



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

FOR THE YEAR ENDED 31 MARCH 2000

**COMMERCIAL
GOVERNMENT OF ORISSA**

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Audit Report (Commercial) – Government of Orissa 1999-2000

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PREFACE

Government commercial concerns, the accounts of which are subject to audit by the Comptroller & 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 Orissa under Section 19A of the Comptroller & Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Orissa.

3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956. There are, however, certain companies which, in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government holds less than 51 *per cent* of their share capital. The details of such companies in which Government investment by way of share capital was more than Rs.10 lakh as on 31 March 2000 is given in Annexure – I.

4. In respect of the Orissa State Road Transport Corporation which is a Statutory corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of the Orissa State Financial Corporation and the Orissa State Warehousing Corporation, he 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 Comptroller and Auditor General. 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 the year 1999-2000 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 1999-2000 have also been included, wherever necessary.

OVERVIEW

1. GENERAL

1.A Government Companies

As on 31 March 2000, the State had 69 Government companies (including 20 subsidiaries), three companies governed by the provisions of Section 619-B of the Companies Act, 1956 and three Statutory corporations. The total investment in 69 Government companies (including 20 subsidiaries) and three Statutory corporations was Rs.8,543.62 crore consisting of equity of Rs.2,212.39 crore (including share application money of Rs.177.91 crore) and long-term loans of Rs.6,331.23 crore. The State Government also guaranteed the repayment of loans raised by some of the Government companies and Statutory corporations. The outstanding guarantee stood at Rs.4,679.57 crore as on 31 March 2000 against the loans raised by 18 Government companies and two Statutory corporations.

(Paragraphs 1.2, 1.4 and 1.10)

The subsidiaries of GRID Corporation of Orissa Limited (GRIDCO) viz. North Eastern Electricity Supply Company Limited (NESCO), Southern Electricity Supply Company Limited (SOUTHCO), Western Electricity Supply Company Limited (WESCO), were privatised from 1 April 1999 in favour of Bombay Suburban Electric Supply Limited (BSES) and Central Electricity Supply Company Limited (CESCO) was privatised from 1 September 1999 in favour of AES Corporation of USA (AES).

(Paragraph 1.3.1)

Except three companies viz. Neelachal Ispat Nigam Limited, IDCOL Cement Limited and Orissa Power Generation Corporation Limited, none of the companies and corporations had finalised accounts for the year 1999-2000. The accounts of 66 companies and three Statutory corporations were in arrears ranging from one year to 37 years as on 30 September 2000.

(Paragraph 1.5.1)

According to the latest available accounts, 15 companies and two statutory corporations had eroded their paid-up capital of Rs.611.98 crore as accumulated losses of these companies / corporations aggregated Rs.1,281.40 crore.

(Paragraphs 1.6.1.2 and 1.6.2.2)

2. REVIEWS IN RESPECT OF GOVERNMENT COMPANIES

Aspects relating to activities of Orissa Hydro Power Corporation Limited and Tariff, Billing and Revenue collection of GRID Corporation of Orissa Limited were reviewed in audit and some of the main findings are as follows:

2A. Review on Orissa Hydro Power Corporation Limited

Lack of proper maintenance of the generating units led to increase in forced outages and loss of generation during monsoon period valued at Rs.40.63 crore.

(Paragraph-2A.8.1)

The Company suffered loss of Rs.12.78 crore towards auxiliary consumption and transformation loss in excess of norms.

(Paragraphs-2A.8.3 and 2A.8.4)

Delayed completion of renovation works in respect of Hirakud and Chiplima power projects resulted in loss of potential generation of 985.970 MU valued at Rs.43.56 crore.

(Paragraphs-2A.9.1 and 2A.9.2)

Defective planning and delays in execution of works of the Upper Indravati Hydro Electric Project (UIHEP) resulted in cost overrun of Rs.85.40 crore including undue advantage to contractors amounting to Rs.5.46 crore.

(Paragraph-2A.10.1)

Release of funds to the tune of Rs.21.28 crore to the contractor without finalising the financial tie-up in line with the terms of the contract led to blockage of funds. Non-utilisation of the said amount for repayment of PFC loan resulted in loss of interest of Rs.4.67 crore.

(Paragraphs- 2A.11.1)

The Company is continuing with the surplus manpower identified in August 1999 involving a minimum recurring liability of Rs.4.76 crore *per annum*.

(Paragraph-2A.13)

2B. Review on Tariff, Billing and Revenue Collection of GRID Corporation of Orissa Limited

As the average expenditure *per unit* was more than the average sales realisation *per unit*, the Company suffered a loss of Rs.1,121.79 crore at the end of three years up to 1998-99.

[Paragraph 2B.4(a)(iv)]

T&D losses for the years 1997-98 and 1998-99 was 47.31 and 48.90 *per cent* respectively as against bench mark of 35 *per cent* fixed by OERC for both the years. The T&D losses in excess of 35 *per cent* worked out to Rs.732.22 crore which resulted in additional burden to the Company.

[Paragraph 2B.4(b)]

Delay in submission of proposal for revision of tariff for 1998-99 to OERC resulted in loss of revenue of Rs.152.92 crore.

[Paragraph 2B.4(c)]

Execution of special agreements with three industrial consumers led to loss of revenue to the Company to the tune of Rs.29.86 crore due to non-observance of provisions of General Conditions of Supply Regulations, 1995 of OSEB.

(Paragraph 2B.5.3)

Non-collection of additional security deposit amounting to Rs.28.29 crore resulted in loss of interest of Rs.5.09 crore *per annum*.

(Paragraph 2B.10.3)

Effective steps were not taken to realise dues of Rs.751.40 crore pending with the Distribution Companies.

(Paragraph 2B.11)

3. REVIEW IN RESPECT OF STATUTORY CORPORATIONS

Aspects relating to activities of Orissa State Road Transport Corporation, Recovery Performance of Orissa State Financial Corporation and Industrial Promotion and Investment Corporation of Orissa Limited were reviewed in audit and some of the main findings are as follows:

3A Review on Operational Performance of Orissa State Road Transport Corporation

Fleet utilisation of the Corporation ranged between 41 and 59 *per cent* during the five years ended March 2000 as against all India average of 88 and 90 *per cent*. Vehicle productivity was between 258 and 285 kms. *per day per bus*.

(Paragraphs 3A.9.2.1 & 3A.9.2.3)

The Corporation incurred revenue loss of Rs.0.65 crore as a result of 8.84 lakh dead kilometers.

(Paragraph 3A.9.2.4)

The Corporation suffered revenue loss of Rs.55.79 crore due to suspension of 2.24 lakh trips fully and 0.35 lakh trips partly during the five years ended 1999-2000.

(Paragraph 3A.9.4)

As against the norm of 4.5 kms. *per litre* the Corporation achieved 3.25 to 4.45 kms. during 1995-96 to 1999-2000 in five depots which resulted in extra expenditure of Rs.1.29 crore.

(Paragraph 3A.9.5)

Local purchase of stores ranged between 55.83 and 99.08 *per cent* in five depots against 20 *per cent* prescribed. Extra expenditure of Rs.0.64 crore was incurred on local purchase as compared to the rate of Central Stores in Rourkela, Sambalpur and Bargarh depots.

(Paragraph 3A.10.1)

The Corporation paid Rs.4.32 crore to private parties for construction of bus bodies without utilising its own men and machinery at workshops.

[Paragraph 3A.11 (i)(b)]

The Corporation incurred extra expenditure of Rs.0.35 crore in four units on getting the retreading work done through outside parties while keeping its own men and machines idle for want of work.

[(Paragraph 3A.11 (ii))]

Corporation sustained a minimum loss of Rs.0.21 crore due to its ineffectiveness in collecting parking charges from private buses parked in the bus stands owned by the Corporation.

(Paragraph 3A.14)

The Corporation incurred extra expenditure of Rs.3.39 crore during the five years ended 31 March 2000 due to excess staff on rolls when compared to norm fixed.

(Paragraph 3A.16.1)

3B Recovery performance of Orissa State Financial Corporation and Industrial Promotion and Investment Corporation of Orissa Limited

Orissa State Financial Corporation (OSFC)

The recovery performance for last five years up to 1999-2000 was poor. The percentage of effective recovery to the overdues ranged between 11.9 and 18.3 during the years 1995-96 to 1999-2000.

(Paragraph 3B.6.2)

Out of Rs.1,055.97 crore disbursed up to 1999-2000, Rs.538.37 crore was outstanding and Rs.591.98 crore including interest was overdue due to imprudent decision in disbursement of loans, indecisiveness of management, lack of timely action and delay in filing of cases under Section 31 of SFCs Act 1951. Age wise analysis of the overdues was not done.

(Paragraph 3B.6.3)

121 loanees had not paid even a single instalment resulting in accumulation of overdues of Rs.69.99 crore.

[Paragraph 3B.6.3 (iv)]

Lack of follow up action for recovery of Rs.11.15 crore outstanding from 198 industrial units in eight branches resulted in their recovery being rendered remote.

(Paragraph 3B.6.4)

The Corporation sustained a loss of Rs.10.29 crore in nine cases due to non-availability of sufficient security.

(Paragraph 3B.6.6)

In almost all cases of units seized and sold, the sale value did not cover the outstanding due to removal of assets or over valuation at the time of disbursement. There were outstandings amounting to Rs.87.39 crore against 572 seized units lying undisposed and company spent Rs.3.01 crore on watch and ward on seized units.

(Paragraph 3B.6.9)

Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL)

The percentage of recovery to demand ranged between 11.78 and 18.37 during the period from 1995-96 to 1998-99 which resulted in accumulation of outstanding dues of Rs.83.52 crore as on 31 March 1999.

(Paragraph 3B.7.3)

Despite COPU's directions to initiate appropriate measures, delay ranging from 15 months to 10 years continued to exist in disposal of 15 seized units involving outstanding dues of Rs.18.86 crore.

[Paragraph 3B.7.5 (c)]

The Company did not invoke Sections 29 & 31 of SFCs Act to recover its dues, due to lack of infrastructure, verification and valuation of assets and post disposal difficulties which resulted in loss of Rs.6.54 crore on write off of principal amounts due during the three years 1996-97 to 1998-99.

(Paragraph 3B.7.7)

Under OTS scheme, the Company settled 15 loan accounts sacrificing Rs.5.06 crore.

(Paragraph 3B.7.9)

4 Other Topics of Interest

Blatant disregard and non-adherence to extant rules and procedures in Orissa State Civil Supplies Corporation Limited led to shortage of PDS commodities and loss amounting to Rs.5.53 crore *plus* interest of Rs.4.81 crore.

(Paragraph-4.1.)

Import of testing and measuring instruments (meggers) by GRIDCO instead of indigenous purchase resulted in extra expenditure of Rs.1.45 crore.

(Paragraph-4.2.2)

Payment of interim dividend by Orissa Power Generation Corporation Limited (OPGC) in violation of provisions of Companies Act resulted in extension of undue benefit amounting to Rs.9.35 crore to a private shareholder. Further, Government was deprived of dividend of Rs.45.10 crore for 1997-98.

(Paragraph-4.4.1)

Sanction of loan by IPICOL on recommendation of Empowered Committee to a company categorised under "Default category" by CRISIL and failure to adhere to stipulations regarding form of debentures issued and obtaining of security coupled with lack of prompt action for recovery resulted in probable loss of Rs.13.56 crore.

(Paragraph-4.8.1)

Orissa Small Industries Corporation Limited (OSIC) extended loan under Raw Material Credit Scheme in violation of extant guidelines resulting in potential loss of Rs.1.04 crore.

(Paragraph-4.9.1)

Defective terms in the agreement relating to mining of chrome ore and poor monitoring of work by Orissa Mining Corporation Limited (OMC) resulted in excess payment of Rs.3.77 crore.

(Paragraph-4.10.3)

Orissa Rural Housing and Development Corporation Limited released borrowed funds to Building Centres as advance. Of this, Rs.0.63 crore remained locked up due to lack of adequate monitoring resulting in loss of interest of Rs.0.30 crore. Further, the objective of the scheme also remained unfulfilled.

(Paragraph-4.12)

Rejection of lowest offer and award of work to an unreliable party by Orissa Lift Irrigation Corporation Limited resulted in delay in completion of work of construction of office building besides extra expenditure of Rs.1.20 crore.

(Paragraph-4.14)

Chapter – I

1. General view of Government Companies and Statutory Corporations

1.1 Introduction

As on 31 March 2000, there were 69 Government companies (including 20 subsidiaries) and 3 Statutory corporations under the control of the State Government as against 77 Government companies (including 24 subsidiaries) and 3 Statutory corporations as on 31 March 1999. In 1999-2000 seven Companies were privatised and 2 Companies were liquidated. One Company namely IDCOL Software Limited was incorporated. The accounts of the Government companies (defined in section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by the Government of India on the advice of the Comptroller and Auditor General of India (CAG) under Section 619 (2) of the Companies Act, 1956 and supplementary audit may be conducted by the CAG under Section 619 *ibid.* The audit of the statutory corporations is conducted under the provisions of the respective Acts as detailed below:

Sl. No.	Name of the Corporation	Authority for Audit by the CAG	Audit arrangements
1.	Orissa State Road Transport Corporation (OSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Orissa State Financial Corporation (OSFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and supplementary audit by CAG
3.	Orissa State Warehousing Corporation (OSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and supplementary audit by CAG

1.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March 2000, the total investment in 72 Public Sector Undertakings (69 Government companies including 20 subsidiaries and 3 Statutory corporations) was Rs.8,543.62 crore {equity: Rs.2,212.39 crore (including share application

money of Rs.177.91 crore) and long-term loans: Rs.6,331.23 crore} as against a total investment of Rs.8,318.39 crore {equity: Rs.2,328.43 crore (including share application money of Rs.86.64 crore) and long term loans: Rs.5,989.96 crore} as on 31 March 1999 in 80 Public Sector Undertakings (77 Government companies including 24 subsidiaries and 3 Statutory corporations). An analysis of the investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Total investment in 69* companies (including 20 subsidiaries) as on 31 March 2000 was Rs.7,738.76 crore (equity: Rs.1,985.19 crore and long term loans: Rs.5,753.57 crore) as against total investment of Rs.7,563.25 crore (equity: Rs.2,108.24 crore, long-term loans: Rs.5,455.01 crore) in 77 companies as on 31 March 1999.

The classification of the Government companies was as under:

Status of companies	Number of companies ^{\$}	Investment (Rupees in crore)		Number of companies referred to BIFR
		Paid up capital	Long-term loan	
(a) Working Companies	32 (40)	1941.13 (2070.03)	5734.94 (5431.43)	6 ^e
(b) Non-Working Companies				
(i) Under liquidation	14 ^a (15)	0.36 (0.37)	-- --	
(ii) Under closure	21 ^b (19)	32.45 (26.56)	16.40 (13.25)	2 ^f
(iii) Under merger	2 ^c (2)	11.25 (11.25)	2.23 (10.33)	--
(iv) Others	-- (1)	- (0.03)	-- --	--
Total	69 (77)	1985.19 (2108.24)	5753.57 (5455.01)	8

Note: Figures in brackets relate to previous year.

As 37 companies were either non-working or under process of liquidation / closure under Section 560 of the Companies Act or under process of merger for 3

* Orissa Maritime and Chilka Area Development Corporation Limited and Orissa Fish Seed Development Corporation Limited (Sl.Nos.40 and 50 of Annexure-2) were merged into one Company namely Orissa Pisciculture Development Corporation Limited. However, as the consolidation of accounts for both the merged Companies has not been prepared particulars in Annexures-2, 3 and 4 have been indicated separately for both the Companies.

^{\$} Reference to Sl. Nos. in Annexure-2.

^e Sl.No.: 5, 18, 32, 33, 42 & 67.

^a Sl.No. : 9, 10, 11, 12, 13, 14, 20, 21, 53,54,55,56,.57 & 58.

^b Sl.No. :6, 7, 15, 16,19, 23, 24,25, 26, 27, 28,30, 31, 34, 35, 48, 49, 51, 61, 64, and 66.

^f Sl.No.: 24 & 34.

^c Sl.No. : 40 and 50.

to 27 years and substantial investment of Rs.62.69 crore was involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

The summarised financial results of Government companies are detailed in Annexure-3. Due to increase in long-term loans in the industry (Neelachal Ispat Nigam Limited), forest (Orissa Forest Development Corporation Limited), finance (IPICOL) and miscellaneous sectors (IDCOL and Orissa Rural Housing and Development Corporation Limited), the debt equity ratio increased from 2.59:1 in 1998-99 to 2.90:1 in 1999-2000.

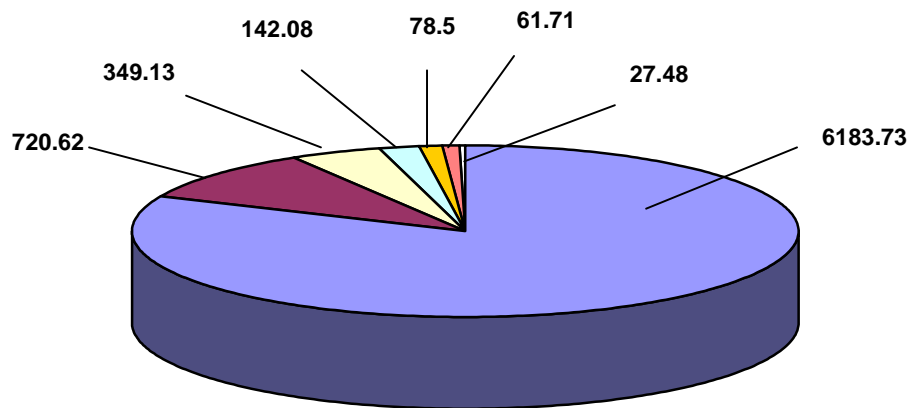
Sector wise investment in Government companies

As on 31 March 2000, the total investment in Government companies comprised of 25.65 per cent equity capital and 74.35 per cent loans as compared to 27.87 per cent equity and 72.13 per cent loans as on 31 March 1999.

The sector-wise investment (equity and long-term loans) in Government companies at the end of 1998-99 and 1999-2000 is given below in two pie diagrams.

INVESTMENT AS ON 31 MARCH, 1999

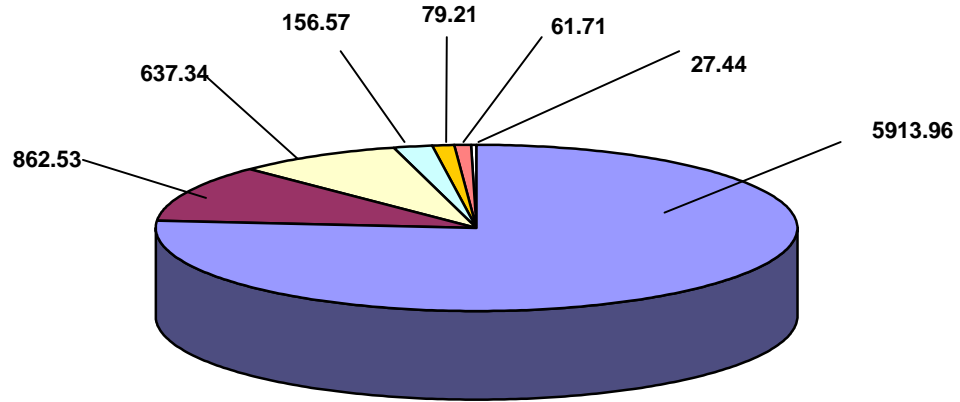
(Rupees in crore)



■ POWER 81.76%	■ MISCELLANEOUS 9.53%
□ INDUSTRIES 4.61%	□ FINANCING 1.88%
■ ENGINEERING AND ELECTRONICS 1.04%	■ TEXTILE AND HANDLOOM 0.82%
□ AGRICULTURE AND ALLIED 0.36%	

INVESTMENT AS ON 31 MARCH, 2000

(Rupees in crore)



■ POWER 76.42%	■ MISCELLANEOUS 11.15%
□ INDUSTRIES 8.24%	□ FINANCING 2.02%
■ ENGINEERING & ELECTRONICS 1.02%	■ TEXTILE & HANDLOOM 0.80%
□ AGRICULTURE & ALLIED 0.35%	

1.2.2 Statutory corporations

The total investment in 3 Statutory corporations at the end of March 2000 and March 1999 was as follows:

(Rupees in crore)

Name of Corporation	1998-99		1999-2000 (Provisional)	
	Capital	Loan	Capital	Loan
Orissa State Road Transport Corporation (OSRTC)	129.43	23.04	136.42	41.18
Orissa State Financial Corporation (OSFC)	87.57	511.59	87.57	536.48
Orissa State Warehousing Corporation (OSWC)	3.20	0.31	3.20	--
Total	220.20	534.94	227.19	577.66

As on 31 March 2000, the total investment in Statutory corporations comprised of 28.23 per cent equity capital and 71.77 per cent loans as compared to 29.16 per cent equity capital and 70.84 per cent loans as on 31 March 1999. The debt equity ratio increased from 2.43:1 in 1998-99 to 2.54:1 in 1999-2000 due to increase in the loan of OSFC and OSRTC.

The summarised financial results of the 3 Statutory corporations as per the latest finalised accounts are given in Annexure-3 and the financial position and working results of OSRTC for three years upto 1998-99 and for other Statutory corporations for the three years upto 1999-2000 are given in Annexures-5 and 6.

1.3 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings in Orissa

1.3.1 Privatisation

The subsidiaries of Grid Corporation of Orissa Limited (GRIDCO) involved in retail distribution of power viz. North Eastern Electricity Supply Company Limited (NESCO), Southern Electricity Supply Company Limited (SOUTHCO), Western Electricity Supply Company Limited (WESCO) were privatised with effect from 1 April 1999 and Central Electricity Supply Company Limited (CESCO) was privatised with effect from 1 September 1999. NESCO, WESCO and SOUTHCO had been taken over by Bombay Suburban Electric Supply Limited, Mumbai and CESCO had been taken over by AES Corporation of USA. In the privatised distribution companies, the private company holds 51 *per cent* equity, GRIDCO holds 39 *per cent* and 10 *per cent* rest with the Trustees.

Orissa Pump and Engineering Company Limited, a subsidiary of Orissa Small Industries Corporation Limited, was taken over by private management from 2 November 1998. Orissa Tiles Limited (defunct since 1976) and Cuttack Iron and Steel Industries Limited (closed since 1979) are now with the private shareholders.

1.3.2 Liquidated companies

Out of the pilot project companies, Konark Processing Works Limited and Kalinga Steel and Wire Products Limited were finally dissolved on 22 March and 3 May 1996 respectively by orders of Honourable High Court.

1.3.3 New creation

In order to carry on a general business of Software Development and Export, a new subsidiary of Industrial Development Corporation of Orissa Limited (IDCOL) in the name of IDCOL Software Limited was created on 26 November 1998.

1.3.4 Restructuring Programme of Government of Orissa

As per the records of discussion held between Ministry of Finance, Government of India and Government of Orissa on 15 April 1999 for a fiscal reform programme, Government of Orissa was to take up the time bound reform programme for disinvestment and restructuring of certain State level Public Sector

Enterprises. The particulars of the companies, reform programme and present status of such companies is given below:

Name of the Enterprise	Action to be taken	Date by which action to be completed	Present status
Re-rolling Mills (Unit of IDCOL)	Disinvestment through privatisation	October 1999	Taken over bid withdrawn by the Orissa Sponge Iron Limited.
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999	Only one take over bid received, which was unacceptable to the Management.
IDCOL Cement Limited	Revival/closure	31 March 2000	Disinvestment process deferred and decided to revive the Unit.
Ferro Chrome Plant (Unit of IDCOL)	Partial privatisation	October 1999	Negotiations are on with three parties.
Kalinga Iron Works (Unit of IDCOL)	Partial privatisation	October 1999	Two offers received were rejected.
Orissa State Textile Corporation Limited	Closure	March 2000	Proposed to lease out / dilute equity participation.

It would be observed from the above that none of the milestones have been achieved till date (September 2000).

1.4 Budgetary outgo, Subsidies, Guarantees and Waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government in respect of Government companies and Statutory corporations are given in Annexures-2 and 4.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the three years up to 1999-2000 in the form of equity capital, loans, grants and subsidy is given below:

	1997-98				1998-99				1999-2000			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(Amount Rupees in crore)												
Equity Capital	12	65.20	2	3.01	5	76.39	1	3.30	9	102.22	1	6.99
Loans	4	5.85	2	7.64	4	132.51	1	5.75	2	6.03	1	1.50
Grants	--	--	--	--	--	--	--	--	6	6.92	--	--
Subsidy towards												--
(i)Projects/ Programmes / Schemes	--	--	--	--	3	104.60	1	2.25	2	153.77	2	1.58
(ii)Other Subsidy	5	112.44	2	4.80	2	0.45	1	1.60	--	--	--	--
Total Subsidy	--	--	--	--	5	105.05	2	3.85	2	153.77	2	1.58
Total outgo	12[∞]	183.49	3[∞]	15.45	10[∞]	313.95	2[∞]	12.90	9[∞]	268.94	2[∞]	10.07

During the year 1999-2000, the State Government had guaranteed loans aggregating Rs.683.10 crore obtained by 8 Government companies (Rs.676.39 crore) and one Statutory corporation (Rs.6.71 crore). At the end of the year, guarantees amounting to Rs.4,679.57 crore were outstanding against 18 Government companies (Rs.4,296.40 crore) and 2 Statutory corporations (Rs.383.17 crore). Government had forgone Rs.0.55 crore by way of waiver of interest due in one Company[#]. The guarantee commission paid / payable to the Government by Government companies and Statutory corporations during 1999-2000 was Rs.13.12 crore / Rs.1.93 crore and Rs.12.92 crore / Rs.4.91 crore respectively. The increase in subsidy for Orissa Lift Irrigation Corporation Limited was due to increase in the rate of water tax. The grants for Rs.6.92 crore include cyclone repair grant of Rs.4 crore received by Grid Corporation of Orissa Limited.

1.5 Finalisation of accounts by PSUs

1.5.1 The accounts of companies for every financial year ought 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, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their

[∞] Actual number of companies/corporations which received equity/loan/subsidy from State Government

[#] Sl.No.A10 of Annexure-4.

accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as depicted in Annexure-3, out of 69 Government companies only three (Neelachal Ispat Nigam Limited, IDCOL Cement Limited and Orissa Power Generation Corporation Limited), have finalised their accounts for the year 1999-2000 within the stipulated period. During the period from October 1999 to September 2000, 29 Government companies including 3 subsidiaries of GRIDCO (privatised from 1 April 1999) finalised 34 accounts for the year 1999-2000 or previous years (31 accounts for previous years by 26 companies and 3 accounts for 1999-2000 by three companies). Similarly during this period, 3 Statutory corporations finalised three accounts for previous years. The accounts of 66 Government companies and all the 3 Statutory corporations were in arrears for periods ranging from one year to 37 years as on 30 September 2000 as detailed in the following table:

Sl. No.	Year from which accounts are in arrears	No. of years for which accounts are in arrears	No. of companies/ corporations		Reference to serial No. of Annexure – 3	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	1963- 64	37	2		55&58	
2.	1965 -66	35	1		9	
3.	1966-67	34	3		13,20&21	
4.	1967-68	33	2		10&12	
5.	1968-69	32	2		56&57	
6.	1969-70	31	1		11	
7.	1971-72	29	2		30&54	
8.	1973-74	27	2		14&53	
9.	1976-77	24	1		16	
10.	1982-83	18	2		6&31	
11.	1983-84	17	1		49	
12.	1987-88	13	1		26	
13.	1988-89	12	2		15&61	
14.	1990-91	10	1		27	
15.	1991-92	9	2		48&51	
16.	1992-93	8	5	1	1,23,24,25&64	1
17.	1993-94	7	3		34,41&52	
18.	1994-95	6	8		19,35,36,37,43, 50,65 & 66	
19.	1995-96	5	4		22,32,39& 40	
20.	1996-97	4	4		28,63,67&68	
21.	1997-98	3	4		2,60,62&69	
22.	1998-99	2	6	1	3,7,29, 33,38 &46	3
23.	1999-2000	1	7	1	4,5,17, 18, 45,47 & 59	2

Of the above 66 Government companies whose accounts were in arrears, 37 companies were non-working companies[@].

The administrative departments have to oversee and ensure that accounts are finalised and adopted by the PSUs within the prescribed period. The State Government is apprised quarterly by audit as to arrears in finalisation of their accounts. However, the progress of clearance of arrears had been unsatisfactory. Effective measures are yet to be taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

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

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Orissa State Warehousing Corporation (OSWC)	1996-97	1997-98	28 July 2000	-
2.	Orissa State Road Transport Corporation (OSRTC)	1990-91	-		SAR for the year 1991-92 under issue to Government.
3	Orissa State Financial Corporation (OSFC)	1997-98	-		SAR for the year 1998-99 under issue to Government.

1.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 56 Government companies and 3 Statutory corporations, 40 companies and two corporations incurred an aggregate loss of Rs.411.90 crore and Rs.42.99 crore respectively while 16 companies and one corporation earned an aggregate profit of Rs.321.86 crore and Rs.1.24 crore respectively. Out of remaining 13 companies, 5 companies did not prepare first accounts, 3 companies did not start their commercial production and particulars of

@

Sl.Nos.6,7,9,10,11,12,13,14,15,16,19,20,21,23,24,25,26,27,28,30,31,34,35,40,48,49,50,51,53,54, 55,56,57, 58,61,64&66 of Annexure-3

profit or loss were not available in respect of 5 companies as these were under closure / liquidation since long (September 2000).

The summarised financial results of Government companies and Statutory corporations as per latest finalised accounts are given in Annexure-3. The working results of individual corporations for the last three years for which accounts are finalised are given in Annexure-6.

1.6.1 Government companies

1.6.1.1 Profit earning companies and dividend

Out of the three companies which finalised their accounts for 1999-2000 by September 2000, IDCOL Cement Limited and Orissa Power Generation Corporation Limited earned an aggregate profit of Rs.258.96 crore. Out of 26 remaining companies which had finalised their accounts for previous years from October 1999 to September 2000, 8 companies earned an aggregate profit of Rs.61.17 crore and 6 of them earned profit for consecutive 2 years. Six companies which did not finalise any account during October 1999 to September 2000 had earned aggregate profit of Rs.1.73 crore. The State Government had accepted (August 1996) the recommendations of the Tenth Finance Commission that the State must adopt a modest rate of return on the investment made in Commercial, Commercial and Promotional and Promotional Public Enterprises at the rate of six *per cent*, four *per cent* and one *per cent* respectively as dividend on equity.

Out of the 10 profit earning companies, three accounts relate prior to 1996-97 i.e. prior to adoption of dividend policy by the State Government. The Orissa State Seeds Corporation Limited, Hirakud Industrial Works Limited, Orissa Construction Corporation Limited and Orissa Small Industries Corporation Limited earned meagre profit of Rs.26.63 lakh, Rs.3.61 lakh, Rs.20.47 lakh and Rs.5.71 lakh respectively. Orissa Hydro Power Corporation Limited earned profit of Rs.55.21 crore during 1998-1999 but did not declare any dividend. IDCOL Cement Limited earned profit of Rs.134.57 crore during 1999-2000 as a result of waiver of interest dues of financial institutions for Rs.146.32 crore as per BIFR decision and did not declare any dividend. Only Orissa Power Generation Corporation Limited declared 30 *per cent* dividend i.e. Rs.147.07 crore in 1998-99 and 15 *per cent* interim dividend i.e. Rs.73.53 crore in 1999-2000.

1.6.1.2 Loss incurring companies

According to latest accounts available out of the 40 loss incurring companies, 15* companies had accumulated losses aggregating Rs.880.45 crore which far exceeded their aggregate paid-up capital of Rs.440.58 crore. Twenty four of the loss making companies incurred losses for two consecutive years. In spite of their poor performance, the State Government provided financial support to 5

* Including 2 companies (Sl. No.2 and 31 of Annexure-3) which incurred profit during the latest year.

companies namely OTDC, IPICOL, OSLC, GRIDCO and IDCOL in the form of contribution towards equity and loans amounting to Rs.38.12 crore during 1999-2000.

1.6.2 Statutory corporations

1.6.2.1 Profit earning Statutory corporations and dividend

None of the Statutory corporations had finalised their accounts for 1999-2000 by September 2000. All the 3 Statutory corporations finalised their accounts for previous year by September 2000 and only one corporation (OSWC) earned profit of Rs.1.24 crore during 1997-98. This Corporation earned profit for 2 years and declared dividend of three *per cent* i.e. Rs.0.09 crore during the year 1997-98.

1.6.2.2 Loss incurring Statutory corporations

The Orissa State Road Transport Corporation and Orissa State Financial Corporation had accumulated losses of Rs.114.13 crore (1991-92) and Rs.286.82 crore (1998-99) which far exceeded their paid-up capital of Rs.83.83 crore and Rs.87.57 crore respectively. During the year 1999-2000, the financial support provided to the Orissa State Road Transport Corporation and Orissa State Financial Corporation by way of equity and loan was Rs.6.99 crore and Rs.1.5 crore in spite of their poor performance.

1.6.2.3 Operational Performance of Statutory corporations

The operational performance of the Statutory corporations is given in Annexure-7. The review on operational performance of Orissa State Road Transport Corporation has been discussed in Chapter-3A.

The loans disbursed by Orissa State Financial Corporation decreased from Rs.55.22 crore (1997-98) to Rs.44.98 crore (1998-99). On the other hand, amount outstanding with the loanees increased from Rs.742.90 crore (1997-98) to Rs.810.20 crore (1998-99).

1.7 Return on Capital Employed

As per the latest finalised accounts as on 30 September 2000, the Capital Employed* worked out to Rs.6,642.75 crore in 61♦ companies and total

* Capital employed represents net fixed asset (including capital work-in-progress) plus working capital except in finance Companies and Corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including re-finance).

♦ The remaining five Companies have not prepared their first year accounts while particulars of three companies being under liquidation /closure are not available.

return⁼ thereon amounted to Rs.230.09 crore which is 3.46 per cent as compared to total return of Rs.266.70 crore (4.20 per cent) during the corresponding period ending 30 September 1999. Similarly, the capital employed and total return thereon in case of Statutory corporations as per the latest finalised accounts as on 30 September 2000 amounted to Rs.597.07 crore and Rs.17.65 crore (2.96 per cent) respectively as against the total return of Rs.39.78 crore (7.10 per cent) during the corresponding period ending 30 September 1999. The details of Capital Employed and total return on Capital Employed in case of Government companies and corporations are given in Annexure-3.

1.8 Results of audit by Comptroller and Auditor General of India

During the period from October 1999 to September 2000, the audit of accounts of 23 companies and 3 corporations were selected for review. None of the companies and corporations revised their accounts after the observations made by the CAG. The net impact of the important audit observations as a result of review was as follows.

Sl. No.	Details	No. of accounts		Rupees in lakh	
		Government companies	Statutory corporations	Government companies	Statutory corporations
(i)	Decrease in profit	2	-	95.30	-
(ii)	Increase in profit	2	-	308.93	-
(iii)	Increase in losses	5	-	121.44	-
(iv)	Decrease in losses	2	1	394.99	186.35
(v)	Non-disclosure of material facts	8	-	412.12	-
(vi)	Errors of classification	9	-	2433.01	-

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the companies were as follows:

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

A. Errors and Omissions noticed in case of Government companies

(i) Orissa State Civil Supplies Corporation Limited (1992-93)

Closing stock did not include an amount of Rs.3.98 crore being the difference in quantity of sale as shown in the stock statements and the quantity actually sold as per the sales abstract of some district offices.

The quantities sold and sales proceeds realised as exhibited in the sales abstracts, which are finally incorporated in the consolidated accounts of the Company did not conform to the sale of certain commodities exhibited in the stock statements of concerned districts, which are prepared for arriving at the final closing stock as at the year end. This has resulted in shortage of stock by wrongly enhancing the sale quantity.

(ii) Orissa Mining Corporation Limited (1993-94)

The Sundry Debtors balance was arrived at after netting off credit balance of Rs.8.95 crore lying against 40 parties. This has resulted in understatement of Sundry Debtors as well as Sundry Creditors to that extent.

(iii) Orissa Power Generation Corporation Limited (1998-99)

Interest on unsecured loan from Power Finance Corporation (PFC) Rs.33.46 crore has been arrived at after considering the incentive income received in May and July 1999 from PFC towards timely repayment of instalment due on 15 December 1998 and 15 June 1999. As this income should be accounted for in 1999-2000 and not 1998-99, interest charges for the year 1998-99 is understated and profit overstated by Rs.82.78 lakh.

(iv) Industrial Promotion and Investment Corporation of Orissa Limited (1998-99)

Interest on loan from Government and loss for the year were understated to the extent of Rs.71.44 lakh due to non-provision of differential amount of interest for the year.

(v) Industrial Development Corporation of Orissa Limited (1998-99)

Closing stock of scrap has been valued at cost price (Rs.7,577 per MT) instead of realisable price (Rs.5,615.95 per MT). This inflated closing stock of scrap by Rs.28.67 lakh and understatement of loss on scrap debited to Profit and Loss Account (KIW) by the same amount.

(vi) Hirakud Industrial Works Limited (1998-99)

Sundry Debtors did not include a sum of Rs.2.91 crore being the value of work done and measured (February and March 1999) and supplies made during the year

but not accounted for. This has resulted in understatement of Sundry Debtors and sales to that extent.

B. Errors and Omissions noticed in case of Statutory corporation

Orissa State Road Transport Corporation (1991-92)

Accident Reserved Funds have been understated to an extent of Rs.16.27 lakh as the accident claim awarded by the Court for the year amounted to Rs.18.67 lakh whereas the provision was for Rs.2 lakh only i.e. without providing the actual expenses. This has resulted in understatement of loss for the year to that extent.

C Persistent irregularities and system deficiencies in financial matters of the PSUs

The following persistent irregularities and system deficiencies in financial matters of PSUs have been repeatedly pointed out during the course of audit of their accounts but no corrective action has been taken by these PSUs so far.

Government companies

(i) Orissa Power Generation Corporation Limited (1998-99)

Despite the comments of the Comptroller and Auditor General on the accounts for 1996-97 and 1997-98 of the Company regarding non-provision of depreciation on roads, bridges and culverts, the depreciation of Rs.89.28 lakh has not yet been provided resulting in understatement of cumulative depreciation and overstatement of reserves and surplus to the extent of Rs.89.28 lakh.

(ii) Konark Jute Limited (1995-96)

Despite the comments of the Comptroller and Auditor General on the accounts of the Company for the year 1994-95 regarding understatement of Sundry Creditors, Sundry Creditors for the year 1995-96 stands understated to the tune of Rs.19.08 lakh due to adjustment of unrelated debit balance of various parties against Sundry Creditors. This erroneous netting has resulted in understatement of Sundry Creditors as well as Current Assets.

Statutory corporations

(i) Orissa State Road Transport Corporation (1991-92)

Despite the comments of the Comptroller and Auditor General of India on the accounts for 1988-89 to 1990-91 of the corporation the irregularities regarding non-disclosure of the fact of non-execution of transfer date in respect of land valued at Rs.15 lakh taken over from Cuttack Municipality, still persist.

D. Closure of Government companies

The performance of the working PSUs based on their latest finalised accounts for the last five years was analysed in audit on financial parameters. Based on the loss sustained by them for the last five years and turnover being less than Rs.5 crore, Kalinga Studios Limited and ABS Spinning Orissa Limited should be considered for closure or privatisation to avoid further burden on the State Exchequer.

1.9 Position of Discussion of Audit Reports (Commercial) by the Committee on Public Undertakings

During the year ended 30 September 2000, the Committee on Public Undertakings (COPU) held 16 meetings and discussed five reviews and 17 paragraphs of the Audit Report (Commercial) for the years 1987-88 to 1997-98.

The position of discussion of Audit Reports (Commercial) pending in COPU as on 30 September 2000 is detailed below:

Period of Audit Report	Total no. of reviews and paragraphs appeared in Audit Report		No. of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1987-88 (Vol II)	4	8	1	3
1987-88 (Vol III)	4	--	--	--
1988-89	4	5	2	--
1989-90	5	15	2	5
1990-91	5	11	3	5
1991-92	6	17	4	10
1992-93	4	22	2	22
1993-94	4	24	4	20
1994-95	3	21	3	18
1995-96	3	20	2	18
1996-97	4	23	3	19
1997-98	1	14	1	13
1998-99	4	22	4	22
Total	51	202	31	155

1.10 619-B Companies

Some non-Government companies are deemed to be Government companies under Section 619-B of the Companies Act, 1956 for the limited purpose of extending to them the provisions relating to audit of Government companies, contained in Section 619 of the Act. There were 3 companies covered under Section 619-B of the Companies Act, 1956. The following table indicates the

details of paid-up capital and working results of these companies based on the latest available accounts:

(Rupees in crore)

Sl. No.	Name of Company	Year of accounts	Paid-up capital	Investment by			Profit (+) / Loss (-)	Accumulated loss
				State Government	Government companies	Others		
1.	Orissa Tools and Engineering Company Limited (under closure)	1982-83	0.44	-	-	0.44	-	(-)0.43
2.	Mamta Drinks and Industries Limited (Privatised since 19/9/97)	1990-91	0.29	-	-	0.29	(+)0.13	(-)0.54
3.	SN Corporation Limited	1998-99	3.05	-	-	3.05	(-)1.50	(-)26.38

1.11 Companies not subject to audit by Comptroller and Auditor General of India

The State Government had invested Rs.0.40 crore as share capital in one company which was not subjected to audit by the CAG as the aggregate amount of investment made by the State Government was less than 51 per cent of the share capital of this company. The particulars of this company in which the investment of State Government by way of share capital was more than Rs.10 lakh as on 31 March 2000 are given in Annexure-1.

Chapter-II

2A. REVIEW ON ORISSA HYDRO POWER CORPORATION LIMITED

Highlights

The assets transferred to OHPC as on 1 April 1996 were valued at Rs.1,196.80 crore fixed by the State Government whereas MECON valued the same at Rs.1,557.95 crore. No valuation of individual assets was done by the State Government before transferring the assets which resulted in difference of Rs.361.15 crore in valuation.

(Paragraph-2A.5)

Failure to draw loan obtained from the Power Finance Corporation (PFC) as per the schedule led to payment of commitment charges of Rs.2.50 crore.

(Paragraph-2A.6.2.2)

PFC loan intended to liquidate the ways and means advance was deposited in fixed deposits in violation of Government orders. This resulted in avoidable payment of interest of Rs.1.91 crore towards ways and means advance.

(Paragraph-2A.6.2.4)

Lack of proper maintenance of the generating units led to increase in forced outages and loss of generation during monsoon period valued at Rs.40.63 crore.

(Paragraph-2A.8.1)

The Company suffered loss of Rs.12.78 crore towards auxiliary consumption and transformation loss in excess of norms.

(Paragraphs-2A.8.3 and 2A.8.4)

Delayed completion of renovation works in respect of Hirakud and Chiplima power projects resulted in loss of potential generation of 985.970 MU valued at Rs.43.56 crore.

(Paragraphs-2A.9.1 and 2A.9.2)

Defective planning and delays in execution of works of the Upper Indravati Hydro Electric Project (UIHEP) resulted in cost overrun of Rs.85.40 crore including undue advantage to contractors amounting to Rs.5.46 crore.

(Paragraph-2A.10.1)

Release of funds to the tune of Rs.21.28 crore to the contractor without finalising the financial tie-up in line with the terms of the contract led to blockage of funds. Non-utilisation of the said amount for repayment of PFC loan resulted in loss of interest of Rs.4.67 crore.

(Paragraph- 2A.11.1)

The Company is continuing with the surplus manpower identified in August 1999 involving a minimum recurring liability of Rs.4.76 crore per annum.

(Paragraph-2A.13)

2A.1 Introduction

Government of Orissa resolved (November 1993) to restructure the power sector in the State to rationalise the generation, transmission, distribution and supply of electricity and to encourage participation of private sector in the electricity industry. Orissa Hydro Power Corporation Limited (OHPC) was incorporated on 21 April 1995 under the Companies Act, 1956. Subsequently, the Orissa State Electricity Board (OSEB) was bifurcated (April 1996) and work was entrusted to OHPC for generation of hydro electricity and Grid Corporation of Orissa Limited (GRIDCO) for transmission and distribution of power.

2A.2 Objectives

The main objectives of the Company are:

- to acquire, establish, contract and operate Hydro Electric Generating Stations;
- to carry on the business of purchasing, generating, selling etc. or otherwise dealing in Hydro Electric Power and
- to investigate and prepare feasibility / project report for setting up of Hydro Electric Power Plant for and on behalf of others.

2A.3 Organisational set-up

The management of the Company is vested in a Board of Directors consisting of 12 Directors. The Chairman and Managing Director is the Chief Executive Officer and looks after the day to day affairs of the Company. He is assisted by the Company Secretary and four Directors, i.e. Director (Finance), Director (Human Resource Development), Director (Operation) and Director (Civil), five Senior General Managers, one Project Administrator and three General Managers placed at the Corporate office and six unit offices.

2A.4 Scope of Audit

A review covering the activities of OHPC from the year 1996-97 to 1998-99 was conducted by audit during September 1999 to January 2000 and the results of audit are discussed in the succeeding paragraphs.

2A.5 Transfer of Assets and Liabilities

In exercise of the powers conferred by the Orissa Electricity Reform Act, 1995 and the Orissa Electricity Reform (Transfer of Undertakings, Assets, Liabilities, Proceedings and Personnel) Scheme Rules, 1996, the State Government transferred (April 1996) the assets and liabilities of Hydro-power Generation undertakings of erstwhile OSEB and of the State Government to OHPC at an aggregate value of Rs.1,848.50 crore {net fixed assets Rs.1,196.80 crore (of Hydro-power Generation undertakings), work-in-progress Rs.644.30 crore and current assets Rs.7.40 crore} as on 1 April 1996. This included the value of net fixed assets of Rs.1,196.80 crore based on replacement cost method. OHPC appointed (May 1996) Metallurgical and Engineering Consultants (India) Limited (MECON) for valuation of assets transferred. MECON determined (December 1996) the value as Rs.1,557.95 crore which was Rs.361.15 crore more than the valuation made by State Government. However, the Company adopted the transferred value of Rs.1,196.80 crore as fixed by the State Government.

Further, audit scrutiny revealed differences in finalised accounts of erstwhile OSEB and OHPC as mentioned below:

- (i) The capital expenditure on renovation of Burla and Chiplima power projects was Rs.92.42 crore as per accounts of OSEB for the year 1995-96 while it was taken as Rs.84.53 crore in OHPC accounts for the year 1996-97 resulting in difference of Rs.7.89 crore.

Management stated (August 2000) that Rs.84.53 crore had been taken on the basis of transfer of assets by the State Government. However, no explanation was furnished as regards the discrepancy with reference to OSEB accounts.

Value of the stores certified by the unit management was Rs.13.21 crore against which Rs.4.11 crore was accounted for by the Company.

(ii) State Government indicated value of opening stock of stores and spares operating units of OHPC as Rs.3 crore while OHPC had depicted it as Rs.4.11 crore. However, unit management had certified the value of stocks at Rs.13.21 crore. Hence, adoption of Rs.4.11 crore as stock in hand was not correct reflection of the stock position. Thus, non-accountal of stocks valued at Rs.9.10 crore resulted in understatement of profit for the year 1996-97 to this extent.

Management replied (August 2000) that stock audit of all units of OHPC was in progress and necessary adjustment will be made in the accounts for the year 1999-2000.

The State Government was requested (February 2000) to furnish detailed calculations regarding the valuation of individual assets, rate of depreciation, reasons for discrepancy in stock position and capital expenditure etc. Government explained (April 2000) that the revaluation at higher cost was done to enable the new entities to raise loans as well as to ensure a remunerative rate of return. The State Government also accepted the valuation done by OHPC based on MECON's valuation. No details were furnished as regards valuation of individual assets, rate of depreciation, reasons for discrepancy in stock position etc.

The reply is untenable in view of the fact that the value as assessed by MECON is higher by Rs.361.15 crore. Thus, lack of assessment of value of individual assets before transferring the same has resulted in the aforesaid discrepancy with reference to expenditure having already booked till March 1996.

With effect from 1 April 1997, the Machkund Project was also transferred to OHPC (Annexure-8). However, the value of the assets and liabilities of Machkund Project had neither been determined nor transferred to OHPC till date (August 2000).

2A.6 Finances

2A.6.1 Sources of Funds

2A.6.1.(i) Capital Structure

The authorised Share capital of the Company is Rs.1,000 crore comprising of one crore equity shares of Rs.1,000 each. Against this, the paid up capital was Rs.320.80 crore as on 31 March 1999.

2A.6.1.(ii) Borrowings

As per the transfer scheme (April 1996), liability in respect of the following long-term loans availed by the then OSEB for implementation of various electrical projects was transferred from erstwhile OSEB and State Government to the Company:

(Rupees in crore)		
Sl. No.	Funding agency	Amount
(i)	State Government loans	683.50
(ii)	Partly convertible bonds	766.20
(iii)	Power Finance Corporation (PFC) loans	67.10
(iv)	Other loans	8.70

Subsequently, a loan of Rs.320 crore was sanctioned by PFC in April 1996 for execution of Upper Indravati Hydro Electric Project (UIHEP) and State Government had sanctioned Ways and Means Advances of Rs.40 crore during the period from 1995-96 to 1997-98.

2A.6.2 Application of Funds**2A.6.2.1 Financial Position and Working Results**

The financial position and working results of the Company for the last three years ended 31 March 1999 are tabulated as Annexure-9. It would be seen therefrom that the borrowings of the Company increased from Rs.1,597.24 crore in 1996-97 to Rs.1,962.67 crore in 1998-99 indicating an increased dependence on borrowed funds.

The net profit of the Company for the year 1998-99 decreased to Rs.63.86 crore from Rs.78.95 crore in 1997-98 as a result of fall in sale of power during 1998-99.

2A.6.2.2 Commitment charges

Failure to adhere to schedule of drawal of loans resulted in payment of commitment charges of Rs.2.50 crore.

In the case of PFC loan, failure to draw the loan as per schedule of drawals attracts commitment charges at the rate of one *per cent* on the undrawn amount from the scheduled date of drawal of the loan. A loan of Rs.320 crore was sanctioned in April 1996. However, as the work programme was lagging far behind schedule, it resulted in payment of the commitment charges of Rs.2.50 crore on the undrawn amount of loan.

Management stated (August 2000) that by drawing less amount, OHPC had saved interest of 6 *per cent* (2 *per cent* reduction in interest by PFC and 4 *per cent* interest subsidy) which compensated the loss on payment of commitment charges. The reply is not tenable as these are subsequent events and the Company would have enjoyed these benefits if a realistic schedule of drawal was framed earlier.

