REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2001

COMMERCIAL

GOVERNMENT OF ORISSA

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Audit Report (Commercial) – Government of Orissa
2000-01

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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.

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. As per the State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Orissa State Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of 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 2000-01 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 2000-01 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2001 the State had 67 Public Sector Undertakings (PSUs) comprising of 64 Government companies and three Statutory corporations as against 72 PSUs comprising of 69 Government companies and three Statutory corporations in the last year. During the current year Registrar of Companies informed that five Government companies have been wound up. These companies were non-working Government companies. Out of 64 Government companies the number of non-working Government companies increased from 32 to 34 (after excluding 5 non-working Government companies which have been wound up). In addition, there were three companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2001.

The total investment in working PSUs increased from Rs.8,480.93 crore as on 31 March 2000 to Rs.9,617.17 crore as on 31 March 2001. The total investment in non-working PSUs also increased from Rs.62.69 crore to Rs.140.24 crore during the same period.

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.268.75 crore in 1999-2000 to Rs.94.05 crore in 2000-01. The State Government also contributed Rs.3.54 crore in the form of equity and grants to three non-working companies during 2000-01. The State Government guaranteed loans aggregating to Rs.209.06 crore during 2000-01. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.4,679.57 crore as on 31 March 2000 to Rs.4,568.14 crore as on 31 March 2001.

Two working Government companies have finalised their accounts for the year 2000-01. The accounts of remaining 28 working Government companies and three Statutory corporations were in arrears for periods ranging from one year to eight years as on 30 September 2001. The accounts of all the 34 non-working Government companies were in arrears for periods ranging from one year to 35 years as on 30 September 2001.

According to latest finalised accounts, 13 working PSUs (12 Government companies and one Statutory corporation) earned aggregate profit of Rs.362.11 crore, out of which only one Statutory corporation declared dividend of Rs.0.10 crore to the State Government. Against this 18 working PSUs (16 Government companies and two Statutory corporations) incurred aggregate loss of Rs.355.11 crore as per the latest finalised accounts. Of the loss incurring working Government companies, five companies had accumulated losses aggregating to Rs.676.41 crore which exceeded their paid-up capital of Rs.398.95 crore. Two loss incurring Statutory corporations had accumulated loss of Rs.503.45 crore, which exceeded their paid-up capital of Rs.180.77 crore by more than two times.

Even after completion of 21 years of its existence, the turnover of one Government company had been less than Rs.5 crore and had been incurring losses in each of the preceding five years of latest finalised accounts. Similarly another company had been incurring losses for five consecutive years as per the latest finalised accounts, leading to negative net worth even after completion of 11 years of its existence. These companies are recommended for closure.

(Paragraphs 1.1, 1.2, 1.3, 1.7 and 1.10)

2. Reviews in respect of Government companies

Aspects relating to activities of the Orissa Rural Housing and Development Corporation Limited, Industrial Development Corporation of Orissa Limited and Project Implementation of Neelachal Ispat Nigam Limited were reviewed in audit and some of the main findings are as follows:

2.1 Review on Working of Orissa Rural Housing and Development Corporation Limited

The Company was set-up in August 1994 to undertake financing, promoting and developing rural housing and related activities in the State. However, the Company failed to effectively implement the Housing Schemes meant for Economically Weaker Sections and for Scheduled Castes and Scheduled Tribes due to operational deficiencies and unrealistic assumptions which resulted in depriving the beneficiaries of the intended benefits.

Investment of surplus funds in equity-oriented and risky mutual funds instead of investment in Term Deposits resulted in loss of Rs.1.18 crore towards interest and Rs.0.87 crore towards reduction in the face value of scrip.

(Paragraph 2A.8)

Non-adherence to prescribed guidelines in disbursement of assistance to Community Management Groups resulted in non-recovery of Rs.8.90 crore as on March 2001.

(Paragraph 2A.10)

During the period from 1996-97 to 2000-01, the Company disbursed Rs.15.57 crore towards project finance loan of which Rs.9.61 crore is overdue as on March 2001. No action was initiated to recover the over dues amount.

(Paragraph 2A.12.1)

Grant of project finance without adequate project appraisal, market survey or collateral security coupled with failure to take effective action to recover dues led to non-recovery of Rs.2.66 crore.

(Paragraphs 2A.12.1.2, 12.1.3 & 12.1.4)

Company was entrusted with re-construction of 1,37,500 houses affected in the super cyclone of October 1999. While loan had been partly disbursed (Rs.141.71 crore), 6,182 eligible beneficiaries were deprived of the balance loans (Rs.7.42 crore) due to injudicious decision of the Board. Further, 10,809 beneficiaries were deprived of the benefit of assistance due to non-inclusion in the waiting list in lieu of those dropping out on inclusion under other schemes.

(Paragraph 2A.13.2)

Physical verification of implementation of the scheme at ground level in Gram Panchayats of 5 severely affected districts revealed that only 13 per cent of loanees physically verified had completed their houses even after one year of the cyclone. There were also cases of irregular selection of beneficiaries, unrealistic disbursement of assistance and lack of awareness which retarded the rehabilitation effort.

(Paragraph 2A.13.4)

2.2 Review on Working of Industrial Development Corporation of Orissa Limited (IDCOL)

The Company was incorporated as a wholly owned Government company in March 1962 to promote, establish and execute industries for industrial development of the State. The Company failed to achieve its primary objective of promoting industries in the State as during a period of 39 years of its existence it had locked-up its investment in three units, eight subsidiaries and eight joint sector/joint venture companies and made very meagre investment in the equity of seven companies.

As on 31 March 2000 the accumulated losses of the Company stood at Rs.31.95 crore which wiped out profits made in earlier years and eroded 56 per cent of the paid-up capital as a result of injudicious investment decisions and poor operational performance.

(Paragraph 2B.5)

Non-charging of interest on the sales consideration (Rs.51.37 crore) of Hira Cement Works treated as unsecured loans resulted in loss of Rs.7.59 crore.

(Paragraph 2B.6.2)

Investment in Equity Shares of 5 companies and in Preference Shares of 2 companies from borrowed funds coupled with delay in redemption of the Preference Shares resulted in loss of Rs.3.07 crore.

(Paragraph 2B.7.1)

Injudicious decision to reimburse the cash loss of ORICHEM Limited instead of pursuing its closure ignoring the fact that it was an irretrievably sick company led to loss of Rs.2.97 crore which further aggravated its liquidity position.

(Paragraph 2B.8.2)

Uneconomic coke mix resulted in excess consumption of 46,979 MT of coke valued at Rs.15.95 crore during the period 1996-97 to 1999-2000 in Kalinga Iron Works (KIW) and purchase of coke without proper assessment of its size resulted in generation of excess breeze coke and consequential loss of Rs10.01 crore.

(Paragraphs 2B.10.2.1 and 2B.11.4.2)

Purchase of fourth TG set without actual requirement resulted in futile investment of Rs.7.81 crore.

(Paragraph 2B.11.5)

Delay in finalisation of work order for modification of furnace No.1 of KIW resulted in cost overrun of Rs.3.50 crore with consequential loss of production of pig iron valued at Rs.57.69 crore.

(Paragraph 2B.11.6)

2.3 Review on Project Implementation of Neelachal Ispat Nigam Limited

The Company was set-up in 1982 by Government of India for manufacturing pig iron. As there was no progress in the project, the Company was transferred (April 1994) to Government of Orissa at a token value of Re.1 against transfer of equity amounting to Rs.7.73 crore. The project implementation of the Company has been suffering due to lack of adequate equity arrangement coupled with poor contract implementation which resulted in time overrun of 33 months (Phase-I) and cost overrun of Rs.232 crore (Phase-I & II) endangering the commercial viability of the project.

Award of the work of basic and detailed engineering of Blast Furnace equipment to three parties instead of getting the work carried out by MECON with the assistance of ITALIAMPIANTI resulted in extra expenditure of Rs.1.32 crore.

[Paragraph 2C.9.1 (ii) (a)]

Failure to identify 1,360 MT steel structure as scrap forced the Company to import this material along with the Blast Furnace incurring an avoidable expenditure of Rs.1.73 crore towards freight and stevedoring charges.

[Paragraph 2C.10.2.1 (a)]

Non-supply of material by the supplier despite payment of mobilisation advance aggregating Rs.12.56 crore resulted in loss of interest of Rs.1.86 crore.

(Paragraph 2C.10.2.3)

3. Miscellaneous topics of interest

3.1 Government companies

Injudicious investment of borrowed funds by Industrial Promotion and Investment Corporation of Orissa Limited in Orissa Venture Capital Fund resulted in loss of interest of Rs.1.45 crore.

(Paragraph 3A.1)

Undue favour shown to a defaulter by the Orissa Small Industries Corporation Limited by disbursement of loans time and again without obtaining required security led to a loss of Rs.0.47 crore.

(Paragraph 3A.2.2)

Procurement of material by Grid Corporation of Orissa Limited (GRIDCO) without ensuring adherence to installation schedule resulted in the Company having to bear interest liability of Rs.2.66 crore for material lying with the suppliers.

