turnover ratio (in times) | Gross Revenue from sale of products and services | Average Trade receivables | 1.28 | 1.33 |
| 5 | Trade Payable turnover ratio (in times) | Total Purchases | Average Trade Payables | 3.28 | 2.27 |
| 6 | Net Capital turnover ratio (in times) | Gross Revenue from sale of products and services | Net Working Capital | 1.09 | 1.00 |
| 7 | Net Profit ratio (in %) | Profit for the year | Gross Revenue from sale of products and services | 0.07 | 0.07 |
| 8 | Return on Capital employed (in %) | Profit before interest and Taxes | Average Capital employed | 0.09 | 0.09 |

39. Provision for Income tax for the FY 2022-23 has been made in the accounts.

40. Details of legal cases pending and the present status are annexed.

41. Figures have been rounded off to the nearest rupee.

To be read with our report of even date
For T Ramachandran& Co.,

for and behalf of the Board

Chartered Accountants
Firm Registration No. 009009S

(T Ramachandran)
Partner
Membership No: 207600

(Mahesh B Shirur)
Managing Director
DIN: 08524095

(Eshwar B Khandre)
Chairman
DIN:

Date:
Place: Bangalore