Government added (October 2000) that there had to be many additions and alterations in the scope and design of the project after floods in July 1991 which entailed delay in execution of the project. The reply is again not tenable as OHPC had full autonomy to determine the drawal schedule prior to entering into agreement (1996) and these delays should have been considered while framing the schedule of drawal.

2A.6.2.3 *Loss due to delay in remittance of funds*

An account was opened at the Bank of India, Bhubaneswar, to facilitate credit of remittances on the same day. This objective could not be achieved as the gap between remittances of funds by PFC and its credit to OHPC account ranged between one day and seven days resulting in OHPC having to shoulder an interest burden of Rs.19.05 lakh (18 July 1996 to 22 March 1999).

Government stated (October 2000) that a claim was lodged (25 June 1999) with PFC who was not responding to the claim. However, the Company should have taken up the matter with Bank of India, Bhubaneswar, to minimise the transit period for transferring money from PFC account to their account.

2A.6.2.4 *Avoidable payment of penal interest on Ways and Means Advance*

Investment of funds in fixed deposit instead of liquidating loan carrying higher rate of interest resulted in payment of Rs.1.91 crore of interest at penal rate.

The Company had received Rs.40 crore during the years 1995-96 to 1997-98 as Ways and Means (WM) Advance from the State Government for execution of balance works of UIHEP after stoppage of World Bank loan. This was in the nature of a bridge loan against PFC loan carrying rate of interest of 15 *per cent* for repayment within due date and 18 *per cent* in case of default. The loan was to be repaid after receipt of PFC loan. The repayment of the loan was to be made between March 1996 and June 1998. It was noticed in audit that out of Rs.40 crore received, Rs.20 crore was converted (March 1996) into equity and the balance Rs.20 crore was repaid between April 1997 and April 1999 viz. beyond the scheduled date. This involved payment of interest of Rs.2.69 crore at the penal rate. On the other hand, the Company had invested in fixed deposits out of PFC funds, amounts which would have been sufficient to repay the Ways and Means Advance due during the same period. The earnings from fixed deposits worked out to Rs.77.51 lakh (1996-97 to 1998-99). Thus, the Company had to bear extra burden of interest to the tune of Rs.1.91 crore which was avoidable had the funds kept in fixed deposits been utilised for repayment of Ways and Means Advance. Moreover, keeping funds in fixed deposits was in violation of State Government's directions (November 1996) which prohibited Public Sector Undertakings from investing at a particular rate of interest for a particular period of time when it was resorting to borrowing at an equal or higher rate of interest.

Government stated (October 2000) that no surplus funds was available in the hands of OHPC to invest in fixed deposits and that there was no money to repay the Ways and Means Advance by the scheduled date of repayment. This is not

acceptable in view of the fact that the Company invested funds in fixed deposits during the years 1996-97 to 1998-99 ranging from Rs.4.61 crore to Rs.14 crore instead of paying back the ways and means advance.

2A.7 Revenue

2A.7.1 Revenue earnings and outstanding dues from GRIDCO

Liquidity position of the Company was affected due to declining revenue realisation.

The main source of revenue of the Company is sale of power and GRIDCO is the sole purchaser of OHPC's generation. Annexure-10 depicts the year wise position of energy sold, claims raised, collection and outstanding position up to March 2000. It would be seen from the Annexure that against a total claim of Rs.759.32 crore, only Rs.466.99 crore had been realised up to March 2000 which amounted to only 61.50 *per cent* of the total claims. The percentage of realisation declined from 68.02 in 1996-97 to 22.35 in 1999-2000 which adversely affected the liquidity position of the Company.

To improve its revenue earning position, the Company decided (June 1999) to waive the Delayed Payment Surcharge (DPS) to the tune of Rs.30.30 crore up to March 1999 provided GRIDCO settled the arrears of OHPC to the tune of Rs.80 crore by issue of bonds and opened a Letter of Credit (LC) amounting to Rs.6 crore immediately and enhanced the same to at least to Rs.10 crore with the commissioning of UIHEP. Though LC amounting to Rs.6 crore had been opened (November 1999) the settlement of arrears of OHPC (Rs.80 crore) had not been done (August 2000). Hence, DPS was yet (September 2000) to be settled.

2A.7.2 Interim Power Purchase Agreement (PPA)

The Company lost the opportunity to realise revenue of Rs.21.51 crore due to fixation of tariff at a lower rate during the year 1996-97.

Under the reform process, four power stations viz. Hirakud Generation System, Balimela HEP, Upper Kolab HEP and Rengali HEP were transferred to OHPC with effect from 1 April 1996. GRIDCO purchased power from OHPC based on an interim PPA (executed on 15 February 1997) for the year 1996-97 at the rate of 38 paise per Kilo Watt Hour (KWH) fixed (11 July 1996) by the Government of Orissa against calculated tariff of 44 paise per KWH as per tariff formula. The tariff was fixed at a lower rate as GRIDCO was not able to sustain the tariff without major increase in retail tariff. Thus, due to sale of power below the actual tariff cost, the Company had foregone revenue of Rs.21.51 crore on sale of 3,585.212 MU during 1996-97. For the year 1997-98, another interim PPA was executed on 20 September 1997 at the rate of 49 paise *per* KWH. No PPA has been executed for the years 1998-99 and 1999-2000.

2A.7.3 Power Purchase Agreement - Upper Indravati HE Project

In anticipation of commissioning of UIHEP (commissioned in September 1999), OHPC entered (18 August 1998) into a PPA with GRIDCO to sell the available

capacity and energy output from UIHEP. The agreement came into force from the date of operation of the first unit (19 September 1999) and would remain valid for 30 years from the date of operation of the last unit. Based on the estimated capital cost, the tariff had been provisionally fixed at Rs.1.22 *per unit*. The bills had been raised at the rate of 85 paise *per unit* (70 *per cent* of tariff) after operation of first unit and at the rate of 98 paise *per unit* (80 *per cent* of tariff) after operation of second unit as per clause 9.3 of Schedule-5 (Tariff part of the PPA).

In this regard, audit scrutiny revealed the following:

(i) As per instruction of Planning Commission, only 50 *per cent* of the cost of dam in multipurpose projects is to be considered for fixation of tariff for power generated by the project. In contravention of this instruction, an amount of Rs.131.68 crore attributable to irrigation portion of the project was included in the tariff calculation which resulted in increase in tariff by three paise *per unit* generated.

Accepting the fact, Government stated (August 2000) that OHPC had requested for declaring this amount as grant-in-aid so that there would not be any impact of this amount on tariff.

(ii) Clause 2.11 of Government of India Notification dated 30 March 1992 contemplates *inter alia* that in case of reduced generation due to non-availability of transmission line (*viz.* evacuation constraints), the energy loss due to such spillage should be considered as deemed generation and limited to design energy. In case of UIHEP, it was noticed (August 2000) that the maximum generation was taken at 280 MW (during June 2000) against installed capacity of 300 MW due to evacuation constraints and depending upon load demand of the system. However, the agreement did not include a suitable provision to safeguard the interest of the Company for such consequential loss arising out of evacuation constraints.

(iii) The prospect of third party sale of power has not been adequately safeguarded. As the PPA has been drawn up for a period of 30 years within which the power scenario may undergo changes, this clause needs to be re-defined to enable OHPC to avail of sale outlet to other than GRIDCO particularly since GRIDCO anticipates a scenario of surplus power for 10 years up to 2010.

Government stated (August 2000) that the same has been safeguarded vide clause 12.1.5 of PPA. The reply is not acceptable as the clause deals with a situation when GRIDCO defaults in payment of bill. It is silent about third party sale of energy in case of a situation of surplus power.

(iv) No firm time schedule had been fixed in the PPA for completion of balance two units (III and IV) of UIHEP as well as upgradation of matching transmission system by GRIDCO. This delay would entail loss of revenue as PPA envisages payment of single part tariff till the date of commercial operation of fourth unit.

Government stated (August 2000) that there was no loss of revenue as both capacity charge and energy charge had been taken into consideration while computing the single part tariff. However, the fact remains that the Company will be able to avail benefit of two part tariff only after commercial operation of all the four units and installation of matching transmission system by GRIDCO. Thus, a time schedule for completion of the units as well as the transmission system was imperative. Till then, the Company would not be able to recover the full project cost through single part tariff.

2A.8 Performance of completed Projects

State Government transferred 25 generating units of erstwhile OSEB and of the State Government with a total installed capacity of 1,237.5 MW (other than Upper Indravati and Potteru HE projects) with effect from 1 April 1996 apart from Machkund HE project in which Orissa's share is 30 *per cent* (34.5 MW) which was transferred with effect from 1 April 1997. The installed capacity and date of commissioning of these projects are indicated in Annexure-8. The performance of these generating units for the last three years ended 31 March 2000 are tabulated in Annexure-11. The audit findings of those units are discussed in the succeeding paragraphs.

Lack of maintenance resulted in forced outage during monsoon and loss of potential generation of 868.338 MU valued at Rs.40.63 crore.

2A.8.1 *Generation loss due to lack of maintenance*

Annual maintenance (30 days) and monthly maintenance (minimum two days) is to be taken up regularly and time taken for such maintenance is termed as planned outage. The position of planned / forced outages during the last four years ending March 2000 is indicated in Annexure-11. Lack of regular maintenance of the generating units led to an increase in the forced outage (from 12,146 hours in 1996-97 to 33,450 hours in 1999-2000) and consequent loss of generation. If the machines are kept idle on account of forced outage during the monsoon period (July to October), it results in a clear loss to the Company due to spillage of water during this time. During the last four years ending 1999-2000, the generating units were kept idle during monsoon period for 27,972 hours on account of forced outage resulting in a loss of generation to the tune of 868.338 MU valued at Rs.40.63 crore. Had the machines been maintained in a planned way so as to ensure optimum capacity during monsoon period such loss of revenue could have been avoided.

While admitting (October 2000) that the total forced outage during the four years from 1996-97 to 1999-2000 was 92,865 hours, Government stated that the shortfall in planned maintenance was due to non-availability of units arising out of constraints in the grid system and remedial action was being taken to increase machine availability. Further, the machines in power unit Hirakud (Burla and Chiplima) and Balimela were very old and subject to more breakdowns. The fact remains that regular annual / monthly maintenance would keep the machines in

proper working condition and loss due to forced outage would be minimised. Moreover, the very fact that machines are very old calls for greater attention to maintenance.

2A.8.2 *Loss of generation due to aquatic weeds*

In the early seventies, the then OSEB observed significant loss of energy generation due to aquatic weeds in Chipilima Power House which caused choking of the trash rack. The situation was aggravated during the last three years ended 31 March 1999 and the power house had to be kept under forced outage for 16,006 hours resulting in loss of generation to the tune of 477.269 MU valued at Rs.23.07 crore.

Government stated (August 2000) that expert opinion had been sought for from Water and Power Consultancy Services and Department for International Development during 1998 to utilise chemical method through Central Institute of Freshwater Aquaculture (CIFA) and lately advice has been sought from World Bank experts during their visit from 21 to 27 June 2000 and action initiated on the suggestions. However, the fact remains that despite knowledge of the problem for so many years, concerted efforts had not been made to find a lasting solution.

2A.8.3 *Auxiliary consumption in excess of norms*

Auxiliary consumption beyond prescribed norm led to loss of 10.539 MU valued at Rs.0.51 crore.

Power consumed in generating stations is termed as ‘auxiliary consumption.’ Government of India, Ministry of Power laid down (March 1992) the norms for auxiliary consumption as 0.5 *per cent* of energy generated. It was noticed in audit that, the auxiliary consumption during April 1996 to March 2000 in Hirakud, Balimela and Upper Kolab Power stations ranged from 0.53 *per cent* to 0.91 *per cent* of the energy generated. This resulted in excess consumption of 10.539 MU valued at Rs.50.51 lakh (Annexure-12) during the four years ended 31 March 2000.

Accepting the fact of high auxiliary consumption, Government stated (October 2000) that they had taken remedial measures to reduce auxiliary consumption.

2A.8.4 *Transformation / step-up losses in excess of norms*

Energy generated at 11 KV in the hydel generating stations is stepped up to 220KV / 132KV through transformers to minimise transmission losses. While stepping up the voltage there will be transformation loss for which Government of India Ministry of Power fixed a norm of 0.5 *per cent* of energy generated. Test check of records revealed that step-up loss ranged between 1.17 and 4.12 *per cent* during the last four years ending March 2000 in respect of all the power stations. This resulted in a loss of 259.830 MU valued at Rs.12.27 crore over and above the norm (Annexure-12).

Government stated (October 2000) that action had been initiated to reduce the loss and 0.2 accuracy class static meters would be installed at the interface points where energy is being sold to GRIDCO.

2A.9 Renovation, Modernisation and Up-rating of Hirakud Power System

2A.9.1 Renovation and Modernisation of Units I to IV

Delay in R&M work of units-I to IV resulted in time overrun up to 624 days and cost overrun of Rs.82.61 crore and loss of potential generation of Rs.18.85 crore.

A project for modernisation of the Hirakud Power Project was cleared by Central Electricity Authority (CEA) in October 1990 and was scheduled to be completed by July 1996 (Unit-II) and July 1997 (Unit-I) at a total cost of Rs.90.36 crore. An expenditure of Rs.125.19 crore had been incurred up to 31 March 1999.

The Units were commissioned on 16 April 1998 (Unit-I) and 1 April 1998 (Unit-II), i.e. after a delay of about 274 days (Unit-I) and 624 days (Unit-II). The project started commercial operation with effect from June 1998. It was observed in audit that delay to the extent of 239 days (Unit-I) and 151 days (Unit-II) was avoidable being on account of factors like delay in obtaining customs clearance, delay in de-watering and turbine shaft machining, non-availability of crane etc. This resulted in avoidable extra expenditure of Rs.5.36 crore including additional outgo in Foreign Exchange of Rs.3.51 crore.

The delay in commissioning resulted in not only in time and cost overrun but also loss of potential generation of 338.546 MU valued at Rs.15.89 crore. Though the commercial operation of both the units started from June 1998, the machines were kept under forced outage for 5,968 hours (June 1998 to March 1999) due to leakage of nitrogen gas, tripping problem in runner blades etc. there by losing further potential generation of 60.499 MU during monsoon period (July to October 1998) valued at Rs.2.96 crore. This also contributed to the cost and time overrun of modernisation project in respect of Units III and IV by Rs.77.25 crore and 14 months respectively as this work was to be taken up only after completion of Units I and II.

Government stated (August 2000) that the delays were circumstantial and unavoidable. The reply is not tenable in view of the fact that the delays in obtaining customs clearance, de-watering, turbine shaft machining and non-availability of crane were attributable to management and should have been avoided with better co-ordination.

2A.9.2 Renovation and Modernisation (R&M) of Hirakud II (Chiplima)

The work of renovation and modernisation of Units I and II of Chiplima Power House was taken up by erstwhile OSEB. This project was cleared (techno-economic clearance) by CEA in May 1990 at an estimated cost of Rs.35.94 crore

which was revised to Rs.82.05 crore in May 1999. A composite work order was issued (September 1993) to Larsen and Toubro Limited (L&T) for execution of the work of both the Units to be completed by May 1995 and November 1996 respectively. L&T furnished two Bank Guarantees (BGs) for Rs.58.05 lakh each (10 per cent of the work order) for both the Units as performance guarantee. The BGs were valid up to 30 September and 31 December 1998 respectively. Against the provision of supervision for 365 days for each Unit, L&T had taken 730 days for supervision of Unit-I work which resulted in extra payment of Rs.92 lakh.

Delay in completion of Unit-I resulted in cost escalation of Rs.46.14 crore and loss of generation of energy valued at Rs.27.67 crore.

Unit-I was commissioned on 29 July 1998 at a cost of Rs.41.18 crore after delay of 1,154 days and L&T thereafter abandoned the work site without commencement of the work of Unit-II. Delay in completion of Unit-I had resulted in cost escalation of Rs.46.14 crore and loss of potential generation of energy of 647.424 MU valued at Rs.27.67 crore.

The Company had procured material worth Rs.1.72 crore during July 1994 to March 1997 in respect of Unit-II which was lying idle. This had resulted in blockage of funds and consequential loss of interest of Rs.0.38 crore. The Company had so far encashed (March 1999) BG for Rs.58.05 lakh but failed to encash the other BG as validity of the same expired (September 1998) due to delay in taking decision (December 1998) by the Company for rescinding the agreement with L&T. The other BGs towards security deposit (Rs.86.27 lakh) and mobilisation advance (Rs.82.99 lakh) also could not be encashed as their validity had expired since 30 September 1998.

Government stated (August 2000) that OHPC had not felt it necessary to renew the other performance Bank Guarantee as R&M work of Unit II was not expected to start in near future and nothing unusual had been noticed in Unit-I after commissioning. The reply is not tenable in view of the fact that there had been frequent tripping of Unit-I of the power house due to governor fault after R&M of the said Unit.

2A.10 Upper Indravati Hydro Electric Project (UIHEP)

The UIHEP taken up (1978-79) with installed capacity of 600 MW at an estimated cost of Rs.165.40 crore (power portion) was subsequently revised to Rs.1,107.10 crore (1996).

Upper Indravati Hydro Electric Project (600 MW) was taken up for construction during 1978-79 at an estimated cost of Rs.208.14 crore (Rs.165.40 crore for power portion and Rs.42.74 crore for irrigation portion) with schedule date of completion of Unit-I (October 1997), Unit-II (January 1998), Unit-III (April 1998) and Unit-IV (July 1998). The Management of the project was transferred from the State Government to OHPC in April 1996 at a cost of Rs.630 crore. OHPC concluded (July 1996) a loan agreement with PFC for Rs.320 crore. In the meantime, estimates were revised (December 1996) to Rs.1,107.10 crore (power portion). In October 1997, the responsibility for execution of the civil works was devolved on the Water Resources Department of the State Government while OHPC remained the paying authority. Delay in execution of the project had

resulted in cost overrun of 669.35 *per cent* (i.e. Rs.941.70 crore) over the original estimate for the power portion along with time overrun of up to 29 months (November 1997 to March 2000). The delay in completion of work also led to loss of potential generation of 224 MW (Firm Power) valued at Rs.433.86 crore. The total expenditure incurred up to March 1999 was Rs.919.42 crore.

2A.10.1 Execution of work

In respect of ten works there was cost overrun of Rs.85.40 crore including undue advantage to contractors amounting to Rs.5.46 crore.

Audit scrutiny of the records of the Company revealed instances of defective planning, frequent changes in scope of work, non-readiness of site, incorrect application of rates for various items of works etc. which resulted in cost overrun of Rs.85.40 crore including undue benefit of Rs.5.46 crore to the contractors as detailed below:

2A.10.1.1 Defective planning, frequent changes in the scope of work during execution and taking up of works on the basis of tentative drawings caused delays ranging between 17 and 19 months in finalisation of tenders, 17 months in payment of mobilisation advance and 7 to 31 months in handing over of work site. Resultantly, three works mentioned at serial numbers 1, 2 and 3 of Annexure-13 were completed after delay of 23 to 80 months. The other three works (at sl. nos. 4, 5 and 6) were not completed till March 2000 even after time overrun of 71 to 99 months. The total extra burden on account of cost overrun in these cases amounted to Rs.77.16 crore.

Government stated (November 2000) that the delay occurred due to taking up of the works on tentative design, observance of Government rules and procedures, World Bank norms and financial constraints. The reply is not tenable as adherence of rules and regulations is not a hindrance for timely completion of projects. Further, calling for tenders and entering into contracts for execution of works without finalising the technical parameters is not tenable.

2A.10.1.2 The Company awarded (November 1990) the work of erection and commissioning of four number of butterfly (BF) valves to Bharat Heavy Electrical Limited (BHEL) at a cost of Rs.58.50 lakh to be completed by May 1993. Due to floods of July 1991, the penstock and ancillary works were delayed. In April 1998, a revised work order was issued for Rs.1.25 crore with a revised schedule of completion by February 1999. Erection and commissioning of butterfly valves of Units I and II were completed by March 1999 and commissioning of other two valves (for Units III and IV) was not completed up to March 2000 due to non-readiness of site. BHEL was paid Rs.24 lakh from July to December 1999 at the rate of Rs.4 lakh *per* month towards overrun charges as mutually settled between OHPC and BHEL. Further, a sum of Rs.12 lakh was due to be paid up to March 2000.

Government stated (August 2000) that the BF valves could not be erected by February 1999 as the civil works like penstock and Y piece work were not completed by then and overrun charges were to be paid. The reply is not tenable

as the Company could have assessed the progress of the penstock and ancillary works of all the units and awarded a revised work order. Thus, the commitment to pay overrun charges to BHEL without assessing the ground reality of other related works resulted in extra expenditure of Rs.36 lakh.

2A.10.1.3 General conditions of the Local Competitive Bid (LCB) and International Competitive Bid (ICB) contracts provide for revision of the item rates on the basis of actual observation in the event of variation to the extent of ± 30 per cent between the agreement quantity and executed quantity. In respect of Kapur and Podagada earth dam, the revised rate of items of work of 'grouting in soil and rock' derived as per actual observation was less by 19.4 and 24.4 per cent respectively than the agreement rate but the Company failed to revise the rate downwards in spite of the huge quantity deviations up to 840.7 and 571 per cent respectively of the agreement quantity. This resulted in extension of undue favour to the contractor (Progressive Construction Private Limited) by Rs.19.38 lakh.

2A.10.1.4 In course of construction of Powerhouse as per ICB agreement (August 1988), the contractor (Soma Dutta Builder, New Delhi) executed certain extra items of work of painting and water proofing under a supplementary agreement (April 1997). The rate payable was stated to have been derived (November 1996) by OHPC on the basis of Schedule of Rates and Analysis of Rates of 1994 after considering the actual involvement of labour and material. It was noticed in audit that against 10 per cent hidden charges and 15 per cent overhead charges contemplated in the Analysis of Rates 1994, the Company allowed 50 per cent hidden charge and 20 per cent overhead charges and also deviated from the method of computation by including the hidden charge in the prime cost. This resulted in extension of undue benefit of Rs.23.16 lakh (October 1999) to the contractor.

Government stated (November 2000) that hidden charges at higher rate was paid to the contractor considering the remote locality of the project site. The reply is not tenable as in case of construction of Muran masonry concrete dam which was also in remote locality, hidden charges were paid at the rate of 10 per cent only.

2A.10.1.5 The work of design, fabrication, transportation, supply and erection of hoisting equipment and for diversion cum depletion tunnel of Podagada earth dam and intake emergency gate of head race tunnel were awarded to Orissa Construction Corporation Limited (OCC) under two different agreements. Due to change in design parameters and scope of work, the contract price was revised (February 1996) from Rs.62.86 lakh to Rs.2.17 crore in respect of Podagada dam and from Rs.47.80 lakh to Rs.77.29 lakh for head-race tunnel. As per Government instructions, the revised rates were effective from 1 January 1994. However, the contractor was paid at the revised rate for the quantities executed prior to 1 January 1994 in respect of both the works which resulted in excess payment of Rs.27.12 lakh to the contractor.

2A.10.1.6 The work of design, supply, fabrication, transportation and erection of eight sets of service gates and four sets of emergency gates of Indravati and Muran dams were awarded to OCC under two different agreements (LCB 2 and 3 1997-98). As per the stipulations in the agreements, the design charges for erection of gates were three and two *per cent* respectively of the total cost of each work. It was noticed in audit that design charges for all the 12 sets of gates were paid to OCC separately (instead of two sets - one for emergency and other for service gate) resulting in excess payment of Rs.11.94 lakh.

Government stated (November 2000) that design charges had been allowed strictly in accordance with the terms of the agreement. The reply is not acceptable in view of the fact that while entering into agreement with OCC, the Company ignored the fact that design of one set of gate was used for design of other similar sets and payment should have been made accordingly.

2A.10.1.7 The balance works of Muran masonry concrete dam and head-race tunnel were awarded to Trafalgar Satyam Sankarnarayan (TSS), Bangalore, at a cost of Rs.64.42 crore. The works were to commence by 6 April 1995 for completion by 6 October 1996 (head-race tunnel) and by 6 April 1997 (Muran dam). The execution of the works were delayed due to delay in payment of mobilisation advance and impounding of reservoir etc. and the contractor claimed (October 1997) revision of rates for both the works. The Company recommended (February 1998) the revised rates after taking into account the overhead / contractors' profit as 30 *per cent* against 15 *per cent* permissible as per the Analysis of Rates (1994). However, 30 *per cent* margin was allowed (30 April 1998) for head-race tunnel work by the State Government though only 15 *per cent* was allowed for Muran dam works which resulted in extension of undue benefit of Rs.2.97 crore to the contractor.

Government stated (November 2000) that 30 *per cent* overhead charge was considered on the basis of report of River Valley Project. The reply is not tenable as the report of River Valley Project (1981) was not adopted by the Government while approving the Schedule of Rates (1994) and Analysis of Rates. Further, in respect of Muran Masonry dam executed under the same agreement only 15 *per cent* overhead charge was allowed to the contractor.

2A.10.1.8 In respect of the works mentioned in the preceding paragraph, the rates approved by the Government in April 1998 were given effect from 1 October 1997 along with escalation from the date of opening of tender (October 1994). The escalation was allowed on the basis of actual observation (December 1997) wherein it was stipulated that the rates had been de-escalated to April 1995 for both Muran dam and head-race tunnel. It was noticed that rates were not actually de-escalated in respect of the head-race tunnel and escalation was admitted (October 1994) even for those items for which rates had been revised on the basis of actual observation. This resulted in passing on an undue financial benefit of Rs.95.39 lakh (up to March 2000) to the contractor. Further, the Company allowed five *per cent* wastage on cement arranged by the contractor for

the work that had the ultimate effect of Rs.9.44 *per bag* at the finished item rate stage due to its chain effect (five *per cent* T&P, 10 *per cent* loss of out turn, 3.5 *per cent* sales tax and 15 *per cent* overhead). As cement cost was included in the item rate of the agreement and the same was to be arranged by the contractor, there was no justification in allowing such wastage. Thus, the Company had passed on an undue benefit of Rs.36.80 lakh (up to 29 Running Account bill September 1998) to the contractor.

2A.10.1.9 The balance work for construction of Muran masonry dam and head-race tunnel was awarded to TSS. With the stated objective of achieving the desired progress (recorded level 631.47 metres) of the piers and blocks by March 1998, it was decided (January 1998) to change the volume of masonry work to cement concrete. Such deviation in specification resulted in extra financial burden of Rs.43.77 lakh to the Company while the desired progress could not be achieved.

Government stated (November 2000) that such change was necessary to complete the work by March 1999. The reply is not tenable as audit has not disputed the date of completion of the work (Muran dam). The audit point was that the decision for change of specification of blocks from masonry to cement concrete was done with a view to achieve the level of 631.47 metres in respect of Block No.8 by March 1998, which could not be achieved. Hence, the purpose of change in specification involving extra financial burden of Rs.43.77 lakh was defeated.

2A.10.1.10 The lowest offer of OCC was accepted (August 1992) by Government for the work of "Foundation for structures, equipment, transformers, cable trenches and laying of ground mat" in 220KV switch yard of UIHEP. Due to delay in finalisation of safe soil bearing capacity, the work order was issued (October 1993) by the Management only after a delay of 13 months at a price of Rs.1.73 crore with the stipulation for commencement and completion of the work by October 1993 and September 1995 respectively. The project was taken over by the Company since 1 April 1996. Though OCC submitted the report on soil bearing capacity in June 1994, the Management could supply design for switchyard as well as drawings for rail-cum-road, mooring post, transit point, sump pit etc. only during June / August 1998 which delayed the completion of the work (August 1999). As a result of the delay, the unit rate underwent revision as per price adjustment formula of the work order with effect from August 1997 resulting in extra expenditure of Rs.47.52 lakh.

Government stated (August 2000) that the Design Cell was busy in Power House and Dam design work for which they could not take up the design work of switchyard foundation in time. The reply is not tenable since the Management should have ensured timely completion of the work in view of the higher costs involved in delay.

2A.11 Extension projects

2A.11.1 *Undue release of advance to contractor*

Extension projects for Units VII and VIII were taken up at the Balimela HEP for creation of additional capacity of 150 MW at an estimated cost of Rs.215 crore. The expenditure incurred on the project till date was Rs.21.28 crore. A turnkey contract was executed (January 1996) with Lenin Gradsky Metallicesky Zavod (LMZ), Russia for supply, erection and commissioning of turbine and generator sets (Units VII and VIII) at Balimela (75 MW each) at a price of US \$ 24.96 million for imported equipment to be paid in US Dollars and Rs.52.26 crore for indigenous portion.

Payment of Rs.21.28 crore as advance to turnkey contractor without following the terms of contract led to blockage of fund and loss of interest of Rs.4.67 crore.

As per stipulations in the contract, LMZ was to arrange 50 *per cent* of both US Dollar and Indian rupee value of the contract price as suppliers credit and 20 *per cent* as buyers credit. They were entitled to advance equivalent to 15 *per cent* US Dollar portion and 12 *per cent* of Indian rupee portion of the contract price within one month of signing the contract (clauses 6.1 and 6.5) on submission of performance bank guarantee for equivalent amount up to date of take over of the Unit.

Though LMZ failed to arrange finance for buyers credit, OHPC released an amount of Rs.21.28 crore to the party between November 1997 and January 1998 as interest free advance from its own sources despite Board's decision (January 1997) to release advance after finalisation of financial tie-up.

Government stated (August 2000) that by paying the advance the contract has been kept alive at the original contract price even after 4 ½ years and OHPC has saved Rs.2.22 crore due to paying at earlier exchange rate. The reply is untenable as releasing advance without following terms of the contract remained unexplained. Further, if the same funds were utilised for addressing liabilities towards PFC loan, OHPC would have saved Rs.4.67 crore. Moreover, the Project was pending due to non-availability of techno-economic clearance from the Central Electricity Authority (CEA) and work had not commenced till date (December 2000).

2A.12 Stores Management

Company has not yet identified the obsolete and idle stores material for disposal.

Audit scrutiny of store records of UIHEP revealed the following points:

- (i) Stores valued at Rs.11.28 crore held by the Company did not include the value of material issued to different works but lying unutilised at sites till date (January 2000);

(ii) No procedure had been prescribed for stores verification. Consequently, obsolete and redundant store items had not been segregated. Physical verification of store was however now stated to have been taken up and was in progress (August 2000) and

(iii) Though civil works had been completed, huge items of civil stores valued at Rs.10.26 crore were yet to be disposed of (August 2000).

The stores included spares worth Rs.3.02 crore purchased for repair and maintenance of heavy earthmovers (i.e. dozers, cranes etc.). As the civil works of dam sites were almost complete, the use of heavy earthmovers had been occasional. Similarly, MS Plates valued at Rs.1.05 crore were lying in store since 1993. No action had been taken to identify such items for disposal / use elsewhere.

Management stated (September 2000) that there is no manual in the Company prescribing the procedure laid down for stores verification. However, annual physical verification is conducted by the project authorities. It was further stated that presently Chartered Accountants firm had been entrusted with the stores verification works of different units up to end of March 2000 and physical verification reports are yet (September 2000) to be received.

2A.13 Manpower Analysis

In February 1998, the National Productivity Council was engaged to study the manpower requirement of the Company. The Council submitted its report in August 1999. The Committee constituted (March 1999) to study the Report identified (August 1999) existence of 1,151 number of surplus non-executive manpower. The Report of the Committee was presented before the Board (8 September 1999) but the item was deferred without taking any decision. No action has been taken till date (March 2000) to minimise the excess manpower and the Company was continuing with excess manpower involving a minimum liability of Rs.4.76 crore *per annum* towards salaries (based on lowest scale).

Consequent upon completion of 95 *per cent* civil works relating to UIHEP, 110 numbers of employees (engineering, Class III & IV cadre) of Water Resources Department on deputation to OHPC were considered as surplus with effect from 1 April 1999. The Company paid idle wages to the tune of Rs.55.29 lakh during the period from April to December 1999 (based on minimum of the time scale of respective posts).

Management stated (August 2000) that some employees had been ordered to be repatriated to their parent department on 31 March 2000.

Conclusion

Audit review of the working of the Company revealed avoidable expenditure, poor maintenance, slippage in performance and generation of power, declining revenue realisation and cost and time overruns in execution of projects. Poor financial management and failure to adhere to schedule of drawals led to payment of commitment charge while investments in violation of Government instructions resulted in extra financial burden. Auxiliary consumption as well as transformation losses were much above the norms resulting in loss. Completion of renovation works were delayed by 274 days to 1,154 days resulting in loss of generation. It was evident that the objective of efficient generation of power which was one of the key objective of the re-structuring programme in the power sector was yet to be achieved. Execution of works in 10 cases revealed cost overrun including undue favours to various contractors. The management of OHPC needs to improve its maintenance and financial management and ensure that ongoing projects are completed expeditiously without undue delays.

2B. Review on Tariff, Billing and Revenue Collection of Grid Corporation of Orissa Limited

Highlights

OERC considered the rate of return for fixation of tariff at 17 and 15.5 per cent for 1997-98 and 1998-99 respectively but the actual return was (-) 43.76 per cent (1997-98) and (-)25.85 per cent (1998-99).

[Paragraph 2B.4(a)(i)]

As the average expenditure per unit was more than the average sales realisation per unit, the Company suffered a loss of Rs.1,121.79 crore at the end of three years upto 1998-99.

[Paragraph 2B.4(a)(iv)]

T&D losses for the years 1997-98 and 1998-99 were 47.31 and 48.90 per cent respectively as against bench-mark of 35 per cent fixed by OERC for both the years. The T&D losses in excess of 35 per cent worked out to Rs.732.22 crore which resulted in additional burden to the Company.

[Paragraph 2B.4(b)]

Delay in submission of proposal for revision of tariff for 1998-99 to OERC resulted in loss of revenue of Rs.152.92 crore.

[Paragraph 2B.4(c)]

Execution of special agreements with three industrial consumers led to loss of revenue to the Company to the tune of Rs.29.86 crore due to non-observance of provisions of General Conditions of Supply Regulations, 1995, of OSEB.

(Paragraph 2B.5.3)

Non-imposition of penalty for unauthorised load detected by Vigilance Wing of the Company resulted in loss of revenue of Rs.0.82 crore.

(Paragraph 2B.9.2)

Non-collection of additional security deposit amounting to Rs.28.29 crore resulted in loss of interest of Rs.5.09 crore per annum.

(Paragraph 2B.10.3)

An amount of Rs.82.80 crore was outstanding at the end of April 2000 against various State Electricity Boards / Companies for export / wheeling of Eastern Region Power.

(Paragraph 2B.10.7)

Effective steps were not taken to realise dues of Rs.751.40 crore pending with the Distribution Companies.

(Paragraph 2B.11)

2B.1 Introduction

Consequent upon the power sector reforms undertaken in the State, the functions of the Orissa State Electricity Board (OSEB) were bifurcated and entrusted to two wholly owned Government Companies viz. Grid Corporation of Orissa Limited (GRIDCO) and Orissa Hydro Power Corporation Limited (OHPC) with effect from 1 April 1996. While OHPC was entrusted with generation of hydro power, GRIDCO was responsible for purchase of power from various sources and its transmission and distribution in the State. The function of tariff fixation was entrusted by the State Government to the Orissa Electricity Regulatory Commission (OERC) which was formed on 4 April 1996. The OERC is a statutory body which looks after tariff fixation and issues licences to companies to undertake retail and bulk supply of power to consumers. OERC started functioning from November 1996 and issued licence to GRIDCO for retail and bulk supply of power effective from April 1997 which was to remain in force initially for 30 years.

In order to introduce private sector participation in the sale and distribution of electricity, four Companies were formed on 19 November 1997, namely Central Electricity Supply Company of Orissa Limited (CESCO), Western Electricity Supply Company of Orissa Limited (WESCO), North Eastern Electricity Supply Company of Orissa Limited (NESCO) and Southern Electricity Supply Company of Orissa Limited (SOUTHCO). All these four companies started their activities as subsidiaries of GRIDCO from November 1998 and the 43 Distribution Divisions of GRIDCO were transferred to these respective subsidiary companies on 26 November 1998. Fifty one *per cent* equity shares of WESCO, NESCO and SOUTHCO had been divested in favour of Bombay Sub-urban Electric Supply Limited (BSES), Mumbai, with effect from 1 April 1999 at a consideration of Rs.117.01 crore (face value Rs.77.63 crore), while 51 *per cent* equity shares of CESCO had been divested in favour of AES Corporation of USA (AES) with effect from 1 September 1999 at a consideration of Rs.37.09 crore (face value Rs.37.09 crore). The licence which was issued to GRIDCO by OERC had been amended (March 1999) and licence for bulk supply of power was issued to GRIDCO with effect from 1 April 1999. Licences for distribution and retail

supply of power were issued to all the four Distribution Companies (DISCOS) with effect from the same date.

2B.2 Organisational set up

The tariff implementation, billing, collection and account of revenue in respect of all categories of consumers are done in 43 Electrical Distribution Divisions which function under the control of Superintending Engineers in-charge of nine circles in the field and Chief Engineer (Commercial) at headquarters. The revenue collected by the Divisions is initially deposited in local banks and subsequently transferred to headquarters bank account daily in case of balances retaining a balance of Rs.500 only or with interval of three days if the balance in account is less than Rs.500. After transfer of the 43 Divisions to the private DISCOS (15 with CESCO, 8 with NESCO, 11 with WESCO and 9 with SOUTHCO), only the recovery of revenue for bulk supply of power from these DISCOS rests with GRIDCO.

2B.3 Scope of Audit

The billing and revenue collection activities of the then OSEB for the period from 1986-87 to 1988-89 was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 (Commercial) - Government of Orissa. The Report was discussed by the Committee on Public Undertakings in May 2000. The recommendations of the Committee were awaited. The present review was conducted during March to May 2000 and records of 11 Divisions and Chief Engineer (Commercial) for the period from 1996-97 to 1998-99 were test checked. The results of audit are discussed in the succeeding paragraphs.

2B.4 Tariff

(a) Tariff fixation and implementation

During the three-years ending 31 March 1999, tariff was revised three times viz. May 1996, April 1997 and December 1998 {Annexure-14 (A)}. As OERC started functioning from November 1996, tariff fixation of May 1996 was done by GRIDCO with the approval (March 1996) of the State Government. The subsequent tariff revisions were made by OERC under the provisions of the Orissa Electricity Reform Act (OERA), 1995.

Financial principles provided in Sections 57 and 57A and Schedule VI of Electricity Supply Act, 1948 form the basis of tariff. Under Section 26(3) of OERA, the OERC may, however, depart from factors listed in the Schedule VI while determining the licensee's revenue and tariff. OERC fixed the tariff for 1997-98 and 1998-99 on the basis of submissions made by GRIDCO and representatives of the consumers. Tariff fixation was done taking into account cost of purchase of power, administrative overhead expenses, Transmission and Distribution (T&D) losses, reasonable rate of return of the Company and expected sales realisation.

OERC envisaged T&D losses of 35 *per cent* and rates of return of 17 *per cent* in 1997-98 and 15.5 *per cent* for 1998-99 on the capital base of Rs.523.80 crore and Rs.1,000.01 crore respectively. Based on the above, OERC approved an average increase in tariff of 10.7 *per cent* in 1997-98 as against GRIDCO's demand of 19.5 *per cent* and 18.93 *per cent* in 1998-99 against GRIDCO's demand of 29.5 *per cent*.

Audit scrutiny of the implementation of the tariffs as fixed by OERC revealed the following:

(i) The actual rates of return during the years 1997-98 and 1998-99 were (-)43.76 *per cent* and (-)25.85 *per cent* respectively as against the anticipated return of 17 *per cent* in 1997-98 and 15.5 *per cent* in 1998-99.

(ii) The average sales realisation (*per unit* of energy sold) by the Company was 249.55 paise (1997-98) and 246 paise (1998-99) as against 227.55 paise and 260.56 paise respectively taken into account by OERC.

(iii) In 1997-98, though the sales realisation was higher than the OERC approved rate, actual quantity sold was 5,440 MU as against OERC estimated quantity of 6,380 MU. In 1998-99 also, the actual quantity sold was 5,431 MU as against OERC's estimated quantity of sale of 6,624 MU. The reasons for lower sales during the above period was on account of high incidence of T&D losses beyond the bench-mark set by OERC.

(iv) The average sales realisation *per unit* was 221.96 paise (1996-97), 249.55 paise (1997-98) and 246 paise (1998-99) as against average expenditure *per unit* of 282.80 paise, 315.36 paise and 334.80 paise respectively which resulted in loss of Rs.1,121.79 crore (Rs.298.21 crore in 1996-97, Rs.341.31 crore in 1997-98 and Rs.482.27 crore in 1998-99) as depicted in Annexure-14 (B). Apart from this the Company also incurred a loss of Rs.125.55 crore which was transferred from subsidiary companies.

As the average expenditure *per unit* was more than the average sales realisation *per unit*, the Company suffered a loss of Rs.1,121.79 crore at the end of three years up to 1998-99.

(b) High Transmission and Distribution (T&D) losses

Due to T&D losses in excess of bench-mark set by OERC, the Company had to bear an additional burden of Rs.732.22 crore.

The Central Electricity Authority (CEA) had prescribed (July 1991) a norm of 15.5 per cent for T&D losses. Against this, OERC considered the T&D losses at 35 per cent for both the years and directed GRIDCO to concentrate on loss reduction programme and restrict the T&D losses to 35 per cent. However, GRIDCO maintained that T&D losses would be 42 per cent and 41 per cent during the years 1997-98 and 1998-99 respectively. As against the above, actual T&D losses during the years 1997-98 and 1998-99 were 47.31 per cent and 48.90 per cent respectively. The Company's T&D losses were very high when compared to some other major States as depicted in the Annexure-14 (C).

It would be seen from the Annexure that during the two years ending 31 March 1999, the excess T&D loss of 2,749 MU over and above the bench-mark fixed by OERC (i.e. 35 per cent) which worked out to an additional burden of Rs.732.22 crore on the Company.

(c) Loss due to delay in submission of tariff increase proposal (1998-99)

Delayed submission of tariff proposal led to loss of revenue of Rs.152.92 crore.

Under Section 114(1) of the OERA, tariff increase proposals are to be sent by GRIDCO to OERC by end of December each year to be implemented from 1 April of the ensuing financial year. Despite issue of a reminder by OERC, GRIDCO could submit its proposals only in August 1998 and notification could be issued with effect from 1 December 1998. This delay of eight months in implementation of the revised tariff resulted in loss of revenue of Rs.152.92 crore. The delay in submission of tariff proposal by the Company to OERC was due to delay in collection of information from its field units.

2B.5 Revenue

2B.5.1 Contribution of various categories of consumers to the revenue

The details of consumption of energy, revenue earned and surplus / deficit by various categories of consumers are given in Annexures-15 (A) and (B). It was noticed in audit that:

(i) Industrial consumers consumed energy ranging from 35.79 to 38.25 per cent of total sales but contributed 44.79 to 51.17 per cent of total revenue during the period 1996-97 to 1998-99. On the other hand consumption of energy by irrigation and agriculture and domestic consumers was 29.72 to 36.29 per cent of the total sales but their contribution towards revenue has been 14.42 to 20.23 per cent of the total revenue during the same period. Similarly, in case of bulk supply consumers revenue realisation was from 0.01 to 0.41 per cent of total revenue whereas the consumption of energy ranged from 0.52 to 3.88 per cent of total

sales. Thus, low revenue realisation was attributable to low tariff in case of domestic, irrigation and agriculture and bulk supply consumers.

(ii) Despite increase in total number of bulk supply (GP) and public institution consumers by 63.50 *per cent* from 13,312 (1996-97) to 21,765 (1997-98), their consumption declined by 43.28 *per cent* from 134 MU in 1996-97 to 76 MU in 1997-98. The reasons for such drastic decrease in consumption had not been analysed by the Company.

(iii) During the years 1996-97 to 1998-99, the contribution of all categories of consumers except large, heavy and bulk supply consumers (1996-97 and 1997-98), commercial (1997-98) and traction (1998-99) was negative to the extent of Rs.1,407.58 crore which could not be compensated by meagre surplus (Rs.225.13 crore) generated by large, heavy, bulk (others) commercial and traction consumers. This was attributable to the fact that average sales realisation *per unit* from these consumers varied from 160.04 paise (1996-97) to 241.91 paise (1998-99) as against expenditure of 282.80 paise (1996-97) to 334.50 paise (1998-99) *per unit*. The reasons for high incidence of average cost of power were excess overhead expenses, excess T&D losses and purchase of power at a higher cost.

2B.5.2 *Potential loss due to allowing concession under Industrial Policy Resolution (IPR)*

As per Industrial Policy Resolution, 1986, of Government of Orissa, tariff concessions were available with effect from 1 April 1986 to all categories of consumers whose contract demand was up to and including 500 KVA. Initially, the concession under IPR was admissible for one year, which was extended up to the year 2001. As per the above policy, the loss sustained by the Company for implementation of IPR is to be reimbursed by the State Government.

Verification of records revealed that the Company had shown as receivable Rs.16.68 crore (Rs.11.37 crore in 1996-97 and Rs.5.31 crore in 1997-98) for allowing concession under IPR from State Government. Though the Company submitted reimbursement claims to the State Government between 1998 and March 1999, the amount was yet to be reimbursed (April 2000). There was remote chance of recovery.

2B.5.3 *Loss due to extending facilities on special agreement*

Clause 28 of General Conditions of Supply Regulations (GCSR), 1995 of OSEB provided that the Board / GRIDCO may, for reasons to be recorded and having regard to the nature of the supply and purpose for which supply is required, by negotiation and otherwise, fix special tariff and conditions of supply for the consumers not covered by the classifications enumerated in the Regulation 27 and for such purpose, may enter into special agreements with suitable modifications in the standard agreement form, but the tariff fixed in such agreements shall be

subject to revision by Board / GRIDCO from time to time. GRIDCO entered into special agreements with three consumers as under:

Name	Date of agreement	Effective period	Maximum demand (KVA)	Energy and KWH per month
Indian Aluminum Company Limited (INDAL)	20.3.95	1.8.94 to 31.10.95	30000	3 MU
Ferro Chrome Plant (FCP)	12.11.96	16.11.96 to 15.11.97	7000	9.07 lakh KWH
Rourkela Steel Plant (RSP)	14.1.97	16.9.96 to 15.9.99	30000 95000	5 MU (33 KV) 15 MU (132 KV)

The special agreements were entered into by GRIDCO with INDAL and FCP on the consideration that the operational use factor for these two industries had been taken below 80 per cent due to installation of captive power plants by the consumers and thus these two did not fall under category of Power Intensive (PI) Industries. Further, Government of Orissa had as a matter of policy decided to encourage industries to be self reliant in power and to depend upon the State Electricity Board only for emergency assistance. No reasons were recorded for entering into special agreement with RSP.

Analysis of tariff issued by OERC effective from April 1997 revealed that RSP falls under the category of Heavy Industries as its contract demand is more than 25,000 KVA at 132 KV as per the tariff and electricity is used as a motive force. Further, both INDAL and FCP use power as raw material for their electric metallurgical process and even the special agreements stipulated that the demand charges and energy charges shall be payable at the rates applicable to PI Industry category as fixed from time to time. Hence there was no justification for invoking the provisions of Clause 28 of GCSR and entering into special agreements with these two consumers.

It was further observed in audit that the consideration of operational use factor below 80 per cent of its total power requirement is extraneous to GRIDCO and it is not concerned with the total demand of the industrial unit from all sources. The regulation is concerned with the quantum of consumption *vis-à-vis* the quantum of contract demand. Calculation of operational use factor with reference to total demand of the consumer was thus devoid of merit. OERC also directed (May 1998) that the special agreements adversely affected the revenue potential of GRIDCO and should not have been entered into. It was also noticed in audit that the validity period of agreement entered into with the respective industry was for one year only. However, such agreements in respect of INDAL and RSP remained in force for periods ranging between 15 and 36 months. No fresh agreement for the extended period was entered into nor did OSEB / GRIDCO review the agreements to ascertain the financial implications of concessional rates extended.

Execution of special agreements with three industrial units resulted in loss of Rs.29.86 crore.

Due to entering into the special agreements stipulating different basis for calculating demand charges as detailed above, GRIDCO sustained loss to the tune of Rs.29.86 crore (INDAL Rs.18.47 crore, FCP Rs.2.34 crore and RSP Rs.9.05 crore).

2B.6 Metering: Defective and unmetered supply

Existence of a large number of defective meters at consumers premises is one of the reasons for high incidence of sub-transmission and distribution losses. The Company while submitting tariff revision proposals to Government / OERC did not furnish the status of meters installed at the consumers premises. At the time of revision of tariff for 1997-98, GRIDCO informed (March 1997) OERC that 60 *per cent* of meters of its 12.5 lakh LT consumers were defective (i.e.7.5 lakh) which would require repair / replacement. As per tariff, GRIDCO was required to bill domestic and commercial consumers whose meters were defective by using a load factor of 15 and 20 *per cent* respectively on their contract demand. In 1998-99, OERC reviewed the field studies conducted by the Company and found that energy consumed by these consumers was more than that estimated through load factor criteria for domestic and commercial consumption. Consequently, the Commission increased the load factor from 15 to 20 *per cent* in case of domestic and 20 to 30 *per cent* in case of commercial subject to the condition that enhanced load factor was to be reviewed from time to time and if the Commission found that distribution and retail supply licensee had not taken steps for metering and had sought to depend on load factor, the Commission would consider revising the load factor downwards.

In May 1999, the Company furnished quarterly report ending March 1999 indicating the status of meters of all categories of consumers to OERC. Thereafter, no such report was submitted to OERC by GRIDCO. Test check of records of 1998-99 revealed that out of 13,93,485 consumers, 8,07,293 i.e. 58 *per cent* of consumers had either defective meters or unmetered supply. The Company could rectify / replace (March 1999) only 3.27 *per cent* of the defective / unmetered supply i.e. 45,553 meters.

In accordance with the advice of the metering group of Reform Project, the Company decided (December 1995) to procure and install static energy meters and electromagnetic energy meters for all consumers having 10 KW connected load and above. It was contemplated that the scheme would generate extra revenue and prevent theft as these meters could not be tampered with. Out of secured loan assistance of Rs.1,441.91 crore (US \$350 million) from International Bank for Reconstruction and Development a sum of Rs.48.01 crore was spent for purchase and installation of 1,33,143 meters which were to be installed between January 1996 and March 2000.