(Paragraph 3A.4.1)

In spite of delay in supply of material by the party, GRIDCO waived Liquidated Damage of Rs.0.99 crore violating the extant provisions of the contract.

(Paragraph 3A.4.2)

Delay in restoration works by GRIDCO in cyclone affected areas despite availability of funds defeated the purpose of immediate restoration of power supply besides resulting in revenue loss of Rs.13.12 crore. Lack of adequate supervision and non-enforcement of contractual clauses also resulted in loss of Rs.0.74 crore besides avoidable interest burden of Rs.1.48 crore on unutilised loan funds.

(Paragraph 3A.4.3)

Despite receipt of inferior quality of coal, Orissa Power Generation Corporation Limited did not raise claims against MCL which resulted in loss of Rs.47.82 crore.

(Paragraph 3A.6.2)

Procurement of moong dal by Orissa State Civil Supplies Corporation Limited for cyclone relief work in excess of requirement as well as at higher than prevailing market rate led to extra expenditure of Rs.3 crore.

(Paragraph 3A.7.1)

Despite investment of Rs.24.59 crore by Orissa Forest Development Corporation Limited in commercial plantations viz. cashew, rubber and mixed commercial crops which were expected to yield revenue of Rs.18.22 crore during 1996-97 to 2000-01, the Company could earn revenue of only Rs.2.94 crore due to lack of maintenance, delay in harvesting and inadequate horticultural operations.

(Paragraph 3A.8.1)

Supply of material by the Orissa Mining Corporation to a private sector steel company without entering into an agreement and without security led to a loss of Rs.0.45 crore.

(Paragraph 3A.12)

3.2 Statutory corporation

Payment of underwriting commission by Orissa State Financial Corporation to the subscriber of bonds who performed no underwriting function resulted in loss of Rs.0.20 crore.

(Paragraph 3B.1.1)

Orissa State Financial Corporation incurred unfruitful expenditure of Rs.0.48 crore on computerisation project due to inadequate technical support, undue favour to the supplier and delay in completion of the project.

(Paragraph 3B.1.3)

Chapter-I

1. Overview of Government Companies and Statutory Corporations

1.1 Introduction

As on 31 March 2001, there were 64[#] Government companies (30 working companies and 34 non-working companies[⊗]) and 3 working Statutory corporations as against 69 Government companies (32 working companies and 37 non-working companies) and 3 working Statutory corporations as on 31 March 2000 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
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

[#] Out of 69 companies as on 31 March 2000 five companies had been wound-up as detailed in Paragraph 1.5.1

[⊗] Non working companies/Corporations are those which are under the process of liquidation/closure/merger, etc.

1.2 Working Public Sector Undertakings (PSUs)

1.2.1 Investment in working PSUs

As on 31 March 2001, the total investment in 33 working PSUs (30 Government companies and 3 Statutory corporations) was Rs.9,617.17 crore (equity Rs.1,997.74 crore, long-term loans• Rs.7,448.54 crore and share application money Rs.170.89 crore) as against 35 working PSUs (32 Government companies and 3 Statutory corporations) with a total investment of Rs.8,480.93 crore (equity Rs.1,990.42 crore, long term loans Rs.6,312.60 crore and share application money Rs.177.91 crore) as on 31 March 2000. The analysis of investment in working PSUs is given in the following paragraphs.

1.2.1.1 Working Government companies

Total investment in 30 working Government companies as on 31 March 2001 was Rs.8,709.49 crore (equity Rs.1771.78 crore, long term loans Rs.6766.82 crore and share application money Rs.170.89 crore) as against total investment of Rs.7,676.07 crore (equity Rs.1763.22 crore, long term loans Rs.5,734.94 crore and share application money Rs.1,77.91 crore) as on 31 March 2000 in 32 working Government companies. Due to increase in long term loans in Industry sector (Neelachal Ispat Nigam Limited), Power sector (Grid Corporation of Orissa Limited and Miscellaneous sector (Orissa Rural Housing and Development Corporation Limited), there was increase in investment during the year.

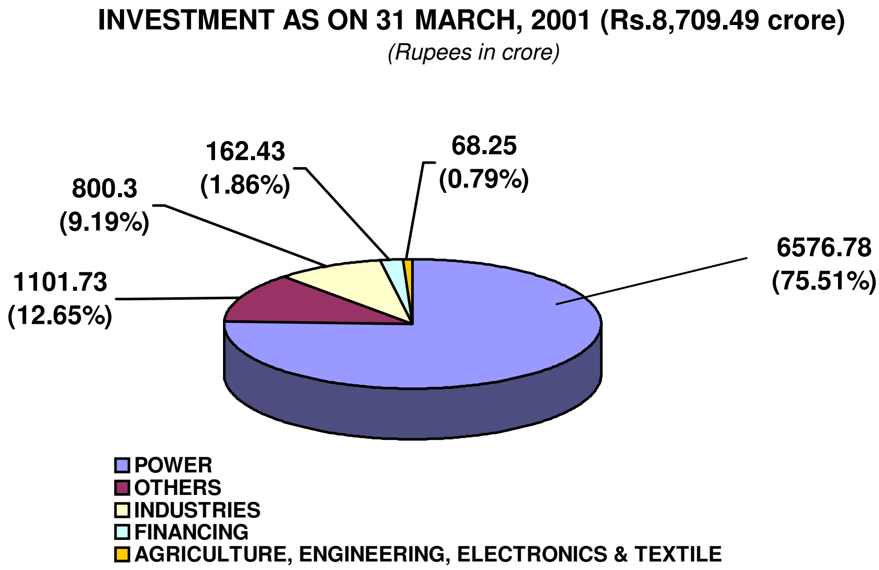
The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure-1.

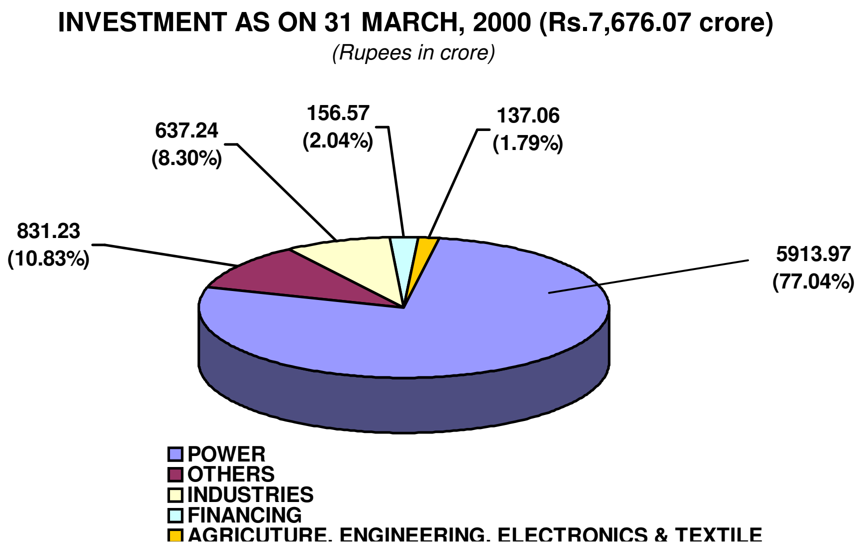
Sector wise investment in working Government companies

As on 31 March 2001, the total investment in working Government companies comprised 22.31 per cent of equity capital and 77.69 per cent of loans as compared to 25.29 per cent and 74.71 per cent respectively as on 31 March 2000.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts:

• Long-term loans mentioned in para 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.





Due to significant increase in long term loan in Industry, Power and Miscellaneous sectors, the debt equity ratio increased from 2.95:1 in 2000 to 3.48:1 in 2001.

1.2.1.2 Working Statutory Corporations

The total investment in 3 Statutory corporations at the end of March 2001 and March 2000 was as follows:

(Rupees in crore)

Name of Corporation	1999-2000		2000-01 (Provisional)	
	Capital	Loan	Capital	Loan
Orissa State Road Transport Corporation	134.98*	41.18*	134.98	69.48

* Figures are provisional.

Name of Corporation	1999-2000		2000-01 (Provisional)	
	Capital	Loan	Capital	Loan
Orissa State Financial Corporation	87.57	536.48	87.57	612.25
Orissa State Warehousing Corporation	3.20$	_	3.40	-
Total	225.75	577.66	225.95	681.73

As on 31 March 2001, the total investment in working statutory corporations comprised of 24.89 percent of equity and 75.11 per cent of loans as against 28.10 per cent of equity and 71.90 per cent of loans as on 31 March 2000. There was increase in investment due to increase in loans in Finance sector and Transport Sector for disbursement of loans to more loanees and to meet the establishment expenditure respectively. The summarised statement of Government investment in working statutory Corporations in the form of equity and loans is detailed in Annexure-1.