Audit scrutiny revealed that the Company procured 1,33,143 meters between November 1997 and February 2000. Of these the Company installed 44,229 meters leaving a balance of 88,914 meters valued at Rs.12.17 crore uninstalled. Of the meters uninstalled, 468 could not be installed for want of TP box and 121 for want of details of consumers. No reasons were available for the rest. In the meantime, the scheduled period of installation as per the World Bank norm had expired (July 1998 and November 1999). This resulted in blockage of funds of Rs.12.17 crore besides leading to continuing loss of revenue to the Company.

2B.7 Billing of revenue

Billing of revenue is to be based on reading of meters installed at the premises of consumers. Domestic and commercial consumers are billed bi-monthly while other consumers are billed monthly. Billing of all categories of consumers including large and heavy industrial consumers has been computerised. A test check in audit revealed the following deficiencies resulting in short billing and loss of revenue.

2B.7.1 Under billing of revenue

2B.7.1.1 Loss of revenue due to supply of power at two separate points in the same premises

As per extant instructions, power supply at different points to the same or in adjoining premises of the same owner for the same purposes is not to be allowed as these are intended to avoid / escape from higher tariff. It was noticed in audit that power supply was allowed in violation of the extant instructions in the following cases resulting in under billing of revenue:

(i) Chanchala Combines, Puri, was availing of power supply for its Ice Plant at Atharnala in terms of an agreement entered into (August 1991) with erstwhile OSEB at a contract demand of 40 KW under medium industrial category. The power supply was given in September 1991 and subsequently the contract demand was enhanced to 73 KW (May 1995) and thereafter to 99 KW (January 1997). In the meantime, on receipt of request from the consumer, OSEB entered into another agreement (October 1995) to supply power at a contract demand of 97 KW for second unit set up in the same plot of land instead of enhancing the load on the existing single point. The Unit started functioning from January 1996 under medium industrial category. On the request of the consumer (July 1998), the power supply was converted (November 1998) into single point for a load of 196 KW / 218 KVA. In spite of this conversion, energy bills for the period from January 1996 to October 1998 had not been revised (April 2000) for treating the Unit as large industrial category, which resulted in under billing of revenue of Rs.10.79 lakh.

Supply of power at two points to the same premises and to the same industry resulted in under billing of revenue.

(ii) Two separate agreements were executed (21 September 1992) by the then OSEB for supply of power to Shree Durga Glass Limited, Baranga. One agreement for power supply of 500 KVA was taken for manufacturing unit while the other was for 125 KVA for a crushing plant. Both the Units were at the same premises. Audit scrutiny revealed that failure to enforce single point supply as per the extant rules led to under billing of Rs.5.14 lakh during the period from October 1992 to January 1998 (line disconnected in February 1998) as higher tariff applicable for connection beyond 500 KVA was not levied. Further, a sum of Rs.63.33 lakh was outstanding against the firm on the date of disconnection (February 1998). Though supply line was disconnected, billing of revenue taking the total contract demand of the consumer as 625 KVA is yet (April 2000) to be made. The Company had also not taken concrete steps to recover outstanding bills.

2B.7.1.2 Undue benefit allowed to consumer

Clause 37(B) of GCSR, 1981 of OSEB stipulates that the consumer should be asked to enter into a revised agreement to enhance the contract demand if his maximum demand exceeds the contract demand by more than five *per cent*. Further, under the tariff rules the tariff structure undergoes change for contract demand exceeding 1,110 KVA.

IPISTEEL Rolling Mill under Dhenkanal Electrical Division was availing of power at a contract demand of 556 KVA. Scrutiny of meter reading statements and computation of monthly energy bills revealed that the consumer was drawing power in excess of five *per cent* of the contract demand from July 1995 onwards. However, no action was taken by the Division to enter into a revised agreement for enhancement of the contract demand. It was also noticed in audit that though the consumer had maximum demand of 1,130 KVA (May 1996), no action was taken by GRIDCO for revision of the contract demand. Due to non-enhancement of the contract demand, the Company sustained a loss of revenue of Rs.4.05 lakh from May 1996 to November 1998.

It was further noticed in audit that IPISTEEL was referred to BIFR which passed a rehabilitation package (October 1997) stating that (a) minimum charges may be waived and demand charges may be levied based on energy consumption for the period of restriction imposed by GRIDCO / breakdown in the industry after due verification and (b) penal charges like Delayed Payment Surcharge (DPS), low power factor may not be levied for the period from July 1995 to March 1999.

As per BIFR ruling, the Unit was entitled to waiver of DPS and low power factor penalty. However, the Unit was allowed waiver of overdrawal penalty also which resulted in loss.

GRIDCO accepted (June 1999) the rehabilitation package. However, the Distribution Division, Dhenkanal while revising the bill also waived (August 1999) an amount of Rs.20 lakh towards overdrawal penalty which had been recovered earlier during July 1995 to March 1999 even though it was specifically mentioned that only DPS and low power factor penalties were to be waived.

2B.7.1.3 *Erroneous adoption of Multiplying Factor of the meter in the assessment of demand charges*

Clause 17 (h) of GCSR, 1995 of OSEB stipulates that in the event of any error in consumption of energy supplied due to erroneous adoption of Current Transformer (CT) ratio, Power Transformer (PT) ratio or Multiplying Factor (MF), bills shall be revised from the date of commission of such error.

Erroneous adoption of multiplying factor resulted in loss.

Utkal Iron and Steel Industries under Jajpur Road Electrical Division availed of power supply at a contract demand of 257 KVA. A new trivector (TV) meter was installed in the premises of the consumer on 22 November 1993 after dismantling the old TV meter. The Division adopted incorrect MF in computing demand charges which remained undetected till June 1997. The Superintending Engineer, Jajpur Road, instructed the Division (September 1997) to revise the bill of the consumer from the date of installation of the meter. However, no action had been taken to revise the bill as a result of which GRIDCO sustained a loss of Rs.13.97 lakh for the period from April 1995 to April 1997.

2B.7.2 *Loss of revenue due to incorrect categorisation of consumer*

Incorrect categorisation of the consumers' contract demand resulted in loss of revenue.

The Board classifies the consumers under industrial category only when electricity is used as a motive force for industrial production purposes as per the provision contained in the GCSR, 1995. Test check in audit revealed incorrect classification of consumers leading to loss of revenue of Rs.13.24 lakh as detailed below:

(i) Marshaghai Electrical Division billed two petroleum depots of Hindustan Petroleum Corporation Limited at Paradeep at contract demand of 200 KW and 432 KW (April 1994) categorising them as industrial consumers instead of General Purpose (GP) category. Due to this incorrect categorisation of the consumer, it sustained a loss of revenue of Rs.2.98 lakh during the period from August 1994 to March 1996.

(ii) Puri Electrical Division billed Dalmia Seva Trust, Puri whose contract demand was 78 KW (February 1997) under public institution tariff (PI) treating the power supply as for a "Dharmasala". However, the Vigilance Wing of the Company found (July 1998) that the premises were used for commercial purposes and hence commercial tariff should be charged.

Audit scrutiny revealed that the room rent as prescribed by the consumer varied from Rs.900 to Rs.2,300 *per day per room* and it was actually a hotel and as such billing should have been made at commercial tariff. Thus, due to the incorrect categorisation, the GRIDCO suffered a loss of revenue of Rs.2.34 lakh from February 1997 to July 1999. It also failed to act on the Report of its own Vigilance Wing for over 13 months.

(iii) May Fair Beach Resorts, Puri, under Puri Electrical Division availed of power supply at a contract demand of 60 KW from 5 February 1993. On testing of

the trivector meter (April 1994) the multiplying factor of the untested meter was confirmed as 80 instead of 40. Hence, the consumer should have been categorised as large industrial consumer and billed accordingly. Instead, the consumer was continued to be billed under medium industrial category. The consumer was categorised as large industrial category and billed from September 1998 consequent upon verification of consumer's installation (August 1998) which was found to be 130 KVA / 118 KW. Thus, failure to initially test the trivector meter and consequent failure to correctly categorise the consumer led to loss of revenue to GRIDCO to the tune of Rs.7.92 lakh during the period April 1993 to August 1998.

2B.7.3 *Incorrect application of tariff*

(i) The tariff notification of November 1995 stipulates that the monthly demand charges of large industrial consumers shall be computed on the basis of actual demand charges or 80 *per cent* of the contract demand whichever is higher even if no energy is consumed.

Scrutiny of records of Khurda Electrical Division and Dhenkanal Electrical Division revealed that while computing the bills of five large industrial consumers, the Division considered the minimum demand charges, low power factor penalty and the minimum energy charges instead of the actual energy charges which was higher. This resulted in under billing of revenue of Rs.7.80 lakh during the period from 16 October 1995 to June 1998.

(ii) GRIDCO entered (June 1998) into an agreement with Noble Gas Limited for a contract demand of 222 KVA. The agreement also provided that power at 11 KVA would be supplied from February to May 1998 for construction purposes. During this construction period, power was to be charged under commercial tariff and thereafter as large industrial consumer. Audit scrutiny revealed that the consumer was continued to be billed under commercial tariff till 3 December 1998 on the ground that High Tension (HT) metering could not be done till then. Delay in installation of HT meter led to a loss of revenue of Rs.5.41 lakh being the differential tariff for 222 KVA and commercial tariff for 11 KVA for the period from 1 June to 3 December 1998.

2B.7.4 *Irregular reduction of contract demand*

**Irregular reduction
of contract demand
led to loss of revenue.**

Sun Granite Export Limited availed of power supply with effect from 22 March 1996 with contract demand of 950 KVA. The consumer applied for load reduction to 495 KVA on 13 May 1996 without submitting the actual load certificate as required under GCSR, 1995. The actual load certificate was submitted only on 5 September 1996 indicating load as 771 KW. Instead of giving effect to the load reduction from September 1996 under the Act *ibid*, the load reduction was allowed with effect from 1 May 1996. Thus, due to advancing the date of reduction, the Company sustained revenue loss of Rs.8.96 lakh.

2B.7.5 ***Concession allowed under Industrial Policy Resolution to ineligible consumer***

Concession allowed under IPR to an ineligible consumer led to loss of revenue.

J.S. Oil Mill, a medium industrial consumer under Khurda Electrical Division, availed of power supply from December 1987 with a contract demand of 60 KW. The Unit was not eligible for any benefit under IPR 1986. The proprietor of the Unit renamed it as J.S. Oil Industries (P) Limited which was incorporated on 19 June 1990 under Companies Act, 1956. The power supply to the Company was thereafter enhanced (June 1991) for a contract demand of 311 KW / 346 KVA and date of supply was shown as 25 August 1991. Project Manager, DIC, Bhubaneswar recommended for exemption from minimum energy charges under IPR 1989 and IPR 1992 since the first investment in fixed assets had been made after 1 December 1989 and prior to 1 August 1992. It was observed in audit that J.S. Oil Industry (P) Limited was an extended unit of J.S. Oil Mill which availed of power supply in 1987 and thus the plea of first investment in fixed assets as mentioned above was not correct. Further, IPR 1992 stipulated that oil industry was not eligible for IPR benefits. In spite of the above, the industry was given IPR benefit to the extent of Rs.11.57 lakh. Thus, extension of IPR concession during the period from September 1991 to July 1997 to an ineligible consumer resulted in revenue loss of Rs.11.57 lakh.

2B.7.6 ***Non-maintenance of proper records***

The following lapses had been observed in audit :

Non-collection of revenue due to improper maintenance of records.

(i) Rayagada Electrical Division maintained the ledger consisting of large industrial consumers up to only March 1997, when computer billing system was introduced. A test check of the register revealed that arrears of revenue amounting to Rs.5.67 lakh was outstanding against Sahoo Gases Limited at the end of November 1996. Although no payment was received (up to March 1997) from the consumer, the closing balance against the consumer was erroneously reduced to Rs.3.36 lakh resulting in reduction in demand to the tune of Rs.2.31 lakh during subsequent period.

(ii) General Dynamics, a large industrial consumer under Rayagada Electrical Division availed power supply through 11 KV with a contract demand of 117 KVA with effect from November 1993. The consumer was billed upto January 1995 and the arrear outstanding against the consumer as on 31 January 1995 was Rs.3.27 lakh. Because of load reduction from 117 KVA to 83.6 KVA the consumer was billed under medium industrial category with effect from February 1995. However, the arrear amount of Rs.3.27 lakh outstanding on the date of load reduction was neither realised nor transferred to the medium industry ledger. This resulted in non-collection of arrears of revenue of Rs.3.27 lakh during subsequent periods.

2B.8 Temporary service connections

Grant of temporary service connections without prior receipt of deposit as stipulated in the rules.

It was seen in audit that City Distribution Division, Cuttack supplied power to certain temporary stalls during Bali Jatra festival. Though estimates were prepared and works executed departmentally as deposit works, the estimated cost of the works was not received from the Tahsildar, Cuttack. As against the total estimated claim of Rs.11.39 lakh for the period from 1993-94 to 1998-99, only a sum of Rs.1 lakh was collected (1993-94 to 1996-97) leaving a balance of Rs.10.39 lakh (May 2000). In this connection it is not clear how temporary service connections were given without prior receipt of the estimated amount of deposit work as per the extant rules. Thus, extending of temporary service connections before receipt of the deposit amounts resulted in non-recovery of Rs.10.39 lakh till date (May 2000).

2B.9 Periodical checking of connections

2B.9.1 With a view to curbing unauthorised connections and theft of energy, the OSEB created (18 January 1979) a Vigilance Wing headed by Chief Security and Vigilance Officer. The wing also continued to function under GRIDCO.

GRIDCO had not fixed any norm of inspection for the checking squad. The details of connections checked, extent of pilferage detected, amount recovered towards penalty and expenditure on salaries on the Vigilance Wing for the last three years ending March 1999 are given in Annexure-16.

It would be seen from the Annexure that the percentage of checking of connections ranged between 0.08 and 0.13, which was far from satisfactory. As against the average yearly salary bill of Rs.33.54 lakh, Rs.44.34 lakh and Rs.40.45 lakh, the fines collected by the Vigilance Cell during the three years ending 31 March 1999 amounted to Rs.0.03 lakh, Rs.0.71 lakh and Rs.0.10 lakh respectively.

2B.9.2 *Non-imposition of penalty despite detection of unauthorised load by Vigilance Wing*

Clauses 39 and 40 of GCSR, 1995 stipulates that in case of detection of any unauthorised connected load / consumption, the period of such unauthorised connected load / consumption is to be determined on the basis of evidence adduced by the consumer, if any, and on failure to do so overdrawal charges at double the normal tariff are to be levied for a period of 12 months preceding the date of such detection.

Non-imposition of penalty for unauthorised load detected by the vigilance resulted in loss of Rs.0.82 crore.

Test check of the cases detected by vigilance cell revealed that bills had not been raised by five Divisions (May 2000) in respect of penalty amounting to Rs.82.07 lakh.

2B.10 Collection and accounting of revenue

2B.10.1 The position of sales / claims made, collection and arrears of revenue during the three years up to 1998-99 is shown in the following table:

(Rupees in crore)

Sl.No.	Particulars	1996-97	1997-98	1998-99 (Provisional)
1.	Arrears of revenue on account of sale of energy at the beginning of the year	301.04	373.25	616.35
2.	Sales/claims made during the year	1153.36	1399.87	1475.12
3.	Total amount due for collection	1454.40	1773.12	2091.47
4.	Revenue collected during the year	1081.15	1156.77	1508.27
5.	Arrears of revenue on account of sale of energy at the close of the year	373.25	616.35	583.20
6.	Percentage of collection to total revenue due for collection	74.34	65.24	72.12
7.	Arrears in terms of number of months' assessment	3.88	5.28	4.74

The above dues (Rs.583.20 crore) include arrears outstanding against various Government Departments (Rs.113.75 crore) and Government Undertakings including local bodies (Rs.112.03 crore). As per State Government notification (November 1998) issued at the time of transfer of the distribution functions to four DISCOS, the State Government Departments and PSUs were to clear their dues on account of power supply by GRIDCO. In respect of other dues the receivables were to be equally shared between GRIDCO and DISCOS. The Company requested (May and September 1999) the DISCOS to submit returns on collection (provision items) as on March 1999 which were awaited (May 2000).

It would be seen from the above that percentage of collection of revenue had gone down from 74.34 in 1996-97 to 65.24 in 1997-98 and arrears of revenue had gone up from Rs.373.25 crore in 1996-97 to Rs.616.35 crore in 1997-98 which represented 3.88 to 5.28 months' assessment. In the absence of break-up for collection against current dues and old dues, performance of collection of the old dues could not be ascertained in audit. While the percentage of arrears at end of the years 1996-97 and 1997-98 increased by 23.99 and 65.13 respectively, the percentage of arrear at the end of 1998-99 decreased marginally by 5.38.

2B.10.2 Non-disconnection of power supply to defaulters

In case of other than large industrial consumers, audit scrutiny revealed that no action was taken as per the rules to disconnect power supply in respect of 21,966 consumers against which Rs.814.63 lakh was outstanding for more than two months. Non-disconnection of power supply led to accumulation of arrears and non-collection of dues of the Company as depicted in Annexure-17.

2B.10.3 Non collection of adequate security deposit from consumers

Non-collection of adequate security deposit amounting to Rs.28.29 crore led to loss of interest of Rs.5.09 crore per annum.

As per OSEB office order dated 27 June 1994, large industrial consumers are required to furnish initial security deposit covering two months' energy charges. Enhanced amount of security deposit shall also be collected immediately after revision in tariff structure. In case of other categories of consumers the security deposit *per KW* fixed as per tariff shall be collected. A test check of the records of Headquarters and Divisions revealed that there was under recovery of additional security deposit aggregating Rs.28.29 crore resulting in loss of interest of Rs.5.09 crore *per annum* (18 *per cent per annum*) during the period from December 1998 to May 2000.

2B.10.4 Non-reconciliation of Bank Accounts

Cheques worth Rs.0.44 crore deposited between November 1990 and March 1999 were not credited by bank which led to loss of interest of Rs.0.20 crore.

A test check of records at the Headquarters of the Company and divisional level revealed that cheques worth Rs.44.44 lakh deposited during the period from November 1990 to March 1999 were not credited by Bank (April 2000) leading to loss of interest of Rs.20.10 lakh. The reasons for not crediting the Company's Bank account were analysed by the finance wing of the Company in March 2000 wherein it was revealed that cheques valued at Rs.24.32 lakh received by Cuttack Electrical Division from the consumers between November 1990 and December 1996 had been dishonoured by Bank. The details and status of these consumers as well as details of the other cheques were not ascertained by the Company. As a result of non-pursuance of cheques in time, the Company is likely to suffer a loss of Rs.64.54 lakh including interest. No action had been taken to fix responsibility on the persons concerned (May 2000).

The Unit Management stated (September 2000) that action was being taken to identify the consumers whose cheques were dishonoured.

2B.10.5 Dues outstanding against the liquidated units

(i) IPINIT Vanaspati Limited being the large industrial consumer of the Cuttack Electrical Division defaulted in payment of energy charges and hence its power supply was disconnected on 28 May 1996. The dues outstanding against the consumer stood at Rs.36.99 lakh (August 1996). In the mean time, the Orissa State Financial Corporation (OSFC) took over (April 1996) the Unit due to non-payment of its dues. After adjustment of consumer's security deposit (Rs.2.87 lakh) the arrear dues against the Unit was Rs.34.12 lakh.

(ii) Similarly Aisorya Steel and Alloys (P) Limited, a large industrial consumer of the Cuttack Electrical Division did not pay the energy bills and as such the power supply to the Unit was disconnected (June 1996) and raising of bills was also stopped. The arrear dues as on 30 September 1996 stood at Rs.8.86 lakh. OSFC had taken possession of the Unit in February 1998 due to non-payment of its dues.

Though a sum aggregating Rs.42.98 lakh was outstanding from these units, no action was initiated by the Company to recover the dues under OPDR Act, 1962 (May 2000).

2B.10.6 Non-realisation of one time settlement dues

Recovery of One Time Settlement dues amounting to Rs.2.24 crore was still pending.

The power supply to Ferro Manganese Plant, Rayagada, a large industrial consumer coming under Rayagada Electrical Division was disconnected (15 May 1996) and agreement was terminated (August 1996) due to non payment of energy bills amounting to Rs.9.09 crore (upto 15 August 1996). The consumer filed a case in the Honourable High Court of Orissa challenging the bills preferred based on minimum charges (July and August 1991) amounting to Rs.91.10 lakh, which was still subjudice. The balance amount of Rs.7.89 crore was undisputed. The Managing Director of SOUTHCO waived (September 1999) Rs.4.65 crore being the energy charges and Delayed Payment Surcharge (DPS) for the above mentioned period of disconnection and also urged the consumer to make payment of Rs.3.24 crore as One Time Settlement (OTS) before availing of fresh power supply. Against the above settlement, the Unit paid Rs.1 crore upto February 2000 (at the rate of Rs.50 lakh – January and February 2000). Since liability of Rs.7.89 crore was undisputed the reasons for OTS waiving dues of Rs.4.65 crore which pertained to period of GRIDCO was not clear. Further, the share of GRIDCO amounting to Rs.50 lakh from Rs.1 crore paid was not remitted by SOUTHCO in violation of State Government Notification (November 1998).

2B.10.7 Dues outstanding against various State Electricity Boards for export / wheeling of Eastern region power

A test check of the records of the Company revealed that a sum of Rs.82.80 crore was due as on 30 April 2000 being dues receivable from various SEBs viz. Andhra Pradesh SEB / AP TRANSCO (Rs.28.42 crore), Assam SEB (Rs.40.26 crore), Madhya Pradesh SEB (Rs.3.69 crore), Gujrat SEB (Rs.3.28 crore) and Bihar SEB (Rs.7.15 crore) towards export / wheeling of Eastern region power for the period ranged between June 1996 and April 2000.

In absence of proper follow up action dues outstanding against various SEBs amounting to Rs.82.80 crore remained unrealised.

Action taken if any by OSEB / GRIDCO to realise the dues could not be produced to audit. Though the dues outstanding against Assam State Electricity Board and Andhra Pradesh State Electricity Board constituted 82 per cent of the total dues no meaningful action was taken to take up the matter with the respective SEBs except to furnish bill for current dues (July 2000) including arrears, requesting for early payment.

2B.11 Bulk supply to Distribution Companies

As per the agreement entered into (between May and September 1999) with the Distribution Companies, GRIDCO was to supply power in bulk to them based on

the rates approved by OERC in the tariff structure (bulk supply) effective from 1 December 1998. Accordingly, GRIDCO was to supply power at the following rates:

- (i) Monthly demand charges at the rate of Rs.200 *per KVA*;
- (ii) Monthly energy charges of 85.50 paise *per KWH* and
- (iii) Delayed payment surcharge (DPS) at the rate of two *per cent per month* if payment is not made within 30 days from the date of bills and such charges shall be levied from 31 day itself.

The details containing quantum of energy sold (MU) to Distribution Companies, billed amount (demand *plus* energy), DPS charged and payments received from them up to March 2000 and amount outstanding as on 31 March 2000 are given in Annexure-18.

Due to delay in execution of Escrow agreements and non-opening of letters of credit, the Company was deprived of realisation of arrear dues of Rs.751.40 crore.

It would be seen from the Annexure that the percentage of collection of revenue to the total amount claimed ranged between 5.82 (NESCO) and 15.46 (WESCO). In this connection it was noticed that as per the Bulk Supply Agreements entered into by the GRIDCO with the DISCOS (May and September 1999), the DISCOS were to provide letters of credit in favour of GRIDCO supported by Escrow Agreements before the end of May / September 1999, in order to realise the dues for bulk supply of power. In the absence of effective pursuance of the matter, the DISCOS had not opened letters of credit as per the provisions of Bulk Supply Agreement and entered into the Escrow Agreements only in the year 2000-01 (July / August 2000). Non-opening of letters of credit and delay in entering into Escrow Agreement by the DISCOS resulted in accumulation of outstanding dues to the tune of Rs.751.40 crore from the DISCOS. This has resulted in extension of undue benefit to the private DISCOS at the cost of GRIDCO.

The above matters were reported to the Management and Government in June 2000; their replies were awaited (September 2000).

Conclusion

GRIDCO was unable to adhere to the assumptions adopted by OERC while fixing tariff particularly relating to T&D losses. Realisation of revenue was also adversely affected by management lapses in not submitting tariff revision proposals in time and in entering into special agreements with certain consumers. Incorrect application of tariff and incorrect application of rates further accentuated the revenue losses. The Company also failed to take adequate steps to protect its interest and effectively pursue the huge dues from both State Government Departments, other SEBs and the private Distribution Companies.

With a view to strengthening the financial position of the Company, there should be timely revision of tariff. Further, there is an emergent need to curb unauthorised use of power and to arrest T&D losses at least up to the bench-mark fixed by the OERC. Prompt and correct assessment and collection of dues needs to be made in order to improve the liquidity position as per the prescribed procedures.

Chapter-III

3A. Review on Operational Performance of Orissa State Road Transport Corporation

Highlights

Fleet utilisation of the Corporation ranged between 41 and 59 per cent during the five years ended March 2000 as against all India average of 88 and 90 per cent. Vehicle productivity was between 258 and 285 kms. per day per bus.

(Paragraphs 3A.9.2.1 & 3A.9.2.3)

The Corporation incurred revenue loss of Rs.0.65 crore as a result of 8.84 lakh dead kilometres.

(Paragraph 3A.9.2.4)

The Corporation suffered revenue loss of Rs.55.79 crore due to suspension of 2.24 lakh trips fully and 0.35 lakh trips partly during the five years ended 1999-2000.

(Paragraph 3A.9.4)

As against the norm of 4.5 kms. per litre the Corporation achieved 3.25 to 4.45 kms. during 1995-96 to 1999-2000 in five depots which resulted in extra expenditure of Rs.1.29 crore.

(Paragraph 3A.9.5)

Local purchase of stores ranged between 55.83 and 99.08 per cent in five depots against 20 per cent prescribed. Extra expenditure of Rs.0.64 crore incurred on local purchase as compared to the rate of Central Store in Rourkela, Sambalpur and Bargarh depots.

(Paragraph 3A.10.1)

The Corporation paid Rs.4.32 crore to private parties for construction of bus bodies without utilising its own men and machinery at workshops.

[Paragraph 3A.11 (i) (b)]

The Corporation incurred extra expenditure of Rs.0.35 crore in four units on getting the retreading work done through outside parties while keeping its own men and machines idle for want of work.

[(Paragraph 3A.11 (ii)]

The Corporation failed to invoke penalty clause and claim Rs.0.16 crore from TRAMCO towards delay in construction of deluxe bus bodies.

(Paragraph 3A.13.1)

Corporation sustained a minimum loss of Rs.0.21 crore due to its ineffectiveness in collecting parking charges from private buses parked in the bus stands owned by the Corporation.

(Paragraph 3A.14)

The Corporation incurred extra expenditure of Rs.3.39 crore during the five years ended 31 March 2000 due to excess staff on rolls when compared to norm fixed.

(Paragraph 3A.16.1)

3A.1 Introduction

The State Transport Service (STS), a departmental undertaking, was formed on 1 January 1948 for extending passenger transport services in the State. The undertaking was converted into the Orissa State Road Transport Corporation (OSRTC) with effect from 1 May 1974 under the provisions of the Road Transport Corporations Act, 1950 with the primary objective of providing reliable road transport to the people in the State.

3A.2 Organisational Set-up

OSRTC is managed by a Board of Directors, consisting of 11 Directors including Chairman-cum-Managing Director (CMD) (four members from Government of Orissa, three members from Government of India and three non-official nominees) till 31 March 1999. The CMD acts as the Chief Executive. However, no Board had been constituted for the period 1 April 1999 to 31 January 2000. The Board was reconstituted (February 2000) with ten members including CMD and two Government of India nominees.

The operational area of the Corporation is divided into three divisions (located at Sambalpur, Bhubaneswar and Berhampur) each under a Divisional Manager to look after administrative matters and Divisional Works Engineer to look after the technical matters. The operational unit is a Zone under District Transport Manager (DTM). The Zones (depots) are sub-divided into sub-zones and units which are managed by the Assistant Transport Managers (ATM) and Senior Station Masters.

There are two central workshops for major repair functioning at Sambalpur and Berhampur while the day to day scheduled repair and maintenance of remaining buses enroute are taken up at zonal level.

3A.3 Scope of Audit

A Review on Cash Management and Performance of Workshops was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992 (Commercial), Government of Orissa. It has not been discussed by COPU so far (September 2000). The present Review covers the adequacy and efficiency of the transport services, up-keep and maintenance of fleet, cost benefit analysis, fuel efficiency and manpower utilisation during the last five years ending 31 March 2000.

A test check of records of five out of 37 depots, two central workshops and two central stores of the Corporation was done during March and April 2000. Due to continuing staff agitation, the records could be made available only at these five depots. These five depots were accounted for 24 (1999-2000) to 31 *per cent* (1995-96) of the running fleet. The audit findings are set out in the succeeding paragraphs.

3A.4 Budget vis-à-vis actuals

The Corporation prepares yearly budget which are required to be approved by Government as per Section 32 of the Road Transport Corporations Act, 1950. However, the budgets have not been approved by Government since 1996-97.

An analysis of budget with actual income and expenditure during the five years ending March 2000 are detailed in Annexure-19 (A).

(i) It is seen from the Annexure that budgeted income steadily decreased from Rs.35.91 crore to Rs.21.11 crore which was on account of both decline in number of running buses as well as poor operational performance. The excess income in 1999-2000 was due to induction of new buses in the fleet.

(ii) The actual expenditure was within the budget during 1996-97 and 1999-2000. In the remaining years the actual expenditure exceeded the budget by amounts ranging from Rs.0.33 crore to Rs.2.02 crore. The excess expenditure was mainly due to excess consumption of fuel and purchase of spare parts locally at higher prices.

3A.5 Capital Structure and Borrowing

As the Corporation was not in a position to generate surplus revenue (discussed in Paragraph 3A.12.1) it had to depend on capital contribution and loans from the State / Central Government and loans from different financial institutions as discussed in the following paragraphs.

3A.5.1 Capital Structure

The Government has not fixed the authorised share capital so far (August 2000). However, as on 31 March 2000, the capital contribution was Rs.134.98 crore consisting of loan capital of Rs.9.25 crore, share capital of Rs.114.42 crore and advance share capital of Rs.11.31 crore.

3A.5.2 Borrowings

The Corporation borrowed funds for purchase of buses and for meeting day to day operational expenses. The borrowings include Term loan, overdraft and unsecured loan. The position for five years ending March 2000 is detailed in the following table:

	<i>(Rupees in crore)</i>				
	1995-96	1996-97	1997-98	1998-99	1999-2000
Term loan	26.69	27.38	30.84	33.75	31.53
Overdraft	3.30	3.91	4.57	5.35	6.03
Unsecured loan	4.54	8.30	15.63	18.32	24.26
Total	34.53	39.59	51.04	57.42	61.82

It is seen that the total borrowing increased from Rs.34.53 crore (1995-96) to Rs.61.82 crore (1999-2000). The Corporation has not made any arrangements for repayment of principal and interest. Since the income of the Corporation has sharply declined (discussed in Paragraph No.3A.12.1), repayment of loans would be difficult in the near future.

3A.6 Financial Position and Working Results

The financial position and working results of the Corporation (based on provisional accounts) for the last five years ending 31 March 2000 are given in Annexures-19 (B) and (C). The Corporation had finalised the accounts up to 1991-92 and was in arrears (September 2000) from 1992-93 onwards.

(i) It would be observed that accumulated loss of Rs.172.24 crore in 1995-96 had increased to Rs.253.10 crore in 1999-2000, fully eroding its capital base (Rs.134.98 crore). The recurring losses are on account of heavy borrowings, high establishment cost, low payload and low Passenger *per* Kilometre Income (PKI) as against high expenditure *per* km.

Government stated (October 2000) that it had been incurring continuous losses due to (i) operating services on account of social obligations, (ii) escalation of prices of consumables and (iii) competition from private carriage operators which adversely affected the revenue generation of the Corporation.

(ii) The trade dues and other liabilities as on 31 March 2000 were Rs.118.21 crore which includes the liability towards employees cost of Rs.93.91 crore.

(iii) A test check of records of six units revealed that advances amounting to Rs.50.19 lakh from suppliers and Rs.16.58 lakh from staff were lying unadjusted for more than five years. This had resulted in loss of interest to the tune of Rs.47.36 lakh in respect of advances to suppliers due to in-effective follow-up of claims.

Government stated (October 2000) that Rs.6.45 lakh had since been recovered from the staff. The fact remains that while advances amounting to Rs.10.13 lakh towards staff remain unadjusted till date (September 2000), the advances to suppliers have not been adjusted at all.

3A.7 Fare structure

The income of the Corporation is mainly from collection of revenue from fare, which is fixed by the State Government as per Section 67 of the Motor Vehicles Act, 1988. The Government revised the fare structure three times during 1995-96 to 1999-2000 i.e. September 1996, October 1997 and October 1999 and the average increase was 11, 9 and 16 *per cent* respectively.

Despite revision of fare thrice during 1995-96 to 1999-2000 average income *per bus per year* ranged between Rs.6.12 lakh and Rs.8 lakh as against average expenditure *per bus per year* ranged between Rs.8.69 and Rs.11.93 lakh.

The average expenditure *per bus per year* was excess over the income in all the five years ending 1999-2000 and the excess expenditure *per bus per year* varied between Rs.2.24 lakh (1995-96) and Rs.4.75 lakh (1997-98).

The Corporation did not analyse the income and expenditure relating to different categories of services viz. Ordinary, Express and Deluxe so as to maintain adequate mix of these services.

3A.8 Cash Management

The Corporation had no system for cash management through monthly or quarterly cash flow statements for watching actual receipts and expenditure with reference to estimated receipts and expenditure.

A central payment system was introduced in OSRTC with effect from 11 January 1992 under which the operational units viz. DTMs were to deposit daily all the revenues realised by sale of tickets in the collection account. The DTMs were not empowered to operate the collection account. The Head Office would send the

advice to bank to transfer the funds required for day-to-day expenditure to respective drawal accounts according to their requirements. Audit scrutiny revealed that the system was not being followed in any of the Units covered in audit and the operational units were incurring their expenditure out of daily collections without any ceiling limit. On a test check of five units, the transfer of funds to Head Office was only Rs.6.98 crore (16.67 per cent) as against the collection of Rs.41.87 crore during the period from 1995-96 to 1998-99.

Government had confirmed the figures (October 2000).

3A.9 Operational Performance

The operational performance of the Corporation had been declining during five years ended 31 March 2000 mainly due to poor fleet strength, over aged vehicles and non-achievement of various operational parameters.

3A.9.1 Fleet strength and Age Profile

3A.9.1.1 Fleet Strength

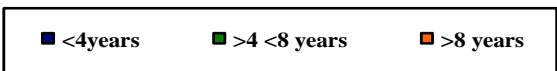
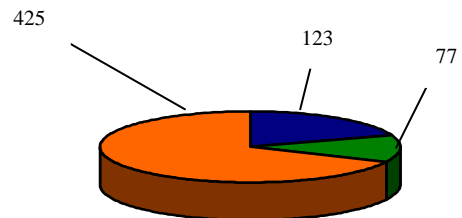
The Corporation started in 1974 with a fleet strength of 1,100 buses. Thereafter, the fleet gradually declined to 625 (March 2000). During the period of review, the number of buses purchased were only 123 as against 332 discarded during the same period resulting in depletion of fleet strength from 834 (April 1995) to 625 (March 2000). These 123 buses were purchased with IDBI assistance and the Corporation did not purchase / replace even a single bus from its own income during 25 years of its operation.

The number of passengers carried by the OSRTC was 148.94 lakh in 1997-98 and 173.85 lakh in 1998-99. The number of passengers carried by the private bus owners is not available with the Department. However, OSRTC had only 6.34 per cent of the total number of buses used for public conveyance in Orissa viz.277 out of total of 4,372 buses as on 31 March 2000.

3A.9.1.2 Age Profile

As per generally accepted norms prescribed by the ASRTU, a bus becomes due for replacement if it is more than eight years old or had covered more than five lakh kms. ASRTU had further

Age Profile of Fleet as on 31 March 2000



^ Rourkela,Cuttack-I,Bargarh,Sambalpur and Jeypore.

recommended that 60 per cent of total fleet of SRTU should be less than four years old. As against this, only 19.6 per cent (viz.123 numbers) of the buses were less than four years old 12.32 per cent (77) were more than four years but less than eight years old and 68 per cent (425) were more than eight years old while 55 per cent (345) had covered more than five lakh kms.

Thus, OSRTC had 425 overaged buses with obvious implications for both operational efficiency and maintenance costs.

3A.9.2 Physical Performance

The various parameters in respect of operational performance are set out in Annexure-20 and discussed in the following paragraphs.

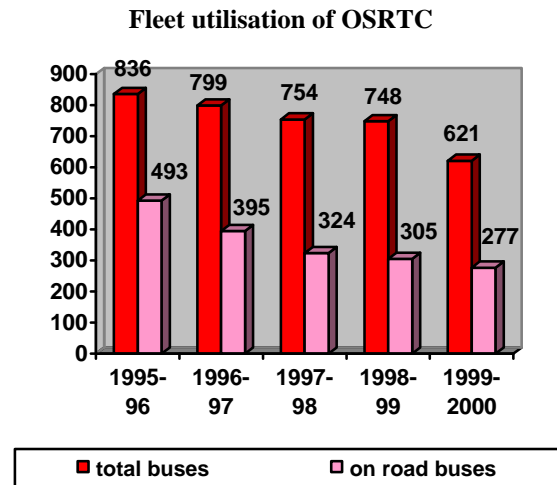
3A.9.2.1 Fleet Utilisation

Fleet utilisation is the ratio of the buses on road to the average fleet held. According to recommendations of ASRTU, 92 per cent of the fleet should be road worthy of which 90 per cent shall be in operation and two per cent kept as reserve. The following table indicates the percentage of road-worthy buses in respect of OSRTC.

	1995-96	1996-97	1997-98	1998-99	1999-2000
OSRTC	59	49	43	41	45

The fleet utilisation registered a steady decline from 59 per cent in 1995-96 to 45 per cent in 1999-2000. During 1998-99 the fleet utilisation was 41 per cent. Corresponding figures for other States for the same year were Bihar SRTC (9), Assam STC (49), Meghalaya STC (38), Andhra Pradesh SRTC (98), Karnataka SRTC (95), North Bengal STC (61) and South Bengal STC (45).

As against the all India average of fleet utilisation ranging between 88 and 90 per cent during 1995-96 to 1998-99, the same ranged between 41 and 59 per cent for OSRTC.



In the units covered in audit the fleet utilisation ranged between 17 and 78 per cent. It was noticed that in case of Cuttack-I, the utilisation percentage had steeply

declined from 65 (1995-96) to 17 (1999-2000) due to poor vehicle maintenance and frequent breakdowns. The poor fleet utilisation was mainly due to holding of overaged buses which resulted in frequent breakdowns and higher operational cost as discussed in Paragraphs 3A.9.4 and 3A.16.1

Government stated (October 2000) that under utilisation of fleet was due to paucity of funds to put off road vehicles on road. However, it is seen that no significant attempts have been made to augment revenue either by increasing operational efficiency, raising funds from surplus land resources or by decreasing operational and other costs.

3A.9.2.2 Volume of operation

The coverage in volume of kilometres (Target, Achievement, Shortfall and Percentage of shortfall) are as under:

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
Target (lakh kms.)	613.73	609.28	382.45	401.07	382.31
Achievement (lakh kms.)	496.63	392.80	307.60	287.88	284.43
Shortfall (lakh kms.)	117.10	216.48	74.85	113.19	97.88
Percentage of shortfall with reference to Target	19	36	20	28	26

The targeted coverage in route kilometres declined steadily from 613.73 lakh kms. (1995-96) to 382.31 lakh kms. (1999-2000) in the five years. The percentage of shortfall varied between 19 and 36.

It was noticed that the targets fixed did not include the suspended routes during the years. Hence the total achievable target had been fixed on the lower side which resulted in projecting higher achievement.

3A.9.2.3 Vehicle Productivity (effective Km. / Day / Bus)

The vehicle productivity (VP) indicated average number of revenue earning kilometres performed by a bus per day. OSRTC had not fixed any norms of operations of different services despite having deluxe services along with ordinary services. The VP figure ranged between 258 to 285 during the five year period ending 1999-2000 as given below.

	1995-96	1996-97	1997-98	1998-99	1999-2000
OSRTC	276	272	260	258	285

(In Kilometres)

The comparative figures of vehicle productivity of some States during 1998-99 were Bihar SRTC (197), Assam STC (221), Meghalaya STC (189), Andhra

Pradesh SRTC (310), Karnataka SRTC (333), North Bengal STC (252) and South Bengal STC (265) as against VP of 258 of OSRTC.

3A.9.2.4 *Dead Kilometres*

Dead kilometres are those which are run without earning revenue. The percentage of dead kms. to gross kms. was as follows in the case of OSRTC.

	1995-96	1996-97	1997-98	1998-99	1999-2000
OSRTC	2.84	1.94	1.87	1.98	1.92

Revenue loss of Rs.0.65 crore on account of 8.84 lakh dead kilometres.

During 1998-99 the percentage of dead kms. to gross kms. was 1.98 in respect of OSRTC. Corresponding figures for the other States for the same year were Bihar SRTC (2.01), Assam STC (3.39), North Bengal STC (3.00) and South Bengal STC (3.80).

During test check of records of five depots for five years ended 1999-2000, the dead kms. in the five depots examined in audit worked out to 8.84 lakh kms. The percentage of dead kms. to gross kms. varied between 0.08 (Bargarh) and 5.33 (Jeypore). The total loss of revenue on account of dead kilometres in five depots worked out to Rs.64.68 lakh (Annexure-21). The reasons for dead kilometres were not analysed by the Corporation.

Government stated (October 2000) that the excessive dead kilometres are due to location of garage away from the bus stand. The reply is not tenable as the garages in the four units visited were by the side of the bus stands and the dead kilometres were attributable largely to poor maintenance.

3A.9.2.5 *Occupancy Ratio*

The position of occupancy ratios of OSRTC was as follows:

	1995-96	1996-97	1997-98	1998-99	1999-2000
OSRTC	70	65	62	65	67

The occupancy ratio of the OSRTC had declined from 70 to 67 during the period covered under review. The corresponding occupancy ratio for the other States were Bihar SRTC (76), Meghalaya RTC (65), Andhra Pradesh SRTC (67), Karnataka SRTC (68), North Bengal STC (62) and South Bengal STC (61).

Government attributed (October 2000) this low occupancy ratio to clandestine operation of private buses and operation of buses on uneconomic routes. No steps were taken to improve the occupancy ratio.

3A.9.2.6 Bus Staff Ratio

The Corporation fixed bus staff ratio of 1:7.5. The bus staff ratio of the Corporation for the last five years ending 31 March 2000 ranged between 1:12.61 and 1:17.06 during the period under review. The bus-staff ratio increased from 1:12.61 to 1:16.08 due to reduction of number of effective vehicles from 493 (1995-96) to 277 (1999-2000). Though 279 persons had taken VRS (from September 1998 till date) and 502 had been retired based on departmental review, the ratio continues to be very high. This excessively high ratio resulted in higher establishment cost (discussed in Paragraph No.3A.16.1).

Government stated (October 2000) that due to depletion of the fleet strength, bus-staff ratio was high. However, no steps were initiated to remedy the situation.

3A.9.3 Analysis of routes

The routes have been categorised on the basis of Payload range (Annexure-22). It was seen that routes falling in category F (lowest payload) were 15.70 *per cent* of the total routes operated in 1995-96 which was increased to 31.12 *per cent* in 1997-98. In 1995-96 there were 10 routes in A (90 *per cent*) and 29 routes in B (80-89 *per cent*) reduced to two and one respectively during 1998-99. Thus, even economical routes had become uneconomical due to operation of private buses in the same routes coupled with irregular services provided by OSRTC. There had been no attempts by the Corporation to make the routes economically viable or its services more competitive.

3A.9.4 Cancellation of Trips

According to Sections 3 and 18 of the RTC Act, SRTUs are expected to provide, efficient, economic and properly co-ordinated transport services to the travelling public. It was observed in audit that the Corporation had suspended 2.24 lakh trips fully and 0.35 lakh trips partly during the years 1995-96 to 1999-2000 leading to a revenue loss of Rs.55.79 crore during the same period as detailed in Annexure-23. Of the above, 13,555 trips suspended were attributable to mechanical breakdowns.

The overall percentage of breakdown rate *per* 10,000 km ranged between 0.61 and 0.88 as against the all India average of 0.65, except in 1999-2000 (0.61). Of the total mechanical breakdowns, 42 to 68 *per cent* were on account of engine failure alone during the period of review.

Government stated (October 2000) that the main cause for cancellation of buses was shortage of vehicle and the inability of the Corporation to provide relief bus for those vehicle. This indicated poor maintenance of buses by the Corporation.

**Revenue loss of
Rs.55.79 crore due to
suspension of 763.75
lakh kilometres**

3A.9.5 Fuel efficiency : Excess Consumption

There was excess consumption of HSD to the tune of Rs.1.29 crore over the norm.

The Corporation fixed the norm of 4.5 kms. *per* litre. However, the Corporation had achieved 3.25 to 4.45 kms. *per* litre during the five years ended 31 March 2000. The position of excess consumption of HSD Oil and its money value in different depots is detailed in Annexure-24. The excess consumption (13.38 lakh litres) resulted in extra expenditure to the Corporation of Rs.1.29 crore in five depots during the period from 1995-96 to 1999-2000. Further, it is observed that the Corporation incurred an additional expenditure to the extent of Rs.9.37 lakh towards excess consumption of fuel during 1997-98 to 1999-2000 in Jatni Depot.

Government stated (October 2000) that due to paucity of funds centralised purchase of HSD oil could not be made which resulted in purchase from local outlets where the quality and quantity purchased could not be ensured. However, instructions have been issued for review of performance of KMPL and vigilance checks were being conducted.

3A.9.6 Performance of Tyres

The Corporation fixed the life of a tyre as 1,04,500 kms. [new tyres 42,000 kms. plus 25,000 kms. (first retreading) plus 25,000 (second retreading) plus 12,500 (third retreading)].

Premature failure of tyres led to an avoidable expenditure.

A test check of records in five depots for the period from 1995-96 to 1999-2000 revealed that 615 tyres were scrapped prematurely leading to an avoidable expenditure of Rs.10.94 lakh being the cost of 153 new tyres required to meet the shortfall on account of prematurely failed tyres. The reasons for the premature failure had not been ascertained by the Corporation.

Government stated (October 2000) that tyre life also depended on road conditions and that the norms were not sacrosanct. Reply is not tenable since norms have to be fixed taking into account the actual road conditions.

3A.10 Material Management

The material management function of the Corporation was undertaken by the Central Stores. Audit scrutiny of the working of Central Stores revealed the following deficiencies.

3A.10.1 Central Stores

Central Stores were functioning at Cuttack and Berhampur for the purpose of procurement and supply of stores material. As per the extant rules, the Works Engineer, Central Stores is to place orders with ASRTU approved firms for supply of stores. The orders were placed on the basis of indents received from the

different units and after taking into account the availability of resources. It was seen that there was no norm fixed for stock holding by OSRTC. Further, study at Central stores revealed that no analysis is being made of inventory in terms of fast moving, slow moving and non-moving stores.

As per the standing instructions, all material (except minor ones) should be procured from Central Stores, Cuttack / Berhampur on payment. The Central Stores had also been instructed to purchase material which were not in stock, out of the amount remitted by the zones / units and ensure supply of genuine material to zones / units. DTMs / ATMs have been delegated the power of meeting the day to day requirements of parts and accessories from local market in emergent circumstances. The financial powers in respect of such expenses of a DTM was only Rs.2,000 and that of ATM was Rs.1,000 in each case. Each expenditure must be pre-audited by internal audit personnel posted in each zone / unit. The rules further stipulate that local purchases should not exceed 20 *per cent* of total procurement made during the year. However, the following was noticed in audit:

(i) In all the five depots test checked in audit, the local purchases constituted 55.83 to 99.08 *per cent* of the total procurement made during each of the five years ended 31 March 2000 as against the limit of 20 *per cent*.

(ii) Cash purchases were resorted to without placing formal orders with the suppliers and the purchases were not made in most economical manner. There were differences of Rs.100 to Rs.552 in rates of same spares purchased from different dealers on the same day or within a difference of 10 days.

(iii) A comparison of the rates paid to the local dealers with the rates charged by the Central Stores revealed that rates paid to the local dealers were higher than the rate of Central Stores which ranged between 50 and 371 *per cent* of the Central Store rates during the period from 1995-96 to 1999-2000 in Rourkela, Sambalpur and Bargarh depots. Due to these local purchases the Corporation incurred minimum extra expenditure of Rs.64.41 lakh (based on the minimum excess of 50 *per cent*).

(iv) No pre-audit was done on each expenditure by the internal audit posted in each depot.

Government stated (October 2000) that due to financial problems the Units could not transfer funds to Central Store to procure their requisition.

3A.10.2 Non-Moving Spares

It was noticed that non-moving spares valued at Rs.8.20 lakh were lying at Central Stores between 1993-94 and 1998-99. The stock position had remained same despite issuance of circulars to depots to lift these material from time to time. This resulted in locking up of funds to the tune of Rs.8.20 lakh.

Local purchases at higher rate resulted in minimum extra expenditure of Rs.0.64 crore.

3A.10.3 Delay in disposal of condemned vehicles

In 1996-97 and 1998-99, 335^N condemned vehicles, accumulated from 1991-92 onwards were disposed of at Rs.1.39 crore. It was noticed that the value of realisation *per* vehicle had declined from Rs.54,073 (1996-97) to Rs.35,705 (1998-99) due to long storage in open space.

3A.10.4 Physical verification: Shortage of HSD oil

Physical verification of stores should be done annually to ascertain the correct stock balance as well as to detect shortages if any. Though instructions exist requiring annual physical verification, no such verification was done from 1991-92 to 1995-96. In December 1997, the Corporation directed that physical verification should be done from at least 1996-97 onwards which should be completed by 31 December 1997. However, no records as to conduct of physical verification done after 1996-97 could be produced to audit though called for.

A test check of records of 3 depots revealed that 50,599 litres of HSD oil valued at Rs.4.52 lakh was found short in Bargarh (Rs.0.64 lakh), Sambalpur (Rs.1.27 lakh) and Cuttack-I (Rs.2.61 lakh).

No action had been taken to analyse the reasons for the shortages nor had responsibility been fixed for the same.

Government stated (October 2000) that due to non-completion of work, the records on physical verification could not be produce to audit. It was added that the shortages could not be reconciled with Indian Oil Corporation (IOC) authorities because of non-clearance of IOC dues amounting to Rs.1.34 crore. The reply is untenable as the shortages pointed out by audit were the differences between the total receipts and issues of HSD oil to various depots.