1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in Annexures-1 and 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to 10 working Government companies and 3 working Statutory corporations for the three years up to 31 March 2001 are given below:

(Amount Rs. in crore)

	1998 – 99				1999-2000				2000-01			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	5	76.39	1	3.30	9	102.22	1	6.99	6	6.06	1	0.20
Loans given from budget	4	132.51	1	5.75	1	5.84	1	1.50	4	14.70	-	-
Grant	-	-	-	-	6	6.92	-	-	2	1.83	-	-
Subsidy towards												
(i) Projects/ programmes/ Schemes	3	104.60	1	2.25	2	153.77	2	1.58	3	71.46	1	1.75
(ii) Other subsidy	2	0.45	1	1.60	-	-	-	-	-	-	1	1.60
(iii) Total	5	105.05	2	3.85	2	153.77	2	1.58	3	71.46	2	3.35
Total outgo	10*	313.95	2*	12.90	8*	268.75	2*	10.07	10*	94.05	3*	3.55

$ Figure is provisional.
* Actual number of companies/corporations which received equity/loan/subsidy from State Government.

In the last 3 years, the Government guarantee received on loans to working PSUs has declined from Rs.724.95 crore in 1998-99 to Rs.683.11 crore in 1999-2000 and further to Rs.209.06 crore in 2000-2001. The waiver of interest due on loans from Government has, however, increased from Rs.0.55 crore in 1999-2000 to Rs.0.67 crore in 2000-2001.

During the year 2000-2001, the Government guaranteed loans aggregating Rs.209.06 crore obtained by 2 working Government companies (Rs.175.71 crore) and 1 Statutory corporation (Rs.33.35 crore). At the end of the year, guarantees amounting to Rs.4,546.66 crore against 13 working Government companies (Rs.4,122.42 crore) and 2 Statutory corporations (Rs.424.24 crore) were outstanding as against Rs.4,675.07 crore in respect of 16 companies (Rs.4,291.90 crore) and 2 Statutory corporations (Rs.383.17 crore) as on 31 March 2000. There was a case of default (Orissa State Road Transport Corporation) in repayment of guaranteed loans during the year. The Government had forgone Rs.0.67 crore by way of waiver of interest in one working company (Orissa Construction Corporation Ltd.) during the year 2000-2001. The guarantee commission paid or payable to Government by Government companies and by Statutory corporations during 2000-2001 was Rs.38.15 crore and Rs.44.36 crore respectively.

1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, 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 financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from Annexure-2, out of 30 working Government companies, only 2 working companies viz. Neelachal Ispat Nigam Limited and Agricultural Promotion and Investment Corporation of Orissa Limited had finalised their accounts for the year 2000-01 within the stipulated period. During the period from October 2000 to September 2001, 21[@] working Government companies finalised 23 accounts for previous years. Similarly, during this period, 3 Statutory corporations finalised 3 accounts for previous years.

The accounts of 28 working Government companies and 3 Statutory corporations were in arrears for periods ranging from one year to eight years as on 30 September 2001 as detailed below:

[@] This includes Agricultural Promotion and Investment Corporation of Orissa Limited which finalised its accounts for the current year also.

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of working companies/corporations		Reference to Sl. No. of Annexure-2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	1993-94	8	2	1	1, 22	1
2.	1995-96	6	6	-	7, 10, 11, 15, 17, 27	-
3.	1996-97	5	2	-	12, 14	-
4.	1997-98	4	6	-	2,8, 25, 26, 28, 29	-
5.	1998-99	3	3	-	20, 24, 30	-
6.	1999-00	2	2	1	3, 13	3
7.	2000-01	1	7	1	6, 9, 16, 18, 19, 21, 23	2

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

1.2.4 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in Annexure-2. Besides, statement showing financial position and working results of individual working Statutory corporations for the latest three years as furnished by the Management are given in Annexures-4 and 5 respectively.

According to the latest finalised accounts of 30 working Government companies and 3 working Statutory corporations, 16 companies and 2 Corporations had incurred an aggregate loss of Rs.355.11 crore and Rs.101.51 crore respectively, 12 companies and 1 Corporation had earned an aggregate profit of Rs.362.11 crore and Rs.1.31 crore respectively and 2 companies had not commenced commercial activities.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

The two working Government companies which finalised their accounts for 2000-01 by September 2001 had not yet commenced commercial activities. Similarly, out of 21 working Government companies which finalised their accounts for previous years by September 2001, 7 companies had earned an aggregate profit of Rs.102.89 crore and only 6 companies had earned profit for two or more successive years.

The State Government had accepted (August 1996) the recommendation of the 10th Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, commercial and promotional and promotional public enterprises at the rate of six percent, four percent and one percent respectively as dividend on equity. However, these guidelines were not complied with by any company during 2000-01. Out of the 7 profit earning companies, two accounts relate to the year prior to 1996-97 i.e. prior to adoption of dividend policy by the State Government. The Orissa Construction Corporation Limited and Orissa Small Industries Corporation Limited earned meagre profit of Rs.6.30 lakh and Rs.15.85 lakh during the years 1998-99 and 1997-98 respectively and did not declare any dividend. The Orissa Hydro Power Corporation Limited, Orissa Rural Housing and Development Corporation Limited and Orissa State Cashew Development Corporation Limited though earned profits of Rs.50.38 crore, Rs.0.87 crore and Rs.1.10 crore during the years 1999-2000, 1997-98 and 1998-99 respectively did not declare any dividend.

1.2.4.1.2 Loss incurring working Government companies

Of the 16 loss incurring working Government companies, 5 companies had accumulated losses aggregating Rs.676.41 crore which exceeded their aggregate paid up capital of Rs.398.95 crore.

Despite poor performance and complete erosion of paid up capital, the State Government provided financial assistance to one company (GRIDCO) in the form of equity and loans. According to available information, the total financial support provided by the State Government by way of equity during 2000-01 to GRIDCO amounted to Rs.0.65 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and Dividend.

None of the 3 statutory corporation had finalised their accounts for the year 2000-01. From the latest finalised accounts for previous years, only Orissa State Warehousing Corporation declared dividend of Rs.0.10 crore out of the profit of Rs.1.31 crore during the year 1998-99. The State Government had provided financial support of Rs.0.20 crore by way of equity to the Corporation during the year 2000-01.

1.2.4.2.2 Loss incurring Statutory corporations

The other two Statutory corporations, viz. Orissa State Road Transport Corporation and Orissa State Financial Corporation which finalised their accounts for the years 1992-93 and 1999-2000 respectively during the period from October 2000 to September 2001 had incurred loss. In both the corporations the accumulated loss amounting to Rs.503.45 crore had exceeded the paid-up capital of Rs.180.77 crore. Despite complete erosion of paid-up capital, the State Government provided financial assistance to these corporations by way of subsidies amounting to Rs.3.35 crore.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working statutory corporations is given in Annexure-6. In the case of Orissa State Financial Corporation the loans outstanding at the close of the year had increased by 23.45 per cent from 1998-99 (Rs.486.40 crore) to 2000-01 (Rs.600.48 crore), whereas percentage increase in the amount of overdues was 43.31 in the corresponding period (1998-99: Rs.533.03 crore and 2000-01: Rs.763.88 crore).

1.2.5 Return on Capital Employed

As per the latest finalised accounts (up to September 2001), the capital employed[1] worked out to Rs.7,367.41 crore in 30 working companies and total return[2] thereon amounted to Rs.310.70 crore which is 4.22 per cent as compared to total return of Rs.231.21 crore (3.5 per cent) in the previous year (accounts finalised up to September 2000). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs.627.49 crore and (-) Rs.59.51 crore respectively against the total return of Rs.17.65 crore (2.96 per cent) in previous year (accounts finalised up to September 2000). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Annexure-2.

1.3 Non-working PSUs

1.3.1 Investment in non-working Government Companies

As on 31 March 2001, the total investment in 34 non-working Government companies was Rs.140.24 crore (equity Rs.48.43 crore, long term loans Rs.67.85 crore and share application money Rs.23.96 crore) as against total investment of Rs.62.69 crore (equity Rs.44.06 crore and long term loans Rs.18.63 crore) in 37 non-working Government companies as on 31 March 2000.

The classification of the non-working PSUs was as under:

(Amount in Rs. in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Companies	
			Equity*	Long term loans
(i)	Under liquidation	9	0.30	-

[1] Capital employed represents net fixed assets (including capital works-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, bonds, deposits and borrowings (including refinance).

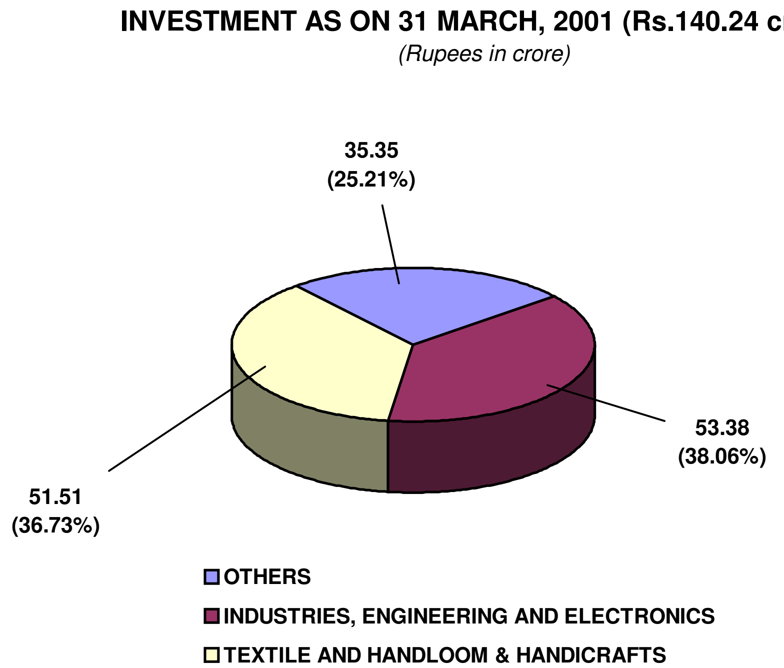
[2] For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account

* Equity includes share application money of Rs.23.96 crore in one company which is under closure at Sl. No C 21 of Annexure-1)

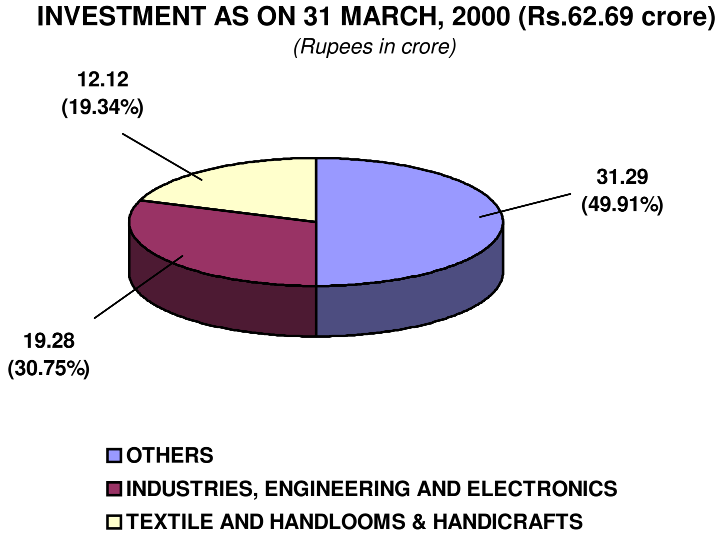
Sl. No.	Status of non-working PSUs	Number of companies	Investment Companies	
			Equity*	Long term loans
(ii)	Under closure	23	60.84	65.62
(iii)	Under merger[3]	2	11.25	2.23
	Total	34	72.39	67.85

Of the above non-working government companies, 32 were under liquidation or closure under Section 560 of the Companies Act, 1956, for 1 to 28 years and substantial investment of Rs.126.76 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 2000 are indicated below in the pie charts:



[3] Orissa Maritime and Chilka Area Development Corporation Ltd and Orissa Fish Development Corporation Ltd [Sl No 24 & 27of Annexure-1(C)] were merged into one company namely Orissa Pisciculture Development Corporation Ltd. However as the consolidated accounts of both the merged companies have not been prepared, particulars in Annexures-1 & 2 have been indicated separately.



1.3.2 Budgetary outgo, grant/subsidy, guarantees waiver of dues and conversion of loans into equity

During the year 2000-01, State Government had paid only Rs.3.54 crore as budgetary support towards equity (Rs.0.01 crore) to one non-working Government company and towards grants to two non-working Government companies (Rs.3.53 crore).

1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2000-01 are given below:

(Amount: Rupees in crore)

Year	Number of PSUs*	Total establishment expenditure	Financed by				
			Disposal of investment /assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
1998-99	7	9.08	0.20	-	3.69	4.05	1.14
1999-2000	6	3.05	0.21	-	0.87	0.76	1.21
2000-01	5	4.14	-	-	0.13[a]	3.58[b]	0.43
Total		**16.27**	**0.41**	**-**	**4.69**	**8.39**	**2.78**

A sum of Rs.16.27 crore was spent by these companies towards establishment expenses during 1998-99 to 2000-01 which was funded by disposal of assets and by way of loans and grants from State Government to that extent.

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* Out of 34 non-working Government companies, only 12 companies had furnished the information and out of these 12 companies expenditure was incurred by 7, 6 and 5 companies only for the years 1998-99, 1999-2000 and 2000-01 respectively.

[a] Spent out of loans received during 1998-99.

[b] Out of this amount, Rs.0.05 crore was spent out of grants received during 1998-99 by the Company from the State Government at Sl.No.8 of Annexure-1.

1.3.4 Finalisation of accounts by non working PSUs

The accounts of 34 non working companies were in arrears for periods ranging from 1 year to 35 years as on 30 September 2001 as could be noticed from Annexure-2. During the period from October 2000 to September 2001, six non-working Government companies at Sl. Nos.1, 3, 10, 23, 24 and 25 of Annexure-2 (C) have finalised seven accounts for previous years.

1.3.5 Financial position and working results of non working Government Companies

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2.

The year wise details of paid-up capital, net worth, cash loss/cash profits and accumulated loss/accumulated profit of non-working Government companies as per their latest finalised accounts are given below:

(Amount: Rupees in lakh)

Year	No. of Companies	Paid-up capital	Net worth	Cash loss (-)/ cash profit (+)	Accumulated loss (-)/ accumulated profit (+)	Sl. No. of Annexure-2
1965-66	3	7.09	-	-	-	6,12,13
1966-67	1	4.54	-	-	-	4
1967-68	1	4.08	-	-	-	31
1968-69	1	3.99	-	-	-	5
1970-71	2	9.02	-	-	-	19,30
1972-73	2	4.80	-	-	-	7,29
1975-76	1	12.28	-	-	-	9
1981-82	2	7.29	4.67	2.19	(-)3.17	2,20
1982-83	1	35.00	-	-	-	26
1987-88	2	225.47	35.62	(-)26.14	(-)213.73	8,32
1989-90	1	10.01	10.01	-	-	18
1990-91	1	0.85	0.85	-	-	28
1991-92	5	674.74	(-)599.06	(-)271.73	(-)1911.21	14,15,16,25,33
1992-93	1	260.00	(-)671.90	(-)333.24	(-)1286.08	22
1993-94	1	481.56	117.98	(-)42.40	(-)448.06	27
1994-95	1	352.37	(-)443.89	(-)198.44	(-)862.09	23
1995-96	1	619.18	330.34	8.91	(-)153.36	24
1997-98	1	2470.24	(-)0.03	(-)984.75	(-)5340.61	21
1999-2000	3	469.88	(-)7028.41	(-)2585.90	(-)11629.49	1,3,10
Total	31*	5652.39	(-)8243.82	(-)4431.50	(-)21847.80	

(Note: Net worth, cash loss/profit and accumulated losses/profit calculated are as per the last certified accounts except in respect of the companies at Sl.Nos.4, 5, 6, 7, 9, 12, 13, 19, 26, 29, 30 and 31 as these companies are defunct/closed since long and their accounts are not available. Thirtyfour non-working Government companies have not finalised their accounts for 1 to 35 years as indicated in Annexure-2)

* Three non-working companies at Sl.No.11, 17 and 34 of Annexure 2(C) did not submit the first accounts.
The Companies at Sl. Nos.18, 28 and 33 have not started commercial activities.

1.4 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 CAG of India in the State Legislature by the Government:

Sl. No.	Name of Statutory Corporation	Years 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 the Legislature.
1	Orissa State Warehousing Corporation (OSWC)	1997-98	1998-99	7th February 2001	
2	Orissa State Road Transport Corporation (OSRTC)	1991-92	1992-93	-	SAR for the year 1992-93 under finalisation.
3	Orissa State Financial Corporation (OSFC)	SARs upto 1998-99 had been issued to the State Government. Government had informed (October 2001) that SARs had neither been included in the Annual Reports nor independently placed in the Orissa Legislative Assembly. This constituted a violation of Section 37 (7) of the State Financial Corporations Act, 1951. The SAR for 1999-2000 is under finalisation.			

1.5 Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

1.5.1 Wound up Companies

Out of 14 Pilot Project companies established during 1958 to 1960, the Registrar of Companies, Orissa, had informed (January 2001) that 5 Pilot Project companies had been wound up as detailed below:

Sl.No.	Name of the Company
1.	Manorama Foundry Works Limited
2.	Balanga Iron Works Limited
3.	Hansanath Ceramics Limited
4.	Orissa Timber Products Limited
5.	Orissa Sports Manufacturing and Fabrication Limited

1.5.2 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

* Restructuring includes merger and closure of PSUs.

reform programme for disinvestment and restructuring of certain State level Public Sector Enterprises. The Decision of the Cabinet Sub Committee and present status of the Companies (July 2001) is given below.

Name of the Enterprise	Action to be taken	Date by which action to be completed	Present status
IDCOL Rolling Mill (Unit of IDCOL)	Disinvestment through privatisation	October 1999	Reduction in manpower by enforcing VRS. Discussions are on with OSIL (Private Sector company) for running the unit either by conversion or on joint venture basis.
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999	Winding up order issued by BIFR.
IDCOL Cement Limited	Revival/Closure	31 March 2000	Privatisation process is in progress.
Ferro Chrome Plant and Kalinga Iron works,(Unit of IDCOL)	Partial privatisation	October 1999	As per orders of Government, Adam Smith Institute is looking after the restructuring activities.
Orissa State Textile Corporation Limited	Closure	March 2000	Action for privatisation has been held up as the acquisition of Bhaskar Textile Mills (a unit of the company) has been challenged by the erstwhile owner and the judgement of the court is awaited.