3A.11 Repairs and Maintenance: Performance of Central Workshops

The main functions of Central workshops were construction of new bus bodies, renovation of bus bodies, tyre retreading and reconditioning of engines and fuel injecting pumps as well as minor repair work. Review of the maintenance activity in the workshops revealed non-utilisation of available capacity and idle manpower which adversely affected the operational performance of the fleet.

3A.11 (i) Bus Body building

No construction of bus bodies or new chassis was carried out in the body building workshop either at Berhampur or Sambalpur during the period of review though the target fixed was 12 vehicles *per* year for each workshop. The employees of

^N 331 buses, two jeeps, one truck and one car.

the workshops were engaged in the major / minor repair works. Following points were noticed:

(a) In Berhampur workshop complete overhauling was done for only seven, three and two vehicles in 1995-96, 1996-97 and 1997-98 respectively as against the target of 12 vehicles each year.

Government stated (October 2000) that the Corporation could not purchase any new chassis in the years 1993-94 to 1996-97 and during this period only major / minor accident repairs were done.

Rs.4.32 crore were paid to private parties for construction of bus bodies without utilising its own men and machinery.

(b) Scrutiny of records on construction of bus bodies revealed that 123 bus bodies were constructed by private parties at a cost of Rs.4.32 crore during period from 1997-98 to 1999-2000 even though similar facilities were available with manpower at Central workshops at Sambalpur and Berhampur. The reasons for not taking up the work at their own workshops keeping their staff idle were not made available to audit. On scrutiny of records of Sambalpur workshop it was seen that the wages of Rs.56.16 lakh were paid during the period of five years. The amount of wages has exceeded the value of work done in terms of minor repairs by Rs.20.71 lakh.

(c) It was further noticed in audit that the Corporation preferred claims against four body builders for an amount of Rs.10.59 lakh on account of penalty for using sub-standard material and poor workmanship after delays ranging from three to four months after expiry of performance guarantee period. As there was no security deposit nor performance guarantee, the chances of recovery of these amounts were remote particularly as the claims had been forwarded after settlement of final bills of the bus body builders.

3A.11 (ii) Tyre Retreading

Tyre retreading is done at the workshops at Sambalpur, Berhampur and Cuttack. The target of 1,800 tyres *per annum* for retreading in respect of Sambalpur and Berhampur workshops were not achieved during the years 1995-96 to 1999-2000 and the achievement ranged only between 5.20 and 40.17 *per cent*. On scrutiny of records of tyre retreading section of Sambalpur workshop it was seen that the wages of Rs.12.19 lakh were paid during the period of five years. The amount of wages has exceeded the value of tyre retreading work done by Rs.11.09 lakh.

Similarly at Cuttack, it was seen that during the period of five years covered under review, the production of retreaded tyres declined from 78.94 to 46.69 *per cent* as against the target of 3,600 tyres *per annum* due to non receipt of tyres from zones. No remedial measures had been taken by the appropriate authority to improve the plant utilisation. The monthly report as regards utilisation had never been furnished to Headquarters during the period of audit.

**Avoidable
expenditure of
Rs.0.35 crore in four
depots for retreading
works through
outside parties
keeping its own men
and machinery idle
for want of work.**

It was observed that while the work of retreading tyres in own workshops declined due to non-receipt of tyres from the units, the units got the work done through outside parties. This had resulted in avoidable expenditure of Rs.34.83 lakh in the four units viz. Bargarh (Rs.7.87 Lakh), Sambalpur (Rs.10.17 Lakh), Rourkela (Rs.14.96 Lakh) and Cuttack (Rs.1.83 Lakh) alone besides rendering workers on rolls idle.

Government stated (October 2000) that due to depletion of on-road fleet during the above period the flow of tyres for retreading were less which resulted in low capacity utilisation of the workshops. It was added that retreading had to be done by outsiders as the retreading plant had to be closed temporarily due to want of retreading material. The reply is not tenable since the Corporation had incurred expenditure on retreading the tyres from the outside sources during all the five years covered in the review which could have been avoided with better management.

3A.11 (iii) Engine Overhauling

The Corporation had fixed an annual target of 336 engines for re-conditioning at Sambalpur workshop and 120 engines at Berhampur workshop. The Corporation had neither utilised the capacity nor reviewed the time schedule for job of engine overhauling taking into consideration the available facilities. As on 31 March 2000, there were 352 unattended engines at Sambalpur (275) and Berhampur (77) workshops as detailed in the following table.

Year	Sambalpur			Berhampur		
	Receipts	Works completed	Balance at Workshop	Receipts	Works completed	Balance at Workshop
1995-96	350	278	72	127	91	36
1996-97	336	220	116	84	67	17
1997-98	198	195	3	87	66	21
1998-99	105	74	31	30	27	3
1999-2000	68	15	53	12	12	-
Total	1057	782	275	340	263	77

The age wise analysis of the unattended engines as on 31 March 2000 revealed that 265 engines remained unattended for the period 3 to 5 years and 87 engines remained unattended for the period up to 3 years.

It was noticed in audit that the number of engines reconditioned annually decreased from 278 in 1995-96 to 15 in 1999-2000 at Sambalpur workshop and from 91 in 1995-96 to 12 in 1999-2000 at Berhampur. As per the extant procedure, after receipt of engines, the technical committee of the workshop was required to inspect and analyse the reasons for repairs and to suggest either condemnation or repair at the workshop. No such inspection was done nor reasons were recorded. Consequently, 352 engines had accumulated and were lying un-repaired as on 31 March 2000.

Wages paid was in excess of the value of work done

Government stated (October 2000) that funds could not be provided for procurement of spares for repair of engines due to non-availability of working capital which resulted in less production of recondition of engines. On scrutiny of records of Sambalpur workshop it was seen that the wages of Rs.47.30 lakh were paid during the period of five years. The amount of wages has exceeded the value of work done in terms of minor repairs by Rs.24.49 lakh.

3A.11 (iv) *Premature failure of reconditioned engines*

It was noticed in audit in five depots that 30 reconditioned engines failed prematurely, as against the norm of 50,000 kms. fixed by the Corporation, during the five years under review resulting in revenue loss of Rs.33.61 lakh.

3A.12 Financial Analysis

3A.12.1 *Operating cost vis-a-vis revenue earned*

The following table indicates the operating cost and revenue earned during the last five years ended 1999-2000:

(Rupees in lakh)

Year	Cost of operation	Revenue earned	Shortfall
1995-96	4286.49	3180.53	1105.96
1996-97	3742.96	2451.46	1291.50
1997-98	3520.96	1982.87	1538.09
1998-99	3115.55	2060.70	1054.85
1999-2000	3303.36	2216.58	1086.78

Cost of operations is higher than revenue earnings.

It is observed that there was shortfall in all the years from Rs.11.06 crore (1995-96) to Rs.10.87 crore (1999-2000). No effective steps had been taken by the Corporation in order to cut down the operational cost and to increase the revenue.

3A.12.2 *Per Kilometre Income vis-à-vis Per Kilometre Expenditure*

During the five years ended March (2000) *Per Kilometre Income* (PKI) and *Per Kilometre Expenditure* (PKE) are detailed below:

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
PKI (Rupees)	7.23	6.70	6.91	8.02	8.27
PKE (Rupees)	9.36	10.14	11.44	13.52	13.48

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
Increase in PKE (Rupees)	2.13	3.44	4.53	5.50	5.21
Percentage of increase of PKE to PKI	29.46	51.34	65.56	68.58	63.00

From the table it is revealed that the percentage of PKE to PKI has been continuously increasing from 29.46 (1995-96) to 68.58 (1998-99) with a marginal decrease to 63 during 1999-2000. Thus, the income fell much short of expenditure incurred for running each km. resulting in continuous operational losses.

3A.13 Revenue Loss

Due to poor management control the Corporation incurred avoidable revenue loss on account of failure to effectively follow up on delivery of both new buses as well as those sent for repair which further worsened its revenue position as discussed in the succeeding paragraphs.

3A.13.1 Loss due to delay in payment / delay in taking delivery

The Corporation entered into an agreement with TRAMCO Limited (March 1998) for construction of 20 deluxe bus bodies at a cost of Rs.4.10 lakh *per* unit on chassis to be supplied by OSRTC. The agreement stipulated that bus bodies were to be delivered within 75 days of receipt of chassis from OSRTC.

The OSRTC paid an amount of Rs.10 lakh (27 August 1998) on receipt of 10 buses. Due to non-payment of balance cost of delivered vehicles, the contractor delayed in delivery of remaining 10 buses. In the meantime, Government released Rs.80 lakh (February 1999) for making payment to TRAMCO. Out of Rs.80 lakh the Corporation released Rs.50 lakh (Rs.32 lakh 17 April 1999 and Rs.18 lakh 18 April 1999) to TRAMCO and got back five vehicles.

Loss of revenue due to delay in taking delivery of buses.

The Corporation did not take effective steps to get the remaining five buses. The contractor delivered these five buses only on 12 September 1999. Delay in getting these five buses resulted in loss of revenue to the tune of Rs.15.89 lakh during the period from April to August 1999.

Government stated (October 2000) that the delay in delivery of the buses was due to the inability of the Company to release the dues of TRAMCO on account of paucity of funds which OSRTC was to get from the Government. Ultimately, TRAMCO went to the Court and obtained an injunction order against delivery of buses till payment of its dues. It was further directed by the Court to pay Rs.13 lakh to TRAMCO through Registrar, Judicial and to deposit bank guarantee of Rs.12 lakh in favour of the firm. This injunction was got vacated on appeal by

OSRTC and the buses were delivered on 12 September 1999. The reply is not tenable as the Corporation failed to organise finances required to pay the bus body builder which led to the body builder approaching the Court and withholding the buses due to non-payment of their dues.

3A.13.2 Revenue loss on account of delay in taking delivery

Revenue loss amounting to Rs.0.29 crore due to delay in taking delivery of buses.

A review of register of major / minor repairs to buses at Central workshop Sambalpur, revealed that the concerned District Transport Managers / Assistant Transport Managers had not taken delivery and put on road 21 buses after completion of repair work at the workshop. The delay ranged between 31 and 235 days which resulted in loss of revenue to the tune of Rs.28.74 lakh.

Government stated (October 2000) that the delay was due to non-completion of under carriage repair and non-fitment of tyres and tubes. The reply is not tenable as the Corporation failed to coordinate fitment of tyres and tubes to the repaired buses coinciding with completion of their repair work.

3A.13.3 Revenue Leakage

3A.13.3.1 Inadequate Checking

As per extant rules, every Assistant Traffic Manager (Enforcement) (ATM) should check 120 vehicles in a month. However, a test check revealed that during the year 1997-98, a total of 1,098 checks only were conducted on average *per* month against 2,160 checks (120x18 ATM) which accounted for 50.8 *per cent* achievement against the norm.

Government stated (October 2000) that though the norm was for checking of 120 vehicles a month by each ATM, due to depletion of on-road fleet, checking of route buses was less. The reply is not tenable since the depletion of fleet strength, it would have been possible to increase the frequency of the checks as per the norms.

3A.14 Non-collection of parking fees

Loss of Rs.0.21 crore on account of non-collection of parking fees.

The Corporation collects parking charges towards parking of private buses in the OSRTC bus stand premises at the rate of Rs.10 *per* vehicle *per* day at Cuttack and Bhubaneswar. It was seen that there was no system of issue of money receipts or accountal of parking fees. A survey was conducted by the traffic Survey Personnel for a period of nine days from 12 to 20 December 1995 at Cuttack, which revealed that 770 private buses were parked in the bus stations *per* day. On a review of records, it was noticed that the Corporation received Rs.20.05 lakh (1996-97), Rs.19.12 lakh (1997-98) and Rs.16.49 lakh (1998-99 up to December 1998). Due to lack of proper system of collection and accountal of parking fees, the Corporation sustained a minimum loss of Rs.20.56 lakh during the above three

years (considering the number of buses parked daily to be 770 only from 1996-97 onwards).

Government stated (October 2000) that they had appointed agents in February 2000. The reply of the Government is not relevant as the audit para relates to the loss for the three years i.e. 1996-97, 1997-98 and 1998-99 (December 1998).

3A.15 Appointment of Private Ticketing Agents

The Corporation introduced (December 1998) a scheme for sale of tickets through private ticketing agents with approval of the State Government of Orissa. The main objectives of the scheme were as follows:

- (i) to achieve pay load beyond 80 *per cent*;
- (ii) to enhance PKI from Rs.6.91 (1997-98) to more than Rs.10 and
- (iii) to eliminate pilferage of revenue which had assumed epidemic proportion in the fleet of the Corporation.

Under this system, the agents were allowed to sell tickets to the travelling public in exchange of cash. The ticketing agents should deposit the sale proceeds of the trip on due calculation of the amount shown in the invoice. On receipt of the invoice, the conductor on duty should allow the number of passengers exhibited in the invoice to board the vehicle. The ticketing agents were allowed to print their tickets at their own cost. Further, the ticketing agents should not be subjected to any check either by the enforcement or the vigilance staff of OSRTC and the Corporation staff were not allowed to check tickets issued by the ticketing agents.

A test check of these transactions revealed that the system had not yielded any tangible results. The payload had increased by only 8 to 11 *per cent*, which was also due to revision of fares (November 1999). Besides, the Corporation was liable to pay commission at the rate of five *per cent* of the revenue collections. The total commission paid to the agents could not be quantified due to non-receipt of information from the Corporation.

Government stated (October 2000) that on reviewing the income performance of these ticketing agents many agents have been disengaged. The Corporation further stated that where the ticketing agents were engaged, the pay load was 68 *per cent* and the PKI was Rs.7.48 and the pay load and PKI obtained in respect of buses where agents were not engaged were 60 *per cent* and Rs.6.60 respectively. The reply is not tenable since the objectives of the agency system i.e. payload beyond 80 *per cent* and PKI of Rs.10 was never achieved.

3A.16 Manpower Analysis

3A.16.1 Staff Cost vis-à-vis Productivity

As per the norm adopted by the Management, the manpower *per bus* should be 7.5. The following table shows the details of men in position at the end of each year and actual number of buses on road for the five years up to 1999-2000.

Year	Number of buses on road	Manpower required at the rate of 7.5	Men-in-position	Surplus	Idle wages at the rate of Rs.2,500 per month (Rs. in lakh)
1995-96	493	3698	6221	2523	63.08
1996-97	395	2963	5906	2943	73.58
1997-98	324	2430	5527	3097	77.43
1998-99	305	2288	4922	2634	65.85
1999-2000	277	2078	4455	2377	59.43
Total Idle Wages					339.37

Extra expenditure of Rs.3.39 crore due to excess staff.

On the basis of norm, the work force required to operate the present position of vehicles was 2,078. Thus, the actual work force on rolls was in excess of the actual need, which ranged from 2,377 to 3,097 during five years up to 1999-2000 resulting in payment of idle wages of Rs.3.39 crore.

3A.16.2 As per existing norms, the ratio of conductors and drivers *per bus* should be 1:1.8 and in case of cleaners the ratio should be 1:0.4. It was noticed in audit that though the existing staff were far in excess of the above norms, casual staff were engaged for the period from April 1995 to March 1999 resulting in loss of Rs.8.50 lakh in Rourkela depot. Further, it was not clear from the records made available to audit whether sanction for engagement of casual staff was received from the competent authority.

Conclusion

The Corporation had failed to achieve its objectives of providing an efficient and reasonably priced service to the travelling public. Due to lack of adequate management control and financial discipline, the Corporation had been incurring losses year after year. The Corporation failed to take any steps to stem the tide of losses nor did it explore ways to enhance revenue on income generation to improve its financial position. It was expected that the Organisation should run on business principles which implied that it should be self supporting and at the same time it should be able to grow. However, the Corporation was incurring huge losses year after year due to low vehicle utilisation, heavy interest burden, higher

establishment cost, non-observance of centralised cash management system and lack of financial discipline.

For improving its performance, the Corporation needs to take the following remedial measures:

- (i) Strengthen its internal checking system to improve revenue earning;
- (ii) Observe economy in expenditure towards operation and maintenance;
- (iii) Strengthen its purchase department, streamline its procurement procedures and minimise the local purchases;
- (iv) Introduce centralised payment system to control the revenue and expenditure and
- (v) Improve the fleet utilisation by adequate maintenance.

3B. Recovery performance of Orissa State Financial Corporation and Industrial Promotion and Investment Corporation of Orissa Limited

Highlights

Orissa State Financial Corporation

The recovery performance for last five years up to 1999-2000 was poor. The percentage of effective recovery to the overdues ranged between 11.9 and 18.3 during the years 1995-96 to 1999-2000.

(Paragraph 3B.6.2)

Out of Rs.1,055.97 crore disbursed up to 1999-2000, Rs.538.37 crore was outstanding and Rs.591.98 crore including interest was overdue due to imprudent decision in disbursement of loans, indecisiveness of management, lack of timely action and delay in filing of cases under Section 31 of SFCs Act, 1951. Age wise analysis of the overdues was not done.

(Paragraph 3B.6.3)

121 loanees had not paid even a single instalment resulting in accumulation of overdues of Rs.69.99 crore.

[Paragraph 3B.6.3.(iv)]

Lack of follow up action for recovery of Rs.11.15 crore outstanding from 198 industrial units in eight branches resulted in their recovery being rendered remote.

(Paragraph 3B.6.4)

The Corporation sustained a loss of Rs.10.29 crore in nine cases due to non-availability of sufficient security.

(Paragraph 3B.6.6)

Overdues of Rs.1.37 crore remained outstanding as on 31 March 1999 against Hire Purchase loans sanctioned in disregard of terms of the scheme in 157 cases.

(Paragraph 3B.6.7)

As against Rs.130.37 crore sanctioned under FSS till 31 March 2000 the Corporation could recover only Rs.122.37 crore (principal Rs.108.01 crore and interest Rs.14.36 crore) against the demand of Rs.168.31 crore. The percentage of recovery was thus only 73.

(Paragraph 3B.6.8)

In almost all cases of units seized and sold, the sale value did not cover the outstandings due to removal of assets or over valuation at the time of disbursement. There were outstandings amounting to Rs.87.39 crore against 572 seized units lying undisposed and the Company spent Rs.3.01 crore on watch and ward on these seized units.

(Paragraph 3B.6.9)

Transfer of units of defaulting loanees to new parties against whom outstanding dues stood at Rs.0.92 crore as on December 1999 ended up only in closure of old loans and opening up of new ones with negligible recovery.

(Paragraph 3B.6.10)

Industrial Promotion and Investment Corporation of Orissa Limited

The percentage of recovery to demand ranged between 11.78 and 18.37 during the period from 1995-96 to 1998-99 which resulted in accumulation of outstanding dues of Rs.83.52 crore as on 31 March 1999.

(Paragraph 3B.7.3)

Despite COPU's directions to initiate appropriate measures, delay ranging from 15 months to 10 years continued to exist in disposal of 15 seized units involving outstanding dues of Rs.18.86 crore.

[Paragraph 3B.7.5 (c)]

The Company did not exercise its power under Sections 29 & 31 of SFCs Act due to lack of infrastructure, verification and valuation of assets and post disposal difficulties which resulted in loss of Rs.6.54 crore on write off of principal amounts due during the three years 1996-97 to 1998-99.

(Paragraph 3B.7.7)

The overdues against Short-Term Loan stood at Rs.1.71 crore, which was not in accordance with the Scheme.

(Paragraph 3B.7.8)

Under OTS scheme, the Company settled 15 loan accounts sacrificing Rs.5.06 crore.

(Paragraph 3B.7.9)

3B.1 Introduction

The Orissa State Financial Corporation (OSFC) and the Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) were established in March 1956 and April 1973 respectively to provide financial assistance to large, medium and small scale industries by way of term loans, short-term loans and other loans.

3B.2 Scope of Audit

The recovery performance of the above organisations was last reviewed in Report of the Comptroller and Auditor General of India for the year ended 31 March 1988 (No.3 of 1989) (Commercial)-Government of Orissa. The recommendations of the Committee on Public Undertakings (COPU) in respect of IPICOL and OSFC were presented to the State Legislature on 7 December 1996 and 4 August 1999 respectively. Action Taken Notes on these recommendations were awaited (October 2000).

The present review conducted between October 1999 and January 2000 covers the recovery performance of these organisations from 1995-96 to 1999-2000.

3B.3 Organisational Set-up

Organisational set-up of OSFC and IPICOL is as below:

OSFC	IPICOL
The Management of OSFC is vested in a Board of Directors comprising of 16 Directors including Chairman. The Managing Director is the Chief Executive who is assisted by one Executive Director, three General Managers at Head Office and one General Manager at the field level, six Regional Managers and 19 Branch Managers at the field level.	The Management of the Company is vested in a Board of Directors comprising 15 Directors including Chairman. The Managing Director is the Chief Executive who is assisted by six General Managers looking after the projects assisted by IPICOL as well as joint financing cases of IPICOL and OSFC.

It was noticed that the post of Managing Director was held by six incumbents in case of OSFC and by eight incumbents in case of IPICOL during the period from April 1995 to March 2000. These frequent changes at the level of Chief Executive resulted in lack of continuity and consistency in Management.

3B.4 Sources of Funds

The main sources of funds for the two institutions during the last five years were borrowings from IDBI / SIDBI under refinance facilities, State Government and Banks. Detailed statement showing the sources and uses of funds for OSFC and IPICOL is in Annexure-25. It would be seen that the closing cash balances ranged between Rs.20.88 crore and Rs.39.11 crore during the five years ending 31 March 2000 in case of OSFC. It would be seen from Annexure-25 that borrowing for

OSFC increased two fold from Rs.23.60 crore to Rs.51.19 crore during the period from 1995-96 to 1999-2000. Though funds were available, the Corporation could not meet its disbursement targets. The short fall in disbursement ranged from 5.2 to 40.9 *per cent*. In case of IPICOL, there were surplus funds amounting to Rs.3.94 crore in the year 1998-99 which could not be utilised by the Company.

3B.5 Procedure for loan sanction, disbursement and recovery

The procedure for loan sanction and disbursement in case of OSFC and IPICOL is outlined below:

Any entrepreneur seeking financial assistance in the form of loan (Term loan, Short-Term Working Capital loan, Hire Purchases loan etc.) is required to submit an application form giving details of the product, location of the project, installed capacity, cost estimate, sources of finance, promoter's background, nature and value of collateral securities etc. OSFC / IPICOL then makes technical and financial appraisal to ascertain the feasibility of the project and accord necessary sanction of loan. Disbursement of sanctioned loan commences after ensuring title deeds, hypothecation / mortgage deed and execution of agreements by the loanee. The aspects relating to recovery of dues by OSFC and IPICOL are discussed in the succeeding paragraphs.

3B.6 Orissa State Financial Corporation

3B.6.1 Recovery

The Term Loan (TL) and Short-Term Working Capital (STWC) loan of the Corporation carry interest at rates varying from 12.5 to 21.5 and 20.5 to 21.5 *per cent per annum* respectively. TL is repayable in five to 10 years including one year to two years moratorium and STWC loan is repayable in six months. The demands are raised in June and December every year. The entire responsibility for recovery is entrusted to 19 branches and the Recovery Department of OSFC.

3B.6.2 Targets and Achievements

As per RBI guidelines, the Corporation categorises its assets as Non-Performing Asset (NPA) if interest is past due* for more than 180 days and / or the principal is past due for more than 365 days. The asset is termed as substandard and doubtful if it remains as NPA for a period of not exceeding two years and exceeding two years respectively. The loan is termed as loss asset if the loss has been identified by the external or internal auditors and considered uncollectible but not written off.

* An amount which remains outstanding for 30 days beyond the due date is treated as past-due.

The targets and achievements in regard to sanction, disbursement and recovery for the last five years up to 1999-2000 is shown in Annexure-26.

The recovery performance was very poor during the years 1995-96 to 1999-2000.

The overall recovery percentage of the Corporation was very poor and the percentage of achievement to overdues ranged between 16.6 and 21.1 during the years 1995-96 to 1999-2000. The targets fixed for recovery were also not realistic as the percentage of target to overdues ranged between 16.4 and 22.8 only.

Though the targets fixed were low in comparison to the overdues, even these could not be achieved by the Corporation. The percentage of recovery of current dues to the current demand ranged between 26.9 and 45.2 whereas the percentage of recovery of arrear dues to the arrear demand ranged between 7.8 and 13.1 during the years 1995-96 to 1999-2000. The poor recovery ultimately prevented the recycling of funds and affected the cash flow of the Corporation as would be observed from the position of borrowings stated in the succeeding paragraph.

It was further noticed (January 2000) in audit that the recovery included, apart from regular recovery, the amount of deferred loans (sale value of seized units minus down payments) and the amount recovered through One Time Settlement (OTS). Thus, the actual percentage of regular recovery ranged between 11.9 and 18.3 during the years 1995-96 to 1999-2000.

The Management stated (August 2000) that the target has been achieved except for a small decline during 1998-99 which was due to general industrial recession and non-clearance of bills by Government and other agencies. The reply is not tenable as the targets fixed were on lower side in comparison to the overdues.

3B.6.3 Default and Recovery Position

Imprudent disbursement of loans, lack of timely follow up action and delay in filing cases under Section 31 of SFCs Act, resulted in Rs.591.98 crore being not recovered.

As on 31 March 2000, loans aggregating Rs.1,055.97 crore were disbursed to 25,598 entrepreneurs since inception out of which Rs.538.37 crore (50.98 per cent) was outstanding against 17,439 entrepreneurs. An amount of Rs.591.98 crore was overdue towards principal (Rs.232.62 crore) and interest (Rs.359.36 crore) as on that date. The extent of recovery vis-a-vis overdues in each of the five years up to 1999-2000 is depicted in Annexure-27.

It was observed in audit that:

(i) The percentage of recovery of principal (Sl. No.9 in Annexure-27) to demand (Sl. No.8) ranged between 16.18 and 25.79 while percentage of recovery of interest to demand ranged between 10.31 and 18.26 during the last five years up to 1999-2000. The percentage of total recovery to total demand (excluding re-schedulement) was between 14.57 (1999-2000) and 21.09 (1996-97) during that period.

(ii) The Corporation resorted to re-schedulement of arrears, which ranged between 2.41 per cent and 13.55 per cent during the years from 1995-96 to 1999-2000, which eroded the availability of funds leading to borrowings. The rate of

recovery to the total demand decreased from 16.81 *per cent* in 1995-96 to 14.57 *per cent* in 1999-2000 (except for marginal increase in 1996-97 and 1997-98 due to realisation of dues under OTS of Rs.5.51 crore and Rs.5.67 crore respectively). Age-wise analysis of the overdues has never been done by the Corporation. Consequently, the Corporation was unable to prioritise recovery action in a meaningful manner.

On a test check, audit noticed (December 1999) that the reasons for poor recovery of dues were attributable to the following:

- (a) Imprudent decision in disbursement of loans (cases at Sl.Nos.6 and 9 of Annexure-28);
- (b) Indecisiveness of the Management (cases at Sl.Nos.4, 7, 8 and 12 of Annexure-28);
- (c) Lack of timely recovery action (cases at Sl.Nos.5, 10, 11, 14 and 15 of Annexure-28);
- (d) Non-implementation of projects due to lack of pre / post disbursement monitoring (cases at Sl.Nos.1, 2, 3 and 13 of Annexure-28);
- (e) Delay in disposal of seized units (discussed at paragraph-3B.6.9) and
- (f) Delay in filing cases under Section 31 of the State Financial Corporations Act, 1951 (discussed in paragraph-3B.6.11.1).

The Management stated (August 2000) that the reasons for poor recovery were incipient sickness of the industrial units, inadequacy of working capital, low market potentiality, infrastructure problems and low equity base for the first generation entrepreneurs. It added that assisting first generation entrepreneurs as per schemes of Government of Orissa and Government of India, had ultimately resulted in a number of NPAs in its loan portfolio. The reply is not tenable as in most of the cases the Management has failed to recover dues due to improper sanction, disbursement and inadequate recovery action as cited in points (a) to (f) above.

(iii) As on 31 March 2000, the principal amount outstanding in respect of chronic defaulters amounted to Rs.439.03 crore, which constituted 81.55 *per cent* of the total principal outstanding of Rs.538.37 crore.

(iv) COPU in its eighteenth Report (11th Assembly) had noted cases of non-payment of even a single instalment by loanees and had recommended stringent action against such loanees. However, a test check of the loan ledgers maintained at eight Branch Offices revealed (December 1999) that there were 121 loanees (above Rs.10.00 lakh category) who had not paid even a single instalment. The outstanding and overdues thereagainst were Rs.69.99 crore. In addition, there were another 121 loanees who had paid only once either towards principal or

towards interest against whom Rs.36.75 crore was overdue as on 30 June 1999. The Corporation had evidently failed to implement the recommendations of COPU.

(v) In case of default of instalments of principal and / or interest in breach of loan contracts, the OSFC is empowered to proceed against the loanees under Sections 29, 31 and 32(G) of SFCs Act, 1951. Section 29 provides for transfer of Management or sale after taking over the assets of the unit, while Section 31 provides for recourse to legal action for balance amounts in case of sale of seized assets or for the whole amount where the mortgaged security is not available, Section 32(G) provides for recovery of dues as arrears of land revenue. It was observed in audit that the Corporation had so far exercised the power under Sections 29 and 31 only and had not availed of the less expensive option available under Section 32(G).

The Management stated (August 2000) that power under Section 32(G) has not been exercised due to non-framing of rules by State Government. The Corporation should have taken up the matter with State Government to exercise the provisions of Section 32(G) of SFCs Act, 1951.

3B.6.4 *Poor monitoring of recovery action against closed and abandoned units*

Lack of follow up action for recovery from 198 units in eight branches resulted in bleak chances of recovery of Rs.11.15 crore.

In course of test audit of eight Branch Offices, it was noticed that dues of Rs.11.15 crore (Principal Rs.4.43 crore and Interest Rs.6.72 crore) were outstanding against 198* non-existent industrial units. Further, dues of Rs.18.03 crore were outstanding as on 30 June 1999 in respect of 460** vehicles financed under six Branch Offices. No action for recovery of dues had been taken in case of the non-existent units while action had been taken in respect of only 43 missing vehicles viz. lodging FIRs (nine cases), seizing of collateral security (one case), filing cases under Section 31 (ten cases) and issuing letters to owners (23 cases). The Corporation had taken no steps to ensure maintenance of requisite documentation or timely action to enforce recovery rendering doubtful recovery of dues of Rs.29.18 crore.

The Management stated (August 2000) that delay in filing cases under Section 31 was mainly due to non-availability of property particulars. No steps were indicated to rectify the situation or fix responsibility on erring officials for non-recovery of dues.

3B.6.5 *Dishonour of Cheques*

Test check of eight Branches and the Business Development Cell (BDC) of OSFC revealed that 895 cheques amounting to Rs.7.76 crore received from the loanees

* Bolangir-166 units, Cuttack-III-32 units

** Rourkela-25, Bhubaneswar -II-80, Bolangir-8, Cuttack-I-263, Cuttack-III-63, and Balasore-21

towards loan dues were dishonoured by the concerned banks during the period from 1995-96 to 1998-99. However, no punitive action had been taken by the Management for this criminal offence. The Management stated (August 2000) that legal action was being taken against the concerned loanees.

3B.6.6 Losses in disbursement

A test check of 17 cases where dues aggregating Rs.20.36 crore (principal Rs.7.91 crore and interest Rs.12.45 crore) were outstanding as on 31 March 2000 revealed that the Corporation had sustained a loss of Rs 10.29 crore in nine cases presuming cent *per cent* invocation of available security of Rs.2.25 crore and in the balance eight cases the recovery of dues Rs.7.82 crore had become doubtful. The cases are detailed in Annexure-28, two of which are discussed here under:

Sanction of loan to unviable project and grant of relaxation in condition resulted in loss of Rs.1.23 crore.

i) Jaygopal Agro Food Projects (P) Limited (JAFFP) was promoted for processing of milk and milk products in Ganjam District by two persons from Andhra Pradesh who had no establishment or property in Orissa. Though the earlier loan applications of the promoters of JAFFP were thrice rejected as the Corporation does not provide loans to dairy projects and the projects for milk and ghee were not viable in view of non-availability of sufficient milk in the vicinity and non-functioning of the two existing chilling plants in the District, the then Managing Director ordered that the loan application should be processed and JAFFP was sanctioned (March 1996) a loan of Rs.1.21 crore for setting up a Milk and Ghee processing unit near Parlakhemundi, Gajapati District. Out of the above loan, an amount of Rs.1.16 crore was disbursed between December 1996 and August 1997 in spite of non-fulfillment of various provisions of the sanction order viz. (a) investment of promoter being Rs.0.55 crore against the stipulated amount of Rs.0.63 crore, (b) non-availment of working capital loan by the promoter and (c) non-availability of refinance from IDBI. Further, on the request of the promoter, the condition regarding association of Orissa State Co-operative Milk Producers Federation (OMFED) in the establishment of the project was withdrawn. The Corporation neither physically inspected the plant and machinery nor verified the payments made to the suppliers of the plant and machinery before disbursement of the loan, which enabled the promoters to siphon funds from the Unit out of the funds released by the Corporation. In view of the above deficiencies though the Unit started commercial production in September 1997 it was closed within six months (February 1998). JAFFP did not re-pay any amount of the loan. The Unit was seized on 23 March 1998 and put to auction four times where the highest bid obtained was Rs.0.65 crore (August 1998) as against the total dues of Rs.1.88 crore (principal Rs.1.16 crore and interest Rs.0.72 crore) resulting in loss of Rs.1.23 crore.

The Management stated (October 2000) that the project was assessed to be viable and that the condition fixed by the Board for association of OMFED was detrimental to the interest of the unit as OMFED was a rival and hence this stipulation was withdrawn. It added that disbursement without refinance was made for quick implementation of the project.

The reply is not acceptable as the required milk for the project was not available locally and disbursement without refinance to an unviable project was quite detrimental to the interest of the Corporation.

ii) The Corporation disbursed (May 1995) a term loan of Rs.19.90 lakh to Industrial Incubators (P) Limited, Rourkela for setting up an Aquaculture Division at Balasore repayable by November 1997. An additional term loan of Rs.1.30 crore was disbursed between January and May 1996 for expansion of the project. The unit paid (May 1996) only Rs.2.71 lakh towards interest dues and failed to repay the dues thereafter. The dues of the Corporation were accumulated to Rs.3.31 crore (principal Rs.1.50 crore and interest Rs.1.81 crore) as on 31 March 2000.

Disbursement of loan without security resulted in loss of Rs.3.31 crore.

It was observed in audit that on receipt of instruction of Head Office, demand notice was issued on 8 December 1997 and recall notice on 31 December 1997 by the concerned branch. The status of the unit was not known to the Corporation, as there was no periodical inspection. Head Office decided (August 1999) after a delay of 20 months to recover the dues by filing a case under Section 31 of SFCs Act, which could not be done due to want of property particulars of guarantor. Further, the loan was sanctioned without any security. Hence, even a case under Section 31 would not yield any recovery resulting in loss of Rs.3.31 crore.

The Management stated (September 2000) that they were trying to explore the possibility of utilising the assets by way of changing the management of the unit.

3B.6.7 Recovery performance in Hire Purchase (HP) loan assistance

Looking at the declining prospects and low profitability of the traditional term lending activity in respect of Transport Sector and in order to get better returns from this sector, the Corporation introduced (June 1996) the Hire Purchase Scheme where under the Corporation finances assets by taking advance Equated Monthly Instalments (EMIs) and the balance EMIs are retained by the Corporation in form of post-dated cheques. Till the realisation of full dues, the assets are hypothecated to Corporation.

The following points were noticed in audit:

(i) As on 31 March 1999, the Corporation had disbursed HP assistance of Rs.14.71 crore to 135 entrepreneurs out of total sanction of Rs.23.51 crore (i.e. 63 per cent) to 233 entrepreneurs and recovered Rs.4.70 crore and Rs.1.87 crore against the demand of Rs.5.69 crore and Rs.2.25 crore towards principal and interest respectively. The percentage of recovery to demand was 82.71 which was not in accordance with the scheme since the repayment was to be by way of post-dated cheques;

Lack of timely inspection, non-seizure of collateral securities and undue favour to loanees resulted in accumulation of overdues to the tune of Rs.1.37 crore.

(ii) As on 31 March 1999, the overdue / default dues stood at Rs.1.37 crore (principal Rs.0.99 crore and interest Rs.0.38 crore) in 157 cases. Out of these 157 cases, 31 cases in respect of which ledger cards maintained at Business Development Cell up to 31 March 1999 were reviewed in audit and it was noticed that in 19 cases, the dues in default stood at Rs.0.83 crore (principal Rs.0.62 crore and interest Rs.0.21 crore) as on 31 March 1999 and the period of default ranged from 6 to 30 months. However, no action was taken to recover the dues resulting in blockade of funds to that extent.

The Management stated (September 2000) that it was making constant efforts to contact all the units for collection of dues. However, the fact remains that due to ineffective pursuance by Management, the dues have remained largely unrecovered.

On a detailed examination the following irregularities were noticed:

3B.6.7.1 *Lack of timely inspection and non-seizure of collateral security*

The Corporation disbursed (April / May 1997) Rs.6.95 lakh (Rs.4.95 lakh to Ashok Leyland and Rs.2 lakh to Mahadev Body Building and Engineering Workshop) in favour of Sri Prafulla Kumar Mohanty, Bhubaneswar for acquisition of a passenger bus under HP Scheme repayable in 36 EMIs at the rate of Rs.29,290. The loanee was to pay three EMIs before documentation and the rest 33 EMIs in the form of post-dated cheques. Even after lapse of 30 months, neither the bus was put on the road nor the Corporation realised any amount towards the balance 33 EMIs.

Disbursement of Hire Purchase Loan without observing the terms and conditions of loan.

It was noticed in audit that the Body Builder had neither received the advance of Rs.2 lakh nor were the chassis / engine delivered to him. The FIR was lodged belatedly (August 1998) after 5 post-dated cheques were dishonoured. The mortgaged collateral security had not yet been seized (August 2000). The irregular disbursement had resulted in loss of Rs.9.67 lakh for which no responsibility had been fixed.

3B.6.7.2 *Undue favour to loanee due to deviation from schematic provisions*

A HP loan of Rs.20.40 lakh was disbursed (March 1997) to Sri A.K. Ghosh for acquisition of four Tractors and one Excavator loader repayable in 36 EMIs at the rate of Rs.71,500. The loanee defaulted in repayment of the dues and the overdues stood at Rs.18.33 lakh (principal Rs.16.55 lakh and interest Rs.1.78 lakh) as on 31 March 1999.

Undue favour extended to HP loanee by deviating from the extant schematic provisions.

It was observed in audit that Sri Ghosh was not eligible for sanction of HP loan as he was defaulter to another financial institution and the loanee was to produce the vehicles after registration along with the documents for verification which was not done. The Corporation also had not taken any action for realisation of the dues Rs.18.33 lakh (August 2000).

Thus, undue favour shown to the loanee by deviating from the extant schematic provisions and lack of follow up action thereafter resulted in likely loss of Rs.18.33 lakh.

3B.6.8 Recovery performance in Factoring Service Scheme

As against cent per cent recovery envisaged in the scheme, the recovery was only 73 per cent.

In January 1996, the Corporation introduced the Factoring Service Scheme (FSS) whereunder assistance could be rendered as STWC loan repayable in six months. Since inception, the Corporation had sanctioned Rs.137.93 crore and disbursed Rs.130.37 crore till 31 March 2000. During that period the Corporation recovered Rs.122.37 crore (principal Rs.108.01 crore and interest Rs.14.36 crore) against the demand for Rs.168.31 crore. Thus, as against cent *per cent* recovery (within six months) required under the scheme provisions, the percentage of recovery to demand was only 73. This was attributable to disbursement of loans to ineligible parties and lack of timely follow up action. Details of one such case have been discussed in sub-paragraph-3B.6.8.1.

It was further noticed in audit that Rs.19.48 crore were overdue in 100 cases for periods ranging from 1 month to 38 months as on 31 March 1999. Of these, the Corporation had failed to recover any amount in 12 cases while in another 12 cases it could recover only Rs.33 lakh as part payment of interest. Recall notices had been issued in only 16 cases and units seized in four cases of which one unit viz. Jagannath Biscuits (P) Limited, Balasore was sold against which balance dues of Rs.4.02 lakh (principal Rs.3.79 lakh and interest Rs.0.23 lakh) remained unrealised. No action had yet (January 2000) been taken to realise the balance dues. The other three seized units were awaiting disposal (January 2000). No measures were taken for recovery of overdues of Rs.13.59 crore (principal Rs.11.77 crore and interest Rs.1.82 crore) from the remaining 80 units though the period of overdue was up to three years.

The Management stated (September 2000) that the declining trend of recovery was due to industrial recession and non-clearance of pending bills of the units with different departments and private agencies. It was further stated that the units were taking steps to liquidate the STWC loans.

3B.6.8.1 Disbursement of loan to an ineligible party

OSFC sanctioned (October 1996) an STWC loan amounting to Rs.20 lakh to Laxmi Ispat Udyog (P) Limited, Rourkela (LIU). The loan was to be repaid by April 1997. It was observed in audit (December 1999) that this loan had been sanctioned by the Corporation to LIU though the loanee was in default of term loans sanctioned earlier amounting to Rs.49.27 lakh. The Corporation had rephased the interest on the term loans instead of treating the dues as default in order to treat the LIU as eligible for the STWC loan. Further, the STWC loan was sanctioned without observing the 30 *per cent* margin stipulated in the scheme. Consequent upon the failure of the unit to clear its dues, the Corporation issued recall notice in February 1997 under Section 29 of SFCs Act. However, the

Corporation failed to take prompt action to seize the unit immediately on expiry of the notice period of 21 days, which enabled the loanee to obtain an injunction from the Court on 28 March 1997 against seizure of the unit.

Disbursement of STWC loan to an ineligible unit led to non-recovery of Rs.1.63 crore.

The Corporation could vacate the order after more than two years (July 1999). In the meantime, LIU had removed the machinery in violation of express directions of the Court. While a criminal case had been registered for violation of Court order, it was evident that lack of follow up action in recovery of term loans and disbursement of STWC loan to an ineligible unit led to non-recovery of Rs.1.63 crore (including interest of Rs.0.56 crore).

3B.6.9 Disposal of seized units

Funds of OSFC to the tune of Rs.87.39 crore remained blocked and spent Rs.3.01 crore on watch and ward due to non-disposal of seized units.

In the event of default, OSFC is empowered to take over the assets of the assisted units under Section 29 of SFCs Act and to sell / transfer the units through auction / negotiation for realisation of its dues. Including 202 units seized and awaiting disposal at the end of March 1995, the Corporation seized 1,520 units up to 31 March 1999 against which 948 units stood disposed of (sale 632 units and release to original promoters 316 units). It was observed in audit that the OSFC was unable to dispose of the seized units quickly due to either non-receipt of offers or the offers received not matching the outstanding dues. It was also seen that there were outstanding dues amounting to Rs.87.39 crore against 572 units lying undisposed as on 31 March 1999. The year wise analysis revealed that the said dues were remaining outstanding for recovery from 1982-83 to 1998-99 out of which Rs.5.57 crore was against 87 units seized during 1982-83 to 1989-90. As the Corporation was unable to dispose of them for more than 10 years, the chances of disposal and recovery of the dues were remote.

Due to non-disposal of seized units, funds of OSFC were blocked to the tune of Rs.87.39 crore and the Corporation spent Rs.3.01 crore on watch and ward on the said units during the four years ending 31 March 1999.

An analysis of the sale of 632 seized units during the four years ending 31 March 1999 revealed that the sale value (Rs.93.13 crore) did not cover the outstanding dues (Rs.128.76 crore) in almost all cases resulting in short fall (Rs.35.63 crore) and calling for action to be taken under Section 31 of SFCs Act. The sale value falling short of outstanding dues was due to removal / loss of mortgaged assets, over valuation at the time of disbursement etc. It was further observed that only a part of sale proceeds (Rs.25.76 crore i.e. 27.66 *per cent*) was realised in cash and the balance amount (Rs.67.37 crore) treated as deferred loan to buyers.

The Management stated (August 2000) that the sales could not be affected due to obsolescence of technology and non co-operation of Government Departments.

3B.6.10 Mutual Transfers

In case of defaulting loanees, OSFC allowed transfer of the units of defaulting loanee to a new party after accepting a small amount as part payment from the

new party allowing the balance to be repaid in instalments. The Corporation effected mutual transfer of 64 (1995-96), 66 (1996-97), 89 (1997-98), 61 (1998-99) and 52 (1999-2000) cases after receipt of Rs.3.50 crore towards down payment against outstanding dues of Rs.12.25 crore during the years 1995-96 to 1999-2000.

Transfer of units of defaulting loanees to new parties led to realisation of an insignificant down payment.

It was observed that the down payment formed an insignificant part of the outstanding dues and that even the new loanees had become defaulters. On a test check, it was seen that out of 28 cases transferred for consideration of Rs.1.16 crore accepting down payment of Rs.0.45 crore, 26 new parties became defaulters against whom outstanding dues stood at Rs.0.92 crore as of December 1999. Thus, such transfers had only led to closure of old loan account and opening of new ones in the name of transferee with negligible recovery by the Corporation.

COPU in its eighteenth report presented to Assembly in August 1999 had stated that in case of such transfer proposals, the Corporation should conduct field examination of the assets, liabilities, repayment capacity of the transferee prior to the disposal of the units and strict action should be taken against officers for undue delay.

The Management stated (September 2000) that the Corporation had conducted pre-transfer inspection to study the credibility of the transferee and verify the assets before transfer in pursuance of the recommendation of COPU. The reply is not tenable as there had actually been no improvement in the situation.

3B.6.11 Realisation of dues under Section 31 of SFCs Act

The position of realisation of dues under Section 31 of SFCs Act had not improved despite COPU's directions.

Action for realisation of dues under Section 31 of SFCs Act, is resorted to where realisation from disposal of assets taken over under Section 29 falls short of dues or in cases where assets are non-existent. The COPU had expressed dissatisfaction at the inordinate delay in disposal of cases pending for decades and callousness in the matter. The Committee had desired that effective action should be taken by the Corporation to prevent the recurrence of such delays. The Committee had further recommended that criminal proceedings should be initiated in case of breach of trust and competent lawyers should be engaged to finalise court cases promptly. However, the position has not improved as discussed in following paragraphs.

3B.6.11.1 Failure to file cases

Due to non-availability of property particulars, the Corporation failed to file cases under Section 31 of SFCs Act.

It was noticed that the Corporation had failed to file cases for realisation of balance dues after seizure and sale under the provisions of the SFCs Act in 1,100 cases. Of these 109 cases involving balance dues of Rs.26.63 crore pertained to period 1994-95 to 1998-99, was test checked in audit. It was observed in audit that the delay in filing cases under Section 31 was attributable to non-availability of property particulars in most of the cases. On a test check of 100 cases in three

Branches, it was further revealed that there were delays ranging from more than one year to 10 years in filing 73 cases involving dues of Rs.3.04 crore.

The Management stated (August 2000) that the non-availability of property particulars caused problems for filing cases under Section 31 of the SFCs Act. This itself is indicative of inefficient sanctioning procedure, as the details of property were not ensured at the time of sanction.

3B.6.11.2 Cases filed

The Corporation files the cases with the Court for the recovery of the balance amount after disposal of taken over units from the defaulters. The Corporation had filed 300 cases involving outstanding dues of Rs.11.77 crore filed after disposal of units taken over under Section 29 and 265 cases involving Rs.5.48 crore where assets were not existing as on 31 March 1999. It was observed in audit that:

Non-observance of procedure in filing cases under Section 31 and non-execution of Court's decree resulted in probable loss of Rs.17.25 crore.

(i) Corporation could not recover dues of Rs.1.86 crore in 161 cases despite court decree in its favour for want of property details. Evidently OSFC had not been ensuring proper security supported by authenticated documentation prior to sanction / disbursement of the loans.

The Management stated (September 2000) that the local revenue authorities were not co-operating in giving property particulars due to which filing of sale petitions was delayed.

(ii) In respect of 194 cases involving Rs.9.86 crore filed during 1987 to March 1999, the notices could not be served (December 1999) for want of correct address of the loanee and 162 cases involving Rs.4.14 crore filed between December 1997 and March 1999 had not come up for hearing.

(iii) 48 cases involving Rs.1.39 crore were settled against the Corporation due to (a) filing of cases against original loanee instead of guarantors, (b) time bar (c) non-availability of property particulars, (d) non-execution of mortgage deed and (e) loanee and guarantor being same person.

As regards the filing of cases against the original loanee, the Management stated (September 2000) that though certain cases have been filed no progress is made as courts are of the view that Section 31 petition is not maintainable after seizure and sale of the assets. The Management further stated that the matter had been challenged in the Honourable High Court and the decision was awaited.

3B.6.12 Title Mortgage Cases

The Corporation sustained loss of Rs.3.67 crore for want of property particulars of loanees / guarantors.

The Corporation filed title mortgage suits in 90 cases involving dues of Rs.3.94 crore (principal Rs.2.02 crore and interest Rs.1.92 crore). Out of these, 77 cases (Rs.3.51 crore) were decreed in favour of the Corporation, six cases (Rs.0.18 crore) decreed against the Corporation, five cases (Rs.0.13 crore) pending for hearing and in two cases (Rs.0.12 crore) notices were to be served. The Corporation realised only Rs.1.63 lakh (four cases) out of Rs.61.63 lakh (17 cases) by execution of decree. Thus, the Corporation sustained a loss of Rs.3.67 crore (Rs.0.18 crore for decree against the Corporation, Rs.0.60 crore for short receipt of decree amount and Rs.2.89 crore for non-execution of decree) for want of property particulars of loanees / guarantors.

The Management stated (September 2000) that appeals against the orders of the Trial Court had been filed and the decision was awaited.

3B.6.13 Settlement of Loan Accounts under OTS

With the main objective of early settlement of dues from chronic defaulting units, the Corporation introduced (1992-93) One Time Settlement (OTS) Scheme by offering incentives by way of waiver of penal interest / compound interest / simple interest etc. However, no guidelines were finalised for admitting cases under OTS and cases were taken on merit.

It was observed in audit that:

Loan accounts of 597 loanees settled under OTS by sacrificing Rs.15.45 crore.