It would be observed from the above that none of the milestones have been achieved till date (September 2001).

1.6 Results of audit by Comptroller and Auditor General of India

During the period from October 2000 to September 2001, the audit of accounts of 25 Government companies (working 21, non-working 4) and 3 working Statutory Corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs were as follows:

Details	Number of accounts				Rupees in lakh			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i) Decrease in profit	2	-	-	-	231.96	-	-	-
(ii) Increase in profit	-	-	-	-	-	-	-	-

Details	Number of accounts				Rupees in lakh			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(iii) Increase in loss	2	2	-	-	22.01	33.57	-	-
(iv) Decrease in loss	1	-	-	-	21.37	-	-	-
(v) Non-disclosure of material facts	4	1	1	-	712.73	91.85	127.70	-
(vi) Errors of classification	1	-	-	-	648.89	-	-	-

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and Corporations are mentioned below:

1.6.1 Errors and omissions noticed in case of Government companies

(i) Orissa Mining Corporation Limited (1994-95)

Non-provision of stores worth Rs.96.33 lakh relating to inoperative earth moving machinery and time barred sundry dues of Rs.1.21 crore resulted in over-statement of current assets and profit by Rs.2.17 crore.

(ii) Industrial Development Corporation of Orissa Limited (1999-2000)

Excess provision of depreciation of Rs.13.05 crore relating to earlier years was written back and taken to "Other Income". This resulted in understatement of loss to that extent.

(iii) Orissa Forest Development Corporation Limited(1994-95)

Provision was not made for Rs.21.90 lakh being arrears of Dearness Allowance payable to staff. This resulted in under-statement of current liabilities and provisions with corresponding over-statement of profit to that extent.

(iv) Orissa State Civil Supplies Corporation Limited (1993-94)

Closing stock of sugar was valued at Rs.865.62 per quintal instead of Rs.905 per quintal. This resulted in under-statement of closing stock and over-statement of loss to the extent of Rs.15.84 lakh.

1.6.2 Errors and omissions noticed in case of Statutory corporations

Orissa State Warehousing Corporation (1998-99)

The fact of construction of godowns valued at Rs.1.04 crore on Government land pending finalisation of title deed had not been disclosed.

1.7 Recommendations for Closure of PSUs

Even after completion of 21 years of its existence, the turnover of Kalinga Studio Limited had been less than Rs.5 crore and had been incurring losses in each of the preceding five years of latest finalised accounts. Similarly ABS Spinning Orissa Limited had been incurring losses for five consecutive years as per latest finalised accounts leading to negative net worth even after completion of 11 years. In view of the poor performance/continuous losses, the Government may either improve the performance of the above two working Government companies or consider their closure.

1.8 Response to Inspection Reports, Draft Paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 36 PSUs disclosed that 9,347 paragraphs relating to 2,265 Inspection Reports remained outstanding at the end of September 2001. Of these, 1,220 Inspection Reports containing 4,435 paragraphs had not been replied to for more than 1 to 5 years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in Annexure-7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was however observed that 9 draft paragraphs and 1 draft review forwarded to the various departments during July 2000 to June 2001, as detailed in Annexure-8, had not been replied to so far.

It is recommended that (a) the Government should ensure that procedures exist for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

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

During the period October 2000 to September 2001, the Committee on Public Undertakings (COPU) held 20 meetings and discussed 8 reviews and 32 paragraphs of the Audit Report (Commercial) for the years 1987-88 to 1998-

99. The position of discussion of Audit Reports (Commercial) pending in COPU as on 30 September 2001 is detailed below:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/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	1	5
1990-91	5	11	3	3
1991-92	6	17	2	1
1992-93	4	22	2	20
1993-94	4	24	2	19
1994-95	3	21	2	18
1995-96	3	20	2	18
1996-97	4	23	1	6
1997-98	1	14	1	12
1998-99	4	22	4	18
1999-2000	4	25	4	25
TOTAL	**55**	**227**	**27**	**148**

1.10 619–B Companies

There were three companies coming under Section 619-B of the Companies Act, 1956, which were non-working. Annexure-9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

Out of three 619-B Companies, only one Company has finalised accounts for the year 2000-2001. The paid up capital of two companies at Sl. Nos.2 and 3 of the Annexure-9 have been eroded.

Chapter-II

2. Reviews in respect of Government companies

2A. REVIEW ON THE WORKING OF ORISSA RURAL HOUSING AND DEVELOPMENT CORPORATION LIMITED

Highlights

Investment of surplus funds in equity-oriented and risky mutual funds instead of investment in Term Deposits resulted in loss of Rs.1.18 crore towards interest and Rs.0.87 crore towards reduction in the face value of scrip.

(Paragraph 2A.8)

Disbursement of assistance of Rs.57.21 crore to beneficiaries in Community Management Groups without ensuring adherence to prescribed guidelines resulted in non-recovery of Rs.8.90 crore as on March 2001.

(Paragraph 2A.10)

The Company could furnish Utilisation Certificate for only Rs.8.37 crore though grants amounting to Rs.13.50 crore were received from the State Government. Delay in furnishing Utilisation Certificate led to Government of Orissa withholding release of the grant (Rs.2.10 crore) which could have subsidised construction of 7,000 houses.

(Paragraph 2A.11.1.2.1)

Failure to follow instructions of Board not to avail of high cost loan coupled with delay in pursuance with the State Government resulted in high cost borrowings being lent at a lower rate with loss of interest of Rs.0.64 crore.

(Paragraph 2A.11.1.3)

During the period from 1996-97 to 2000-01, the Company disbursed Rs.15.57 crore towards project finance loan of which Rs.9.61 crore is overdue as on March 2001. No action was initiated to recover the over dues amount.

(Paragraph 2A.12.1)

Grant of project finance without adequate project appraisal, market survey or collateral security coupled with failure to take effective action to recover dues led to non-recovery of Rs.2.66 crore.

(Paragraphs 2A.12.1.2, 12.1.3 & 12.1.4).

The Credit Linked Housing Scheme failed to provide *Pucca Cyclone Proof* houses to the cyclone victims despite disbursement of Rs.141.71 crore due to non-availability of cost effective building materials and delay in mobilisation / disbursement of funds by the Company.

(Paragraph 2A.13.1)

Company was entrusted with re-construction of 1,37,500 houses affected in the super cyclone of October 1999. While loan had been partly disbursed (Rs.141.71 crore), 6,182 eligible beneficiaries were deprived of the balance loans (Rs.7.42 crore) due to injudicious decision of the Board. Further, 10,809 beneficiaries were deprived of the benefit of assistance due to non-inclusion in the waiting list in lieu of those dropping out on inclusion under other schemes.

(Paragraph 2A.13.2)

Physical verification of implementation of the scheme at ground level in Gram Panchayats of 5 severely affected districts revealed that only 13 per cent of loanees physically verified had completed their houses even after one year after the cyclone. There were also cases of irregular selection of beneficiaries, unrealistic disbursement of assistance and lack of awareness which retarded the rehabilitation effort.

(Paragraph 2A.13.4)

2A.1 Introduction

The Orissa Rural Housing and Development Corporation Limited (ORHDC) was incorporated on 19 August 1994 as a wholly owned Government company with the main objective of financing, promoting and developing rural housing and related activities and to provide financial assistance for rural housing purposes either directly to the individual or through Voluntary Groups like Community Management Groups etc.

Since financing of rural housing activities did not leave an adequate margin of return, the Company adopted (June 1995) a policy of financing rural housing activities up to 60 per cent of its business and devoting the balance 40 per cent to urban housing finance and other high yielding housing finance activities with a view to cross subsidising the meager income from rural housing activities.

2A.2 Organisational Set up

The management of the Company is vested in a Board of Directors consisting of eight Directors including a Chairman-cum-Managing Director (CMD). The day to day management of the Company was controlled by a CMD upto 4 January 2000 and thereafter by a Managing Director who is assisted by a Company Secretary and two Executive Directors. The Company has fourteen District Offices which are managed by Assistant Administrative Officers.

2A.3 Scope of Audit

The working of the Company for the period from 1996-97 to 2000-2001 with emphasis on implementation of Housing Finance Schemes was reviewed in audit during October 2000 to February 2001 and the results thereof are discussed in the succeeding paragraphs.

2A.4 Capital Structure and Borrowings

As against the Authorised Share Capital of Rs.60 crore (Equity: Rs.50 crore and Preference: Rs.10 crore), the paid-up capital of the Company as on 31 March 2000 was Rs.7.75 crore (Equity: Rs.7 crore and Preference: Rs.0.75 crore). The borrowings of the Company as on 31 March 2000 stood at Rs.175.85 crore.

2A.5 Financial Position and Working Results

The Company had finalised its accounts up to 1996-97 and prepared provisional accounts upto 1999-2000. The financial position and working results of the Company for the last four years are given in Annexure-10.

As would be seen from the working results, the Profit (before Tax) had declined from Rs.144.75 lakh in 1996-97 to Rs.94.24 lakh in 1999-2000. The reduction in profit was due to decline of profit margin from 35.82 per cent in 1996-97 to 16.48 per cent in 1999-2000 and some of the main reasons for the decline in profit as observed in audit were as follows:

(i) Poor recovery of dues from Economically Weaker Section (EWS) beneficiaries (Kalinga Kutira Scheme) which restricted revenue availability for recycling of funds (Paragraph 2A.11.1.1), and

(ii) Heavy burden of interest on deposit from EWS beneficiaries utilised for disbursement to loanees under Project Finance Scheme from whom the corresponding recoveries were not forthcoming (Paragraph 2A.12.1).

While accepting the audit comments the Management stated (July 2001) that it was planning for better fund management and higher profitability.

2A.6 Lack of Budgetary Control

The Company places its Annual Budget before the Board and obtains its approval before commencement of each financial year. It was observed in audit that though the percentage of shortfall in achievement in disbursement of housing loan during the four years ending 1999-2000 ranged between 39 and 88 (rural sector) and 42 and 86 (urban sector), the shortfalls in achievement of the targets were neither analysed by the Management nor were placed before the Board for consideration, thus, denying the Board an opportunity for exercising meaningful control over the budget.

The Management noted (July 2001) the observation of audit for future guidance.

2A.7 Cash Management

The Company had neither evolved a system of forecast of funds required nor prepared periodical cash/ fund flow statements. As a result, 3.25 to 89.65 *per cent* of funds were kept in current accounts during 1996-97 to 1999-2000 without earning any interest. The percentage of Term Deposits to total cash during 1996-97 to 1999-2000 ranged from 9.66 to 96.74. Board desired (April 1998) that fortnightly or monthly cash flow statements be prepared and placed before them periodically to ensure a match between resourcing and utilisation of low cost/high cost funds so as to arrest any cash loss. It was observed in audit that cash flow statements had never been prepared and placed before the Board since its inception till date (August 2001). In this connection, the following observations are made:

(i) There was no proper maintenance of records at Head office indicating the total funds required to be released under each scheme or released from time to time;

Non-investment of the surplus funds resulted in loss of interest of Rs.0.17 crore.

(ii) Funds were released to District Offices without considering the cash and Bank balances available with them resulting in substantial accumulation of funds. A test check revealed that in five District Offices (Cuttack, Kendrapara, Jagatsinghpur, Jajpur and Puri) the surplus funds were not judiciously deployed to earn interest. Non-investment of such funds ranging from Rs.1.13 crore to Rs.9.52 crore for the periods from 7 to 132 days resulted in loss of interest of Rs.17.18 lakh (calculated at 8 per cent per annum applicable for short-term deposits);

(iii) Periodical reconciliation of funds released to District Offices was not done;

(iv) Physical verification of cash was never conducted in any of the District Offices and Corporate Office;

(v) There were no instructions to District Offices for transfer of funds to Head Office; and

(vi) A test check of records of Head Office revealed that the Company was carrying heavy cash balances ranging from Rs.0.39 lakh to Rs.13.22 lakh due to non-assessment of daily requirement of funds for expenditure. There is no stipulation as to the minimum cash balance to be maintained. Closing balance of cash was not authenticated on daily basis.

The Management noted (July 2001) the observation of audit for future guidance. The fact remains that there had been lack of adequate financial control by the Management.

2A.8 Investment

Failure to adhere to Government instruction and disinvest the risky mutual funds resulted in loss of interest of Rs.1.18 crore.

Instead of investing funds in approved securities, the Company invested Rs.1.50 crore (January 1995) in the equity linked Mutual Fund of General Insurance Company (Fortune 1994) and Rs.1 crore (April 1995) of Canara Bank (Canganga) at face value of Rs.10 per unit. The State Government issued instructions (November 1996) that Public Sector Undertakings should not invest their surplus funds in equity oriented or risky Mutual Funds. It was stipulated that investments already made which were not in conformity with the above guidelines should not be renewed after maturity and were to be disinvested to fall in line with the above mentioned guidelines. The Net Asset Value (NAV) in March 1997, aggregated to Rs.1.95 crore. However, the Company did not liquidate (disinvest) the units held by it. The value of investment in March 2001 declined to Rs.1.62 crore.

Thus, by not complying with the instructions of the State Government, in March 1997, the Company lost Rs.87.15 lakh due to declining NAV and also the opportunity of earning interest of Rs.1.18 crore by deploying the realisations in fixed deposits.

The Management stated (July 2001) that it would dispose of the units soon after the unit price becomes at least at par. It added that instructions of Government would be adhered to in future. The reply is not tenable since the NAV of the Mutual Funds which were in declining trend and early compliance was not shown to Government instructions.

2A.9 Sanction, Disbursement and Recovery of Loans

The sanction and disbursement of loans to Rural Housing and Urban Housing Schemes during the last four years upto1999-2000 are given in Annexure-11. It would be seen from the Annexure that the percentage of disbursement in case of urban housing finance has gone up from 11 (1996-97) to 75 (2000-01). The irregularities in sanction, disbursement and recovery noticed in audit under various schemes have been discussed in paras 2A.11, 2A.12 and 2A.13 infra.

2A.10 Community Management Groups (CMG)

One of the primary objectives of the Company was to provide financial assistance for rural housing through involvement of the local people by means of Community Management Groups (CMG). CMGs are organised by the people themselves as per bye-laws approved by the Company and registered under the Societies Registration Act, 1860.

Before availing financial and other assistance from the Company, every member of the CMG should open a Savings Bank Account with minimum deposit of Rs.400. The Company would hold a lien over this fund and the CMG should ensure *inter alia* the daily/weekly/monthly deposits as prescribed from time to time by the Company towards repayment of loans taken by its members.

Disbursement of Rs.57.21 crore to 713 CMGs without observing the terms of CMG bye-laws.

Scrutiny of the records of the Company revealed that the Company disbursed (upto March 2001) Rs.57.21 crore to 27,820 EWS beneficiaries of 713 CMGs despite non-observance of the following conditions required as per the bye-laws:

(i) the required undertaking from the CMGs were not obtained before granting financial assistance to them;

(ii) designated Officers were not appointed by the Company in any of the CMGs to monitor the funds;

(iii) Chartered Accountants were not appointed to audit the funds of the CMGs nor were utilisation certificates obtained from them;

(iv) daily savings through Women Saving Promotion Groups (WSPG) was not ensured which affected the recovery of loans from the EWS beneficiaries; and

(v) completion report of construction of houses was not received from any of the CMGs.

The Company could not recover Rs.8.90 crore from the CMGs.

In the absence of exercise of such control by the Company over the CMGs, the Company could neither ensure the disbursement of loan to actual beneficiaries nor could recover its dues from the CMGs amounting to Rs.8.90 crore as on March 2001.

The Management stated (July 2001) that the deficiencies observed by audit would be taken care of before any further release to CMGs.

2A.11 Implementation of Rural Housing Schemes

Implementation of different Housing Schemes undertaken by the Company for the benefit of EWS and SC/ST loanees with the finance from State Government, HUDCO and Commercial Banks are discussed below:

2A.11.1 Kalinga Kutira Scheme

The Company has an ongoing programme called 'Kalinga Kutira Scheme' (KKS) for grant of loans to EWS beneficiaries under CMG mechanism for construction of fire proof houses. Under the scheme, each beneficiary was to get loan of Rs.19,500 against the unit cost of Rs.26,400 of the house which were revised to Rs.25,000 and Rs.35,000 respectively with effect from April 1997. The year wise target and achievement *vis-a-vis* amount sanctioned and disbursed by the Company to the beneficiaries under KKS during the period 1995-96 to 2000-01 was as follows:

Year	**Target of loanees (No)**	**Sanctioned**		**Cumulative Disbursement as on 31 March 2001**		**Physical progress of construction of houses**			**Percentage of completion of houses to loanees (Cumulative)**
		No.of loan-ees	**Amount (Rs. in crore)**	**No.of loanees**	**Amount (Rs. in crore)**	**Not started**	**In progress**	**Completed**	
1995-96	10000	8216	18.64	7810	15.54	510	4400	2900	37
1996-97	15000	12418	31.00	9607	21.36	957	6490	2160	22
1997-98	10000	10190	25.50	5791	11.86	1142	3664	985	17
1998-99	10000	537	1.34	398	0.77	18	266	114	29
1999-00	12000	9667	24.29	4164	7.62	1524	2319	321	08
2000-01	-[φ]	97	0.29	50	0.06	50	-	-	-
Total	57000	41125	101.06	27820	57.21	4201	17139	6480	23

It would be seen that only 72 per cent of the target of sanction of loans could be achieved over the 6 years from 1995-96 to 2000-01. It was observed in audit that one of the reasons for the low percentage of completion of houses was the inadequate amount of assistance of Rs.15,000/Rs.16,000 actually rendered to the beneficiary as a part of the loan amount (Rs.4,500/Rs.9,000) was retained as fixed deposit of the loanee to ensure repayment in terms of the provisions of the Scheme. The position was further aggravated by non-release of Central/State grant to the beneficiaries for physical progress of the houses and non-supply of cost effective building material by the building centres to whom part of the loan amount was paid directly. In view of the above defective schematic provisions, the very aim of the Scheme of enabling homeless people to secure affordable shelter was defeated.