(i) During the period from 1992-93 to 1999-2000, 597 cases involving outstanding dues of Rs.43.07 crore were settled at Rs.27.62 crore by sacrificing Rs.15.45 crore being 36 *per cent* of the outstanding dues;

(ii) Out of settled amount of Rs.27.62 crore, Rs.17.16 crore (415 cases) was realised in full leaving Rs.10.46 crore unrealised. In addition 43 cases settled at Rs.4.82 crore during 1997-98 against outstanding of Rs.8.34 crore were cancelled due to non-payment of settled dues. It was also noticed that the OTS dues were received in instalments ranging between two and six;

(iii) In respect of six Branch Offices, 35 OTS cases were recommended to Head Office for consideration which were kept pending for periods ranging between one month and sixteen months. Such long pendency adversely affected the recovery performance of the Corporation particularly since no interest was chargeable once the unit was placed under OTS. The reasons for delay were not on record.

The Management stated (September 2000) that the pendency of OTS was mainly due to successive rounds of negotiation with the promoters with regards to their demand and capability.

The objective of OTS is early realisation of dues. Thus, extension of instalment facility and sacrifice of principal loan defeated the very objective of the Scheme as depicted in the cases discussed below:

3B.6.13.1 Inadequate pursuance of OTS case

Utkal Sambad Prakashan (P) Limited (USP), Bhubaneswar, a Joint Sector Project of OSFC and IPICOL, was extended loan assistance of Rs.59.28 lakh and Rs.88.51 lakh respectively between May 1984 and March 1989 for setting up a Modern Off Set Printing Press. The loan was repayable from 1990-91 to 1998-99.

Chances of recovery of Rs.1.73 crore were remote.

It was seen in audit that only Rs.45.62 lakh stood recovered till March 1993 by effecting adjustment against subsidy (Rs.15 lakh) as well as disbursement of balance sanctioned loans (Rs.26.30 lakh) besides cash recovery of only Rs.4.32 lakh. Thereafter, no follow up action was taken except issue of a recall notice for clearing the default dues in September 1997. Instead of making any repayment, USP proposed (June 1998) for OTS of dues both to OSFC and IPICOL at Rs.1.60 crore against the total dues of OSFC and IPICOL of Rs.3.40 crore (OSFC Rs.1.88 crore and IPICOL Rs.1.52 crore) on a deposit of only Rs.15 lakh as against the required initial deposit of Rs.45 lakh for consideration of his case under OTS. The Corporation had neither considered nor rejected the OTS proposal but asked (July 2000) the promoter to make regular payment of his loan dues which indicated that the Corporation was showing undue favour to the loanee by not initiating any recovery action under Sections 29 / 31 of SFCs Act for realisation of defaulted dues of Rs.1.73 crore.

The Management stated (October 2000) that due to initial teething problems the unit became defaulter. OTS was contemplated by the loanee and it had received Rs.45 lakh for consideration of OTS proposal. The OTS proposal would be decided in consultation with co-financier.

3B.6.13.2 Delay in filing case for recovery of balance dues

Hireswar Cold Storage, Kendrapara with a projected capacity of 2000 MT was set up by availing of loan of Rs.26.46 lakh from OSFC between August 1980 and May 1983, repayable between February 1982 and August 1988 rephased to May 1984 to November 1992. As the repayment was not made even after rephasing, the Unit was taken over under Section 29 of SFCs Act on 20 December 1985 and sold (March 1988) to Eastern Freeze (P) Limited (EFPL) at Rs.26.38 lakh when the outstanding dues were Rs.45.73 lakh (including interest Rs.19.27 lakh). A case under Section 31 of SFCs Act was filed (March 1997) against the original promoters and guarantors only after nine years of sale for realisation of the balance dues of Rs.44.57 lakh (principal Rs.19.35 lakh and interest Rs.25.22 lakh). On the other hand, OSFC disbursed (January 1990 to July 1992) additional term loan (Rs.23.38 lakh) to the new promoters under a rehabilitation package. However, as EFPL could not achieve the projected capacity of 2000 MT and

defaulted in payment of dues of Rs.75.96 lakh, the Corporation entered into a settlement of its dues on OTS basis for Rs.51 lakh.

It was observed in audit (December 1999) that:

- (i) There was inadequate pre-sanction and post-disbursement inspection by OSFC and hence the actual capacity of the unit could not be assessed;
- (ii) The unit was sold at Rs.26.38 lakh against outstanding dues of Rs.45.73 lakh, which indicated that the value of security was inadequate while disbursing the loan;
- (iii) The chances of recovery of Rs.44.57 lakh was remote due to delay in filing the case under Section 31 of SFCs Act.

Due to inadequate pre-sanction and post disbursement inspections, the Corporation sustained loss of Rs.0.70 crore.

Thus, OSFC sustained a loss of Rs.69.53 lakh towards non-collectable dues of Rs.44.57 lakh and sacrifice of Rs.24.96 lakh in OTS.

The Management stated (October 2000) that the inordinate delay in filing of cases under Section 31 was due to delay in collection of the property particulars owing to non-cooperation of Revenue Authorities. The loan accounts of Eastern Freeze was settled under OTS as the main promoter expired and revival of the Unit was remote due to low capacity of the cold storage unit.

3B.7 Industrial Promotion and Investment Corporation of Orissa Limited

3B.7.1 Recovery

The Term Loan (TL) and Short-Term Loan (STL) of the Company carry interest at varying rates of 17.5 to 20.5 and 19 *per cent per annum* respectively. The TL is repayable in five to ten years including one year to two years moratorium and STL is repayable in six months. The demands are raised quarterly in February, May, August and November every year. The General Managers of project divisions look after the recovery. The provisions of SFCs Act were extended to IPICOL in December 1986 in order to expedite recovery of dues as well as for enforcement of security through seizure, court of law etc. The implementation of seizure provisions as provided in the Act is done through Default Advisory and Disposal Committee (DA&DC).

3B.7.2 Targets and Achievements

Recovery performance was very poor during the years 1995-96 to 1998-99 and ranged between 12.3 and 18.7 per cent.

The targets and achievements in regard to sanction, disbursement and recovery for the last four years up to 1998-99 are given in Annexure-29. It would be observed that the recovery performance of the Company was very poor when compared to the percentage of recovery to overdues. Percentage of recovery ranged between 12.3 and 18.7 during the last four years ending 31 March 1999. It was observed in audit that the amount of recovery shown against each year included the amount of adjustments made while transferring a seized unit to other party i.e. the balance deferred loan after deducting the down payment from the sales consideration / transferred value. In 1995-96, there were no such adjustments. The percentage of recovery to total demand would be much lower had the adjustments not been included in the total realisation for 1996-97, 1997-98 and 1998-99. As against 17.7 per cent, 18.7 per cent and 18.2 per cent, the effective recovery worked out to only 14.8 per cent, 16.4 per cent and 16.1 per cent respectively without considering such adjustments.

The target fixed for recovery was also not realistic as the percentage of target to overdues ranged between only 13.9 and 20.5. Though the target fixed was low in comparison to overdues, even this could not be achieved by the Company except in the year 1996-97. The percentage of recovery against current dues to the current demand ranged between 27.3 and 50.8 where as the percentage of recovery of arrear dues to the arrear demand ranged between only 6.3 and 9.5.

The Management stated (September 2000) that as per the provisions of SFCs Act opening of deferred loan account requires necessary debit entry to the new party and credit to the old party and this was the only way to maintain proper records of deferred sale transactions. The fact remains that this adjustment resulted in inflating the figure of actual recovery.

3B.7.3 Default and Recovery position

Overdues stood at Rs.36.63 crore as on 31 March 1999.

Out of Rs.144.70 crore disbursed to 267 projects, Rs.83.52 crore was outstanding against 236 projects as on 31 March 1999. Of this amount, Rs.36.63 crore was overdue after re-scheduling of Rs.4.71 crore. The extent of recovery vis-à-vis overdues and total outstanding in each of the four years up to 1998-99 is indicated in Annexure-30. The overall recovery performance as a percentage of total realisation to total demand ranged between only 11.78 and 18.37 during the period from 1995-96 to 1998-99.

3B.7.4 Effect of low recovery

Due to poor recovery, the Company had to resort to borrowings to meet the repayment of dues to IDBI / SIDBI etc.

The Company sustained an accumulated loss of Rs.32.06 crore as on 31 March 1999. Under IDBI / SIDBI refinance scheme, the Company had to repay the loans to IDBI / SIDBI irrespective of recovery from the loanees. The poor recovery from the units resulted in not only the Company having to meet its commitments to IDBI / SIDBI from borrowed funds but also prevented the recycling of loan to

other genuine entrepreneurs and ultimately hampered the industrial progress of the State for which the Company was incorporated.

Due to insufficient recovery of loan dues made (Rs.30.98 crore) against the commitments (Rs.73.73 crore) towards repayment of dues to IDBI / SIDBI etc. disbursement of loans and equity participation, the Company had to resort to borrowings (Rs.37.96 crore) for meeting the balance commitments of Rs.42.75 crore during the last four years ended 31 March 1999 as depicted below:

(Rupees in lakh)				
Particulars	1995-96	1996-97	1997-98	1998-99
Loans from Govt.	280.40	500.00	50.00	720.00
Refinance from				
a) IDBI	300.53	117.09	228.98	1.26
b) SIDBI	50.00	66.25	405.87	1075.42
Total	630.93	683.34	684.85	1796.68

The Management stated (September 2000) that it was not possible to meet the entire funds requirements including the disbursement commitment from recoveries. The fact remained that the huge default position *vis-a-vis* targets of recovery had resulted in increased dependence on borrowings for meeting their disbursements targets during the years under review.

3B.7.5 Sickness

Due to inadequate monitoring of the system of receipt of accounts statements from the projects, the Company was not in a position to assess the over-all sickness amongst the projects assisted by it. As on 31 March 1999, the Company identified 27 sick units, which constituted 10 *per cent* of the total number of units (274) financed by the Company and referred them to BIFR for revival package. The outstanding dues against 17 sick units were Rs.26.94 crore (principal Rs.13.29 crore and interest Rs.13.65 crore) as on 31 October 1999. The dues against balance 10 sick units were not made available to audit.

Out of outstanding loans of Rs.83.52 crore, Rs.38.04 crore were doubtful of recovery.

It was noticed in audit that 47 units involving outstanding / overdues of Rs.22.48 crore (principal Rs.15.68 crore and interest Rs.6.80 crore) were taken under loss assets category and 70 units involving outstanding / overdues Rs.72.18 crore (principal Rs.40.78 crore and interest Rs.31.40 crore) were taken under "Bad and Doubtful" category of loans as on 31 March 1999. However, as per RBI guidelines, the Company categorised its outstanding loans of Rs.83.52 crore as standard (Rs.32.52 crore), sub-standard (Rs.12.96 crore) and doubtful (Rs.38.04 crore).

Out of 79 units jointly financed by IPICOL and OSFC, 10 units were seized by

IPICOL and 69 by OSFC between February 1983 and March 1999 out of which four were released to the same parties as per the orders of the Court. The total outstanding dues against these four units were Rs.2.16 crore. It was seen in audit that:

The Company sustained loss of Rs.21.28 crore on sale of seized units.

a) As a result of disposal action against 51 seized units, the Company sustained a loss of Rs.21.28 crore as the sale value was Rs.19.01 crore against outstanding dues of Rs.40.29 crore.

b) In disposal of other nine units, the sale value (Rs.2.43 crore) as well as down payment (Rs.1.87 crore) has not yet (January 2000) been shared between IPICOL and OSFC. The outstanding dues of IPICOL against these nine units were Rs.5.24 crore (principal Rs.1.99 crore and interest and others Rs.3.25 crore). The loss is not ascertainable till the value is shared and

Dues of Rs.18.86 crore were blocked for want of disposal of units.

c) Dues amounting to Rs.18.86 crore against 15 seized units remained blocked for periods ranging from 2 to 10 years due to non-disposal for want of buyers.

Despite the fact that COPU had recommended (December 1996) that IPICOL should initiate appropriate measures to avoid delay in identifying the prospective buyers for sale of seized defaulting units, there was delay ranging from 15 months to 10 years in respect of 15 seized units awaiting disposal up to 31 March 2000.

3B.7.6 Case studies

3B.7.6.1 Loan assistance given without compliance with terms of Sanction Order

Shree Nilachal Laboratories Limited (SNLL), Chatrapur, was initially financed by OSFC and IPICOL (August 1992) for production of Paracetamol. IPICOL disbursed term loan of Rs.39.36 lakh between September 1993 and October 1994. The Unit, after trial production in October 1994, remained closed due to adverse market conditions. IPICOL rephased the term loan funding the interest dues and approved (August 1995) diversification of the product from Paracetamol (Pharmaceutical) to PVC stabilisers. The Unit had gone into commercial production in October 1996 (i.e. after 24 months of trial production) but IPICOL has yet to recover any amount.

It was noticed in audit that as per the terms of the sanction order, the Unit was to arrange working capital from a bank before disbursement of instalments of the term loan. However, the disbursement of loan was made though working capital was not obtained from a bank.

Non-observance of the terms of sanction order resulted in doubtful recovery of Rs.0.92 crore.

Thus, disbursement of loan to the Unit disregarding the terms of sanction order resulted in doubtful recovery of dues of Rs.91.84 lakh (principal Rs.39.36 lakh and funded interest Term Loan Rs.7.46 lakh and interest Rs.45.02 lakh).

The Management stated (September 2000) that in spite of several letters issued to the Unit no repayment of dues was made and the Unit would be seized after locating a buyer.

3B.7.6.2 Delay in taking action led to doubtful recovery of dues

Utkal Electro Castings (P) Limited (UEC), Dhenkanal was set up to manufacture Iron Castings and Steel Ingots with loan assistance of IPICOL (Rs.1.07 crore) and OSFC (Rs.41.31 lakh). UEC went into commercial production in August 1985. UEC did not run well due to mismanagement, managerial inefficiencies and insufficient casting orders and was ultimately closed in March 1989. No action was initiated by IPICOL for six years to recover its dues. In March 1995, an attempt was made to bring the Unit under running condition, by arranging a Working Capital assistance of Rs.40 lakh from Orissa Small Industries Corporation Limited. The revival package was ultimately dropped in March 1996.

Delay in recovery action resulted in loss of Rs.3.47 crore.

IPICOL took over the assets on 28 September 1997. Since then, the sale of assets were advertised seven times against which IPICOL got only one offer for Rs.52 lakh from Atcom Alloys Limited, Cuttack which is yet to be finalised (February 2000).

The Management stated (October 2000) that since the party filed writ in the Honourable High Court against the disposal of assets and it took time to vacate the injunction order, the Company could not find a buyer. It was added that being the first charge holder the share of IPICOL would be 60.95 *per cent* of the sale value. The reply is not tenable as the share of IPICOL would be only 21.6 *per cent* of the sale value due to *pari passu* agreement with OSFC, OSIC and Bank. Moreover, the offer before filing of the case was only Rs.52 lakh as against the total dues of Rs.3.58 crore.

3B.7.7 Non-filing of Cases under Section 31

Though the exercise of powers under Sections 29 and 31 of SFCs Act were extended to IPICOL to facilitate recovery of dues from defaulting loanees / guarantors, IPICOL had failed to invoke these provisions in 207 cases due to lack of infrastructure, inability to meet pre-disposal difficulties i.e. verification and valuation of seized assets, deployment of watch and ward etc. and also post disposal difficulties mainly recovery.

A test check of five joint financing cases seized and disposed by OSFC revealed the following:

- (i) Consequent upon sale under Section 29 of SFCs Act, the share of sale proceeds to IPICOL have not been fully covered and had fallen short of Rs.4.85 crore (principal Rs.2.35 crore and interest Rs.2.50 crore);
- (ii) IPICOL had written off Rs.5.77 crore representing the unrecovered principal in consequence of seized and sold units in the annual accounts for 1996-

97 (seven units Rs.2.17 crore) and 1997-98 (13 units Rs.3.60 crore) without initiating action under Section 31 of SFCs Act for recovering its dues out of personal guarantees given by the promoters and guarantors.

The total loss on account write off of principal during the three years (1996-97 to 1998-99) worked out to Rs.6.54 crore.

The Company wrote off defaulted loans of Rs.0.77 crore without going for filing of cases under Section 31.

(iii) Though Section 31 empowers IPICOL to realise the shortfall dues of Rs.4.85 crore from the original promoters and their guarantors, IPICOL did not take action to file cases under the above Section, but wrote off principal of Rs.76.98 lakh in the annual accounts for 1998-99.

The Management stated (September 2000) that it was taking steps for filing cases under Section 31 of SFCs Act against the personal guarantees furnished by the promoters.

3B.7.8 Short term loan assistance

The Company introduced (January 1996) short-term loan (STL) assistance scheme to tide over the financial difficulties faced by the projects assisted by IPICOL by providing STL repayable within a maximum period of six months. The maximum loan assistance was limited to Rs.60 lakh. The rate of interest was 19 per cent per annum compounded at quarterly rests. Details of recovery are depicted in Annexure-31.

Overdues stood at Rs.1.71 crore against short-term loan assistance, which was not in accordance with the scheme.

It would be observed from the Annexure that the Company realised only Rs.1.06 crore against dues of Rs.2.77 crore whereby dues Rs.1.71 crore remained as overdue. This was not in accordance with the scheme.

Test check of STL cases revealed that recovery of outstanding dues of Rs.89.10 lakh (principal Rs.72 lakh and interest Rs.17.10 lakh) became doubtful in two cases as the assistance had been extended to ineligible parties and without adequate security as discussed below:

3B.7.8.1 Radiant Tele System Limited, Bhubaneswar

IPICOL sanctioned (August 1997) a Short Term Loan (STL) of Rs.60 lakh to Radiant Tele System Limited, Bhubaneswar (RTSL) (jointly financed by IPICOL and OSFC) for meeting its working capital requirements and disbursed the amount on 16 August 1997. The loan alongwith interest was repayable within six months from the date of disbursement i.e. by 15 February 1998. RTSL paid back only Rs.25.73 lakh (principal Rs.20 lakh and interest Rs.5.73 lakh) up to 11 March 1998. While there were overdues of Rs.40.48 lakh on the above loan, RTSL applied (23 March 1998) for second STL of Rs.60 lakh which was sanctioned on 22 April 1998 subject to adjustment of overdues of 1st STL, which was disbursed (12 May 1998) after adjusting the dues of Rs.41.06 lakh. The second STL was to be repaid alongwith interest at the rate of 18 per cent per annum in three instalments viz. on 12 September 1998 (Rs.10 lakh), on 12

October 1998 (Rs.20 lakh) and on 12 November 1998 (Rs.30 lakh). RTSL did not pay any amount.

It was observed in audit as follows:

Disbursement of STL to an ineligible unit resulted in doubtful recovery of Rs.2.13 crore.

i) STL assistance was sanctioned to RTSL though it was a defaulter in payment of dues on term loans both to IPICOL and OSFC of Rs.9.77 lakh and Rs.1.02 lakh respectively,

ii) While sanctioning the first STL of Rs.60 lakh, gross value of assets (Rs.3.03 crore) was taken instead of depreciated value (Rs.2.19 crore) as security. If the term loan of IPICOL (Rs.1 crore) and OSFC (Rs.28.40 lakh) and bank cash credit (Rs.1.37 crore) at the end of July 1997 was taken, there was a negative security of Rs.47.66 lakh. Similarly the Company sanctioned second STL of Rs.60 lakh while there is a negative security (Rs.1.92 crore) and

iii) OSFC also sanctioned STL of Rs.40 lakh to RTSL on 5 November 1997 subject to furnishing of No Objection Certificate (NOC) from IPICOL and the Bank. IPICOL issued a NOC while there were overdues of Rs.10.30 lakh.

IPICOL thus not only extended repeated assistance of STL to the party despite its overdue to both IPICOL and OSFC but also failed to ensure adequate security coverage against the loans. Except issuing demand notice there was no effective follow up action for realisation of its dues amounting to Rs.2.13 crore (Term Loan Rs.1.38 crore and Short-Term Loan Rs.0.75 crore including interest up to 31 September 1999).

The Management stated (October 2000) that repayment schedule of the principal instalments were deferred on the request of the Unit and there was thus no STL overdue against the Unit. It was added that action would be taken shortly for transfer of management of the Unit as a going concern. The reply is not tenable as STL is repayable within maximum period of six months and the scheme does not provide for any reschedulement or payments in instalment. Hence, extension of STL to a defaulter loanee and thereafter re-scheduling repayment was irregular and resulted in non-realisation of dues of the Company.

3B.7.8.2 Surya Surgical and Pharmaceuticals (P) Limited, Bhubaneswar

Surya Surgical and Pharmaceuticals (P) Limited, Bhubaneswar (SSPL) was set up with participation of IPICOL in preference share capital of Rs.2 lakh and term loan of Rs.26.70 lakh from OSFC for manufacture of surgical cotton. The Unit went into production from June 1983 after availing of working capital loan (Rs.77.67 lakh) from United Commercial Bank (UCB). Though SSPL was defaulter to OSFC (Rs.1.25 crore) and UCB (Rs.79.79 lakh), IPICOL sanctioned and disbursed (10 November 1998) Rs.12 lakh after obtaining landed property valued at Rs.20 lakh as security which was repayable in four instalments of Rs.3 lakh each commencing from 15 February 1999. It was also stipulated by IPICOL that SSPL should clear its dues of Rs.1.50 lakh and Rs.0.75 lakh *per* month to

OSFC and UCB respectively. However, SSPL did not repay either IPICOL, OSFC or UCB. It later came to light that the landed property valued at Rs.20 lakh given as collateral security was already sold to different parties. Evidently the Company had disbursed the loan without properly verifying the title to the landed property offered as security.

Since the recovery of dues of Rs.14.75 lakh (including interest Rs.2.75 lakh) was doubtful, IPICOL could have taken recourse to Section 31 of SFCs Act to proceed against personal guarantees of promoters and the guarantors. This was delayed due to want of details of immovable properties of guarantors. Thus, not ensuring genuineness of title to collateral security and delay in taking recovery action resulted in doubtful recovery of dues of Rs.14.75 lakh.

The Management stated (October 2000) that it relied on the certificate of Revenue Authorities furnished by the loatee, which was subsequently found to be defective. It added that action was being initiated to recover the outstanding dues under Orissa Public Demand Recovery (OPDR) Act.

3B.7.9 One Time Settlement cases

The Company sacrificed Rs.5.06 crore under OTS scheme.

The Company started (January 1994) settlement of dues of chronic defaulting loanees under One Time Settlement (OTS) Scheme. The Company settled 15 loan accounts under OTS as on 22 September 1999 by sacrificing Rs.5.06 crore i.e. 74.63 *per cent* of interest dues as detailed in the Annexure-32.

In four out of 15 cases, the OTS dues have been received partly i.e. against settled dues of Rs.3.12 crore to be paid between December 1994 and September 1999, only Rs.87 lakh has been received (January 2000). No action has been taken to realise the balance dues (January 2000).

The above matters were reported to the Management / Government (April 2000); part replies had been furnished by OSFC and IPICOL. Reply of Government had not been received (October 2000).

Conclusion

Even after more than 44 years (OSFC) and 27 years (IPICOL) of existence, the institutions were unable to recycle the loan funds effectively by means of prompt and adequate recovery of dues owed by the assisted units. Their recovery performance was very poor due to lack of monitoring of functioning of the assisted units and there were inadequate pre-sanction appraisals on viability aspects as well as indecisiveness on revival packages. The position was further aggravated by inaction / delayed action on the part of OSFC / IPICOL in regard to seizure and disposal of assets of the assisted units and in filing of cases under Section 31 of SFCs Act. Though COPU had expressed dissatisfaction with poor

performance of these organisations as to recovery of outstanding loans which had resulted into it having to go for borrowed funds and had recommended the creation of special cell to effect better recovery and fixation of responsibility for lapses, no responsibility had been fixed in any case nor was there any perceptible improvement in recovery performance.

There is an urgent need to take effective steps in recovering the dues from the defaulters by exercising the provisions of SFCs Act. Pre-sanction appraisals on viability of projects to be financed need to be strengthened to avoid defaults in future. Proper follow up action on the recommendations of COPU is desirable in order to improve the recovery performance.

Chapter-IV

Other topics of interest relating to Government companies

4.1 ORISSA STATE CIVIL SUPPLIES CORPORATION LIMITED

Shortage of PDS Commodities

Blatant disregard and non-adherence to extant rules and procedures led to shortage of PDS commodities and loss amounting to Rs.5.53 crore (including penalty of Rs.2.04 crore) and loss of interest of Rs.4.81 crore.

The Orissa State Civil Supplies Corporation Limited (OSCSC) appoints storage agents each year for lifting and storage of Public Distribution System (PDS) commodities viz. rice, wheat and sugar. The storage agents get storage commission, incidentals and transportation charges for lifting and storage of PDS stock from Food Corporation of India (FCI) and delivering it to the retailers on the basis of issue orders of the District Collector.

Daulat Ram and Sons (DRS) was appointed as storage agent for 1980-81. They were subsequently re-appointed for each year up to 1992-93 (extended up to October 1993). In March 1999, the Department of Food, Supplies and Consumer Welfare (FSCW), Government of Orissa requested the Accountant General (Audit)-II for an in-depth study of the accounts of the storage agent covering the period from 1983-84 to October 1993. Audit scrutiny revealed (February to April 2000) irregularities in appointment of the storage agent, violation of extant rules and procedure and shortages of commodities valued at Rs.3.49 crore. A penalty of Rs.2.04 crore was also leviable on the storage agent for the shortages, which was not levied. The main audit findings are detailed in the succeeding paragraphs.

4.1.1 Appointment

Storage agents are appointed by the Company on the recommendation of District Manager and Civil Supplies Officer (DM and CSO) duly approved by the Collector of the District. While recommending a proposal, the DM and CSO is to examine *inter alia* the particulars of solvency, storage space, position of stock,

Storage agent was appointed without ensuring fulfillment of prescribed conditions.

previous experience, past performance and position of finalisation of accounts of previous years of the storage agents. It was seen in audit that the DM and CSO, Cuttack recommended DRS for appointment as storage agent year after year though the firm did not satisfy the following conditions:

(a) Solvency during any of the years; (b) Accounts or monthly stock statements from the year 1987-88 onwards were not submitted; (c) DRS retained huge stocks without reconciliation at the end of each year which was equivalent to about 0.66 to 4.38 months' issue in case of sugar, 1.33 to 8.42 months' issue in case of wheat and 2.15 to 33.33 months' issue in case of rice and (d) DRS did not finalise his bills at the end of each year to qualify for re-appointment.

4.1.2 Execution of Agreement

After appointment, the storage agent is to execute separate agreements for rice, wheat and sugar for every year and to furnish (a) principal security as well as additional security in form of either cash or instruments like bank guarantees, National Savings Certificates etc., (b) insurance cover note on the delivered stock from any of the nationalised Insurance Companies and (c) personal securities from two guarantors.

However, DRS did not deposit the required principal security during the years 1985-86 (Rs.15,000), 1986-87 (Rs.10,000) and additional security during 1985-86 (Rs.45,000), 1986-87 (Rs.50,000), 1987-88 (Rs.50,000) and 1993-94 (Rs.50,000).

Stocks were released in spite of inadequate insurance coverage by the storage agent.

As per the storage agreement, storage agents are required to insure stocks in transit as well as during storage against all losses and damage due to fire, floods, riots, theft etc. No stock in excess of the insurance coverage should be issued to a storage agent. It was, however, noticed in audit that there was inadequate insurance coverage during 1987-88 (8.87 per cent), 1988-89 (42.72 per cent), 1989-90 (45.66 per cent), 1990-91 (53.45 per cent) and 1991-92 (35.29 per cent).

DM and CSO instructed (May 1989) that all storage agents should give insurance bonds of the value of delivered stock and instructed the Marketing Inspector at Rail head Cuttack not to allot any stock without obtaining clearance from the Accounts Section. However, stocks were released to DRS without obtaining insurance policy covering full value of stocks. The DM and CSO failed to enforce their own directions or take any action against the erring officials.

Further, agreements for 1983-84, 1985-86 (rice only) and 1993-94 could not be furnished to Audit. It was noted in audit that stocks were issued in 1984-85 despite absence of a valid agreement in violation of guidelines issued by the Company and that personal security from two guarantors were not collected for all the years.

4.1.3 Allotment, Lifting and Issue of Stock

Stocks were lifted in excess of allotment.

As per the instructions of Government of Orissa lifting of stock by the storage agent was to be allowed keeping in view the accumulated stock in the District and requirement of stock as assessed on the basis of past off-take. DRS lifted rice (30,406 Qtls.), wheat (1,82,709 Qtls.) and sugar (26,606 Qtls.) during 1985-86 to October 1993 in excess of allotment as the Marketing Inspector of FSCW Department at Rail head allowed diversion of unlifted stock of rural storage agent to avoid lapse.

Government of Orissa directed (December 1987) the Collector, Cuttack to lift stock keeping in view the accumulated stock in the District and requirement of stock as assessed on the basis of past off-take. However, the DM and CSO, Cuttack never reviewed the position and issued stock in excess of actual requirement, which resulted in huge accumulation of commodities with the storage agent. The Marketing Inspector informed (April 1990) the DM and CSO that DRS had lifted 7,365 Qtls. of wheat against allotment of 3,716 Qtls. as on 31 March 1990. The excess lifting of 3,649 Qtls. was not adjusted in April 1990 nor was any action taken by the DM and CSO on the complaint of the Marketing Inspector. No responsibility had been fixed for violation of the extant instructions.

It was further observed in audit that on 26 June 1985, the storage agent transferred 223 Qtls. of coarse boiled rice to another storage agent (Arjun Kumar Sahoo) under National Rural Employment Programme. But the same was re-written as 323 Qtls. showing excess issue.

The storage agent is to maintain a tally register showing issue to retailers who would sign in token of receipt which would be countersigned by the Marketing Inspector in-charge. The DM and CSO would collect the tally register at the close of the year. The tally registers relating to the years 1983-84 to 1992-93 of DRS were not produced to audit. Thus, the veracity of issue of stock to retailers as mentioned in the sales proceeds statement could not be verified.

4.1.4 Physical Verification of Stocks

Surprise physical verification was not conducted.

Physical verification of stocks is required to be conducted by the Marketing Inspector twice in a year i.e. in October and at the end of each financial year. In addition, the officers of FSCW Department, MD and DM and CSO are also to conduct surprise checks. It was observed in audit that no surprise checks were conducted on the stocks of DRS by any of the above authorities during the years 1983-84 to 1993-94.

The DM and CSO furnished Physical Verification Reports (PVRs) for the years 1983-84 to 1993-94 except for 1983-84 (Rice) 1984-85 and 1990-91. The storage agent submitted (March 2000) attested copies of PVRs from 1986-87 to 1993-94 through his authorised attorney. In the absence of the PVRs for 1984-85, it could not be verified whether the physical verification was conducted at all for that year.

Receipts and issues of stock mentioned in the PVRs were compared with acceptance notes, import register, personal ledger and sales proceeds statements. Scrutiny of the PVRs revealed that the storage agent had depicted less receipt of rice (5,610 Qtls.), wheat (32,921 Qtls.) and sugar (1,878 Qtls.) during 1983-84 to October 1993 than the quantities actually received by him as shown in the acceptance note and import registers maintained by DM and CSO. Similarly, PVRs exhibited more issue of rice (6,383 Qtls.), wheat (67,366 Qtls.) and sugar (5,864 Qtls.) than those mentioned in the sale proceeds statement furnished by DRS. Further, audit scrutiny of the PVRs revealed the following discrepancies:

(a) The stock statement for 1983-84 furnished by the storage agent in July 1984 exhibited balance sugar of 1,226 quintals (as in March 1984) whereas the PVR submitted by him indicated a nil balance; (b) As per the PVR, the verified closing balance of rice for the year 1985-86 was nil but the opening balance for 1986-87 was shown as 1,500 Qtls. Such apparent discrepancies rendered the authenticity of the records questionable and enabled interpolation and manipulation of figures. Moreover, the PVRs were not verified in the Office of the DM and CSO with reference to acceptance notes, import register and sale proceeds statement to ascertain the actual stock held by the storage agent and check malpractices; (c) Though the storage agent did not submit stock accounts from 1987-88 onwards, the Company did not pursue the matter and (d) The head office of the Company also failed to exercise any check on the PVRs sent by DM and CSO despite differences between the book balances incorporated in the accounts and the physical balances depicted in the PVRs for each of the years from 1983-84 to 1993-94 which amounted to Rs.3.49 crore as detailed in the following table:

Commodities	Book balance (Quintals)	Balance as per PVR (Quintals)	Shortage (Quintals)	Value of shortage (Rs. in crore)
Rice	29626.49	10796.17	18830.32	0.56
Wheat	134812.89	32079.96	102732.93	2.51
Sugar	14734.49	7213.17	7521.32	0.42
Total				3.49

(e) In terms of the agreements the penalties were to be recovered from the storage agent in respect of shortages of stock held by him, however, the Company also did not levy such penalty which worked out to Rs.2.04 crore for the period 1983-84 to 1993-94.

Thus, the Company sustained loss of interest of Rs.4.81 crore (March 2000) at the rate of 14.5 *per cent per annum* on the amount recoverable (Rs.3.49 crore *plus* Rs.2.04 crore) since March 1994.

4.1.5 Non-rendering of Accounts by Storage Agent from 1987-88 onwards

Stocks were released in spite of non-rendering of accounts by the storage agent from 1987-88 onwards.

As per the storage agreement, the storage agent was to submit monthly accounts comprising stock returns bills, storage charges claims, transportation and incidental charges bills and sales proceeds statements. The storage agent did not submit these accounts from 1987-88 onwards except the sales proceeds statements. The DM and CSO did not impose the prescribed penalty of Rs.200 on each occasion as per the terms of the agreement. Instead, the DM and CSO continued to allot stocks to the storage agent and allowed him to lift stocks in blatant disregard of the terms of the agreement till August 1993.

4.1.6 Lack of Action on Audit Observations and Recommendations of COPU

Non-deposit of additional security, insufficient insurance coverage and shortage pertaining to accounts of DRS had been brought to the notice of the Government of Orissa during the course of audit of the Office of the DM and CSO, Cuttack, in 1987-88, 1989-90, 1992-93 and 1993-94. However, no remedial action was taken.

A review on “Storage System and Financial Management” of the Company was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1990 (Commercial) which highlighted *inter alia* non-observance of prescribed system in appointment of storage agents, deposit of security and non-submission of accounts by them and irregularities in the physical verification of stock leading to misappropriation of stock valued at Rs.3.32 crore upto September 1990. The Committee on Public Undertakings (COPU) while discussing the report recommended (March 1993) that the procedural formalities in the appointment and obtaining security deposit should be observed before lifting of stock by the storage agents. The Committee further recommended that the Management should be careful and vigilant in safeguarding the State Exchequer and to take drastic action against erring officials who committed irregularities and indulged in malpractices. However, no preventive measures had been taken to safeguard the interest of the Company and the Government.

Government accepted (July 2000) the factual position mentioned in the preceding sub-paragraphs.

4.2 GRID CORPORATION OF ORISSA LIMITED

4.2.1 Procurement of portable earthing devices

Non-acceptance of the advice of the consultants resulted in extra expenditure of Rs.0.66 crore.

Government of United Kingdom sanctioned (August 1996) a grant of 52.5 million pound sterling (Rs.315 crore at the exchange rate of Rs.60 *per pound*) through the

Department for International Development (DFID) for purchase of goods / services from United Kingdom meant for the 'Orissa Power Sector Reform Project'. Price Water House (PWH) were the consultants in regard to procurement of material.

Retendering for purchase of equipment resulted in loss of Rs.0.66 crore.

The Company invited (August 1997) tenders for supply of 1,200 number Portable Earthing Devices (PED). Five firms submitted their bids out of which only one bid of CCL Systems Limited, England (CCL) was considered technically suitable. Based on advice of PWH, the final bid of CCL was opened who quoted CIF rate of 334.32 pound sterling and inland unit cost comprising of customs duty, octroi, port handling and transportation charges was estimated at Rs.10,333. The Purchase Sub-Committee (PSC), however, recommended (April 1998) invitation of fresh tenders on the ground that the unit price was very high. PWH reiterated (May 1998) its advice to place orders on CCL since there were no Indian supplier and retendering would involve delay. Ignoring the advice, bids were reinvited (September 1998) and again only the bid of CCL was found technically suitable out of four bids received. The CIF rate had, however, increased to 334.51 pound sterling against earlier rate of 334.32 pound sterling and the inland unit cost to Rs.14,882 as against earlier rate of Rs.10,333 due to increase in customs duties and other charges. Orders were placed (January 1999) for 1,200 number of PED and supplies were made (March 1999). The purchases were effected at an additional expenditure of Rs.65.81 lakh in the form of increased cost on account of customs duty, octroi and transportation charges.

Government stated (August 2000) that retendering was resorted to with the hope of receipt of competitive bids, as the earlier quoted rate was abnormally high. The reply is not acceptable since retendering was resorted to ignoring the advice of the consultants.

4.2.2 Extra expenditure in procurement of meggers

Import of meggers instead of indigenous purchase resulted in extra expenditure of Rs.1.45 crore.

The Company invited (March 1997) tenders for purchase of Hand-cum-Motor Operated testing and measuring instruments (Meggers). In response, two bids were received from Josts Engineering Company Limited, Secunderabad (Josts) and Ricken Instrumentation, Chandigarh, which were found to be commercially and technically suitable. The unit cost of 2.5 KV megger as quoted by these two firms were Rs.3.65 lakh (Josts-imported meggers) and Rs.0.83 lakh (Ricken-indigenous meggers).

The initial proposal was to purchase 176 number of 2.5 KV meggers. Josts informed that the rate would be Rs.4.80 lakh *plus* CST at the rate of four *per cent*

if the quantity were less than 176 numbers. The Contract Scrutiny Committee (CSC) as well as Purchase Sub-Committee (PSC) noted that the meggers offered by Ricken were not inferior to the imported one offered by Josts and approved purchase of 2.5 KV meggers from Ricken. Orders were subsequently placed (June / October 1998) on Ricken for supply of 60 number of meggers at a cost of Rs.57.01 lakh. Subsequently, EHT (M) Wing of the Company released an order (January 1999) on Josts for the supply of 36 number of 2.5 KV meggers which were received in April 1999 at a cost of Rs.1.80 crore.

Imprudent decision to purchase imported meggers resulted in extra expenditure of Rs.1.45 crore.

It was observed in audit (March 2000) that there was no justification for procurement of 36 number of 2.5 KV meggers from Josts at higher cost since the Company had accepted that the indigenous megger was of similar quality as of the imported megger. By purchasing the imported meggers, the Company had to bear an extra cost of Rs.1.45 crore.

Government stated (August 2000) that the Company had gone for procurement of the imported meggers in view of their reliability, though the Ricken make meggers were admittedly giving equally good service despite its indigenous origin.

4.3 ORISSA HYDRO POWER CORPORATION LIMITED

4.3.1 Irrecoverable advance

Improper maintenance of records, mismanagement and lack of proper supervision led to likely loss of Rs.0.23 crore.

The Executive Engineer, Power Plant Division III, Upper Indravati Hydro Electric Project, Mukhiguda placed (March 1994) a Purchase Order on Utility Engineers (I) Limited (UEL), Calcutta for supply and erection of ventilation and air conditioning equipment for a power house at Mukhiguda at a cost of Rs.87.11 lakh. An agreement was executed (May 1994) for supply of material within eight months from the date of contract and erection and commissioning within two months from readiness of site. As per terms of the contract, an advance of Rs.13.07 lakh carrying 17 *per cent* interest *per annum* was paid (June 1994) to UEL against a Bank Guarantee (BG) valid up to 30 September 1996 from Bank of India (BOI), New Delhi for equivalent amount.

Against the scheduled date of completion by January 1995, UEL could supply material worth Rs.8.01 lakh only up to June 1995 against which Rs.1.60 lakh was adjusted towards advance leaving an unadjusted advance of Rs.11.47 lakh.

Instead of considering cancellation of the work order in view of short supplies the Company entered into protracted correspondence (September 1996 to January 1997) without any response from the firm. It was ultimately ascertained that UEL had since been liquidated and the work order was finally cancelled (May 1997).

Improper maintenance of records led to likely loss of Rs.0.23 crore.

It was noticed in audit (June 1999) that in order to recover the balance amount of advance the Executive Engineer wrote to the Canara Bank, New Delhi instead of to BOI, New Delhi on 20 September 1996 for encashment of BG. This error remained unnoticed till January 1997 due to improper maintenance of records. On being approached Bank of India, New Delhi rejected (February 1997) the claim on the ground that the validity of the BG had since expired on 30 September 1996. No responsibility had been fixed for the error in approaching the wrong Bank. Thus, non-encashment of BG, led to non-recovery of advance amounting to Rs.11.47 lakh with consequential loss of interest of Rs.11.20 lakh (March 2000) attributed to improper maintenance of records and lack of proper supervision.

Government stated (August 2000) that the concerned Executive Engineer had inadvertently lodged the claim with the Canara Bank, New Delhi. As UEL had since gone into liquidation, a claim had been lodged before the Official Liquidator, Delhi High Court (September 1997) for an amount of Rs.17.80 lakh (Principal Rs.11.47 lakh *plus* interest Rs.6.33 lakh) which was pending (August 2000).

4.3.2 Avoidable expenditure in procurement of bulk heads

Failure to take advantage of earlier proposal led to avoidable expenditure of Rs.0.11 crore.

Open tenders were invited (March 1996) for procurement of four bulkheads and the lowest offer of Radha Madhava Engineering Enterprises (RMEE), Hyderabad, at Rs.6 lakh *per piece plus* CST at the rate of four *per cent* was accepted by the Company and orders were placed (November 1996). The Company received the material and paid to RMEE in September 1997.

Delayed procurement of material led to an extra expenditure.

It was observed in audit (January 2000) that the Company had earlier (April 1995) received three offers for supply of the bulk heads including an offer from RMEE. Out of the three offers received, Bharat Heavy Plates and Vessels Limited had withdrawn its proposal. The remaining two offers including offer of RMEE at the rate of Rs.3.38 lakh *plus* CST were considered and it was proposed (April 1995) to constitute a committee to decide the proposal as these were not based on invitation of open tenders. The matter remained undecided for a year. Though there had been no change in the scope of the work between April 1995 and March 1996, RMEE quoted an abnormally high rate (i.e.79 *per cent* increase). However,

the Company did not call for the break-up of the proposal with a view to analysing it further and compare with earlier proposal before placing the order.

Thus, failure of the Company to properly analyse the proposal led to an avoidable extra expenditure of Rs.10.60 lakh in fabrication of bulkheads.

Government stated (August 2000) that the rate first offered by RMEE was just collected and was not in conformity with any tender call notice. Subsequently, tenders were floated and orders were placed with the lowest tenderer (RMEE).

The reply is not convincing in view of the fact that had the Company taken advantage of earlier proposal of RMEE during negotiation, extra expenditure of Rs.10.60 lakh could have been minimised.

4.4 ORISSA POWER GENERATION CORPORATION LIMITED

4.4.1 Undue favour shown in payment of dividend

Payment of interim dividend in violation of provisions of Companies Act resulted in extension of undue benefit amounting to Rs.9.35 crore to a private shareholder. Further, lack of clarity in Tripartite Agreement led to State Government being deprived of dividend of Rs.45.10 crore for 1997-98.

The State Government sold (February 1999) 41 *per cent* of its share holding in the Company (20,09,891 Equity Shares of Rs.1,000 each) to AES Corporation of United States of America. The Company also issued (January 1999) eight *per cent* shares (3,92,174 shares of Rs.1,000 each) of the total equity capital (49,02,174 shares of Rs.1,000 each) to AES. The issue / transfer of shares in favour of AES Corporation was made based on a tripartite agreement executed (October 1998) between Government of Orissa, AES Corporation and the Company.

Violation of extant regulations resulted in extension of undue favour amounting to Rs.9.35 crore.

The Company declared (October 1999) 30 *per cent* interim dividend on the paid up capital for the year 1998-99 taking into account the provisional profit earned during 1998-99 (Rs.108.62 crore). The Company paid interim dividend for the year 1998-99 to the tune of Rs.72.06 crore to AES Corporation on 24,02,065 shares for the whole year, though 3,92,174 equity shares were issued to them on 16 January 1999. In the absence of special rights as to the dividend in respect of fresh issue of shares, those shares were entitled for pro-rata dividend for the period of holding of shares (75 days) as per regulation 88 of Table 'A' of Schedule-I to the Companies Act, 1956. However, the Board of Directors of the Company passed (October 1999) a resolution ranking fresh issue of shares for dividend for the entire year 1998-99. Thus, payment of full dividend for the whole

year on the fresh issue of shares resulted in excess payment of interim dividend amounting to Rs.9.35 crore which constituted extending of undue benefit to AES Corporation. Registrar of Companies, Orissa, Cuttack opined (December 2000) that capital raised by issuing fresh shares during January 1999 had participated in the business of the Company for a part of the year and accordingly, would be entitled only to pro-rata dividend for that period.

It was also observed in audit that the accounts of the Company for the year 1997-98 were authenticated by the Board of Directors on 30 September 1999 wherein the profit for the year 1997-98 was transferred to Reserves and Surplus. Subsequent withdrawal (October 1999) from the reserves for payment of interim dividend should have been made with the approval of Central Government as per Section-205A (3) of the Companies Act, 1956. However, no such approval was obtained.

Failure to define status of shares with respect to entitlement of dividend of 1997-98 led to Government being deprived of Rs.45.10 crore for the year.

It was further observed that though the State Government was the sole owner of OPGC during 1997-98, the status of shares with respect to the entitlement of dividend of 1997-98 was not defined in the tripartite agreement. Consequently, the State Government was deprived of dividend (at the rate of 10 *per cent*) of Rs.45.10 crore for the year 1997-98 since AES did not agree to declaration of dividend for the year and the profit was carried forward as Reserve and Surplus without declaration of dividend. Thus, the interests of the State Government should have been secured by a clear definition of the entitlement of dividend in the tripartite agreement itself.

The Government stated (July 2000) that there was an understanding that AES should be entitled to 49 *per cent* share in the dividend in respect of dividend declared from 1997-98 onwards. In pursuance of such an understanding, AES did not claim a share in the dividend declared for 1996-97 although it was approved by Board and shareholders in March 1999 when AES was part of the Board of Directors.

The reply is not tenable as the clause 15.8.2 of the tripartite agreement specifically stipulates that there was no specific understanding, express or implied, for entitlement of 49 *per cent* shares in the dividend. Hence there could be no understanding outside the agreement.

4.4.2 Avoidable expenditure on operation and maintenance of Merry Go Round system

Failure to invite open tenders resulted in avoidable expenditure of Rs.0.58 crore.

The Company had a Merry Go Round (MGR) system to carry coal from the Mahanadi Coal Fields to its plant head at Banharpalli. Without inviting open

tenders, the Company placed (October 1996) a work order with Rail India Technical and Economic Services (RITES) for operation and maintenance of the MGR system from October 1996 to September 1999 (extended up to March 2000) at an annual cost of Rs.85 lakh. The annual cost was to be increased at the rate of seven *per cent per annum* effective from the second year onwards. RITES subsequently sub-contracted the work to Modi Project Limited (MPL) at an annual cost of Rs.69.70 lakh during October 1996 to March 2000. During this period the Company paid Rs.3.22 crore to RITES who in turn paid only Rs.2.64 crore to the sub-contractor during the same period.

Operation and maintenance of MGR system led to avoidable expenditure of Rs.0.58 crore.

It was observed in audit (July 1999) that the Company invited (October 1999) open tenders for the above mentioned work for the period April 2000 onwards and awarded the work to MPL who was the lowest tenderer at an annual cost of Rs.71 lakh for a period of three years. Had the Company invited (October 1996) open tender, it could have avoided extra expenditure of at least Rs.57.95 lakh taking into account the rate at which the subsequent contract was awarded.

Thus, failure to call for open tenders for awarding the work of maintenance of MGR system resulted in an extra expenditure of Rs.57.95 lakh.

Government stated (October 2000) that the work was awarded to RITES after comparing their rates with budgetary quotations received from others and also on the ground that (i) they were involved in the design, construction and supervision of the MGR system and (ii) they would take care of mobilising heavy duty cranes in case of derailment.

The reply is not acceptable in view of the fact that the Company should have gone for open tender to obtain competitive rates for execution of the work. Moreover, MPL was associated with the execution of the project as sub-contractor and therefore was in a position to operate and maintain the system had orders been placed with them.

4.4.3 Additional interest burden due to improper cash management

Investment in short-term deposit in violation of extant guidelines resulted in differential loss of interest of Rs.0.47 crore.

As per the extant guidelines of State Government (November 1996), Public Sector Undertakings (PSU) of the State should not invest their surplus funds at a particular rate of interest for a particular period of time while resorting to borrowing at an equal or higher rate of interest for their requirements for the same period of time.

Investment of surplus funds in STDs instead of parking the same against cash credit account resulted in differential loss of interest of Rs.0.47 crore.

It was noticed in audit (April 1999) that the Company had been availing of cash credit facility during the period from April 1997 to July 2000 ranging from Rs.3.84 lakh to Rs.7.99 crore and the rates of interest ranged between 12.50 and 15.30 *per cent per annum*. During the same period, the Company invested its funds in short-term deposits ranging between Rs.1.73 crore and Rs.121.03 crore *per month* at a rate of interest varying from six to 13 *per cent per annum* in violation of the above cited guidelines. This resulted in excess expenditure of Rs.46.68 lakh towards differential loss of interest. Had the Company followed the instruction of the State Government and parked the surplus funds in the cash credit account, additional interest burden amounting to Rs.46.68 lakh could have been avoided.

Government stated (July 2000) that the Company had resorted to short term deposits only to deploy surplus funds for timely discharge of liabilities to the financial institutions, in order to maintain credit worthiness. It was stated that conditions stipulated in the cash credit sanction letters forced the Company to use the cash credit limits for its day-to-day operations.

The reply is untenable since the Company should have managed the surplus funds in accordance with Government's instructions and would have avoided the additional interest burden.

4.4.4 Award of work without calling for open tenders

Work awarded to contractor without calling for tenders resulted in avoidable extra expenditure of Rs.0.38 crore.

Tenders were invited for the work of operation and maintenance of Coal Handling Plant (CHP) at Ib-Thermal Power Station. In response, the Company received (September 1994) only one offer from Prime-Tech Consultants Private Limited at a monthly charge of Rs.4.64 lakh. As only single tender had been received, it was decided (October 1994) to retender the work. However, without resorting to retendering, the Company awarded the work (December 1994) to RB and Sons Company, whose offer had been received (November 1994) after expiry of the stipulated date of initial tender, at a monthly charge of Rs.7.29 lakh for a trial period of four months (January to April 1995). The period was, thereafter extended from time to time up to December 1997 with payment of monthly charges of Rs.8.49 lakh from May 1995 to April 1996 and Rs.9.44 lakh from May 1996 to December 1997.