Further, as per the agreement made by the beneficiaries with the Company, the beneficiaries were to avail the loan within 14 months from the date of sanction failing which the loan was to be cancelled by the Company. It was observed in audit that in spite of non-drawal of loan by 16,109 beneficiaries within the

[φ] No target was fixed due to implementation of Credit Linked Housing Scheme for cyclone victims.

stipulated period, the Company has neither cancelled the loan amount not yet disbursed (Rs.10.17 crore) nor initiated recovery action for the disbursement made (Rs.29.70 crore) so far (August 2001).

The Management accepted (July 2001) the facts.

2A.11.1.1 Demand and Recovery of loans from beneficiaries under Kalinga Kutira Scheme

The loans sanctioned to beneficiaries under Kalinga Kutira Scheme was recoverable at the interest rate of 11 per cent per annum in 180 monthly instalments and recovery would start after full disbursement of loan with no moratorium. The cumulative position of demand, collection and balance as at the end of each of the five years up to 2000-01 was as follows:

(Rs. in lakh)

Year	Cumulative demand	Collection		Balance at the end of the year	Percentage of cumulative collection to demand
		During the Year	Cumulative		
1996-97	19.64	0.40	0.40	19.24	2.04
1997-98	85.11	0.40	0.80	84.31	0.94
1998-99	255.54	1.93	2.73	252.81	1.07
1999-00	547.14	3.24	5.97	541.17	1.09
2000-01	902.27	6.59	12.56	889.71	1.39

The main reasons attributed for the poor recovery position was that the Company was not equipped with the field machinery required for recovery, non-initiation of legal action for recovery, non-implementation of saving schemes by the CMGs and poor repayment capacity on the part of beneficiaries. The Company has not devised a system of maintaining loan ledgers and issue of demand notices to facilitate pursuance of collection.

Since the physical recovery of Rural housing loans through CMGs was not satisfactory, Board advised (November 1997) the Company to set up a recovery mechanism by adopting the following strategies:

(i) to obtain individual as well as group guarantee from all the members of the CMG and to obtain mortgage of individual properties of the executive committee members of the CMG;

(ii) to involve Gram Panchayat functionaries in the recovery process on payment of incentives; and

(iii) to involve revenue authorities in the recovery process on payment of incentives.

Audit noticed that neither the above proposals were implemented till date (March 2001) nor the Board was ever appraised of the action taken in the matter.

The Management stated (July 2001) that the Company had opened district level offices and the staff are entrusted with disbursement and recovery action. It was added that Government had been requested to include the recovery of

EWS housing loans under the Orissa Public Demand Recovery Act. The fact remains that the Company opened district offices belatedly in January 2000 which could have been done much before to improve the recovery position.

2A.11.1.2 Utilisation of Grant Received under Kalinga Kutira Scheme

2A.11.1.2.1 State Government Grants

The Company receives grants from Government of Orissa towards construction assistance for disbursement (at the rate of Rs.3000 per beneficiary) to EWS beneficiaries under Kalinga Kutira Scheme to meet the transportation cost of building material and to meet the shortfall, if any, for repayment of loan which arises only after full disbursement of the loan. During the period from 1994-95 to 1998-99, the Company received grants of Rs.13.50 crore in respect of 45,000 beneficiaries. In this connection, audit noticed that:

(i) as against Rs.13.50 crore received, the Company furnished Utilisation Certificates (UCs) for only Rs.8.37 crore including diversion of Rs.72 lakh to Orissa State Housing Board;

(ii) out of Rs.3 crore of grant relating to 1997-98, grant of Rs.2.10 crore was withheld by the Government of Orissa for want of UCs. Audit noticed that no action was taken by the Company for release of grant. The unreleased grant of Rs.2.10 crore could have subsidised construction of houses for 7,000 more beneficiaries. Due to non-submission of UCs, Government of Orissa stopped release of grants from 1999-2000; and

Irregular adjustment of Rs.2.59 crore towards recovery from loanees.

(iii) the grants (Rs.7.65 crore) utilised for repayment of loans includes irregular adjustment of Rs.2.59 crore towards recovery from 8,642 loanees who availed only a part of the loan.

The Management stated (July 2001) the balance amount of grant could not be disbursed because of non-release of housing loan by HUDCO. It was added that since the repayment of loan from EWS beneficiaries was not certain, the grant was adjusted against their repayment. The reply is not tenable since the Company disbursed loan to 27,820 beneficiaries but adjusted the grant against only 25,500 beneficiaries and there was scope for further utilisation of the grant to the extent of Rs.69.60 lakh.

2A.11.1.2.2 Central Government Grants

During the period from 1994-95 to 1996-97, Company received grants of Rs.6.04 crore from Central Government for disbursement to EWS beneficiaries under the Kalinga Kutira Scheme. The grant was to be disbursed at the rate of Rs.5,400 for construction of new houses. As per guidelines, at least 75 per cent of amount drawn was to be utilised before release of further Central grant. Following observations are made in audit:

Non-submission of UC led to non-release of grants Rs.8.95 crore.

(i) though Rs.6.04 crore was stated to have been utilised, utilisation certificates have not been furnished so far (March 2001) in spite of repeated requests by the State Government. As a result, the Company could not avail a further grant of Rs.8.95 crore in respect of 16,580 beneficiaries for the period from 1997-98 to 2000-01; and

(ii) instead of utilising the grant for disbursement to the beneficiaries as per the guidelines (September 1994) for expanding the physical programme, the Company adjusted the same towards recovery at the rate of Rs.4,300 per loanee which adversely affected the completion of the houses.

The Company's reply (July 2001) was silent about non-furnishing of utilisation certificates to Government in support of the grant utilised which would have enabled release of further Central grant.

2A11.1.3 Non-disbursement of high cost borrowings to beneficiaries

During 1994-95, the Company availed long-term loans at 9 per cent interest per annum from State Government for disbursement to beneficiaries under the Kalinga Kutira Scheme at the rate of 10 per cent interest per annum. In February 1996, the State Government while releasing the loan of Rs.2 crore enhanced the interest rate on borrowings under the scheme from 9 to 13.5 per cent which resulted in the scheme becoming unaffordable for the EWS. Board resolved (November 1997) i.e. after a lapse of more than one and half years, that Government should be requested either to subsidise the interest burden or allow the Company to utilise the funds for disbursement of housing loans to beneficiaries other than EWS or otherwise not to avail of the loans at all. Government of Orissa was requested (April 1998) after a further delay of six months to accord approval to the Company to utilise the borrowings for lending to low income groups and middle income groups for housing purposes at interest rate of 13.5 per cent and above under the overall scheme. The Company availed an amount of Rs.5.04 crore (March 1997) and Rs.5 crore from November 1998 to March 1999 out of the amount sanctioned during 1997-98 at higher rate of interest and utilised it for disbursement to EWS beneficiaries at a lower rate of interest (10 per cent). Government of Orissa intimated (September 1999) that diversion can not be permitted and directed the Company to refund the entire high cost borrowings along with interest at 13.5 per cent per annum if the Company was unwilling to take up the scheme. Thereafter, the Company decided (January 2000) to repay the high cost borrowings and accordingly the amount of Rs.10.04 crore along with interest at 13.5 per cent (Rs 2.49 crore) was repaid (April 2000).

Delay in refund of high cost borrowings resulted in loss of interest of Rs.0.64 crore.

Thus, due to delay in pursuance of the matter with the State Government, the Company saddled itself with high cost of borrowings with loss of interest of Rs.64.43 lakh which could have been avoided/reduced had the Company followed the Board's instruction of November 1997.

The Management stated (July 2001) that funds received by the Company were in the shape of basket of borrowings and lent with average margin in rural and urban sector yielding appropriate profit. The fact remains that the Company had to sustain a loss as it continued to avail loans even after coming to know of Government's decision to raise the interest rate without first resolving the matter.

2A.11.1.4 Non-application of enhanced interest rate

One of the sources of financing of the rural housing scheme is borrowings from HUDCO at 9 per cent rate of interest per annum. HUDCO enhanced (August 1999) the rate of interest on rural housing scheme loan from 9 to 10 per cent with effect from 20 March 1999. However, the Company enhanced the lending rate with effect from 1 October 1999 for fresh sanctions only.

Non-incorporation of a condition in the agreement with loanees to reset the interest rate resulted in loss of Rs.1.17 crore.

It was observed in audit that as per the terms of the agreement between HUDCO and ORHDC, the former reserved the right to re-set the interest rate after interval of 5 years. However, this contingency was not taken into account by ORHDC while entering into agreements with the beneficiaries i.e. incorporating an enabling clause for revision of interest rates from dates intimated by HUDCO. Failure to incorporate such a clause to enhance the rate of interest led to loss of Rs.1.17 crore on 4,041 nos. of fresh loans amounting to Rs.10.17 crore sanctioned by the Company between April to September 1999.

The Management accepted (July 2001) the facts.