In the meantime, the Company invited applications for pre-qualification for the said work and received seven offers out of which four firms were short listed as being qualified. The short listed firms were asked to submit their fresh offers. In response, two firms viz. J. Pradhan and Company and RB and Sons Company

quoted monthly rate of Rs.8.61 lakh and Rs.9.99 lakh respectively. The Tender Committee recommended (August 1997) award of the work to RB and Sons Company at the rate quoted by J. Pradhan and Company (Rs.8.61 lakh per month) for a period of two years from January 1998 with the condition that the rate for second year would be increased by 7.5 *per cent* on the ground that J. Pradhan and Company did not possess the requisite organisational capacity.

Awarding work to the contractor without calling for tenders resulted in avoidable extra expenditure of Rs.0.38 crore.

It was noticed in audit (June 1999) that the daily rate charged for each grade of manpower deployed by the contractor during the period from January to December 1998 was less than the rate charged by them for the period from January 1995 to December 1997. Further, acceptance of condition of 7.5 *per cent* increase in the second year constituted extension of undue benefit of Rs.7.75 lakh to RB and Sons Company because the rate of J. Pradhan and Company (Rs.8.61 lakh) was valid for two years. Thus, the Company incurred an avoidable extra expenditure of Rs.30.48 lakh on higher labour rate in first agreement and Rs.7.75 lakh by increasing rates in second year in second agreement on this work.

Government stated (October 2000) that the scope of contract was reduced in the work order issued in February 1998 due to free supply of manpower by the Company resulting in reduction of maintenance charges to the contractor.

The reply is not tenable in view of the fact that the actual manpower deployed by the contractor during 1998 was more than the manpower deployed during the previous periods. The cost of maintenance of CHP was reduced during 1998 because of lower rate charged by the contractor for each grade of manpower due to open tender.

4.5 INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

Extension of undue benefit to the contractor for conversion of coal to coke

The benefit arising out of blending of different grades of coal had been passed on to contractor, which constituted an extension of undue benefit of Rs.0.43 crore.

Kalinga Iron Works (KIW), an unit of Industrial Development Corporation of Orissa Limited (IDCOL), engaged in the production of pig iron entrusted (May 1993) Utkal Moulders Private Limited (UMPL) with conversion of coking coal into hard coke. As per the work order (April 1994), the U MPL was to convert

coal to coke in the ratio of 1.5:1 with coke having ash (24 *per cent plus or minus* 0.5 *per cent*), moisture (seven *per cent* and during rainy season 12 *per cent*) and size between 15 mm and 70 mm besides undersize coke not exceeding five *per cent* and over size not exceeding 10 *per cent*.

Further, bonus was payable and penalty leviable at the rate of Rs.100 *per MT per* unit fraction prorata for ash content less than 23.5 *per cent* and ash content exceeding 24.5 *per cent* respectively. In addition, if the undersize of the converted coke exceeded five *per cent*, payment for such tonnage should be made at the rate of breeze coke. In case of oversize coke exceeding the tolerance limit of 10 *per cent*, the breaking charges at the prevailing rate were to be deducted from UMPL.

Initially UMPL supplied coke by blending coal of Steel Grade-II and Washery Grade-I provided by the Company with payment of conversion charges as mutually agreed upon. In order to make pig iron competitive in the market, the Company contemplated (July / August 1996) reduction of its cost by reducing the cost of coke by means of blending low value (Washery Grade-II) coal with high value (Washery Grade-I) coal to be procured by UMPL from various sources. As there was possibility of variation of quality ultimately affecting the blast furnace of the Unit, it was decided (August 1996) to carryout the blending work on trial basis up to mid October 1996 till stabilisation of the blending process. A request of UMPL for non-imposition of penalty on account of higher ash content and undersize of coke was accepted by the Company (August 1996). Though blending of coal of different grade was a part of the job assigned to UMPL, the Company on one hand agreed (August 1996) to share the benefit of saving arising out of blending of coal at the end of the trial period while on the other hand it absorbed the loss on account of higher ash content and undersize of material which ultimately contributed to deterioration in quality as well as low productivity of pig iron.

In November 1996, the Company reviewed the performance of the trial production and decided to discontinue the process of blending from December 1996 but the Company passed on 40 *per cent* of the benefit derived on account of blending of the material during the trial period (31 July to November 1996) to UMPL.

Benefit arising out of blending of different grades of coal was passed on to the contractor resulting in extension of undue benefit of Rs.0.43 crore.

Scrutiny of records (January 1999) revealed that the Company could save a sum of Rs.1.09 crore on blending of different grades of coke aggregating 18,979 MT during the trial period of which Rs.43.44 lakh was passed on to UMPL. Such sharing of benefit constituted an extension of undue benefit to the party as the work of blending was very much within the scope of work and the Company had already absorbed the loss on account of higher ash content as well as for lower size of coke arising out of such blending.

Government stated (May 2000) that sharing of 40 *per cent* of the saving around Rs.43.44 lakh with UMPL was not an undue benefit but only a compensation for their losses and higher incidental expenses in locating suitable source of supply of

coal. Further, supply of coal as per the conversion arrangement was the responsibility of KIW and UMPL had taken up the job to arrange suitable coal to keep the cost low and also maintained the quality.

The reply is not tenable since UMPL lifted coal on behalf of KIW from BCCL based on the indent of the Company and as per agreement the increase in the cost of coal as well as conversion charges were also reimbursed by KIW. Further, penalty for higher ash content and undersize of coke was being waived. Hence, further sharing of benefit arising out of blending should not have been passed on to UMPL.

4.6 IDCOL Cement Limited

Loss on sale of cement through consignment agent

Injudicious decision to sell cement through consignment agent led to consequential loss of Rs.0.29 crore.

In order to enter the markets at Visakhapatnam and Vijayanagaram, the Company appointed (September 1997) Laminated Packings (P) Limited, Visakhapatnam, (LPL), as its consignment agent for a period of one year with effect from 18 September 1997 without inviting open tender and ascertaining the marketability of its product in these areas. Though the Company initially offered Rs.65 *per* MT towards handling and service charges, it finally allowed Rs.95 *per* MT to the agent besides reimbursement of other actual expenses. The agent was to act as authorised representative of the Company to hold consignment stock of cement for sale to dealers appointed by the Company in these places. Two selling agents were also appointed (September 1997), without calling for open tenders, at a commission of Rs.20 *per* MT payable by the Company on sale of cement. The Company hired (October 1997) three godowns with capacity of 13,000 sft at the rate of Rs.3 *per* sft *per* month at Vijayanagaram (5,000 sft) and Visakhapatnam (8,000 sft) as proposed by the agents without any independent assessment of rates and requirement.

Sale of cement through agents without realistic market survey resulted in loss of Rs.0.29 crore.

Without ascertaining the demand, the Company despatched 2,635 MT of cement valued at Rs.51.85 lakh to the agents during September / October 1997. In the absence of market for the product, the Company had to sell the cement below cost and realised only Rs.45.48 lakh during 1997-98 and 1998-99 as against the total expenditure of Rs.74.24* lakh. Ultimately the Company wound up its business at the above two places in July 1998, after incurring a loss of Rs.28.76 lakh.

Government stated (June 2000) that the consignment agent was selected on direct contact in order to avoid delay and pre-sale market survey was done by the parties contacted with the expectation that the share of the Company would improve in those areas. But due to undercutting of prices by major market players the Company was forced to sell the cement at reduced rate. The reply is untenable because huge stock should not have been despatched without ascertaining the market potential.

4.7 ORICHEM LIMITED

Improper procurement of equipment

Injudicious procurement of a second hand machine resulted in unfruitful expenditure of Rs.0.19 crore.

The Company decided (December 1996) to enhance the production capacity of Sodium Dichromate from 275 MT to 350 MT *per* month. Without inviting open tenders, the Company purchased (January 1997) a second hand Batch Rotary Kiln with a capacity to produce 75 MT Sodium Dichromate *per* month from Pigments India Limited (PIL), Kerala at a cost of Rs.8.65 lakh (including Rs.0.65 lakh for transportation). Soman Engineering Works was entrusted (July 1997) with the task of fabrication and erection of steel structurals required for installation of the Rotary Kiln. After incurring (between November 1997 and September 1998) an expenditure of Rs.18.81 lakh including Rs.10.16 lakh towards cost of fabrication and erection of steel structurals the work was stopped (December 1997) due to financial constraints. In this connection the following was noticed in audit (November 1999):

(i) The written down value of the used Kiln after charging depreciation was Rs.3.20 lakh only on the date of purchase from PIL. As such efforts could have been made to bring down the cost of Kiln.

* (cost of cement Rs.51.85 lakh, freight and taxes Rs.15.51 lakh, godown rent Rs.3.45 lakh, service charges Rs.2.51 lakh and others Rs.0.92 lakh)

Injudicious procurement of machine resulted in futile expenditure.

(ii) The Company stood referred (January 1993) to Board for Industrial and Financial Reconstruction (BIFR). As per the terms of BIFR package (December 1994) the Company should not have undertaken any new project or expansion without prior approval of the BIFR. However, the Company incurred the expenditure on the Rotary Kiln without obtaining approval of BIFR and

(iii) The actual production ranged between 203 MT and 219 MT *per* month during the years from 1992-93 to 1994-95. Moreover, the Company was aware (December 1996) that owing to drastic fall in the price of the end use product of Sodium Dichromate sales were reduced leading to accumulation of stocks. As such, going ahead (December 1996) with the expansion plan by procurement of Batch Rotary Kiln was injudicious.

Government stated (June 2000) that considering the present value of the equipment on depreciated replacement cost, the value of the Batch Rotary Kiln was reasonable. It was added that BIFR had projected capital expenditure of Rs.20 lakh for 1996-97 for which no further approval was required to be obtained.

The reply is not tenable as the BIFR package did not include the expenditure for setting up of a Batch Rotary Kiln. Moreover, the expenditure on the expansion scheme became infructuous in view of decision taken by the Government for closure of the Company with effect from December 1999.

4.8 INDUSTRIAL PROMOTION AND INVESTMENT CORPORATION OF ORISSA LIMITED

4.8.1 Loss in grant of financial assistance to Mideast Integrated Steels Limited

Sanction of loan to a firm despite it being in "Default Category" and failure to take prompt action for recovery resulted in probable loss of Rs.13.56 crore.

Mideast Integrated Steels Limited (MISL) a private sector Company which was part of MESCO group approached (December 1996) the Company for subscription of Rs.25 crore in equity / preference shares / optionally convertible debentures from the proceeds of steel bonds managed by the Company. The Empowered Committee (EC) of the State Government decided (January 1997) to extend a loan of Rs.20 crore to MISL for six months in the form of secured convertible debentures carrying interest at 30 *per cent per annum* backed by adequate collateral security on an unambiguous commitment given by the

Chairman MISL for completion of the project by April 1997. Accordingly, the Company invested (February 1997) Rs.17 crore in the form of optionally convertible debentures repayable within a period of six months. MISL failed to repay the principal and interest dues of Rs.33 crore (including interest of Rs.16 crore) up to August 2000 though it was overdue with effect from August 1997.

Audit scrutiny (May 2000) revealed the following:

(i) Though the credit rating given in January 1997 by Credit Rating Information Services of India Limited (CRISIL) for MISL was under “Default category” on the ground that MISL was providing and issuing incorrect information and declarations and was also irregular in meeting its obligations on the fixed deposit programme, yet the EC sanctioned (27 January 1997) the loan.

(ii) EC sanctioned the loan in the form of “Secured convertible debentures” but IPICOL disbursed the loan in the form of “Optionally convertible debentures”.

(iii) The Company disbursed the loan without obtaining the second charge on the assets of MISL. Hypothecation agreement and charges on only plant and machinery was created.

(iv) The 350 lakh of shares pledged with IPICOL by MISL as security against the loan were obtained in shape of two share certificates without obtaining the undertaking that pledged shares are free of all encumbrances as stipulated in the sanction order. Though it was known to the Company (December 1998) that MISL had pledged 46,64,610 number of shares with same distinctive numbers with both IPICOL and IDBI, no action was taken by the Company upto July 2000. It was only on 6 July 2000 that IPICOL informed the concerned Registrar of Companies to take necessary action.

(v) Post dated cheques for Rs.19.55 lakh collected from MISL to cover the loan dues valid up to November 1997 were neither presented for collection nor were fresh cheques obtained.

(vi) Though EC decided (January 1998) to recall the loan for non-payment of dues by MISL, the Company issued (May 1998) recall notice, after lapse of four months, on the plea that the approval of State Government was received on 2 May 1998. However, approval of Government was not necessary in view of directions of the EC to recall the loan.

(vii) Though the Government approved (2 May 2000) the suggestion of EC (September 1999) to take legal action against MISL, IPICOL filed a Title Money Suit on 2 August 2000 after a lapse of three months.

(viii) As on 31 March 2000, the marketable value of pledged shares was only Rs.19.44 crore against the defaulted dues of Rs.33 crore including interest.

Sanction of loan to a firm in Default Category and non-adherence to conditions of grant of the assistance resulted in likely loss of Rs.13.56 crore.

Hence, sanction of loan to MISL despite it being rated under “Default category” and failure of the Company to adhere to the instructions of the EC regarding the form of debentures issued, obtaining of security and timely action for recovery resulted in likely loss of Rs.13.56 crore to Government.

The Management stated (August 2000) that the Company did not have any scope to decide on any investment made out of bond issue proceeds as it was carrying out the decisions of the EC and State Government. It added that money suit had been filed (August 2000) against MISL and its promoter Directors for realisation of the amount.

The matter was reported to the Government (May 2000); their reply was awaited (September 2000).

4.8.2 Loss due to sanction of financial assistance to an unviable project

Sanction of financial assistance to an unviable project and failure to invoke collateral security in time resulted in likely loss of Rs.0.64 crore.

Utkal Forest Products Limited (UFPL), Sambalpur, an assisted unit of the Company engaged in processing of minor forest produce approached (23 February 1995) the Company for a Short-Term Loan (STL) of Rs.50 lakh for setting up a project at a cost of Rs.98.25 lakh to produce Gallic acid* from Gillo cover with an annual production capacity of 800 MT. It was known to the Company that the project was highly risky as it was developed in a laboratory by an individual as a pilot project and the technology was not commercially proved. In spite of the above, the Company sanctioned (March 1995) Rs.50 lakh to UFPL repayable within six months from the date of first disbursement. The loan was disbursed in two instalments of Rs.25 lakh each on 13 and 15 April 1995. UFPL did not repay any amount and the outstanding dues were Rs.1.16 crore as on 31 March 2000. It was noticed during audit (May 2000) that:

(i) The loan was disbursed though there was no such scheme for STL assistance at that time (ii) UFPL lacked a sound financial background as it was continuously incurring heavy losses up to 1992-93 and had earned a marginal profit of Rs.2.23 lakh for the year 1993-94. As such the sanction of STL to the firm was not commercially prudent and (iii) As per the production plan, UFPL was to process Gallic acid by May 1995 and sell the product so that the STL along with interest (Rs.54.63 lakh) could be cleared by October 1995. However, UFPL could process only 25 MT of Gallic acid by November 1995 and the project failed thereafter. In

* Gallic acid is extracted from the cover of ‘Gillo seeds’ which is a minor forest produce and used by drug companies.

spite of the above, the Company did not invoke the collateral security submitted by UFPL valued at Rs.51.84 lakh.

Failure to invoke collateral security resulted in likely loss of Rs.0.64 crore.

Since Government of Orissa cancelled (October 1998) the lease agreement with UFPL for processing minor forest produce due to non-payment of royalty, the activities of UFPL came to a stand still. Consequently, the Company would incur a loss of Rs.64.24 lakh (Rs.1.16 crore *minus* value of security Rs.51.84 lakh). Had the collateral security been invoked in October 1995, the loss would have been reduced to Rs.2.79 lakh only.

The Management stated (August 2000) that action was being taken up to enforce the collateral security for collection of total outstanding dues and loss would be reduced taking into account the present price of the security. The fact remains that sanction of STL to the firm ignoring the financial viability of the proposal resulted in loss to the Company.

The matter was reported to the Government (May 2000); their reply was awaited (September 2000).

4.8.3 Undue favour to a loanee

Disbursement of Short-Term Loan to an ineligible unit without obtaining adequate security resulted in likely loss of Rs.0.60 crore.

The Company (IPICOL) sanctioned (August 1999) a Short-Term Loan (STL) of Rs.60 lakh at the rate of 18 *per cent* interest *per annum* to Soosree Plastic Industries (P) Limited (SPIL), a jointly financed unit of IPICOL and Orissa State Financial Corporation (OSFC), to meet its working capital requirement for executing sale orders for supply of woven sacks valued at Rs.4.14 crore before September 1999. The entire loan was disbursed in September 1999 against net fixed assets of SPIL valued at Rs.58.48 lakh excluding work in progress. Though as per the sanction order the loan was to be repaid within six months from the date of disbursement, the same was overdue as on March 2000 amounting to Rs.67.04 lakh (including interest).

Following points were noticed in audit (May 2000):

- (i) As per STL assistance scheme introduced in January 1996, one of the eligibility criteria was that the Unit must have earned profit during the preceding two years. SPIL was not eligible as per this criteria since it had incurred loss of Rs.54.55 lakh in the year 1997-98 though it had earned a meagre profit of Rs.6.32 lakh in 1998-99;
- (ii) STL was sanctioned and disbursed without the prior approval of Board of Directors and
- (iii) In the appraisal memorandum put up before the STL Committee, the existing loan liability was stated as Rs.22.34 lakh as against

Rs.51.36 lakh (IPICOL – Rs.11.57 lakh and OSFC – Rs.39.79 lakh) availed against the fixed assets as security. The value of the fixed assets of SPIL was Rs.58.48 lakh as on 31 March 1999 against the term loan liability of Rs.51.36 lakh. Thus, security available to the Company was only Rs.7.12 lakh against the STL of Rs.60 lakh sanctioned / disbursed to SPIL.

Sanction of STL to an ineligible unit resulting in likely loss of Rs.0.60 crore.

Thus, disbursement of STL of Rs.60 lakh to an ineligible unit without obtaining prior approval of Board of Directors and without adequate security resulted in likely loss of Rs.59.92 lakh [Rs.67.04 lakh *minus* Rs.7.12 lakh].

The Management stated (August 2000) that the STL of Rs.60 lakh was disbursed against the security of Rs.94.04 lakh and the proposal was ratified by the Board of Directors on 29 September 1999. It was added that the Unit had requested for reschedulement of the loan for a period of 10 months which was under consideration.

The reply of Management is not acceptable as the figure of Rs.94.04 lakh cited by the Management includes capital work-in-progress of Rs.86.92 lakh the actual security available for the STL was only Rs.7.12 lakh. Further, the firm was sanctioned the loan though it did not satisfy the eligibility criteria for sanction of such loan.

The matter was reported to Government (May 2000); their reply was awaited (September 2000).

4.9 ORISSA SMALL INDUSTRIES CORPORATION LIMITED

4.9.1 Loss due to violation of guidelines

The Company extended loan under Raw Material Credit Scheme in violation of extant guidelines resulting in potential loss of Rs.1.04 crore.

The Company introduced (April 1993) Raw Material Credit Scheme (RMCS) for purchase of raw material by manufacturing units. The guidelines for sanction and disbursement of assistance under the scheme provided for limiting the assistance to Rs.50 lakh against securities, bank guarantees (BG), letter of credit (LC) and margin money in cash. The assistance was to be repaid along with interest varying from 22.75 to 24.75 *per cent per annum* within a maximum period of 120 days.

The Company extended assistance to two firms viz. Orissa Ply and Panels Limited (OPPL) and Premier Threads Private Limited (PTL) under the RMCS even though these two firms were defaulters against term loans obtained by them

earlier from Orissa State Financial Corporation (OSFC) and Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL). Audit scrutiny revealed (February 2000) the following:

(a) The assistance was granted to both the firms against security in the shape of *Pari Passu* Agreements (PPAs) on fixed assets jointly financed by OSFC and IPICOL. Since realisation of dues out of such securities would arise only in the event of sale of the assets either by OSFC or IPICOL, such security was not the kind of security (viz. BG, LC and margin money securities) contemplated in the scheme;

(b) Against maximum permissible limit of Rs.50 lakh, the Company extended credit of Rs.86.01 lakh to OPPL during April 1996 to June 1997. Of this, the Company could recover (June 1997) only Rs.44.43 lakh. The balance recoverable including interest stood at Rs.84.29 lakh as on March 2000 taking into account the receivable from OSFC / IPICOL amounting to Rs.1.44 lakh from the sale of the unit (January 1999) and

(c) The Company had agreed to extend (February 1997) credit facility up to Rs.25 lakh to PTL. Against this, the Company disbursed Rs.39.74 lakh during the period February 1997 to November 1998 out of which only Rs.30.50 lakh could be recovered. The outstanding dues against this unit including interest stood at Rs.19.93 lakh as on 31 March 2000. The recovery of dues was doubtful since the share on the assets under the PPA also fall with OSFC and IPICOL and the first charge on the machinery lies with State Bank of India.

Violation of extant guidelines in extending loan assistance under RMCS resulted in loss of Rs.1.04 crore.

Thus, extension of assistance under RMCS in contravention of its guidelines relating to obtaining of adequate security coupled with a clearly injudicious decision to extend assistance to firms who were already in default of loans to other Public Financial Institutions led to a loss of Rs.1.04 crore, the recovery of which was doubtful.

The Government confirmed the facts and stated (May 2000) that total outstanding dues against the Units was well within the sanctioned limit and *Pari Passu* Agreement was invoked in February 1998 and April 1999 in respect of OPPL and PTL respectively.

The reply is untenable because release of funds to OPPL exceeded the sanctioned limit during October 1997 whereas PPA was invoked only in February 1998. Further, no amount would be received as the Unit had been sold by OSFC / IPICOL. In case of PTL the recovery is doubtful as the first charge on the assets under PPA vests with OSFC, IPICOL and Bank.

4.9.2 Irregular investment in Vogue Garments (P) Limited

Sanction of term loan to a defaulter loanee without observing terms and conditions resulted in loss of Rs.0.51 crore.

The Company sanctioned (July 1996) a loan of Rs.35 lakh to Vogue Garments (P) Limited (VGPL) to execute two export orders worth Rs.34.63 lakh. The loan was granted despite specific knowledge that the loanee unit had failed to execute an earlier export order. Moreover, VGPL had defaulted of earlier loans from OSFC and IPICOL and its credit worthiness was questionable. The terms and conditions of the loan were:

(i) The Unit was to clear the old outstanding dues of the Company (OSIC) by way of 50 *per cent* through account payee cheques and balance 50 *per cent* in three equal instalments alongwith interest through post dated cheques; (ii) Clearance should be obtained from OSFC, IPICOL and State Bank of India (SBI); (iii) Raw material and finished goods to be kept under the custody of OSIC and receipt and issue of stock was to be through Joint Manager (Export), OSIC; (iv) the Unit should hand over shipping documents to OSIC; (v) The loan would be released in instalments on assessment of progress at each stage and (vi) the Board had also stipulated that some collateral security should be taken for such finance in addition to hypothecation of stocks.

Audit scrutiny revealed (February 2000) that the Company released Rs.30.29 lakh between June and December 1996 without ensuring fulfillment of any of the above terms and conditions. Ultimately the promoter abandoned the project (September 1996).

Post dated cheques were accepted in lieu of collateral security, which were dishonoured (December 1996). The Company filed a case under Negotiable Instruments Act in January 1997, which was pending. The Company had also filed a certificate case for recovery of outstanding dues as land revenue before the Certificate Officer in February 1997, which is still pending (May 2000). The loanee neither executed the export order nor refunded the loan except Rs.0.35 lakh (April 1997). The Unit had been sold (March 1999) by OSFC / IPICOL. The Company could not recover its dues and also it had no knowledge of any other property of the loanee.

Futile investment of Rs.0.51 crore due to non-observance of terms and conditions.

Thus, sanction of loan to a loanee and release of Rs.30.29 lakh without obtaining adequate collateral security as per the Board's instruction resulted in futile investment of Rs.30.29 lakh and consequential loss of interest of Rs.20.32 lakh up to March 2000, after adjustment of Rs.0.35 lakh received (April 1997).

The Government stated (May 2000) that the financial assistance was extended taking a calculated risk to boost exports from the State.

The reply is not acceptable as the Company neither adhered to the terms and conditions of the sanction order nor obtained collateral security before release of the loan to safeguard the interest of the Company as well as enforce the conditions of the loan.

4.10 ORISSA MINING CORPORATION LIMITED

4.10.1 Excess expenditure due to non-observance of purchase procedure

Purchase of explosive material without inviting tender resulted in additional expenditure of Rs.0.13 crore.

The purchase procedure of the Company stipulates that open tenders are to be invited for purchase of explosive material worth Rs.2 lakh and above. However, such procedure may be dispensed with in case of purchases made based on published price list of manufacturers or at the same price as the manufacturer has entered into rate contract with the Director General of Supply and Disposal (DGSD) subject to approval of competent authority.

Non-observance of purchase procedure led to additional expenditure.

It was noticed in audit (December 1999) that the Company purchased explosive material exceeding Rs.50 lakh for the years 1997-98 and 1998-99 from Shri D.K. Ghosh, being the consignment agent of ICI India Limited, at their quoted rates without inviting tenders though there was nothing on record to indicate that the Company had ever taken steps to ensure that the prices charged were either as per the manufacturer's published price list or as per DGSD rate contract. In case of purchase of the material for the year 1999-2000, the Company invited tender and purchased the material from two parties including D.K. Ghosh at rates lower than those paid earlier resulting in excess expenditure of Rs.12.68 lakh during 1997-98 and 1998-99. No responsibility had been fixed for violation of the purchase procedure and for causing loss to the Company.

Government accepted (September 2000) the facts of the case. However, no action was taken to fix responsibility.

4.10.2 Avoidable payment of dead rent on lease hold land

Retention of entire leased area without ascertaining the mineralised zone resulted in avoidable payment of Rs.0.33 crore towards dead rent.

The Geological Survey of India had opined (1993) that photogeological and geophysical investigation should be done to prove the potentiality of the area, with a view to ascertain mineralised zone. However, without taking any action in this regard, the Company took on lease (January 1996) 1,582.833 hectares of area in village Banniapank, Keonjhar District for a period of 20 years for mining of chrome ore. As late as July 1999, the Company proposed to appoint a suitable agency to take up the exploration work, but the matter was not pursued.

While reviewing a similar case in the Report of the Comptroller and Auditor General of India for the year ended March 1994 (Commercial) relating to Government of Orissa (Paragraph No. 4A.6), the Committee on Public Undertakings had recommended (December 1999) in its Twentieth Report (Eleventh Assembly) that the Company could have persuaded the authorities to conduct the survey so as to avoid extra expenditure towards payment of dead rent and that responsibility for not taking timely decision should be fixed. No action taken note had been furnished on the recommendation of the Committee (August 2000).

It was seen in audit (December 1999) that the dead rent paid on the land was Rs.33.42 lakh up to December 1999.

Retention of leased area without exploration of ore resulted in avoidable expenditure of Rs.0.33 crore.

Thus, retention of the entire leased area without ascertaining its actual mineral potential or exploring the ore as suggested by survey report as early as in 1993 had resulted in payment of avoidable dead rent and cess of Rs.33.42 lakh till December 1999 with further liability of Rs.4.75 lakh *per annum* in future.

Government stated (September 2000) that it could not surrender any chrome ore bearing area without exploration as chromite is an important mineral with good demand. It was added that a multi-disciplinary geophysical study would be undertaken immediately to delineate potential zone and non-potential areas would be surrendered at the earliest after receipt of the report.

The reply is not acceptable as Management had not conducted any survey till date (August 2000) despite recognising the importance of chrome ore and had thereby ended up paying dead rent and cess.

4.10.3 Undue benefit to the contractor

Defective terms in the agreement and poor monitoring of work resulted in excess payment of Rs.3.77 crore.

The work of excavation and processing of chrome ore at Bangur chromite mines was awarded (November 1995) to Aurobindo Construction for three years. According to the agreement, the ratio of ore to overburden (OB) should be 1:6.2. The allotted quantity was removal of 6.90 lakh cum OB and raising of 1.10 lakh MT of ore. Against this, the contractor excavated 5.54 lakh cum of OB and raised only 47,185 MT of ore during December 1995 to November 1998. As per the terms of the agreement, penalty at the rate of Re.1 and Rs.6 *per cum* was leviable for shortfall and excess removal of OB respectively and at the rate of Rs.2 *per MT* for shortfall in quantity of ore raised. Accordingly, the contractor was paid for the quantity raised after deducting Rs.17.40 lakh towards penalty.

Audit scrutiny revealed (December 1999) as follows:

(i) Ratio of ore raised to OB was 1:11.74 which was on higher side as against the stipulated ratio of 1:6.2. However, the Company had to pay at the rate of Rs.144 *per cum* after deducting Rs.6 *per cum* as penalty towards excess removal without getting the returns as envisaged. The benefit to contractor and loss to the Company was Rs.3.77 crore.

(ii) Though monthly target was to be 3,400 MT *plus or minus 10 per cent*, the Company did not monitor achievement of target. The actual quantity raised till 31 January 1997 was only 18,764 MT as against stipulated quantity of 47,600 MT when the Company reviewed the position. However, the Company did not terminate the agreement despite the low achievement. Thereafter 28,421 MT was raised up to November 1998.

(iii) The contractor concentrated more on the removal of OB at top level and as a result 62,815 MT of ore valued at Rs.13.83 crore could not be raised.

Thus, poor monitoring with reference to monthly target fixed for raising ore and failure to terminate the contract even after detection of adverse ore to OB ratio resulted in undue benefit to the contractor to the tune of Rs.3.77 crore.

Government stated (September 2000) that the prime aim was to restrict the overburden removal and to achieve some incidental ore during removal of overburden. As such, the Company raised chrome ore valued at Rs.10.39 crore from the overburden after incurring expenditure of only Rs.8.72 crore which would have been thrown away by the contractor.

The reply is not tenable as the primary objective of the Company is to extract ore and not overburden. Further, overburden removal was not monitored properly as a

Comparative low raising of ore resulted in loss of Rs.13.83 crore.

Poor monitoring on excavation of ore resulted in undue benefit of Rs.3.77 crore to contractor.

result of which the contractor removed more overburden from the top level and precious ore valued at Rs.13.83 crore was not raised.

4.11 ORISSA AGRO INDUSTRIES CORPORATION LIMITED

4.11.1 Loss due to irregular extension of soft loan to the Joint Venture Companies

Extension of soft loan to joint sector projects in the absence of any scheme and without obtaining security resulted in loss of Rs.0.20 crore.

The Company entered into agreements with three private entrepreneurs for formation of three Joint Venture Companies viz. Orissa Mushroom Fruit and Vegetable Private Limited (OMFVL), Asian Agro Foods Limited (AAFL) and Maple Agro Exports and Industries Limited (MAEIL) in December 1992, January 1994 and February 1995 respectively and extended soft loans aggregating Rs.14.82 lakh during July / August 1995 (Rs.2.82 lakh), September 1994 (Rs.5 lakh) and September / November 1995 (Rs.7 lakh) to OMFVL, AAFL and MAEIL respectively without obtaining any security even though there was no scheme in the Company to provide such soft loan. The loans to OMFVL and MAEIL were paid without the approval of the Board of Directors. The soft loan was to be repaid within 15 days with 18 *per cent* interest *per annum* after receipt of loans from financial institutions.

It was noticed in audit (December 1999) that OMFVL repaid (25 November 1997) only Rs.0.20 lakh while MAEIL repaid (May 1996) Rs.0.76 lakh and adjusted Rs.2.74 lakh towards equity payable by the Company leaving the balance (Rs.3.50 lakh) unpaid. OMFVL refused to pay interest on the soft loan. The Agriculture Production Commissioner, being the chairman of the Joint Venture Projects, directed (July 1996) the Company to take over the Joint Venture Projects and to initiate action against the persons concerned who had permitted the payment of such soft loans out of its borrowed fund. The Board of Directors reviewed (August 1996) the grant of soft loans to Joint Venture Projects and directed initiation of action against the concerned officers responsible for disbursement of soft loans. However, the Company failed to take any action against the erring officials (August 2000).

Thus, extension of soft loan in the absence of any scheme resulted in loss of Rs.20.03 lakh whose recovery appear to be bleak as take over of these units by the Company is not permissible as per the terms of the agreement.

The Government stated (August 2000) that soft loan had been extended taking into consideration the genuineness of requirement and steps were being taken to realise the same with interest.

4.11.2 Lack of monitoring of investment in the Joint Sector Project

Injudicious decision to release funds ignoring the instructions of Project Approval Committee resulted in unfruitful investment of Rs.0.62 crore.

A Memorandum of Understanding (MoU) was signed (December 1992) between Shri P. Lakshmajji and the Company for setting up an Instant Tea and Fruit Milk Beverage Unit as a Joint Venture Project at Chhatikana in Rayagada utilising a Food Processing Unit (FPU) which had been earlier transferred (July 1991) to the Company by the State Government at a value of Rs.16 lakh. The Project Approval Committee (PAC) of the State Government approved (July 1993) the proposed Project at an estimated cost of Rs.6 crore, (Equity of Rs.1.50 crore of which Rs.37 lakh was to be contributed by State Government and Rs.38 lakh by Central Government, Private Promoter Rs.75 lakh, Public Issue Rs.3.10 crore, Term Loan Rs.1 crore and State Subsidy Rs.40 lakh) with the following stipulations:

(i) the Project should be cleared by Industrial Development Bank of India (IDBI) and (ii) the Company should not invest more than Rs.37 lakh as its equity contribution in the project and the assets of the existing FPU valued at Rs.16 lakh would be treated as part of the equity investment of the Company and the balance investment of Rs.21 lakh would be made only after the private promoter contributed his entire equity participation in the Project.

With the enhancement of promoter's contribution from Rs.75 lakh to Rs.95 lakh, the PAC agreed (September 1994) to increase the equity contribution of the Company to Rs.47.50 lakh provided the Central Government agreed to contribute their share of Rs.47.50 lakh.

Accordingly, Asian Agro Foods Limited (AAFL) was incorporated (February 1994) as a Joint Venture Company. The Project was to be commissioned by January 1995. However, the project had not come up so far.

It was noticed in audit (November 1999) that the Company had contributed Rs.61.76 lakh (cash Rs.45.76 lakh and assets Rs.16 lakh) between February 1994 and August 1995 in the Project though the stipulations prescribed by the PAC were not fulfilled as the Project was not cleared by IDBI. The Company went on releasing funds towards equity participation without ensuring receipt of contribution from the private promoter and Central Government. As a result, the assets acquired by AAFL were solely out of the funds provided by the Company.

Even though representatives of the Company were in the Board of Directors of AAFL, no effective steps were taken by them to safeguard the interest of the Company.

The Agriculture Production Commissioner (APC) being the Chairman of the Joint Venture Project reviewed (July 1996) the status of the Project and directed initiation of legal action to take over the Unit. However, no action had been taken so far (March 2000).

Non-observance of instructions of PAC in releasing funds rendered the expenditure of Rs.0.62 crore unfruitful.

Had the Company released funds as per the stipulations of PAC and ensured the contribution of the private promoter before release of its contribution, the unfruitful expenditure of Rs.61.76 lakh could have been avoided. No responsibility had yet been fixed for this loss.

The Management stated (August 2000) that the conditions stipulated by PAC from time to time for implementation of the project had been fulfilled. First Information Report (FIR) had been lodged with the Police in January 1998.

The fact remained that release of excess amount to the Unit over and above the amount stipulated by PAC and non-adherence to the condition prescribed by PAC led to the unfruitful investment of Rs.61.76 lakh. Further, no action had been initiated for realisation of dues of the Company.

The matter was reported to Government (April 2000); their reply was awaited (September 2000).

4.12 ORISSA RURAL HOUSING AND DEVELOPMENT CORPORATION LIMITED

Loss due to blockage of funds

The Company released borrowed funds to the Building Centres as advance and due to lack of monitoring funds amounting to Rs.0.63 crore remained locked up with consequential loss of interest of Rs.0.30 crore.

The State Government sanctioned (October 1994) loan amounting to Rs.8.44 crore at rate of interest of nine *per cent per annum* for the first year and 13.5 *per cent* for the subsequent years to the Company meant for grant of loans to beneficiaries belonging to Economically Weaker Sections (EWS) of society for construction of fire proof houses under Kalinga Kutir Scheme. Under the Scheme, a beneficiary was to get Rs.19,500 for construction of a house out of which Rs.12,000 was to be paid directly by the Company to the Building Centre for

supply of building material to the beneficiaries. The Company placed Rs.17.04 lakh with the Dhenkanal Building Centre during December 1994 to July 1995 for supply of building material to 142 EWS beneficiaries against which the Building Centre supplied building material worth Rs.1.54 lakh. Only in April 1997 the Company requested the Building Centre to refund the unutilised amount. However, the Building Centre refunded (October 1997) only Rs.11.47 lakh leaving a balance of Rs.4.03 lakh which had not been refunded so far (February 2000). Thus, inaction of the Company in getting back the unutilised amount resulted in a loss of Rs.6.15 lakh towards interest. Further, due to non-supply of material by the Building Centre the EWS beneficiaries were deprived of their fireproof houses available to them under the scheme.

The Company released its borrowed funds to the Building Centres as advance, which was neither utilised nor refunded resulting in loss of interest of Rs.0.30 crore.

The State Government advised (July 1995) the Company to place Rs.5 lakh each with 13 Building Centres to enable them to produce the required building material. The funds for this purpose were to be provided by the State Government to the Company in the form of grants. The Company placed Rs.65 lakh with the Building Centres between July to October 1995 as working capital without waiting for the receipt of the grant from the State Government. It was observed in audit (February 2000) that only two Building Centres could supply building material worth Rs.6.43 lakh and the Company decided (April 1997) to get the idle funds refunded by the Building Centres with 10 *per cent* interest *per annum*. Recovery of balance funds (Rs.58.57 lakh) from the Building Centres was awaited (May 2000) despite lapse of over three years. Thus, the funds placed with the Building Centres were rendered entirely unproductive and its borrowed fund remained locked up resulting in loss of interest amounting to Rs.23.94 lakh. Non-production of building material by the Building Centres also resulted in non-achievement of the objectives of the scheme.

Thus, release of funds to Building Centres without ensuring its utilisation led to blockage of Rs.62.60 lakh and consequential loss of interest of Rs.30.09 lakh.

Government stated (May 2000) that action had been initiated to recover the unutilised amount with the Building Centres and instructions had also been issued to supply the material produced by them to the nearby centres.

4.13 ORISSA CONSTRUCTION CORPORATION LIMITED

Loss due to irregular release of advance to sub-contractor

Improper selection of sub-contractor and irregular payment of advance resulted in loss of Rs.0.07 crore.

The Company was awarded two works for construction of residential buildings by

Paradeep Port Trust (PPT) valued at Rs.29.77 lakh and Rs.73.09 lakh. The dates of commencement of the works were 18 September 1995 and 18 December 1995 and were to be completed within one year. The Company decided to entrust the works to a private party on the ground that it had no construction unit at PPT and both the works were comparatively small. Without inviting open tenders, the Company invited short quotations by sending 12 call notices to the offices of Chief Engineers / Executive Engineers located at Bhubaneswar, Cuttack and Paradeep against which a single quotation was received from BENCO, New Delhi, who had not done any work earlier in the State of Orissa. Instead of canceling the single offer received from a party and without verifying the antecedents and credibility of the firm, it subcontracted (October 1995) the works to BENCO, at Rs.25.37 lakh and Rs.66.51 lakh respectively for completion by 14 October 1996 subsequently revised (November 1996) to 31 July 1997.

It was observed in audit (August 1999) that though the agreement did not contemplate payment of advance to the sub-contractor, the Company paid advance amounting to Rs.27.57 lakh between January 1996 and June 1997 without obtaining any security and even though the progress of work was very slow. Finally, the sub-contractor abandoned (May 1997) the project after execution of work valued at Rs.22.57 lakh and the agreement with BENCO was closed (July 1997). The Company had to get the balance work done departmentally. After meeting the liabilities created by BENCO in terms of amounts due to suppliers to the tune of Rs.3.34 lakh and adjusting the amount receivable by them, an amount of Rs.7.03 lakh remained unrealised. Since the whereabouts of the sub-contractor were not known to the Company and the advance was paid without any security the possibility of recovery of Rs.7.03 lakh was remote. Further, the extra cost incurred by the Company in getting the work executed could not be ascertained.

Government stated (July 2000) that only after settlement of the final bills with PPT, it would be possible to assess the amount due from the firm and legal action would be initiated against the firm to recover the balance dues, if necessary. The reply is not acceptable as the loss sustained on account of BENCO would remain unrecovered even in case of finalisation of bills with PPT after completion of the works.

Thus, due to sub-contracting the works to a party, whose antecedents were not known to the Company and payment of advance not called for, it sustained a loss of Rs.7.03 lakh.

4.14 ORISSA LIFT IRRIGATION CORPORATION LIMITED

Rejection of lowest tender

Rejection of lowest offer and award of work to an unreliable party resulted in delay in completion of work besides extra expenditure of Rs.1.20 crore.

The Company decided (February / June 1997) to construct a five-storey building at Nayapalli, Bhubaneswar, at an estimated cost of Rs.3.89 crore. The Company borrowed Rs.2 crore from Union Bank of India for the purpose and the balance funds were to be met from internal sources. The Building was to be used for its office purposes and a portion of it was to be rented out to earn an anticipated rental income of Rs.33 lakh *per annum*. Accordingly, tenders were invited (May 1997) from seven pre-qualified contractors for building work at an estimated cost of Rs.2.86 crore of whom only four participated. The three lowest offers were rejected (June 1997) by the Tender Committee on the ground that the rates quoted by them were much below the prevailing market rates and the Committee recommended award of the work to the highest bidder (Rs.4.52 crore) which after negotiation was reduced to Rs.4.40 crore. The rates accepted were 58.11 *per cent* above the estimated cost and 6.37 *per cent* over the prevailing market rate. The estimated cost of the building was revised (February 1998) to Rs.5.44 crore on the ground of prevailing market rate ignoring the then prevailing Schedule of Rates 1994. The work order was issued (April 1998) in favour of the contractor for completion by 9 February 1999.

In the meantime the contractor commenced (August 1997) the work with the condition that claim for the item of work already executed would be as per the estimated rate if the bid submitted by him was not accepted. The building was still (July 2000) under construction and value of work remained to be executed amounted to Rs.1.34 crore due to financial constraints of the Company.

In this connection, the following was observed in audit (September 1999 / April 2000).

- (i) The lowest offer of UP Rajakiya Nirman Nigam Limited, Lucknow, for Rs.3.20 crore was 11.74 *per cent* excess over the estimated cost prepared by the Company on the basis of Schedule of Rates in vogue (of 1994) and hence rejection of their offer by comparing it with the market rate was unjustified and
- (ii) This contractor was earlier considered (March 1992) to be black listed by Orissa Construction Corporation Limited (OCC) for non-completion of sub-contracted work in time, and non refund of mobilisation advance, which comes

under the control of the same Administrative Department as that of the Company (Water Resources Department). Hence, award of the work to the contractor at a cost more than the market rate violating the contract procedure was improper and lacked justification.

Award of work to highest bidder resulted in extra expenditure of Rs.1.20 crore.

Thus, unjustified rejection of the offer of the lowest bidder and award of work to unreliable contractor resulted in extra expenditure of Rs.1.20 crore (Rs.4.40 crore *minus* Rs.3.20 crore). The very purpose of construction of building was also defeated due to non-completion of building in time.

Government stated (January 2001) that the Tender Committee had recommended (June 1997) award of the work to the highest tenderer and rejection of the offers of the three lowest tenderers on the ground that the rates were not workable as they were far below the prevailing market rates. The recommendation of the Tender Committee was accepted by the Government.

The reply is not tenable in view of the fact that the Company had not considered the prevailing market rates while preparing the estimate in May 1997 and hence rejection of the lower tenderers a month later in June 1997 without asking them for an analysis of rates was unjustified. Further, the work was yet to be completed (January 2001).

Bhubaneswar
The

(R.K. GHOSE)
Accountant General (Audit) II
Orissa

Countersigned

New Delhi
The

(V.K.SHUNGLU)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE 1

Statement of companies in which State Government had invested more than Rs.10 lakh in share capital of each of such companies but which are not subject to audit by the Comptroller and Auditor General of India.

(Referred to in Preface and paragraph-1.11)

SINo.	Name of the Company	Amount of investment in share capital upto 1999-2000 (Rupees in lakh)
1	Orissa Cement Limited	40.00

ANNEXURE-2

Statement showing particulars of capital, loans/equity received out of budget, other loans and loans outstanding as on 31 March 2000 in respect of Government companies and Statutory corporations.

(Referred to in paragraphs 1.2.1 and 1.4)

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

Sl. No.	Sector and Name of the Company	Paid-up Capital as at the end of the current year					Equity/loans received out of Budget during the year			Loans * Outstanding at the close of 1999-2000			Debt equity ratio for 1999-2000 (Previous year) 4(f)/3(e)
		State Government	Central Government	Holding Companies	Others	Total	Equity	Loans	Other loans received during the year @	Government	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A Government Companies													
AGRICULTURE AND ALLIED													
1.	Orissa Agro Industries Corporation Limited	609.28	105.27	--	0.60	715.15	--	--	--	1505.82*	--	1505.82	2.11:1 (2.11:1)
2.	Orissa Seeds Corporation Limited	190.98	--	--	66.63	257.61	--	--	--	--	--	--	--
3.	Orissa State Cashew Development Corporation Limited	155.04	--	--	--	155.04	--	--	--	--	--	--	--
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	110.00	--	--	--	110.00	--	--	--	--	--	--	--
	Sector wise total	1065.30	105.27	--	67.23	1237.80				1505.82		1505.82	1.22:1 (1.22:1)
INDUSTRY													
5.	ORICHEM Limited (Subsidiary of Sl.No.59)	--	--	229.12	47.53	276.65	--	--	--	--	94.02*	94.02	0.34:1 (0.34:1)
6.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.60)	--	--	9.32	--	9.32	--	--	--	--	--	--	--
7.	Kalinga Steel (I) Limited (Subsidiary of Sl.No.47)	--	--	0.08	--	0.08	--	--	--	--	--	--	--
8.	Neelachal Ispat Nigam Limited	772.90	--	--	15570.14 ^s	16343.04	6730.77	--	22089.67	--	47010.67	47010.67	2.88:1 (2.59:1)
	Sector wise total	772.90		238.52	15617.67	16629.09	6730.77		22089.67		47104.69	47104.69	2.83:1 (2.53:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	ENGINEERING												
9	Balanga Iron Works Limited (Under liquidation through Court since 12.2.74)	1.59	--	--	0.51	2.10	--	--	--	--	--	--	--
10	Orissa Electrical Manufacturing Company Limited (Company closed since 1968 under voluntary liquidation since 30.8.76)	4.34	--	--	0.20	4.54	--	--	--	--	--	--	--
11	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01.03.74)	3.78	--	--	0.21	3.99	--	--	--	--	--	--	--
12	Manorama Foundry Works Limited (Under liquidation through Orissa High Court since 12.2.74)	1.56	--	--	0.25	1.81	--	--	--	--	--	--	--
13	Premier Bolts and Nuts Limited (Under process of liquidation; assets have been disposed of)	1.46	--	--	0.81	2.27	--	--	--	--	--	--	--
14	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09.03.76)	3.70	--	--	0.50	4.20	--	--	--	--	--	--	--
15	Orissa Instruments Company Limited	96.79	--	--	--	96.79	--	--	--	--	--	--	--
16	Hira Steel and Alloys Limited (Subsidiary of Sl. No.59)	--	--	12.28	--	12.28	--	--	--	--	--	--	--
17	Hirakud Industrial Works Limited (Subsidiary of Sl. No.59)	--	--	490.01	--	490.01	--	--	--	--	--	--	--
18	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.59)	--	--	193.15	--	193.15	--	--	--		3255.91	3255.91	16.86:1 (1685:1)
19	General Engineering and Scientific Works Limited (Subsidiary of Sl.No.60)	--	--	0.05	--	0.05	--	--	--	--	--	--	--
	Sector wise total	113.22	--	695.49	2.48	811.19					3255.91	3255.91	4.01:1 (3.95:1)
	ELECTRONICS												
20	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	0.36	--	--	0.10	0.46	--	--	--	--	--	--	--
21	Modern Electronics Limited (Under process of liquidation)	4.27	--	--	0.10	4.37	--	--	--	--	--	--	--
22	Orissa State Electronics Development Corporation Limited	1963.50	--	--	--	1963.50	--	--	--	--	--	--	--
23	IPITRON Times Limited (Subsidiary of Sl.No.22)	--	--	80.83	--	80.83	--	--	--	168.33	--	168.33	2.08:1 (2.08:1)

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(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
24	Konark Television Limited	606.07	--	--	--	606.07	--	--	--	200.75	--	200.75	0.33:1 (0.33:1)
25	ELCOSMOS Limited (Subsidiary of Sl. No. 22)	--	--	158.51	--	158.51	--	--	--	200.00	--	200.00	1.26:1 (1.26:1)
26	ELCOPHONES Limited (Subsidiary of Sl. No. 22)	--	--	0.01	--	0.01	--	--	--	--	--	--	-- --
27	ELCO Communication and Systems Limited (Subsidiary of Sl.No.22)	--	--	63.80	--	63.80	--	--	--	72.00	--	72.00	1.13:1 (1.13:1)
28	ELMARC Limited (Subsidiary of Sl. No. 22)	--	--	101.57	--	101.57	--	--	66.69	--	133.66	133.66	1.32:1 (0.66:1)
29	IDCOL Software Limited(Subsidiary of Sl. No. 59)	--	--	60.07	40.00	100.07	100.07	--	--	--	--	--	-- --
	Sector wise total	2574.20	--	464.79	40.20	3079.19	100.07	--	66.69	641.08	133.66	774.74	0.25:1 (0.24:1)
	TEXTILES												
30	Mayurbhanja Textiles Limited	3.79	--	--	--	3.79	--	--	--	--	--	--	--
31	New Mayurbhanja Textiles Limited	16.94	--	--	--	16.94	--	--	--	0.68	--	0.68	0.04:1 (0.04:1)
32	ABS Spinning Orissa Limited (Subsidiary of Sl. No. 59)	--	--	300.00	--	300.00	--	--	--	--	720.75	720.75	2.40:1 (2.40:1)
33	Orissa Textile Mills Limited	2104.28	--	3.21	362.74	2470.23 ^s	--	--	--	1468.14	--	1468.14	0.59:1 (0.59:1)
34	Orissa State Textile Corporation Limited	452.92	--	--	--	452.92	--	--	--	162.00	--	162.00	0.36:1 (0.36:1)
	Sector wise total	2577.93	--	303.21	362.74	3243.88	--	--	--	1630.82	720.75	2351.57	0.72:1 (0.72:1)
	HANDLOOM AND HANDICRAFTS												
35	Orissa State Handloom Development Corporation Limited	363.37	--	--	54.37	417.74	--	--	--	158.08	--	158.08	0.38:1 (0.38:1)
	Sector wise total	363.37	--	--	54.37	417.74	--	--	--	158.08	--	158.08	0.38:1 (0.38:1)
	FOREST												
36	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	900.00	--	3000.00	3000.00	23.44:1 (16.40:1)
	Sector wise total	128.00	--	--	--	128.00	--	--	900.00	--	3000.00	3000.00	23.44:1 (16.40:1)
	MINING												
37	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--	--	2418.00	100.00	2518.00	0.80:1 (0.80:1)
	Sector wise total	3145.48	--	--	--	3145.48	--	--	--	2418.00	100.00	2518.00	0.80:1 (0.80:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CONSTRUCTION												
38	Orissa Construction Corporation Limited	1100.00	--	--	--	1100.00	50.00	--	--	--	--	--	--
39	Orissa Bridge and Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	--	--	--	--
	Sector wise total	1600.00	--	--	--	1600.00	50.00	--	--	--	--	--	--
	AREA DEVELOPMENT												
40	Orissa Maritime & Chilka Area Development Corporation Limited	623.38	--	--	--	623.38	--	--	--	22.15	--	22.15	0.04:1 (0.04:1)
	Sector wise total	623.38	--	--	--	623.38	--	--	--	22.15	--	22.15	0.04:1 (0.04:1)
	PUBLIC DISTRIBUTION												
41	Orissa State Civil Supplies Corporation Limited	978.32	--	--	--	978.32	--	--	--	--	--	--	--
	Sector wise total	978.32	--	--	--	978.32	--	--	--	--	--	--	--
	CEMENT												
42	IDCOL Cement Limited (Subsidiary of the Company at Sl. No. 59)	--	--	5350.01	3500.00	8850.01	--	--	--	--	87.69	87.69	0.01:1 (1.44:1)
	Sector wise total	--	--	5350.01	3500.00	8850.01	--	--	--	--	87.69	87.69	0.01:1 (1.44:1)
	TOURISM												
43	Orissa Tourism Development Corporation Limited	952.16	--	--	--	952.16	15.00	--	7.96	--	7.96	7.96	0.10:1 (-)
	Sector wise total	952.16	--	--	--	952.16	15.00	--	7.96	--	7.96	7.96	0.10:1 (-)
	POWER												
44	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.65	49021.74	0.27	--	--	--	31871.46	31871.46	0.65:1 (0.84:1)
45	Orissa Hydro Power Corporation Limited	32080.09	--	--	--	32080.09	--	--	--	145069.00	36888.31	181957.31	5.67:1 (6.11:1)
46	Grid Corporation of Orissa Limited	48916.00	--	--	--	48916.00	3134.00	--	15880.00	67955.00	179595.00	247550.00	5.06:1 (5.06:1)
	Sector wise total	105997.18	--	--	24020.65	130017.83	3134.27	--	15880.00	213024.00	248354.77	461378.77	3.55:1 (3.13:1)
	FINANCING												
47	Industrial Promotion & Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	--	584.29	865.01	1668.43	5674.53	7342.96	0.88:1 (0.71:1)
	Sector wise total	8314.29	--	--	--	8314.29	--	584.29	865.01	1668.43	5674.53	7342.96	0.88:1 (0.71:1)

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(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS												
48	Orissa State Commercial Transport Corporation Limited	610.00	--	--	--	610.00	--	--	--	119.63	145.38	265.01	0.43:1 (0.43:1)
49	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	--
50	Orissa Fish Seed Development Corporation Limited	501.56	--	--	--	501.56	--	--	--	--	200.63	200.63	0.40:1 (2.01:1)
51	Orissa State Export Development Corporation Limited	4.00	--	--	--	4.00	--	--	--	--	--	--	--
52	Orissa State Police Housing & Welfare Corporation Limited	563.01	--	--	--	563.01	--	--	--	--	--	--	--
53	Eastern Aquatic Products Limited (under voluntary liquidation since 22.02.1978)	0.52	--	--	0.08	0.60	--	--	--	--	--	--	--
54	Orissa Boat Builders Limited (Company since 1987 decided to put under liquidation)	4.72	--	--	0.51	5.23	--	--	--	--	--	--	--
55	Hansanath Ceramic Industries Limited (under liquidation through Court order since 09.01.1974)	0.42	--	--	0.05	0.47	--	--	--	--	--	--	--
56	Orissa Timber Products Limited (under liquidation through Court since 12.02.1974)	1.30	--	--	0.15	1.45	--	--	--	--	--	--	--
57	Orissa Board Mills Limited (closed; decided for liquidation)	3.67	--	--	0.41	4.08	--	--	--	--	--	--	--
58	Orissa Sports Manufacturing and Fabricators Limited (Under liquidation through High Court since 30.11.1973)	1.08	--	--	0.20	1.28	--	--	--	--	--	--	--
59	Industrial Development Corporation of Orissa Limited	5711.79	--	--	--	5711.79	60.00	--	14464.19	1377.00	24337.45	25714.45	4.50:1 (2:1)
60	Orissa Small Industries Corporation Limited	965.86	--	--	--	965.86	7.00	--	--	138.00	182.48	320.48	0.33:1 (0.37:1)
61	Orissa State Leather Corporation Limited	396.63	--	--	28.41	425.04	--	18.84	--	37.00	--	37.00	0.09:1 (0.04:1)
62	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	--	--	115.00	--	115.00	0.21:1 (0.22:1)
63	Kalinga Studios Limited (Subsidiary of Sl. No. 62)	--	--	129.50	--	129.50	--	--	--	--	--	--	--
64	Orissa Leather Industries Limited (Subsidiary of Sl.No.61)	--	--	64.99	0.01	65.00	--	--	--	176.96	--	176.96	2.72:1 (2.72:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
65	Orissa Timber and Engineering Works Limited (Subsidiary of Sl.No.60)	--	--	0.05	--	0.05	--	--	--	--	--	--	--
66	Kanti Sharma Refractories Limited (Subsidiary of Sl. No. 60)	--	--	85.00	--	85.00	--	--	--	65.98	--	65.98	0.78:1 (0.78:1)
67	Konark Jute Limited (Subsidiary of Sl. No. 59)	--	--	413.00	180.99	593.99	--	--	--	876.80	43.49	920.29	1.55:1 (1.55:1)
68	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	196.36	--	329.36	329.36	0.04:1 (0.02:1)
69	Orissa Rural Housing and Development Corporation Limited	700.00	--	--	75.00	775.00	125.00	--	11862.67	1710.66	15992.63	17703.29	22.84:1 (8.99:1)
	Sector wise total	17512.86	--	692.54	285.81	18491.21	192.00	18.84	26523.22	4617.03	41231.42	45848.45	2.48:1 (1.10:1)
	Total-A (all sector wise Government Companies)	146718.59	105.27	7744.56	43951.15	198519.57	1022211	603.13	66332.55	225685.41	349671.38	575356.79	2.90:1 (2.59:1)
B.	Statutory corporations												
	TRANSPORT												
1	Orissa State Road Transport Corporation	12048.77	1592.27	--	0.83	13641.87	699.14	--	1814.10		4118.24	4118.24	0.30:1 (0.18:1)
	Sector wise Total	12048.77	1592.27	--	0.83	13641.87	699.14	--	1814.10		4118.24	4118.24	0.30:1 (0.18:1)
	FINANCING												
2	Orissa State Financial Corporation	4852.52	--	--	3904.79	8757.31	--	150.00	2339.65	2372.50	51275.94	53648.44	6.13:1 (5.84:1)
	Sector wise total	4852.52	--	--	3904.79	8757.31	--	150.00	2339.65	2372.50	51275.94	53648.44	6.13:1 (5.84:1)
	AGRICULTURE AND ALLIED												
3.	Orissa State Warehousing Corporation	160.00	-	-	160.00	320.00	-	-	-	-	-	-	- (0.10:1)
	Sector wise total	160.00	-	-	160.00	320.00	-	-	-	-	-	-	- (0.10:1)
	Total-B (all Statutory corporations)	17061.29	1592.27	-	4065.62	22719.18	699.14	150.00	4153.75	2372.50	55394.18	57766.68	2.54:1 (2.42:1)
	Grand Total (A+B)	163779.88	1697.54	7744.56	48016.77	221238.75	1092125	753.13	70486.30	228057.91	405065.56	633123.47	2.86:1 (2.57:1)

Note : Except in respect of Sl.No.8, 42 and 44 which finalised the accounts for 1999-2000 all figures are provisional and as given by the companies

* Loans outstanding at the close of 1999-2000 represent long-term only

@ Includes bonds, debentures, inter corporate deposits, etc.

\$ Includes share application money Rs.17791.11 lakh (Rs.15395.00 lakh – Sl.No.8 and Rs.2396.11 lakh – Sl.No.33)

ANNEXURE - 3

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised .

(Referred to paragraphs 1.2.1 and 1.5)

(Figures in columns 7 to 12 are Rupees in lakh)

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated Profit(+) and Loss (-)	Capital employed (A)	Total Return on capital employed	Percentage of total return on capital employed	Areas of accounts in terms of years	Status of the Company/ Corporation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
A Government Companies														
AGRICULTURE AND ALLIED														
1.	Orissa Agro Industries Corporation Limited	Agriculture and co-operation	20 December 1961	1991-92	1998-99	(-)126.60	--	421.05	(-)1072.36	183.12	6.52	3.56	8	Working
2.	Orissa State Seeds Corporation Limited	-do-	24 February 1978	1996-97	2000-2001	26.63	--	252.61	(-)771.47	1148.10	137.34	11.96	3	-do-
3.	Orissa State Cashew Development Corporation Limited	-do-	06 April 1979	1997-98	1999-2000	77.74	--	155.04	257.18	410.44	77.44	18.87	2	-do-
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	-do-	1 March 1996	1997-98 1998-99	1999-2000 2000-2001	Commercial production not yet started	--	25.00 110.00	--	60.23 160.62	--	--	1	-do-
Sector wise Total						(-)22.23	--	938.70	(-)1586.65	1902.28	221.30			
INDUSTRY														
5.	ORICHEM Limited (Subsidiary of Sl.No.59)	Industry	29 July 1974	1998-99	2000-2001	(-)225.46	Increase in loss 349	276.64	(-)1008.80	589.82	(-)141.71	--	1 --	Working
6.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.60)	-do-	29 August 1978	1981-82	1996-97	(-)0.60	--	5.79	(-)0.96	5.09	(-)0.60	--	18	Under closure
7.	Kalinga Steel (India) Limited (Subsidiary of Sl.No.47)	-do-	9 January 1991	1996-97 1997-98	1999-00 1999-00	Commercial production not yet started	--	0.08 0.08	--	527.86 527.86	--	--	2	Under closure
8.	Neelachal Ispat Nigam Limited	Personnel and Administration	27 March 1982	1999-00	2000-2001	Commercial production not yet started	--	16343.04	--	63201.84	--	--	Nil	Working
Sector wise Total						(-)226.06	--	16625.55	(-)1009.76	64324.61	(-)142.31	--	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
ENGINEERING														
9	Balanga Iron Works Limited (under liquidation through Court since 12.02.1997)	Industries	27 March 1958	1964-65	1968-69	0.07	--	2.10	--	2.96	0.07	2.36	35	Under liquidation
10	Orissa Electrical Manufacturing Company Limited (Company closed since 1968; under voluntary liquidation since 30.08.1976)	-do-	31 March 1958	1966-67	1973-74	(-)0.46	--	4.54	--	4.72	(-)0.34	--	33	Under liquidation
11	Gajapati Steel Industries Limited (Company closed since 1969-70; under voluntary liquidation since 01.03.1974)	Industries	15 February 1959	1968-69	1974-75	(-)0.44	--	3.99	--	2.25	(-)0.42	--	31	-do-
12	Manorama Foundry Works Limited (under liquidation through Orissa High Court since 12.02.1974)	-do-	3 March 1959	1966-67	1968-69	(-)0.01	--	1.81	--	--	(-)0.61	--	33	Under liquidation
13	Premiere Bolts and Nuts Limited (Company closed)	Industries	4 August 1959	1966	1973-74	(-)0.27	--	2.27	--	0.44	(-)0.27	--	34	Under liquidation
14	Modern Malleable Casting Company Limited (Under voluntary liquidation since 09.03.1976)	-do-	22 September 1960	1972-73	1975-76	(-)0.36	--	4.20	--	3.08	(-)0.07	--	27	Closed since 1968
15	Orissa Instruments Company Limited	-do-	14 March 1961	1987-88	2000-2001	(-)6.22	--	8.79	(-)0.79	35.80	(-)3.74	--	12	Under closure
16	Hira Steel and Alloys Limited (Subsidiary of Sl.No.59)	-do-	23 August 1974	1975-76	1976-77	--	--	12.28	--	27.39	1.57	5.73	24	Under closure
17	Hirakud Industrial Works Limited (Subsidiary of Sl.No59)	-do-	18 January 1993	1998-99	2000-2001	3.61	Increase in profit 295.20	490.01	114.36	1822.13	198.66	10.90	1	Working
18	IDCOL Piping & Engineering Works Limited (Subsidiary of Sl.No59)	-do-	26 March 1993	1998-99	1999-2000	(-)1961.26	--	193.16	(-)7848.89	(-)3787.16	(-)249.63	--	1	Working
19	General Engineering & Scientific Works Limited (Subsidiary of Sl.No.60)	-do-	11 January 1994	1st Accounts not yet received									6	Under closure
	Sector wise Total					(-)1965.34		723.15	(-)7735.32	(-)1888.39	(-)54.78			
ELECTRONICS														
20	Manufacture Electro Limited (Assets have been sold)	Industries	24 September 1959	1965-66	1982-83	(-)0.08	--	0.45	--	--	(-)0.08	--	34	Under liquidation
21	Modern Electronics Ltd.	Industries	22 March 1960	1965-66	1982-83	0.23		4.37	--	2.77	0.26	9.39	34	Under liquidation

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
22	Orissa State Electronics Development Corporation Limited	Science & Technology	29 September 1991	1994-95	1997-98	4.56	--	1702.75	(-)222.70	416.88	4.56	10.94	5	Working	
23	IPITRON Times Limited (Subsidiary of Sl.No.22)	Science & Technology	11 December 1981	1991-92	1997-98	(-)68.50	--	80.83	(-)225.77	350.28	(-)11.75	--	8	Under closure	
24	Konark Television Limited	-do-	26 June 1982	1991-92	1998-99	(-)94.96	--	120.00	(-)603.52	600.04	46.15	7.69	8	Under closure	
25	ELCOSMOS Electronics Limited (Subsidiary of Sl.No.22)	-do-	12 January 1987	1991-92	1996-97	(-)77.27	--	174.91	(-)140.48	340.15	(-)26.18	--	8	Under closure-	
26	ELCOPHONES Limited (Subsidiary of Sl.No.22)	-do-	10 December 1987	1st Accounts not yet received										13	Under closure
27	ELCO Communication & Systems Limited (Subsidiary of Sl.No.22)	-do-	8 March 1989	1989-90	1997-98	--	--	10.01	--	--	--	--	10	Under closure	
28	ELMARC Limited (Subsidiary of Sl.No.22)	-do-	23 January 1990	1995-96	1998-99	(-)4.62	--	101.82	(-)42.80	86.05	10.30	11.97	4	Under closure	
29	IDCOL Software Limited (Subsidiary of Company at Sl. No. 59)	-do-	26 November 1998	Ist account not yet received									2	Working	
Sector wise Total						(-)240.64	--	2195.14	(-)1235.27	1796.17	23.26				
TEXTILE															
30	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	(-)0.82	--	3.79	--	(-)0.62	(-)0.71	--	29	Under closure	
31	New Mayurbhanj Textiles Limited	-do-	2 June 1976	1981-82	2000-2001	2.57	--	1.50	(-) 2.21	4.66	2.58	55.36	18	-do-	
32	ABS Spinning Orissa Limited (Subsidiary of Sl.No.59)	-do-	23 March 1990	1994-95	2000-2001	(-)723.29	--	300.00	(-)3635.48	(-)211.34	(-)333.24	--	5	Working	
33	Orissa Textile Mills Limited	Textile & Handlooms	25 January 1946	1997-98	1998-99	(-)1023.74	--	2470.24	(-)5340.61	516.81	(-)766.10	--	2	Working	
34	Orissa State Textile Corporation Limited	-do-	10 September 1981	1992-93	1998-99	(-)341.37	--	260.00	(-)1286.08	(-)543.66	--	--	7	Under closure	
Sector wise Total						(-)2086.65	--	3035.53	(-)10264.38	(-)234.15	(-)1097.47	--	--	--	
HANDLOOM															
35	Orissa Handloom Development Corporation Limited	-do-	1 February 1977	1993-94	1998-99	(-)227.25	--	352.37	(-)659.29	532.21	(-)83.43	-	6	Under Closure	
Sector wise Total						(-)227.25	--	352.37	(-)659.29	532.21	(-)83.43	-			
FOREST															
36	Orissa Forest Development Corporation Limited	Forest & Environment	28 September 1962	1993-94	1999-2000	(-)203.64	--	128.00	(-)2353.08	(-)2194.08	(-)184.13	--	6	Working	
Sector-wise Total						(-)203.64	--	128.00	(-)2353.08	(-)2194.08	(-)184.13	--			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
MINING														
37	Orissa Mining Corporation Limited	Steel & Mines	16 May 1956	1993-94	2000-2001	532.68	Increase in loss 12.39	3145.48	643.68	8845.83	1075.16	12.15	6	Working
Sector-wise Total						532.68	--	3145.48	643.68	8845.83	1075.16			
CONSTRUCTION														
38	Orissa Construction Corporation Limited	Water Resources	22 May 1962	1997-98	2000-2001	20.47	--	1050.00	119.21	3923.69	67.28	1.71	2	Working
39	Orissa Bridge & Construction Corporation Limited	Works	1 January 1983	1994-95	2000-2001	4.45	Increase in profit 13.73	500.00	(-)355.92	629.73	4.45	0.71	5	Working
Sector-wise Total						24.92		1550.00	(-)236.71	4553.42	71.73			
AREA DEVELOPMENT														
40	Orissa Maritime & Chilka Area Development Corporation Limited	Fisheries & Animal Resources Department	29 August 1978	1994-95	1999-00	(-)43.23	--	609.18	(-)130.73	468.28	44.89	9.59	5	Under Merger
Sector-wise Total						(-)43.23	--	609.18	(-)130.73	468.28	44.89			
PUBLIC DISTRIBUTION														
41	Orissa State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	03 September 1980	1992-93	2000-2001	(-)377.81	Decrease in loss 393.96	978.32	299.71	1364.73	(-)377.81	-	7	Working
Sector-wise Total						(-)377.81	-	978.32	299.71	1364.73	(-)377.81			
CEMENT														
42	IDCOL Cement Limited (Subsidiary of SI.No.59)	Industries	26 February 1993	1998-99 1999-2000	1999-2000 2000-2001	(-)4218.12 13457.02		8850.01 8850.01	(-)17872.95 (-)4415.93	6164.21 19140.88	952.73 13739.85	15.46 71.78	Nil	Working
Sector-wise Total						13457.02		8850.01	(-)4415.93	19140.88	13739.85			
TOURISM														
43	Orissa Tourism Development Corporation Limited	Tourism	03 September 1979	1993-94	2000-2001	(-)30.01	Decrease in loss 1.03	752.16	(-)506.12	253.71	(-)20.34	-	6	Working
Sector-wise Total						(-)30.01		752.16	(-)506.12	253.71	(-)20.34			

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
POWER														
44	Orissa Power Generation Corporation Limited	Energy	14 November 1984	1997-98 1998-99 1999-2000	1999-2000 2000-2001	6614.82 11280.43 12438.62	Decrease in profit 86.11 (1998-99)	45100.00 49021.74 49021.74	16304.06 10132.21 13786.77	115853.69 114339.39 96194.24	16476.89 19850.92 18748.92	14.22 17.36 19.49	Nil	Working
45	Orissa Hydro Power Corporation Limited	-do-	21 April 1995	1998-99	2000-2001	5520.65		32080.09	20285.01	244116.40	15894.77	6.51	1	Working
46	Grid Corporation of Orissa Limited	-do-	19 November 1995	1997-98	1999-2000	(-)31911.62	--	38423.14	(-)61411.28	168914.01	(-)24762.30	--	2	Working
Sector-Wise Total						(-)13952.35		119524.97	(-)27339.50	509224.65	9881.39			
FINANCING														
47	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	1998-99	2000-2001	(-)81.47	Increase in loss 71.44	8314.29	(-)3206.32	17669.21	493.87	2.79	1	Working
Sector-Wise Total						(-)81.47		8314.29	(-)3206.32	17669.21	493.87			
MISCELLANEOUS														
48	Orissa State Commercial Transport Corporation Limited	Commerce & Transport	15 February 1964	1990-91	2000-2001	(-)114.11	--	234.00	(-)848.39	178.97	(-)66.23	--	9	Under closure
49	Orissa Fisheries Development Corporation Limited	Fisheries & Animal Resources Development	8 August 1962	1982-83	1983-84	(-)3.75	--	35.00	--	19.78	(-)2.53	--	17	Under closure
50	Orissa Fish Seed Development Corporation Limited	-do-	17 December 1979	1993-94	2000-2001	(-)84.48	--	481.56	(-)448.06	356.79	1.41	0.40	6	Under Merger
51	Orissa State Export Development Corporation Limited	Handicraft & Cottage Industries	27 July 1990	1990-91	1995-96	--	--	0.85	--	(-)0.06	--	--	9	Under closure
52	Orissa State Police Housing & Welfare Corporation Limited	Home	24 May 1980	1992-93	2000-2001	(-)20.09	--	563.01	(-)127.20	553.91	(-)20.09	--	7	Working
53	Eastern Aquatic Products Limited	Industries	06 May 1959	1972-73	1975-76	--	--	0.60	--	0.31	--	--	27	Under liquidation
54	Orissa Boat Builders Limited (Company closed since 1987)	Industries	18 March 1958	1970-71	1977-78	(-)0.32	--	5.23	--	1.30	(-)0.30	--	29	Under liquidation
55	Hansanath Ceramic Industries Ltd.(under liquidation through court since 09.01.1974.	Industries	30 March 1959	1962-63	1968-69	(-) 0.05	--	0.47	--	0.02	(-)0.05	--	37	Under liquidation

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
56	Orissa Timber Products Limited (under liquidation through court since 12.02.1974)	Industries	02 March 1960	1967-68	1973-74	(-)2.25	--	1.45	--	1.83	(-)1.94	--	32	Under liquidation
57	Orissa Board Mills Limited (Closed. Decided for liquidation)	Industries	04 April 1960	1967-68	1976-77	(-)1.04	--	4.08	--	4.69	(-)0.53	--	32	Under liquidation
58	Orissa Sports Manufacturing and Fabricators Limited (under liquidation through court since 30.11.1973)	Industries	22 July 1950	1962-63	1968-69	(-) 0.03	--	1.28	--	1.25	(-) 0.03	--	37	Under liquidation
59	Industrial Development Corporation of Orissa Limited	Industries	29 March 1962	1998-99	1999-2000	(-)3294.99	Increase in loss 28.67	5651.78	(-)1716.93	13436.49	(-)1233.79	--	1	Working
60	Orissa Small Industries Corporation Limited	Industries	03 April 1972	1996-97	1999-2000	5.71	Decrease in Profit 9.19	965.86	49.10	2838.04	396.33	13.96	3	Working
61	Orissa State Leather Corporation Limited	Industries	19 April 1976	1987-88	1997-98	(-)22.18	--	216.68	(-)212.94	161.41	(-)18.85	--	12	Under closure
62	Orissa Film Development Corporation Limited	Industries	22 April 1976	1996-97	1999-2000	1.12	--	540.05	17.79	562.40	2.62	0.47	3	Working
63	Kalinga Studios Limited(subsidiary of company at Sl. No. 62)	Industries	25 July 1980.	1995-96	1999-2000	(-)18.93	--	211.47	(-)151.64	78.63	(-)18.93	--	4	Working
64	Orissa Leather Industries Limited (subsidiary of company at Sl.No.61)	Industries	26 July 1986	1991-92	1995-96	--	--	65.00	--	192.02	--	--	8	Under closure
65	Orissa Timber and Engineering Works Limited (subsidiary of company at Sl. No. 60)	Industries	11 January 1994.	--	Ist account not yet received.							--	6	Working
66	Kanti Sharma Refractories Limited (subsidiary of company at Sl.No.60)	Industries	11 January 1994	--	Ist account not yet received							--	6	Under closure
67	Konark Jute Limited (subsidiary of company at Sl. No 59)	Industries	29 July 1974	1995-96	2000-2001	(-)92.79	Increase in loss 5.45	543.99	(-)977.47	530.75	(-)63.43	--	4	Working
68	Orissa Lift Irrigation Corporation Limited	Water Resources	21 September 1973	1995-96	2000-2001	(-)3.94	--	7473.25	(-)307.36	17883.74	68.54	0.38	4	Working
69	Orissa Rural Housing and Development Corporation Limited	Housing and Urban Development	19 August 1994	1996-97	1998-99	89.55	--	500.00	109.01	1713.26	376.12	21.95	3	Working
	Sector wise total					(-)3562.57		17495.61	(-)4614.09	38515.53	(-)581.68			

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	Total (A) Government companies.					(-9004.63)		185118.46	(-64349.76)	664274.89	23009.50			
B Statutory corporations														
TRANSPORT														
1	Orissa State Road Transport Corporation.	Commerce and Transport	May 1974	1991-92	2000-2001	(-1087.94	Decrease in loss 18635	8383.24	(-11413.10	708.79	(-565.91	--	8	Working
	Sector wise total					(-1087.94)		8383.24	(-11413.10)	708.79	(-565.91)			
FINANCING														
2	Orissa State Financial Corporation	Industries	March 1950	1998-99	2000-2001	(-3211.27	-	8757.30	(-28681.88	57996.81	2187.85	3.77	1	Working
	Sector wise total					(-3211.27)	-	8757.30	(-28681.88)	57996.81	2187.85			
AGRICULTURE AND ALLIED														
3.	Orissa State Warehousing Corporation.	Agriculture & Co-operation	March 1958	1997-98	2000-2001	124.46	-	300.00	0.24	1001.29	143.47	14.33	2	Working
	Sector wise total					124.46	-	300.00	0.24	1001.29	143.47			
	Total (B) Statutory corporation.					(-4174.75)	-	17440.54	(-40094.47)	59706.89	1765.41	2.96		
	Grand Total (A+B)					13179.38	-	202559.00	(-104444.50)	723981.78	24774.91			

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

ANNEXURE-4

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2000

(Referred to in paragraph 1.4)

{Figures in Col.3(a) to 7 are in Rupees in lakh}

Sl. No.	Name of the Public Sector undertaking	Subsidy received during the year ⁰				Guarantees received during the year and outstanding at the close of the year ⁰					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by bank in respect of imports	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
A. Government companies																
1.	Orissa Agro Industries Corporation Limited	--	--	--	--	(150.00)		--	--	(150.00)		--	--	--	--	--
2	IDCOL Piping and Engineering Works Limited						-- (1968.00)			-- (1968.00)						
3	Orissa State Electronics Development Corporation Limited						2000.00 -			2000.00 (2000.00)						
4.	ELMARC Limited	--	--	--	--	--	-- (250.00)	--	--	-- (250.00)	--	--	--	--	--	--
5	ABS Spinning Orissa Limited						-- (1528.00)			-- (1528.00)						
6	Orissa Textile Mills Limited	--	--	--	--	-- (1450.00)	--	--	--	-- (1450.00)	--	--	--	--	--	--

⁰ Subsidy includes subsidy receivable at the end of the year.

⁰ Figures in brackets indicate guarantee outstanding at the end of the year.

1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
7	Orissa State Textile Corporation Limited	--	--	--	--	-- (200.00)	--	--	--	-- (200.00)	--	--	--	--	--	--
8	Orissa Forest Development Corporation Limited	--	--	--	--	1200.00 (2000.00)	--	--	--	1200.00 (2000.00)	--	--	--	--	--	--
9	Orissa Mining Corporation Limited	--	--	--	--	--	-- (100.00)	--	--	-- (100.00)	--	--	--	--	--	--
10	Orissa Construction Corporation Limited	--	--	--	--	-- (200.00)	--	--	--	-- (200.00)	--	55.44	--	--	--	--
11	Orissa State Civil Supplies Corporation Limited	--	10000	--	10000	--	--	--	--	--	--	--	--	--	--	--
12	Orissa Power Generation Corporation Limited	--	--	--	--	--	2235.00 (31714.00)	--	--	2235.00 (31714.00)	--	--	--	--	--	--
13	Orissa Hydro Power Corporation Limited	--	--	--	--	--	-- (42619.00)	--	--	-- (42619.00)	--	--	--	--	--	--
14	Grid Corporation of Orissa Limited	--	--	--	--	--	6930.00 (269861.00)	--	--	6930.00 (269851.00)	--	--	--	--	--	--
15	Industrial Promotion and Investment Corporation of Orissa Limited	--	--	--	--	--	--	-- (2297.00)	--	-- (2297.00)	--	--	--	--	--	--
16	Industrial Development Corporation of Orissa Limited	--	--	--	--	--	16014.00 (22571.00)	--	--	16014.00 (22571.00)	--	--	--	--	--	--
17	Orissa Small Industries Corporation Limited	--	--	--	--	--	2000.00 (3050.00)	-- (200.00)	--	2000.00 (3250.00)	--	--	--	--	--	--

1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
18	Orissa Lift Irrigation Corporation Limited	--	5377.10	--	5377.10	-- (6407.42)		--	--	-- (6407.42)	--	--	--	--	--	--
19	Orissa Rural Housing & Development Corporation Limited						37260.00 (41084.25)	--	--	37260.00 (41084.25)	--	--	--	--	--	--
	Total A		15377.10		15377.10	1200.00 (10407.42)	64439.00 (414745.25)	-- (2497.00)		67639.00 (429639.67)		55.44			25.00	600.00

B	Statutory corporation															
(1)	Orissa State Road Transport Corporation	--	83.00	--	83.00	-- (100.00)	671.53 (5746.00)	--	--	671.53 (5846.00)	--	--	--	--	--	--
(2)	Orissa State Financial Corporation	--	75.00	--	75.00	-- (32471.25)	--	--	--	-- (32471.25)	--	--	--	--	--	--
	Total -B	--	158.00	--	158.00	-- (100.00)	671.53 (38217.25)			671.53 (38317.25)						
	Grand Total (A+B)		15535.10		15535.10	1200.00 (10507.42)	65110.53 (452962.50)	-- (2497.00)	--	68310.53 (467956.92)	--	55.44	--	--	--	--

ANNEXURE - 5
Statement showing financial position of Statutory corporations
(Referred to in Paragraph 1.2.2)

(Rupees in crore)

1.Orissa State Road Transport Corporation			
Particulars	1996-97	1997-98	1998-99
A. Liabilities	(Provisional)		
Capital (including loan capital & equity capital)	122.84	125.83	129.43
Borrowings (Government)	26.39	12.08	13.73
(Others)		38.96	43.69
Funds [§]	3.60	0.89	0.89
Trade dues and other current liabilities (including provisions)	46.34	64.79	73.75
Total - A	199.17	242.55	261.49
B. Assets			
Gross Block	60.11	55.34	53.05
Less: Depreciation	38.60	43.85	44.02
Net fixed assets	21.51	11.49	9.03
Capital works-in-progress (including cost of chassis)	--	--	--
Investment	--	--	--
Current assets, loans and advances	21.03	16.41	18.12
Deferred cost	--	--	--
Accumulated losses	156.63	214.65	234.34
Total - B	199.17	242.55	261.49
C. Capital employed[¶]	(-)3.80	(-)36.90	(-)46.59
2.Orissa State Financial Corporation			
Particulars	1997-98	1998-99	1999-2000 (Provisional)
A. Liabilities			
Paid-up-capital	87.57	87.57	87.57
Share application money	--	--	--
Reserve fund and other reserves and surplus	1.37	1.37	1.37
Borrowings:			
(i) Bonds and debentures	316.01	336.26	324.71
(ii) Fixed Deposits	--	--	3.84
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	166.79	171.11	181.82
(iv) Reserve Bank of India	--	--	6.50
(v) Loans in lieu of share capital:			
State Government	12.45	12.45	12.45
Industrial Development Bank of India			17.50
(vi) Others (including State Government)			83.13
Other liabilities and provisions	239.07	246.03	205.65
Total -A	823.26	854.79	924.54
B. Assets			
Cash and Bank balances	39.11	19.98	19.56
Investments	2.45	3.45	2.40
Loans and Advances	488.86	533.84	547.19
Net fixed assets	1.93	2.10	1.50
Other assets	36.20	40.86	48.32
Miscellaneous expenditure	254.71	254.56	305.57
Total -B	823.26	854.79	924.54

[§] Excluding depreciation funds

[¶] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

C. Capital employed^o	541.60	580.23	619.11
3. Orissa State Warehousing Corporation			
Particulars	1997-98	1998-99	1999-2000
		(Provisional)	
A. Liabilities			
Paid-up capital	3.20	3.20	3.20
Reserves and surplus	3.65	4.01	6.72
Borrowings (Government. :-) (Others:-)	0.81 --	0.31 --	
Trade dues and other current liabilities (including provisions)	13.54	15.48	15.00
Total - A	21.20	23.00	24.92
B. Assets			
Gross Block	7.84	8.00	8.94
Less: Depreciation	1.94	2.00	2.40
Net fixed assets	5.90	6.00	6.54
Capital works-in progress	0.07	0.05	0.05
Current assets, loans and advances	15.23	16.95	18.33
Accumulated losses			
Total - B	21.20	23.00	24.92
C. Capital employed^ψ	7.66	7.52	9.92

^o 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 (other than those which have been funded specially and backed by investment outside), bonds, deposits and borrowings (including refinance).

ANNEXURE - 6

Statement showing working results of Statutory corporations

(Referred to in Paragraphs 1.2.2 & 1.6)
(Rupees in crore)

1.Orissa State Road Transport Corporation			
Particulars	1996-97	1997-98	1998-99
	(Provisional)		
Operating			
a) Revenue	25.61	19.83	20.61
b) Expenditure	35.48	38.26	34.50
c) Surplus(+)/Deficit(-)	(-9.87)	(-18.43)	(-13.89)
Non-operating			
a) Revenue	0.71	3.06	2.88
b) Expenditure	4.36	7.14	8.51
c) Surplus(+)/Deficit(-)	(-3.65)	(-4.08)	(-5.63)
Total			
a) Revenue	26.32	22.89	23.49
b) Expenditure	39.84	45.40	43.01
c) Surplus(+)/Deficit(-)	(-13.52)	(-22.51)	(-19.52)
Interest on capital and loans	2.16	6.84	8.16
Total return on Capital employed*	(-11.36)	(-15.67)	(-11.36)
2.Orissa State Financial Corporation			
Particulars	1997-98	1998-99	1999-2000
	(Provisional)		
1. Income			
(a) Interest on Loans	54.39	48.26	52.53
(b) Others	2.55	1.58	1.00
Total - 1	56.94	49.84	53.53
2. Expenses			
(a) Interest on long-term and short-term loans	58.27	53.99	41.21
(b) Provision for non-performing assets	62.69	14.18	18.32
(c) Other expenses	12.27	13.78	14.76
Total - 2	133.23	81.95	74.29
3. Profit before tax (1-2)	(-76.29)	(-32.11)	(-20.76)
4. Prior period adjustments	--	--	--
5. Provision for tax	--	--	--
6. Profit(+)/Loss(-) after tax	(-76.29)	(-32.11)	(-20.76)
7. Other appropriations	--	--	--
8. Amount available for dividend	--	--	--
9. Dividend paid/payable	--	--	--
10. Total return on Capital employed*	(-18.02)	21.88	20.45
11. Percentage of return on Capital employed	--	3.77	3.30
4.Orissa State Warehousing Corporation			
Particulars	1997-98	1998-99	1999-2000
	(Provisional)		
1. Income			
Warehousing Charges	10.68	12.07	13.04
Others income	0.01	0.01	0.02
Total - 1	10.69	12.08	13.06

2. Expenses			
Establishment charges	3.03	3.45	4.84
Other expenses	6.41	7.59	6.02
Total - 2	9.44	11.04	10.86
3. Profit(+)/Loss(-) before tax	1.25	1.18	2.20
4. Provision for tax	0.01	0.01	0.02
5. Profit(+)/Loss(-) after tax	1.24	1.17	2.18
6. Other appropriations	1.15	1.00	2.00
7. Amount available for dividend	0.09	0.17	0.18
8. Dividend paid/payable	0.09	0.09	0.09
9. Total return on Capital employed*	1.42	1.17	2.18
10. Percentage of return on Capital employed	19	16	22

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

ANNEXURE - 7

**Statement showing operational performance of Statutory corporations
(Referred to in Paragraph No.1.6.2.3)**

(Rupees in crore)

1.Orissa State Road Transport Corporation							
Particulars		1997-98		1998-99		1999-2000	
<i>(Provisional)</i>							
Average number of vehicles held		754		748		621	
Average number of vehicles on road		324		305		277	
Percentage of utilisation of vehicles		43		41		45	
Number of employees		5527		4922		4455	
Employee vehicle ratio		17.06		16.14		16.08	
Number of routes operated at the end of the year		196		188		168	
Route Kilometres		52.473		51.942		N/A	
Kilometres operated (in lakh)							
(a) Gross		313.34		293.57		289.88	
(b) Effective		307.60		287.88		284.43	
(c) Dead		5.74		5.69		5.45	
Percentage of dead kilometres to gross kilometres		1.87		1.98		1.92	
Average kilometres covered per bus per day		260		258		285	
Operating revenue per kilometre (Rupees)		6.91		8.02		8.27	
Average expenditure per kilometre (Rupees)		11.44		13.52		13.48	
Profit (+)/ Loss (-) per kilometre (Rupees)		(-) 4.53		(-) 5.50		(-)5.21	
Number of operating depots		39		41		41	
Average number of break downs per 10,000 kms.		0.88		0.71		0.61	
Average number of accidents per lakh kilometres		0.13		0.17		0.16	
Passenger kilometres operated (lakh)		9535.60		9355.78		9528.40	
Occupancy ratio (percentage)		62		65		67	
Kilometres obtained per litre of :							
(a) Diesel Oil							
(b) Engine Oil							
2. Orissa State Warehousing Corporation							
Particulars		1997-98		1998-99		1999-2000	
<i>(Provisional)</i>							
Number of stations covered		76		73		63	
Storage capacity created upto the end of the year (in lakh tonne)							
(a) Owned		1.55		1.57		1.64	
(b) Hired		0.73		0.78		0.83	
Total		2.28		2.35		2.47	
Average capacity utilised during the year (in lakh tonne)		2.19		2.33		2.20	
Percentage of utilisation		96		99		89	
Average revenue per tonne per year (Rs.)		447.02		543.26		-	
Average expenses per tonne per year (Rs.)		386.94		414.79		-	
Profit (+)/ Loss (-) per tonne (Rs.)		60.08		128.47		-	
3. Orissa State Financial Corporation							
<i>(Rupees in crore)</i>							
Particulars		1997-98		1998-99		1999-2000	
		Number	Amount	Number	Amount	Accounts not prepared	
Application pending at the beginning of the year		80	13.79	87	22.97		
Application received		617	90.71	555	81.79		
Total		697	104.50	642	104.76		

Application sanctioned	574	77.01	523	68.08		
Application cancelled/ withdrawn/rejected/reduced	36	4.52	53	19.55		
Application pending at the close of the year	87	22.97	66	17.13		
Loans disbursed	545	55.22	473	44.98		
Loan outstanding at the close of the year (cumulative)	16467	742.90	16816	810.20		
Amount overdue including interest for recovery at the close of the year	13351	453.27	12612	539.01		
Amount involved in recovery certificate cases	--	--	--	--		
Percentage of overdue to the total loans outstanding		61.01		66.52		

ANNEXURE-8

STATEMENT SHOWING PROJECTS TRANSFERRED TO ORISSA HYDRO POWER CORPORATION LIMITED WITH EFFECT FROM 1 April 1996

(Referred to in Paragraph 2A.5)

Sl.No.	Name of the project	Installed Capacity (MW)	Year of commissioning
1.	Hirakud Power station I Units I,II,III,&IV Units V&VI Unit VII (5x37.5+2x24MW)	235.5*	1956-58 1962-63 1990-91
2.	Hirakud II Chiplima (3x24 MW)	72.0	1962-64
3.	Balimela Power Station 6x60MW	360.0	1973-77
4.	Rengali Power Station Units I&II Units III,IV&V (5x50MW)	250.0	1985-86 1989-92
5.	Upper Kolab Power Station Units I&II Unit III Unit IV (4x80MW)	320.0	1988-89 1990 1993
6.	Upper Indravati Power Station Unit I Unit II Units III&IV (4x150MW)	Nil	Commissioned 9/99 Commissioned 12/99 Not yet commissioned
7.	Potteru Power Station (2x3MW)	Nil	Not yet commissioned
8.	Machkund HE Project (Transferred with effect from 1 April 1997)	34.5(Orissa share)	1955-59
	Total	1272.0	

* 259.5MW with effect from June 1998 as Units I&II uprated to 49.5 MW.

ANNEXURE -9**Financial position and working results of Orissa Hydro Power Corporation Ltd.**

(Referred to in Paragraph 2A.6.2.1)

A-Financial position

A-Liabilities	1996-97	1997-98	1998-99
	(R u p e e s i n c r o r e)		
Paid up capital	320.80	320.80	320.80
Reserve and surplus	69.86	147.64	202.85
Borrowings unsecured loans from State Government PFC, Zero coupon bond	1597.24	1793.33	1962.67
Trade dues and current liabilities	60.82	95.41	132.02
Total -A	2048.72	2357.18	2618.34
B-Assets			
Gross Block	1112.78	1115.13	1283.25
Less depreciation	44.41	88.68	133.53
Net fixed Assets	1068.38	1026.45	1149.72
Capital work in progress	887.28	1181.67	1231.17
Investment	--	--	50.00
Current assets and loans and advances	92.42	148.58	187.13
Misc. expenditure to the extent not written off	0.64	0.48	0.32
Total-B	2048.72	2357.18	2618.34
Capital employed	1099.67	1083.03	1209.54
Net worth	390.02	467.96	523.33

B-Working Results

	1996-97	1997-98	1998-99
	(R u p e e s i n c r o r e)		
Income from sale of Power and other income	145.42	175.46	164.31
Expenditure before depreciation	31.15	52.24	55.73
Cash profit (+)/Loss (-)	114.27	123.22	108.58
Depreciation	44.41	44.27	44.72
Net profit (+)/Loss (-)	69.86	78.95	63.86

ANNEXURE-10

Statement showing energy sold, bills raised, payments received and outstanding against GRIDCO.

(Referred to in Paragraph 2A.7.1)

	1996-97	1997-98	1998-99	1999-2000	Total
Units Sold (MU)	3585.212	3210.146	3280.195	4373.417	14448.97
(A) Bills Raised	(R u p e e s i n c r o r e)				
Opening balance	0.00	44.47	106.37	117.35	0.00
Addition during the year	136.24	172.93	160.73	235.91	705.81
Interest and DPS	2.80	8.03	19.47	23.21	53.51
Total (A)	139.04	225.43	286.57	376.47	759.32
(B) Realisation					
Collection in cash and cheque	89.10	113.00	113.00	84.14	399.24
Issue of Bonds	-	-	50.00	-	50.00
Adjustment bills of UIHEP	5.47	6.06	6.22	-	17.75
Total (B)	94.57	119.06	169.22	84.14	466.99
(C) Outstanding (A-B)	44.47	106.37	117.35	292.33	292.33
(D) Percentage of realisation	68.02	52.81	59.05	22.35	61.50

- **Analysis of Closing Balance**
- Year Amount (Rs. in crore)
- 1996-97 44.47
- 1997-98 61.90
- 1998-99 10.98
- 1999-00 174.98
- Total 292.33

ANNEXURE-11
PERFORMANCE OF COMPLETED PROJECTS OF ORISSA HYDRO POWER CORPORATION LIMITED

(Referred to in Paragraphs 2A.8 and 2A.8.1)

Sl. No	Item	1996-97	1997-98	1998-99	1999-2000	Total
1	Available machine hours	219000	219000	219000	219000	876000
2	Actual hours run	115370	111598	114358	123975	465301
3	Planned outage					
	(i) in respect of 22 running units	21365	21285	18694	26867 (25 Units)	
	(ii) in respect of 3 units under renovation*	26280	26280	5112		
	(iii) Total	47645	47565	23806	26,867	145883
4	Forced outage	12146	19687	27582	33450	92865
5	Total outage (3+4)	59791	67252	51388	60317	238748
6	Planned outage required (for the running units)**	28512 (22 Units)	28512 (22 Units)	32064 (25 Units)	32400 (25 Units)	121488
7	Generation (MU)	3670.386	3312.551	3392.878	4037.062	14412.877
8	Average hourly generation(MU)	0.0318	0.0297	0.0297	0.0326	0.0310
9	Forced outage during monsoon (hours)	5492	5000	8502	8978	27972
10	Loss of generation due to forced outage in monsoon (MU)	174.646	148.500	252.509	292.683	868.338
11	Amount of loss in monsoon period (Rupees in lakh)@	663.65	727.65	1237.29	1434.15	4062.74

* Two units of Burla power house and one unit of Chiplima power house were kept under planned outage, for the entire years 1996-97,1997-98 and part of 1998-99 for renovation.

** Admissible planned outage has been worked out in respect of the units excluding those under renovation.

@ Loss has been calculated @ 0.38 paise per *unit* for 1996-97 and @ 0.49 paise per *unit* for 1997-98, 1998-99 and 1999-2000.

ANNEXURE-12

Statement showing Installed capacity, Generation, Auxiliary consumption and Transformation Loss in respect of Orissa Hydro Power Corporation Limited for 1996-97 to 1999-2000.

(Referred to in Paragraphs 2A.8.3 & 2A.8.4)

Particulars	HIRAKUD				BALIMELA				RENGALI				UPPER KOLAB				TOTAL
	96-97	97-98	98-99	99-00	96-97	97-98	98-99	99-00	96-97	97-98	98-99	99-00	96-97	97-98	98-99	99-00	1996-2000
Installed capacity (MW)	307.5	307.5	331.15	331.5	360	360	360	360	250	250	250	250	320	320	320	320	-
Generation capacity(MU)	1166	1166	1166	1166	1182	1182	1182	1182	750	750	750	750	832	832	832	832	15720
Targeted generation(MU)	NA	988	1100	1121	NA	1120	861	983	NA	832	706	850	NA	804	796	700	-
Actual Generation(MU)	975.397	936.930	1218.457	1115.178	1185.069	918.549	806.575	1214.746	783.263	987.782	933.525	898.940	726.667	469.290	434.321	808.198	14412.877
Auxiliary consumption (MU)	3.250	2.875	4.048	6.792	6.702	6.706	7.348	7.984	1.396	0.680	0.865	0.926	3.878	2.932	2.546	3.981	62.909
Percentage (of Generation)	0.33	0.31	0.33	0.61	0.57	0.73	0.91	0.66	0.18	0.07	0.10	0.10	0.53	0.63	0.59	0.49	0.44
Auxiliary consumption as per norms 0.5% MU	4.877	4.685	6.092	5.576	5.925	4.593	4.033	6.074	3.916	4.939	4.668	4.495	3.633	2.346	2.172	4.041	72.065
Excess over the norms (MU)	-	-	-	1.216	0.777	2.114	3.316	1.910	-	-	-	-	0.245	0.586	0.375	-	10.539
Loss due to excess Aux. Consumption (Rs.in lakh)	-	-	-	5.96	2.95	10.36	16.25	9.35	-	-	-	-	0.93	2.87	1.84	-	50.51
Transformation loss(Actual) (MU)	17.176	14.681	29.292	30.347	21.817	20.263	13.164	24.949	17.984	33.419	38.500	25.413	3.358	9.252	5.060	26.938	331.613
Percentage (of Generation)	1.76	1.57	2.40	2.72	1.84	2.21	1.63	2.05	2.30	3.38	4.12	2.83	0.46	1.97	1.17	3.33	2.30

Particulars	HIRAKUD				BALIMELA				RENGALI				UPPER KOLAB				TOTAL
	96-97	97-98	98-99	99-00	96-97	97-98	98-99	99-00	96-97	97-98	98-99	99-00	96-97	97-98	98-99	99-00	
Transformation loss as per norms 0.5%(MU)	4.877	4.685	6.092	5.576	5.925	4.593	4.033	6.074	3.916	4.939	4.668	4.495	3.633	2.346	2.172	4.041	72.065
Excess over norms(MU)	12.299	9.996	23.200	24.771	15.892	15.670	9.131	18.875	14.068	28.480	33.832	20.918	(-) 0.275	6.906	2.888	22.897	259.823
Percentage	1.26	1.07	1.90	2.22	1.34	1.71	1.13	1.55	1.80	2.88	3.62	2.33		1.47	0.67	2.83	1.80
Loss due to excess transformation loss(Rs. in lakh)	46.74	48.98	113.68	121.38	60.38	76.78	44.74	92.49	53.46	139.55	165.78	102.50	-	33.84	14.15	112.20	1226.65
Energy sold	95499	919.372	1185.116	1078.041	1149.356	884.342	778.604	1181.812 [#]	761.458	949.327	889.762	872.601	719.429	457.105	426.713	777.280	13985.287

Note – Loss has been calculated @ 0.38 paise per unit for 1996-97 and @ 0.49 paise per unit for 1997-98,1998-99 and 1999-2000.

[#] Energy sold includes 7.725 (MU)-Balimela and 9.536 (MU)-Rengali towards colony consumption.

ANNEXURE-13

STATEMENT OF DELAY IN COMPLETION OF WORK RELATING TO ORISSA HYDRO POWER CORPORATION LIMITED

(Referred to in Paragraph 2A.10.1.1)

Sl. No.	Name of the work and Reference of agreement	Agreement amount (Rupees in lakh)	Stipulated date of commencement/completion	Actual date of completion/Months of delay	Amount of expenditure incurred upto last bill			Amount of extra expenditure	Reasons for delay
					(Rupees in lakh)				
					Works	Escalation	Total		
1.	Construction of Indravati Masonry Dam 1/ICB85-86	1729.71	181.86/ 17.10.90	30.6.97/80 months	2166.96	562.10	2729.06	999.35	Non-finalisation of Design and Drawings, change in scope of work during execution, non-availability of working front and delay in supply of (J) Bolts
2.	Balance work of Head Race Tunnel 1/ICB/95-96	2690.12	7.4.95/ 6.10.96	30.6.97/ 23 months	5080.70	668.61	5749.31	3059.19	Delay in payment of mobilisation advance and machinery advance
3.	Construction of Bye pass Tunnel cum depletion outlet at Bena Khamar 7/ICB/86-87	94.94	3.5.91/ 2.5.93	2.8.97/ 51 months	75.84	41.31	117.15	22.21	Delay in finalising tender, delay in handing over 19 months the drawings, modification of drawings, delays in forest clearance, change in the position of channel due to geological formation

Sl. No.	Name of the work and Reference of agreement	Agreement amount (Rupees in lakh)	Stipulated date of commencement/ completion	Actual date of completion/Months of delay	Amount of expenditure incurred upto last bill			Amount of extra expenditure	Reasons for delay
					(Rupees in lakh)				
					Works	Escalation	Total		
4.	Construction of Indravati Power House 2/ICB/87-88	1196.64	10.12.87/ 9.12.91	Not completed/99 months	2553.15 /(110 th R/A)	947.01	3500.16	2303.52	Delay in release of drawings, in release of working area, frequent change in drawings, delay in issue of material and non-availability of sufficient work front
5.	Restoration Rehabilitation of Penstock grade & civil works & Erection of Penstock liners 2/ICB/95-96	2079.18	1.5.92/ 30.4.94	Not completed/71 months	2852.52 (22 nd R/A)	267.63	3120.15	1040.97	Delay in decision making, changes in scope of work, non-availability of work front and poor road condition
6.	Design, Fabrication of Radial gates for Muran and Indravati Dam 1/ICB/87-88	501.58	11.1.88/ 10.1.92	Not completed/98 months	619.88	172.79	792.67	291.09	Delay in handing over the civil front
	Total							7716.33	

ANNEXURE-14 (A)

Statement showing revision of tariff relating to Grid Corporation of Orissa Limited

[Referred to in Paragraph 2B.4 (a)]

Sl. No.	Category of consumers	Tariff effective from 21 May 1996 (paise)	Tariff effective from 1 April 1997 (paise)	Percentage of increase	Tariff effective from 1 December 1998 (paise)	Percentage of increase
1	Domestic	90 to 160	90 to 190	0 to 18.75	120 to 245	26.32 to 28.94
2	Commercial	180 to 240	220 to 290	13.04 to 22.22	270 to 410	22.7 to 41.38
3	Small Industry	185	215	16.22	245	13.95
4	Medium Industry	230 to 240	255 to 265	10.41 to 10.87	270 to 280	1.87 to 9.80
5	Large Industry	175 to 200	230 to 250	25 to 31.43	250 to 270	8 to 8.69
6	Public Water Works & Sewerage Pumping	130	150	15.38	200 to 270	33.33 to 80
7	Bulk supply	120	150	25	160	6.67
8	Railway traction	230	250	8.70	250	-
9	Street light	165	200	21.21	245	22.5
10	Power Intensive unit	230	250	8.7	250 to 260	4
11	Heavy industry	230	250	8.7	250	-
12	General Purpose	205 to 230	230 to 250	8.7 to 12.20	250 to 270	8 to 8.7
13	Public Institute	200	200	-	245	22.5
14	Mini-steel plant	162	200	23.46	180 to 240	20
15	Overall percentage of increase	16.8	-	10.7	-	18.93

ANNEXURE-14 (B)**Statement showing year-wise average income and expenditure *per unit* of Grid Corporation of Orissa Limited**

[Referred to in Paragraph 2B.4 (a)]

Sl. No	Particulars	1996-97	1997-98	1998-99 (Provisional)
1.	Total number of consumers	12,18,678	13,43,019	13,93,485
2.	Units sold (MU)	5,088	5,440	5,431
3.	Revenue realised <i>per unit</i> excluding subsidy (paise)	221.96	249.55	246.00
4.	Revenue expenditure <i>per unit</i> (paise)	282.80	315.36	334.80
5.	Loss <i>per unit</i> (paise)	60.84	65.81	88.80
6.	Subsidy received <i>per unit</i> (paise)	2.23	3.07	--
7.	Net loss <i>per unit</i> (paise)	58.61	62.74	88.80
8.	Total loss (Rupees in crore)	298.21	341.31	482.27

ANNEXURE-14 (C)**Statement showing interstate comparison of T&D losses of GRIDCO**

[Referred to in Paragraph 2B.4 (b)]

Name of SEB/ T&D Utility	1996-97	1997-98	1998-99
	T&D losses (in per cent)		
GRIDCO	49.47	47.31	48.90
Transco(Andhra Pradesh)	32.00	33.10	31.30
Rajasthan SEB	24.93	26.46	29.43
Uttar Pradesh SEB	24.58	25.57	26.86
Bihar SEB	25.26	25.41	28.30
Haryana SEB	31.70	33.37	33.81

ANNEXURE-15 (A)

Statement showing units sold and revenue realised by Grid Corporation of Orissa Limited

(Referred to in Paragraph 2B.5.1)

Particulars	1996-97		1997-98		1998-99 (Provisional)	
	Units (MU)	Amount (Rs. in lakh)	Units (MU)	Amount (Rs. in lakh)	Units (MU)	Amount (Rs. in lakh)
Interstate		1663.64 (1.45%)			-	-
Domestic	1353 (26.59%)	15408.39 (13.44%)	1558 (28.64%)	20599.45 (15.17%)	1713 (31.54%)	24662.86 (18.46%)
Commercial	310 (6.09%)	7668.27 (6.69%)	309 (5.68%)	10221.83 (7.53%)	347 (6.39%)	11094.54 (8.30%)
Industry (Small)	147 (2.90%)	2460.10 (2.15%)	148 (2.73%)	3183.89 (2.35%)	143 (2.64%)	3311.05 (2.48%)
Industry (Medium)	110 (2.16%)	2221.77 (1.94%)	102 (1.88%)	2683.95 (1.98%)	102 (1.88%)	2823.54 (2.11%)
Industry (Large)	1005 (19.75%)	30330.62 (26.47%)	1087 (19.98%)	34773.02 (25.62%)	1052 (19.37%)	33609.89 (25.16%)
Industry (Heavy)	684 (13.44%)	23616.78 (20.61%)	734 (13.49%)	26591.82 (19.59%)	646 (11.90%)	20086.05 (15.04%)
Power intensive	703 (13.82%)	15204.45 (13.27%)	729 (13.36%)	16525.34 (12.17%)	578 (10.64%)	17230.00 (12.90%)
Public lighting	28 (0.55%)	470.23 (0.41%)	30 (0.56%)	617.59 (0.45%)	36 (0.66%)	815.21 (0.61%)
Traction	184 (3.62%)	5635.99 (4.92%)	168 (3.09%)	6278.14 (4.63%)	166 (3.06%)	6218.36 (4.65%)
Irrigation and Agriculture	159 (3.13%)	1127.95 (0.98%)	194 (3.57%)	1647.80 (1.21%)	258 (4.75%)	2359.50 (1.77%)
Public water works	102 (2.00%)	1857.87 (1.62%)	94 (1.73%)	2676.26 (1.97%)	97 (1.78%)	2969.66 (2.22%)
Bulk supply	169 (3.32%)	6.26 (0.01%)	211 (3.88%)	30.56 (0.02%)	28 (0.52%)	542.15 (0.41%)
Bulk to others	87 (1.71%)	5978.80 (5.22%)	21 (0.39%)	8895.18 (6.55%)	204 (3.75%)	6430.76 (4.81%)
P.I.	47 (0.92)	943.74 (0.82%)	55 (1.02%)	1030.49 (0.76%)	61 (1.12%)	1436.55 (1.08%)
Total	5088	114594.86	5440	135755.32	5431	133590.12

ANNEXURE-15 (B)**Statement showing contribution of consumers {Surplus (+) and Deficit (-)}
relating to Grid Corporation of Orissa Limited**

(Referred to in Paragraph 2B.5.1)

(Rupees in crore)

Sl. No.	Particulars	1996-97	1997-98	1998-99
1.	Domestic	(-)228.55	(-)285.34	(-)326.95
2.	Commercial	(-)10.99	(+)4.77	(-)5.33
3.	Industries (Small)	(-)16.97	(-)14.53	(-)14.81
4.	Industries (Medium)	(-)8.89	(-)5.33	(-)5.69
5.	Industries (Large)	(+)19.11	(+)4.93	(-)16.22
6.	Industries (Heavy)	(+)42.74	(+)29.45	(-)15.52
7.	Power Intensive	(-)46.76	(-)64.02	(-)21.25
8.	Public lighting	(-)3.22	(-)3.28	(-)3.93
9.	Traction	(-)4.32	(-)9.80	(+)6.61
10.	Irrigation	(-)33.69	(-)44.70	(-)62.81
11.	Public works	(-)10.37	(-)2.88	(-)2.82
12.	Bulk supply	(-)47.73	(-)66.23	(-)3.95
13.	Bulk to others	(+)35.19	(+)82.33	(-)3.95
14.	P.I.	(-)3.85	(-)7.04	(-)5.86
	Net	(-)318.30	(-)381.67	(-)482.48

ANNEXURE-16

Statement showing periodical checking of connections of Grid Corporation of Orissa Limited.

(Referred to in Paragraph 2B.9.1)

	1996-97	1997-98	1998-99
Total connections (number)	12,18,678	13,43,019	13,93,485
Total connections checked (number)	1542	1062	1111
Percentage	0.13	0.08	0.08
Number of hooking cases detected and cases lodged	755	1665	904
Number of cases cleared	96	469	147
Fines collected	Rs.3000 (23 cases)	Rs.70850 (46 cases)	Rs.10450 (147 cases)
Annual salaries of vigilance wing (Rupees in lakh)	33.54	44.34	40.45

ANNEXURE-17**Statement showing position of non-disconnection of supply of defaulting consumers of Grid Corporation of Orissa limited as on 31 March 2000**

(Referred to in Paragraph 2B.10.2)

Period	Domestic		Kutir Jyoti		Commercial		Small Industries		Medium Industries		Private Lift Irrigation Points	
	No. of cases	Dues (Rs. in lakh)	No. of cases	Dues (Rs. in lakh)	No. of cases	Dues (Rs. in lakh)	No. of cases	Dues (Rs. in lakh)	No. of cases	Dues (Rs. in lakh)	No. of cases	Dues (Rs. in lakh)
Less than 4 months	-	-	-	-	-	-	2	0.11	3	2.58	29	0.88
>4 months < 6 months	-	-	-	-	2	0.23	9	0.81	4	2.43	109	2.49
>6 months < 1 year	350	126.23	3255	54.31	124	117.17	25	6.85	1	4.56	57	3.70
>1 year < 3 years	-	-	13663	236.15	4	1.24	188	84.48	1	0.18	123	12.76
3 years and above	-	-	3586	74.35	3	3.06	371	62.74	11	11.96	46	5.36
Category-wise total	350	126.23	20504	364.81	133	121.70	595	154.99	20	21.71	364	25.19
Grand total	Cases		21966									
	Amount (Rs. in lakh)		814.63									

ANNEXURE-18

Statement showing amount receivable from distribution companies of GRIDCO

(Referred to in Paragraph 2B.11)

Name of the Unit	Energy sold (MU)	Billed amount			Total	Payments received up to March 2000	Out-standing	Percentage of collection to total outstanding
		Opening Balance up to February 2000	Amount of current bill for March 2000	DPS				
		(Rupees in crore)						
CESCO	3540.070	253.65	39.39	30.04	323.08	22.33	300.75	6.91
NESCO	1965.263	183.04	24.88	2.71	210.63	12.25	198.38	5.82
WESCO	2689.629	120.90	29.27	1.51	151.68	23.45	128.23	15.46
SOUTHCO	1433.398	115.69	16.61	1.74	134.04	10.00	124.04	7.46
Total							751.40	

ANNEXURE -19(A)**Statement showing the budgeted / actual income vis a vis budgeted / actual expenditure relating to Orissa State Road Transport Corporation**

(Referred to in Paragraph 3A.4)

(Rupees in lakh)

Years	Budgeted Income	Actual Income	Shortfall(-) /Excess (+)	Budgeted Expenditure	Actual Expenditure	Savings (-) /Excess (+)
1995-96	3591.43	3427.38	(-)164.05	4646.88	4750.14	103.26
1996-97	2962.75	2660.79	(-)301.96	4307.99	4291.03	(-)16.96
1997-98	2614.30	2246.86	(-)367.44	3990.68	4192.68	202.00
1998-99	2308.20	2308.10	(-)0.10	3893.35	3925.85	32.50
1999-2000	2110.70	2533.13	(+)422.43	4144.70	4140.55	(-)4.15

ANNEXURE-19 (B)**Statement showing Financial Position of OSRTC**

(Referred to in Paragraph 3A.6)

(Rupees in crore)

	1995-96	1996-97	1997-98	1998-99	1999-2000
	(PROVISIONAL)				
(A) Liabilities					
1. Capital	115.88	122.83	125.83	129.43	134.98
2. Reserves and surplus (excluding depreciation reserve)	1.60	1.76	2.00	2.00	1.82
3. Borrowings	34.53	39.59	51.04	57.42	61.82
4. Trade dues and Current liabilities	87.02	97.08	107.53	116.66	129.91
Total (A)	239.03	261.26	286.40	305.51	328.53
(B) Assets					
1. Gross Block	90.73	94.32	99.19	97.08	99.49
2. Less depreciation	35.55	39.11	43.85	44.02	46.40
3. Net fixed assets	55.18	55.21	55.34	53.06	53.09
4. Current assets, Loans and Advances	11.61	14.10	16.41	18.12	22.34
5. Accumulated loss	172.24	191.95	214.65	234.33	253.10
Total (B)	239.03	261.26	286.40	305.51	328.53

ANNEXURE-19 (C)

Statement showing Working Results of OSRTC

(Referred to in Paragraph 3A.6)

(Rupees in Crore)

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
	(PROVISIONAL)				
Operating Income	31.80	24.52	19.83	20.61	22.17
Non-operating Income*	2.47	2.09	2.64	2.47	3.16
1.Total Revenue	34.27	26.61	22.47	23.08	25.33
2. Expenditure					
(a) Other than interest**	42.86	37.43	35.21	31.24	33.21
(b) Interest***	4.64	5.48	6.72	8.02	8.20
Total Expenditure	47.50	42.91	41.93	39.26	41.41
3. Profit(+)/ Loss (-)	(-)13.23	(-)16.30	(-)19.46	(-)16.18	(-)16.08
4. Total Return on Capital employed (3-2(b))	(-)8.59	(-)10.82	(-)12.74	(-)8.16	(-)7.88

* This includes advertising, rent, sale of property, sale of obsolete and unserviceable stores , penalty etc.

** This includes traffic, repairs and maintenance , power, licence & taxes, welfare and superannuation, General administration expenses and depreciation.

*** This includes interest on capital contribution , accident reserve fund, loss on fixed assets etc.

ANNEXURE-20**Statement showing Operational performance of OSRTC**

(Referred to Paragraph 3A.9.2)

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000
Average number of vehicles held	836	799	754	748	621
Average number of vehicles on road	493	395	324	305	277
Percentage of utilisation	59	49	43	41	45
Number of employees	6221	5906	5527	4922	4455
Staff vehicle ratio	12.61	14.95	17.06	16.14	16.08
Kilometer covered (in lakh)					
(a) Gross	510.71	400.42	313.34	293.57	289.88
(b) Effective	496.63	392.80	307.60	287.88	284.43
(c) Dead	14.08	7.62	5.74	5.69	5.45
Percentage of dead kilometres to effective kilometres	2.84	1.94	1.87	1.98	1.92
Average kilometres covered on road per vehicle per day	276	272	260	258	285
Average expenditure per kilometre (Rupees)	9.36	10.14	11.44	13.52	13.48
Average revenue per kilometre (Rupees)	7.23	6.70	6.91	8.02	8.27
Loss per kilometre (Rupees)	2.13	3.44	4.53	5.50	5.21
Average number of break-downs per 10,000 kilometres	0.77	0.82	0.88	0.71	0.61
Average number of accidents per lakh kilometres	0.18	0.20	0.13	0.16	0.16
Passenger kilometres scheduled (in lakh)	24831.50	19641.00	15380.00	14393.50	14221.50
Passenger kilometres operated (in lakh)	17382.05	12776.00	9535.60	9355.78	9528.40
Occupancy ratio (per cent)	70	65	62	65	67

ANNEXURE-21

Statement showing dead km to effective km in respect of OSRTC

(Referred to in Paragraph 3A.9.2.4)

Sl. No.	Units	1995-96	1996-97	1997-98	1998-99	1999-00
1.	Bargarh	4259 (0.24)	2332 (0.14)	1170 (0.08)	1998 (0.13)	3271 (0.23)
2.	Sambalpur	16301 (0.71)	29127 (1.28)	20772 (1.02)	17350 (0.91)	11830 (0.96)
3.	Rourkela	75220 (2.32)	42089 (1.62)	30307 (1.44)	34689 (1.52)	19902 (0.99)
4.	Jeypore	73428 (1.74)	81909 (3.14)	48876 (3.01)	43944 (2.15)	68716 (5.33)
5.	Cuttack	80316 (2.55)	57002 (2.19)	55020 (2.63)	56194 (3.34)	8110 (1.96)
6.	Total	249524	212459	156145	154175	111829
7.	PKI (average) (Rupees)	7.23	6.70	6.91	8.02	8.27
8.	Loss of revenue (Rupees in lakh)	18.04	14.24	10.79	12.37	9.24

Total Dead kms. - 8,84,132

Total loss of revenue – Rs.64.68 lakh

Figures in bracket represent percentage of dead km. to effective km.

ANNEXURE -22

Statement showing Analysis of Routes of OSRTC

(Referred to in Paragraph 3A.9.3)

Payload range	1995-96	1996-97	1997-98	1998-99
A(90% and above)	10	6	4	2
B(80-89%)	29	3	-	1
C(70-79%)	58	24	12	23
D(60-69%)	88	53	39	56
E(50-59%)	78	88	80	59
F(40-49%)	49	63	61	47
Total	312	237	196	188
Percentage of F to total routes	15.70	26.58	31.12	25

ANNEXURE-23**Statement showing details of trips cancelled by OSRTC**

(Referred to in Paragraph 3A.9.4)

YEAR	Scheduled Routes	Scheduled Service	Suspension of Routes		Total Kilometres lost (in lakh kms.)	Per Kilometre income (Rupees)	Total Loss (Rupees in crore)
			Fully	Partly			
1995-96	312	378	64573	10421	191.15	7.23	13.82
1996-97	237	279	51295	7804	179.86	6.70	12.05
1997-98	196	223	48356	7789	160.89	6.91	11.12
1998-99	188	221	38164	5724	150.32	8.02	12.06
1999-2000	Under compilation	Under compilation	21179	3066	81.53	8.27	6.74
Total:-			223567	34804	763.75		55.79

ANNEXURE-24

Statement showing excess consumption of HSD oil in OSRTC

(Referred in Paragraph 3A. 9.5)

(Amount: Rupees in lakh)

Sl.No.	Units	1995-96		1996-97		1997-98		1998-99		1999-2000		Total		Variation of actual Kilometre per litre
		Litres	Amount	Litres	Amount	Litres	Amount	Litres	Amount	Litres	Amount	Quantity (Lakh litres)	Amount	
1.	Bargarh	29078	2.24	25634	2.28	28124	3.19	23939	2.62	39224	4.51	1.46	14.84	3.75 to 4.38
2.	Sambalpur	20748	1.60	46450	4.13	35507	4.02	12035	1.32	24937	2.87	1.40	13.94	4.05 to 4.38
3.	Rourkela	36448	2.78	20573	1.80	4717	0.53	23949	2.59	45948	5.21	1.32	12.91	4.10 to 4.45
4.	Jeypore	290741	25.06	124271	11.31	70,928	6.57	82033	9.09	59331	9.28	6.27	61.31	3.25 to 4.01
5.	Cuttack-I	101790	7.89	68478	6.07	64586	5.86	42862	4.29	15821	1.79	2.93	25.90	3.69 to 4.28
	Total											13.38	128.90	

ANNEXURE-25**A. Statement showing Sources and Uses of Funds of OSFC**

(Referred to in Paragraph 3B.4)

(Rupees in lakh)

No.	Sources	1995-96	1996-97	1997-98	1998-99	1999-2000 (Provisional)
1.	Opening Cash and bank balances	972.40	3172.36	2778.98	3910.98	3504.34
2.	Increase in paid up capital	--	--	--	--	--
3.	Borrowing from					
	i.(a)IDBI	--	--	472.63	--	--
	i.(b)SIDBI	1399.56	1799.03	4693.07	3016.37	4069.17
	ii) RBI	510.00	561.00	620.00	650.00	650.00
	iii) IRBI	--	--	--	--	--
	iv) IDBI (Seed loan)	--	--	--	--	--
	v) State Govt. Interest Free loan	--	--	--	--	--
	vi) State Govt. Interest bearing loan	450.00	450.00	400.00	--	300.00
	vii) Other Short-Term Borrowings	--	1250.00	700.00	700.00	100.00
4.	Bonds	4105.00	4000.00	4272.75	3290.00	--
5.	Deposits	--	7.00	238.46	96.16	42.36
6.	Subsidy and other incentives received					
	i) SIS	897.24	515.50	320.00	225.00	75.00
	ii) CIS	--	--	--	--	--
	iii) Seed Loan (State Govt.)	--	2.23	--	--	--
	iv) Margin Money assistance for sick units	--	13.24	--	--	--
7.	Repayment by borrowers					
	i) Principal	3260.00	5866.64	6561.58	6176.15	5760.12
	ii) Interest	4414.72	5357.37	5438.65	4835.40	4333.28
	iii) Seed Loan- Principal	--	6.34	3.78	--	--
	Interest	0.76	7.40	2.41	0.26	--
	iv) Other Income	179.00	272.32	254.79	154.49	--
8.	Subvention from State Govt.	50.00	50.00	200.00	--	100.00
9.	Other receipts	279.96	878.60	583.73	574.54	219.18
	Total	16518.64	24209.03	27541.83	23629.35	19153.45
	Uses					
1.	Disbursement					
	i) Term Loan	5370.28	6279.08	4661.56	4064.69	5465.16
	ii) Soft Loan	3.02	--	--	6.49	--
	iii) Seed Loan (State Govt.)	--	--	--	--	--
	iv) Seed Capital (IDBI)	--	--	--	--	--
	v) SIS	303.00	912.77	574.28	217.83	60.61
	vi) CIS	--	--	--	--	--
	vii) Loan in lieu of subsidy	18.79	--	9.00	13.89	20.48
	viii) N.E.F	--	94.88	152.35	114.28	161.89
	ix) Factoring Service	--	2860.40	3887.00	3623.50	2325.22
	x) Hire Purchase Loan	--	320.51	699.59	449.94	169.06
	xi) Cyclone rehabilitation assistance	--	--	--	--	154.78
2.	Repayment of loan to-					
	i (a) IDBI	--	--	657.00	108.75	--
	ii (b) SIDBI	--	1952.42	2380.88	2797.97	1316.70
	ii) IRBI	--	5.63	--	--	--
	iii) RBI	460.00	510.00	1181.00	--	--
	iv) Seed Loan (State Govt.)	3.18	--	17.59	--	--
	v) Seed Loan (IDBI)	3.40	0.16	--	--	--
	vi) Other Short-Term Borrowing	--	1050.00	900.00	--	500.00
3.	Repayment of Bonds	967.50	1067.50	797.50	1265.00	1155.00
4.	i) Interest dividend and other charges paid	4651.22	4576.64	5890.20	5399.12	3549.19
	ii) Interest tax	105.00	142.63	100.88	105.00	90.00
	iii) Administrative expenses	655.55	947.36	1062.55	1271.22	1365.97
	iv) Others	804.94	710.07	659.58	687.33	730.96
5.	Closing Cash balance	3172.76	2778.98	3910.88	3504.34	2088.43
	Total	16518.64	24209.03	27541.83	23629.35	19153.45

B. Statement showing Sources and Uses of Funds of IPICOL

(Referred to in Paragraph 3B.4)
(Rupees in lakh)

Sl. No.	Particulars	1995-96	1996-97	1997-98	1998-99
	(A) Sources:				
i)	Share Capital from Govt.	--	--	--	100.00
ii)	Loan from Govt.	280.40	500.00	50.00	720.00
iii)	Refinance from-				
	a) IDBI	300.53	117.09	228.98	1.26
	b) SIDBI	50.00	66.25	405.87	1075.42
iv)	Repayment from loanees	382.28	602.00	1069.00	1045.00
	Total	1013.21	1285.34	1753.85	2941.68
	(B) Uses:				
i)	Disbursement of loans	750.70	869.91	1703.94	1800.00
ii)	Repayment against Govt. loan	41.69	65.07	106.75	110.92
iii)	Repayment against refinance-				
	a) IDBI	--	0.72	339.60	391.71
	b) SIDBI	99.78	93.81	91.23	145.22
iv)	Participation in equity etc.	141.86	404.00	116.50	100.00
v)	Total	1034.03	1433.51	2358.02	2547.85
vi)	Excess (+)/Shortage (-) (B-A) (Met out of other earnings)	(-) 20.82	(-) 148.17	(-) 604.17	(+) 393.83
	Total	1013.21	1285.34	1753.85	2941.68

ANNEXURE-26**A. Targets and Achievements(OSFC)**

(Referred to in Paragraph 3B.6.2)

(Rupees in lakh)

Year	Sanction			Disbursement			Recovery						
	Target	Achievement	Percentage	Target	Achievement	Percentage	Overdue (excluding reschedulement)	Target	Achievement	Percentage of target to overdue	Percentage of achievement to overdue	Percentage of achievement to target	Percentage of achievement to overdue excluding deferred loans & OTS dues.*
1995-96	8500	8440.09	99.3	8000	5452.09	68.1	45667.15	7500	7677.16	16.4	16.8	102	13.25 (1628.02)
1996-97	12000	11581.30	96.5	10100	9570.96	94.8	53296.42	10500	11242.43	19.7	21.1	107	18.30 (1490.95)
1997-98	14000	11380.56	81.3	12000	9409.49	78.4	58084.92	12000	12006.42	20.7	20.7	100	17.49 (1849.48)
1998-99	15000	10532.58	70.2	14000	8272.79	59.1	66266.62	13000	11011.83	19.6	16.6	84.7	11.95 (3090.09)
1999-2000 (Provisional)	15000	12614.00	84.1	14000	8278.00	59.1	59198.00	13500	10093.00	22.8	17.0	74.8	15.57 (875.53)

B. Recovery against Current/Arrear dues (OSFC)**(Rupees in lakh)**

Year	Current dues			Arrear dues		
	Demand	Recovery	Percentage	Demand (Excluding reschedulement)	Recovery	Percentage
1995-96	12312	3318	26.9	33355	4359	13.1
1996-97	15783	7138	45.2	37512	4104	10.9
1997-98	17761	7817	44.0	40322	4189	10.4
1998-99	20686	7392	35.7	45577	3620	7.9
1999-2000 (Provisional)	16240	5965	36.7	53051	4128	7.8

* Figures in the bracket indicate the amount of deferred loans and OTS dues.

ANNEXURE-27

Statement showing Default and Recovery position of OSFC

(Referred to in Paragraph 3B 6.3)

(Rupees in lakh)

Particulars	1995-96	1996-97	1997-98	1998-99	1999-2000 (Provisional)
1.Outstanding at the beginning of the year	(P) 40693.83	42884.24	46578.02	49422.15	51518.77
2.Disbursement during the year	(P) 5452.09	9570.96	9409.49	8272.79	8278.00
3.Total	(P) 46145.92	52455.20	55987.51	57694.94	59796.77
4.Realisation	(P) 3261.68	5877.18	6565.36	6176.17	5960.00
5.Outstanding at the end of the year	(P) 42884.24	46578.02	49422.15	51518.77	53836.77
6.Arrears at the beginning of the year	(P) 16864.98 (I) 17916.87 (T) 34781.85	16893.31 21096.68 37989.99	18036.93 24016.73 42053.66	18890.89 27187.61 46078.50	22922.00 32329.00 55251.00
7.Amount fallen due for recovery during the year (demand)	(P) 4372.50 (I) 7939.36 (T) 12311.86	7378.51 8405.64 15784.15	8555.18 9206.39 17761.57	10600.76 10086.88 20687.64	7650.00 8590.00 16240.00
8.Total realisable demand	(P) 21237.48 (I) 25856.23 (T) 47093.71	24271.82 29502.32 53774.14	26592.11 33223.12 59815.23	29491.65 37274.49 66766.14	30572.00 40919.00 71491.00
9.Amount realised	(P) 3261.68 (I) 4415.48 (T) 7677.16	5877.18 5365.58 11242.76	6565.36 5441.06 12006.42	6176.17 4835.66 11011.83	5960.00 4133.00 10093.00
10.Amount Rescheduled	(P) 1082.49 (I) 344.07 (T) 1426.56	357.71 120.01 477.72	1135.86 594.45 1730.31	391.78 107.74 499.52	1350.00 850.00 2200.00
11.Over due at the end of the year	(P) 16893.31 (I) 21096.68 (T) 37989.99	18036.93 24016.73 42053.66	18890.89 27187.61 46078.50	22923.70 32331.09 55254.79	23262.00 35936.00 59198.00
12.percentage of overdue to outstanding (Principal only)	39.39	38.72	38.22	44.49	43.21
13.Percentage of recovery against total demand (excluding re-schedulement)	16.81	21.09	20.67	16.62	14.57
14.Percentage of principal recovery to principal demand (excluding re-schedulement)	16.18	24.58	25.79	21.22	20.40
15.Percentage of interest recovery to interest demand (excluding re-schedulement)	17.31	18.26	16.67	13.01	10.31
16. Percentage of re-schedulement to demand during the year (Sl.No.-7)	11.58	3.03	9.74	2.41	13.55

P = Principal, I = Interest and T= Total

ANNEXURE-28**Statement showing Case-wise analysis of lapses in disbursement of loans by OSFC**

(Referred to in Paragraph 3B.6.6)

(Amount Rupees in lakh)

Sl. No.	Name of the Unit	Amount disbursed		Period of repayment	Amount recovered	Amount outstanding as on March 2000			Remarks
		Period	Amount			Principal	Interest	Total	
1.	Koshal Lime and Chemicals (P) Limited, Bolangir	December 1989 to November 1991 to December 1993	5.12 27.20	August 1994 to August 1999	0.87 (towards interest out of disbursement of SIS)	32.32	72.86	105.18	Disbursements were made without compliance of basic requirements i.e. sanction of working capital loan by banks, electricity connection, sources of raw material etc. Thus, the Unit remained incomplete and was ultimately abandoned. Mortgaged assets worth only Rs.21.15 lakh was available after seizure. Thus, the Corporation sustained a loss of Rs.84.03 lakh.
2.	Mayur Food Products (P) Limited, Balasore	January 1986 to December 1992	16.31	February 1991 to August 1996	5.51 towards interest (out of disbursement of Central Investment Subsidy)	16.31	39.10	55.41	The Corporation disbursed loan without compliance of the basic requirements viz. electricity connection, working capital sanction etc. for which the project could not be implemented and the Corporation could not realise its dues. In July 1995, after four years of default, Corporation seized the Unit but was unable to sell it (September 2000) for want of buyers. Mortgaged assets were valued at Rs.12.14 lakh. Thus, Corporation is likely to sustain a loss of Rs.43.27 lakh. The Management stated (October 2000) that it had been making all out efforts to sell the assets.
3.	Green Waves (P) Limited, Cuttack	October 1995 to August 1996	56.09	April 1997 to April 2003	8.03 (towards interest out of State Investment Subsidy)	56.09	41.61	97.70	Despite having knowledge of unviability of the project in the absence of Export License since 1993 (informed by IPICOL), the Corporation disbursed the loan (October 1995). The project could not be completed and the recovery is doubtful.
4.	Badajena Spinning Ancillary (P) Limited, Bhubaneswar	October 1989 to October 1993	29.87	March 1993 to November 1999	2.30 (out of SIS & disbursement of Loan)	29.87	18.05	47.92	The Corporation disbursed the loan over a period of four years for which the implementation was delayed and when the project started (December 1994) producing ring frame tubes, it was already obsolete. Thus, the project remained idle. The Corporation issued (September 1997) recall notice but failed to take follow up action for two years. Again in September 1999, it issued revalidation recall notice which could not be served as the loanee was untraceable. No action for realisation of dues had been taken so far (December 1999). The existence of the unit is doubtful and the chance of recovery of Rs.47.92 lakh is remote.
5.	PAT & CO (P) Limited, Balasore	April 1986 to July 1990	32.00	September 1992 to March 1995	3.50	32.00	30.17	62.17	The Corporation seized (March 1994) the Unit due to non-payment of dues and released (May 1995) the unit as per Court's direction on receipt of only Rs.3.50 lakh against Rs.10 lakh to be realised as per said order. The Corporation again seized in February 1997 and released it in the same month to the same promoter on Zima on receipt of Rs.2 lakh when the dues were Rs.53.78 lakh. As the Unit did not pay the dues as per Zima agreement, the Zimanama was revoked (January 1999) and order for takeover of assets from Head Office was sought which was yet to be considered (September 2000). Thus, due to belated action and release of unit to the same defaulter loanee time and again and delay in the Head Office in approving seizure order, the

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									chances of recovery of Rs.62.17 lakh became remote. The Management stated (October 2000) that it had taken a lenient view for release of the Unit to avoid litigation and low prospects of disposability due to general sickness of such units.
6.	Kedia Oil Mill (P) Limited, Rayagada	May 1985 to March 1986	6.04	May 1986 to November 1994	0.41	6.04	19.12	25.16	The Unit was transferred (March 1989) at Rs.6.19 lakh due to default by original loanee. As against agreed down payment of Rs.1 lakh, the transferee deposited only Rs.15,000 and defaulted in payment of dues. The Corporation was unable to take recovery action as the Unit had ceased to exist in the mean time. Thus, the Corporation allowed mutual transfer instead of taking action under Section 29 when the Unit was existing. By doing so the Corporation was put to loss of Rs.25.16 lakh. The Management stated (October 2000) that the transferor and the transferee connived among themselves and removed the machineries to an unknown place for which a criminal case had been filed against the loanee.
7.	Develop Rubber Engineering Works (P) Limited,	January 1988 to September 1990	30.93	January 1991 to May 1998	5.13 Out of disbursement of SIS and loans	30.93	83.19	114.12	The Unit was facing internal problems between promoters and stopped production for two years (September 1992 to October 1994) and became defaulters. Proposal (September 1992) for seizure of the Unit of the Branch was not considered till March 1999. Meanwhile, in March 1995 the Corporation received a revival proposal, which was turned down (September 1997) after more than two years. The Unit was seized (March 1999) but remained unsold due to want of buyers. Mortgaged assets valued at only Rs.40.87 lakh was available. Thus, due to indecisiveness and belated action, the Corporation sustained a loss of Rs.73.25 lakh. Management stated (October 2000) that as no buyers for purchase of a composite unit were available the Corporation decided (March 2000) to sell the land and building at Rs.14.50 lakh and was trying to sell the plant and machinery separately.
8.	Nirmala Alloy Steel (P) Limited, Rayagada	February 1979 to July 1984	19.36	February 1981 to July 1994	Nil	19.36	72.65	92.01	The Unit was set up to manufacture steel ingots using stainless steel scrap as electrodes with loan assistance of Rs.19.36 lakh from OSFC and working capital assistance from SBI. The Unit had gone into production in 1984 and was identified as a sick unit in October 1986 for want of working capital as SBI filed a case for recovering its dues of Rs.5.10 lakh. After 42 months, OSFC concluded (March 1990) that the Unit can not be revived under the same Management, though the promoter is technically competent but commercially incompetent and dropped the Unit from the list of sick units. After a lapse of six more years, the Managing Director observed that the promoter is technically very sound and the Unit could be revived by sanction of working capital loan of Rs.2.30 lakh/Rs.3 lakh. However, the proposal was not further progressed. Thus, indecisiveness of the Corporation for about 10 years in either taking revival package or follow up action for recovery of dues led to accumulation of dues from the loanee to the extent of Rs.92.01 lakh and blockage of funds. Chances of recovery are remote.
9.	PRIMA Pipes (P) Limited, Rourkela	March 1985 to June 1987	20.12	March 1987 to July 1994	Nil	20.08	31.89	51.97	The Corporation seized (November 1995) the Unit for non payment of dues and released (January 1996) it on receipt of only Rs.3.50 lakh when outstanding dues were Rs.43.56 lakh. The Corporation considered it as Non Performing Asset and decided (October 1997) to settle under OTS . Settlement of loan was not done due to low offer. The Corporation is unable to find out an exit route even after a period of 23 months of OTS proposal for realisation of its dues. The Management stated (September 2000) that it was now contemplating seizure under Section 29 of SFC Act.

10.	FECON (P) Limited, Cuttack	February 1990 to December 1991	16.88	February 1991 to August 1995	1.00	16.88	48.65	65.53	The Corporation seized (December 1997) but was unable to sell (December 1999) due to want of buyers. Mortgaged assets worth only Rs.15 lakh was available. Thus, Corporation is likely to sustain loss of Rs.50.53 lakh. The Management stated (September 2000) that they were trying to locate buyers.
11.	Surya Surgical (P) Limited, Bhubaneswar	August 1982 to July 1983 December 1993 to July 1994 December 1993 (Funded Interest)	31.20 9.50 39.07	August 1983 to August 1987	8.59 (out of SIS and disbursement of loans)	79.78	61.17	140.95	The Corporation seized the unit twice due to non-receipt of dues once in August 1990 and again in March 1991 and released it in September 1990 and October 1992 respectively without realising any dues by funding the over dues, Corporation further disbursed (December 1993) additional loan of Rs.9.50 lakh. Again in January 1996, the Corporation recalled the loan liabilities and decided to seize the unit but has not yet (January 2000) done so. The assets valued at only Rs.31.55 lakh are available. Thus, lack of timely recovery action and disbursement of loan to a defaulter loanee resulted in non-recovery of Rs.109.40 lakh.
12.	Oriprint (P) Limited, Bhubaneswar	October 1986 to September 1990	48.61	December 1990 to June 1998	Nil	48.61	61.22	110.03	The Unit started production in January 1991 but was not regular in payment of dues. The Unit represented (February 1996) for rephasing of loans and sanction of additional term loan which was turned down (January 1997) after one year. Further, seizure order sought (February 1997) by the Branch was not approved by Head Office. Mortgaged assets worth Rs.89.40 lakh was only available. Thus, failure of the Corporation to act decisively and take action under Section-29 of SFCs Act for seizure of the Unit resulted in likely loss of Rs.1.10 crore. The Management stated (October 2000) that the Unit had been seized (February 2000) and it was released under <i>Zima</i> on receipt of Rs.1 lakh. As per <i>Zima</i> agreement the Unit was to pay Rs.15 lakh by March 2000 failing which it would be repossessed. The reply of Management is not tenable as the Corporation had not repossessed the Unit till date (October 2000), the loanee had not paid the agreed amount.
13.	Konark Tannery (P) Limited, Balasore	December 1986 to June 1988	41.04	September 1991 to March 1998	4.44 Principal and Interest Rs.0.20 and Rs.4.24 out of disbursement of SIS	40.84	103.10	143.94	The Unit was incomplete and failed to repay the loan dues. Hence the Corporation seized (January 1997) the Unit but could not dispose of it due to want of buyer. Mortgaged assets valued at Rs.39.71 lakh was available. Thus the Corporation sustained loss of Rs.104.23 lakh due to inadequate monitoring of implementation of the project and belated seizure action. The Management stated (October 2000) that it would dispose of the assets shortly and apply Section-31 of SFCs Act for the shortfall.
14.	Hi-Tech Polymer (P) Limited, Balasore	October 1989	20.51	April 1992 to April 2000	1.19	39.57	139.33	178.90	A seized unit (Dewan Rubber (P) Limited a joint Finance Unit) was transferred (October 1989) at Rs.75 lakh against the total dues of Rs.126.09 lakh to Hi-Tech Polymer (P) Limited. OSFC share was Rs.20.51 lakh out of Rs.75 lakh. Down payment of only Rs.0.94 lakh was received against Rs.2.04 lakh. The Corporation again disbursed (August 1992) Rs.20 lakh to the transferee after receipt of Rs.0.25 lakh against overdues of Rs.8.68 lakh as on August 1992. Demand notice was not served till May 1994 and the promoter closed the Unit in June 1994 as it was sustaining continuous losses. The Corporation seized (December 1995) the Unit but unable to sell due to want of buyers. Thus, the disbursement of additional loan to the loss making unit and inadequate follow up action led to doubtful recovery of Rs.1.79 crore. The Management stated (September 2000) that the Corporation was trying to dispose of the Unit through negotiation since no offer was received by the Disposal Advisory Committee.

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15.	Parvati Powerloom Weavers Co-operative Society, Jagatsinghpur	January 1985 to April 1990	56.59	May 1992 to November 1996 (revised)	35.53 (out of SIS and disbursement of loans)	56.59	169.24	225.83	Though the Unit was a defaulter since beginning, the Corporation decided in August 1996 to seize the Unit which was not carried out by the branch till January 1998. The Branch issued recall notice on 22 January 1998 which could not be served as the Unit was closed. Branch sought (January 1999) Head Office permission to provide the help of police and the Magistrate to take over the Unit which was deferred <i>sine die</i> on the ground that the Corporation may entail overheads after seizure. No action has yet been taken (September 2000). Thus, recovery of Rs.2.26 crore remained doubtful. The Management stated (September 2000) that a letter was issued on 7 February 2000 to the promoter to meet the Executive Director of OSFC but the promoter failed to come. The reply is indicative of the fact of poor recovery action of the Corporation.
	Total					525.47	991.35	1516.82	

ANNEXURE-29**A. Statement showing targets and achievements of loans disbursed by IPICOL**

(Referred to in Paragraph 3B.7.2)

(Rupees in lakh)

Year	Sanction			Disbursement			Recovery						
	Target	Achievement	Percentage	Target	Achievement	Percentage	Overdue (excluding reschedulement)	Target	Achievement	Percentage of target to overdue	Percentage of achievement to over due	Percentage of achievement to target	Percentage of achievement to overdue excluding deferred loans.**
1995-96	N.A.	1075	N.A.	1070	842	78.7	8623	1200	1057	13.9	12.3	88.1	-
1996-97	2000	2079	104	1900	856	45	9119	1450	1617	15.9	17.7	111.5	14.8 (267.39)
1997-98	2616	2786	106	2000	1766	88.3	9993	1900	1864	19.0	18.7	98.1	16.4 (225.15)
1998-99	2100	2000	95	2400	1640	68.3	10225	2100	1857	20.5	18.2	88.4	16.1 (210.77)

B. Statement showing recovery against Current/Arrear dues of IPICOL**(Rupees in lakh)**

Year	Current dues			Arrear dues		
	Demand	Recovery	Percentage	Demand (Excluding reschedulement)	Recovery	Percentage
1995-96	2727.80	743.65	27.3	5895.10	413.68	7.0
1996-97	2530.60	983.60	38.9	6588.42	628.41	9.5
1997-98	2873.90	1458.67	50.8	7119.34	448.30	6.3
1998-99	2609.30	1259.68	48.3	7615.20	577.60	7.6

** Figures in the bracket indicate the amount of deferred loans.

ANNEXURE-30

Statement showing Default and Recovery Position (IPICOL)

(Referred to in Paragraph 3B.7.3)

Particulars	1995-96		1996-97		1997-98		1998-99	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1. Outstanding at the beginning of the year	7221.43		7372.36		7441.21		7676.84	
2. Disbursement during the year	750.70		869.91		1703.94		1799.98	
3. Total	7972.13		8242.27		9145.15		9476.82	
4. (a) Realisation	382.28		559.37		1108.45		1047.40	
(b) Write off	217.49		241.69		359.86		76.98	
5. Outstanding at the end of the year	7372.36		7441.21		7676.84		8352.44	
6. Arrears at the beginning of the year	3018.27	4074.61	3089.24	4376.34	3093.57	4413.43	3381.05	4705.30
7. Amount fell due for recovery during the year	974.83	1752.98	1061.56	1469.03	1535.41	1338.52	1439.43	1169.89
8. Total realisable demand	3993.10	5827.59	4150.80	5845.37	4628.98	5751.95	4820.48	5875.19
9. Actual realisation:								
(a) Against arrears	65.85	347.83	224.36	404.05	63.57	384.73	247.01	330.59
(b) Against demand of the year	333.02	410.63	454.41	529.19	905.61	553.06	797.67	462.01
Total	398.87	758.46	678.77	933.24	969.18	937.79	1044.68	792.60
10. Amount rescheduled	504.99	692.79	378.46	498.70	278.75	108.91	112.85	358.30
11. Outstanding at the end of the year	3089.24	4376.34	3093.57	4413.43	3381.05	4705.25	3662.95	4724.29
12. Percentage of realisation to arrears (9(a) to 6)	2.18	8.54	7.26	9.23	2.05	8.72	7.31	7.03
13. Percentage of realisation to demand of the year (9(b) to 7)	34.16	23.42	42.81	36.02	58.98	41.32	55.42	39.49
14. Percentage of total realisation to demand (principal plus interest) (9 to 8)	11.78		16.13		18.37		17.18	

ANNEXURE-31**Statement showing the outstanding position and overdues against Short-Term loans as on March 2000 (IPICOL)**

(Referred to in Paragraph 3B.7.8)

(Rupees in lakh)

Sl. No.	Name of the Unit	Amount disbursed			Amount received		Amount overdue			Amount outstanding		
		Date	Amount	Due date of repayment	Date	Amount	Principal	Interest	Total	Principal	Interest	Total
1.	Suburban Ply & Panel (P) Limited, Khurda	15.7.99	60.00	14.1.2000	14.2.2000 (with penal interest)	60.00 6.88	--	--	--	--	--	--
2.	Alfa Transformers Limited, BBSR	5.7.99	30.00	4.1.2000	NIL	NIL	30.00	2.78	32.78	30.00	2.78	32.78
3.	T.K.International Limited, Puri	23.9.99	30.00	22.3.2000	NIL	NIL	--	--	--	30.00	1.12	31.12
4.	Magnum Polymer Limited, BBSR	21.9.99	15.00	19.3.2000	20.12.99	0.67	--	--	--	15.00	--	15.00
5.	Suburban Industries Limited, BBSR	6.9.99	60.00	5.3.2000	14.12.99 14.2.2000	15.31 2.69	--	--	--	44.69	--	44.69
6.	Soosri Plastics Ind. Limited, BBSR	6.9.99	60.00	5.3.2000	NIL	NIL	--	--	--	60.00	2.69	62.69
7.	Surya Surgical & Pharmaceuticals Limited, BBSR	19.11.99	12.00	15.5.1999	NIL	NIL	12.00	3.61	15.61	12.00	3.61	15.61
8.	Radiant Tele System Limited, BBSR	12.5.98	60.00	11.11.2000	7.10.98	2.82	60.00	23.23	83.23	60.00	23.23	83.23
9.	Nobel Pharma (P) Limited, BBSR	5.5.97	27.00	4.11.97 30.11.99 28.2.2000	8/97 to 11/99	17.69 (Principal Rs.1.63 lakh)	25.37	14.10	39.47	25.37	14.10	39.47
10.	Prachi Resorts Limited, BBSR	20.11.99	30.00	19.5.2000	NIL	NIL	--	--	--	30.00	1.36	31.36
11.	Nilagiri Sleeper Limited, Balasore	7.2.2000 16.2.2000	20.00 20.00	6.8.2000	NIL	NIL	--	--	--	40.00	--	40.00
12.	Taratarini Rubber Industries (P) Limited, Balasore	3.2.2000	60.00	2.8.2000	NIL	NIL	--	--	--	60.00	--	60.00
	Total		484.00			106.06	127.37	43.72	171.09	407.06	48.89	455.95

ANNEXURE-32

Statement showing the loss sustained by the Company on OTS (IPICOL)

(Referred to in Paragraph 3B.7.9)

(Rupees in lakh)

Sl. No.	Name of the Unit	Date of Settlement	Amount outstanding on the date of settlement			Settled amount	Amount Sacrificed	Payment received		Remarks
			Principal	Interest	Total			Date	Amount	
1.	Sartin Alloys Limited	10.2.95	54.25	37.37	91.62	68.52	23.10	23.3.95 to 5.10.96	68.52	No Demand Certificate issued
2.	Subham Cement Limited	27.3.99	143.42	156.57	299.99	143.42	156.57	15.3.99 to 11.5.99	25.00	The party defaulted
3.	Shakti Packs Limited	8.7.98	59.73	17.82	77.55	63.75	13.80	12.1.99 to 14.4.99	21.00	The party defaulted
4.	Galaxy Medicare Limited	13.9.96	43.94	38.79	82.73	54.14	28.59	29.3.96 to 13.6.97	58.38	Includes penal interest for delayed payment
5.	IPICASE	26.12.96	83.17	195.47	278.64	100.00	178.64	31.3.97 to 11.8.97	40.00	The Party defaulted
6.	Hotel Anarkali (P) Limited	8.7.98	4.11	2.09	6.20	5.50	0.70	NA	5.50	--
7.	Hotel Vijaya International (P) Limited	13.9.96	47.00	45.81	92.81	74.50	18.31	NA	74.50	--
8.	Panthanivas, Rourkela OTDC ^φ	28.4.97	13.35	2.73	16.08	12.93	3.15	NA	12.93	--
9.	Panthanivas, Bhubaneswar OTDC	29.3.96	22.40	4.22	26.62	17.82	8.80	NA	17.82	--
10.	Hotel Aristocrat (P) Limited	22.9.99	10.15	0.60	10.75	10.15	0.60	NA	10.15	--
11.	Utkal Ashok Hotel Corporation Limited (Hotel Nilachal Ashok)	26.12.96	90.00	122.05	212.05	191.21	20.84	NA	191.21	--
12.	Panthanivas, Puri OTDC	6.6.94	7.07	1.79	8.86	7.07	1.79	NA	7.07	--
13.	East Air (P) Limited	6.6.94	4.35	7.96	12.31	4.35	7.96	NA	1.00	Party defaulted and OTS failed
14.	Konark Cement and Asbestos Limited	30.6.96	59.80	25.17	84.97	59.80	25.17	NA	59.80	--
15.	KVR Steels Orissa Limited	21.1.94	46.41	19.55	65.96	48.00	17.96	NA	48.00	--
	Total		689.15	677.99	1367.14	861.16	505.98			

^φ OTDC – Orissa Tourism Development Corporation Limited