2A.11.1.5 Avoidable payment of Penal Interest

In terms of the loan agreement with HUDCO, in the event of default in payment of instalment of loan and/or interest on the due dates, the Company was liable to pay penal interest for the defaulted period at the rate equivalent to the average cost of borrowing of HUDCO over and above the other charges.

Delay in repayment resulted in payment of penal interest of Rs.0.51 crore.

Audit observed that there were delays ranging from 16 to 86 days on three occasions in repayment of dues for the quarters ending June 1999 and from June 2000 to March 2001 despite availability of funds which resulted in avoidable payment of penal interest to the extent of Rs.51.38 lakh. The penal interest occurred due to lack of any system of checking demands raised and adjustment made by HUDCO.

The Management stated (July 2001) that HUDCO had been requested for waiver of the penal charges and the Company was hopeful that it would be considered sympathetically by HUDCO. The fact remains that had the Company paid the instalments of loan in time question of payment of penal interest would not have arisen.

2A.11.2 Differential Rate of Interest (DRI) Scheme for Scheduled Caste and Scheduled Tribe Beneficiaries

To provide housing to rural SC/ST beneficiaries, Board decided (June 1995) to finance 10,000 SC/ST beneficiaries by availing low cost funds of DRI Scheme (at the interest rate of 4.25 per cent) through the Indian Bank. The Scheme envisaged construction of 10,000 houses at a cost of Rs.22.50 crore (unit cost Rs.22,500) which was to be shared by Indian Bank Rs.5 crore, ORHDC

Rs.14.50 crore and the beneficiaries Rs.3 crore. The Company availed Rs.5 crore from Indian Bank in September 1995 which was to be repaid within 7 years from the date of availment. Audit scrutiny revealed the following:

Disbursement of Rs.2.81 crore was not verifiable in audit due to absence of documentary evidence.

(i) The Company utilised only Rs.2.81 crore against 5,616 beneficiaries at the rate of Rs.5,000 each till March 1998 which was just 56 per cent of the low cost funds available from Indian Bank for the scheme. In the absence of list of beneficiaries along with individual loan agreements, sanction letters and recovery details, the authenticity of disbursement of Rs.2.81 crore could not be verified in audit, and

(ii) The Company diverted (December 1997) Rs.1.61 crore towards repayment of instalments of loan thus defeating the objective of the scheme. The balance amount of Rs.3.39 crore was repaid by December 2000 to the Bank without actual recovery from the beneficiaries and the loan was fore-closed. Further, such decision was not placed before the Board.

The Management stated (July 2001) that in the absence of demand from SC/ST people, the loan account was closed out of the available resources. The reply is not tenable since the loan account was closed (partly out of the loan fund) due to non-arrangement of matching contribution by the Company. Further, the Company did not mention any thing regarding authenticity of the disbursement observed by audit.

2A.11.3 Implementation of Credit-cum-Subsidy Scheme

Government of India launched (April 1999) a Credit-cum-Subsidy Scheme to meet the housing needs of rural poor having income upto Rs.32,000 per annum and not covered under Indira Awas Yojna (IAY). The State Government entrusted the Company with implementation of the Scheme. As per the Scheme, the unit cost of the house would range from Rs.20,000 to Rs.40,000 with subsidy component of Rs.10,000 to be shared in the ratio of 75:25 between Central and State Government. The following irregularities were noticed in the implementation of the Scheme:

Utilisation of Rs.17.02 crore could not be verified in the absence of documentary evidences.

(i) Though the Company had submitted the progress reports/utilisation certificate (May 2001) against Rs.17.02 crore (29,458 loanees) received, the authenticity of these could not be verified in audit in the absence of the required records viz. registers showing the number of applications received and detailed list of beneficiaries sanctioned/disbursed;

(ii) Guidelines for opening separate bank account and separate receipts and payments were not followed; and

(iii) Though the Company was to avail loan from HUDCO for granting loan to the beneficiaries under this scheme, no arrangement was made by the Company to avail such loan as a result of which the authenticity of disbursement of subsidy is doubtful.

The Management stated (July 2001) that it had fully utilised the subsidy component received under the scheme and utilisation certificate had been furnished to Government in May 2001. The reply is not tenable due to the fact that the detailed list of beneficiaries was not made available to audit despite repeated requests and hence the authenticity of disbursements could not be verified in audit. Further, there was need for arrangement of loan funds for completion of the houses as per the terms of the scheme launched before the cyclone.

2A.12 Urban Housing Scheme

2A.12.1 Project Finance scheme for companies and corporate bodies

As a part of Urban Housing Scheme, the Company provides financial assistance to companies and corporate bodies engaged in construction of residential flats in urban areas. Disbursement of sanctioned loan commences after submission of detailed project report, ensuring title deeds, hypothecation of mortgage deeds and execution of agreement by the loanee. Loan is recoverable over a maximum period of 15 years at 17 to 21 per cent rate of interest in monthly/quarterly/half yearly instalments. Disbursement is made depending upon matching capital contribution of the promoter and physical progress of the project and pre- disbursement inspection conducted by the Company.

Non-recovery of overdues of Rs.9.61 crore adversely affected the financial position.

During the period from 1996-97 to 2000-01, the Company disbursed Rs.15.57 crore towards project finance loan to 27 projects. The amount recovered and overdue as on March 2001 was Rs.5.08 crore and Rs.9.61 crore respectively. No action had been initiated by the Company for recovery of the overdue amount which adversely affected the financial position of the Company as discussed in the following paragraphs. Further, in terms of loan agreements, the Company was to recover penal interest at the rate of 3.5 per cent per annum on the defaulted amounts. However, the Company had not claimed penal interest amounting to Rs.23.49 lakh (up to December 2000) from the defaulted loanees so far (February 2001).

The Management stated (July 2001) that action had been initiated for collection of overdues including money suits from chronic defaulters.

2A.12.1.1 Ineffective Project Appraisal

Audit scrutiny of the project appraisal made by the Company revealed that the Company had not established a Project Appraisal Cell with expert professionals for sound and effective project appraisals as a result of which many projects were not successful resulting in poor recovery of dues of the Company. A test check of projects implemented revealed various deficiencies viz. irregular disbursement of loans, lack of monitoring/inspection, selection of inefficient promoters and inaction for recovery as discussed below:

2A.12.1.2 Loss due to improper disbursement of Term Loans

A term loan of Rs.1 crore was sanctioned (December 1997) to Pawani Foundation Pvt Ltd. (PFPL), Bhubaneswar, for construction of a housing project viz. “Saradhapooree” at Puri. The principal amount of Rs.1 crore was repayable on 2 April 2000. The loan was to be disbursed on receipt of mortgage of the project land and constructions thereon along with collateral security of additional freehold land, lien on 18 flats in the project to be constructed, personal guarantee of the Directors and demand promissory note of Rs.1 crore. The project cost of Rs.4.79 crore was to be funded by promoter (Rs.0.35 crore), advance from customers (Rs.3.44 crore) and loan from the Company (Rs.1 crore). The Company released Rs.30 lakh in January 1998. Following observations are made in audit:

(i) No tripartite agreement binding the loanees legally to pay the dues was made between the land owners, Builder and ORHDC;

(ii) The term loan was disbursed on various dates without due verification of contribution/investment brought in by the builder and physical progress of construction certified by technical experts. Thus, utilisation of loan for the purpose of sanction was not ensured; and

(iii) Though PFPL was not able to execute the project due to paucity of funds, yet the Company disbursed (April to September 1999) the balance undrawn loan (Rs.70 lakh) to the new joint venture of PFPL and JP Constructions without proper appraisal and without placing the proposal before the loan sub-committee and without tripartite agreement with the land owners and promoters. Further, the amount invested by the builder upto March 1999 was just Rs.7.75 lakh. Despite knowing the dismal financial position of the builder, the Company released further instalments of Rs.70 lakh, which lacked justification.

Non-recovery of Rs.1.43 crore due to inadequate security.

Thus, disbursement of loan without obtaining adequate security coupled with failure to take legal action for recovery or by invoking personal guarantee resulted in non-recovery of Rs.1.43 crore which had become overdue since July 1999 (Interest) and April 2000 (Principal Rs.1 crore).

The Management stated (July 2001) that tripartite agreement was not done as per legal opinion and registered Power of Attorney was created by the land owners. However, the reply of Management is silent about the recovery of outstanding dues and completion of the project. Further, in the absence of tripartite agreement one of the landowners cancelled (June 1999) the Power of Attorney due to which the Company was not able to enforce the security created.

2A.12.1.3 Defective project appraisal

Sarthak Builders (P) Ltd. (SBPL), Cuttack had availed (March-September 1995) a term loan of Rs.75 lakh from LIC Housing Finance Limited (LICHFL) for construction of a Housing Project viz. ‘Sarthak Tower’ at Cuttack at a project cost of Rs.1.71 crore. The Project could not come up because of differences amongst the Directors of SBPL leading to a dead-lock in the management. On a revival proposal (24 February 1998) of SBPL, the Company disbursed a term loan of Rs.50 lakh (August and November 1998) carrying an interest rate of 19 per cent against an equitable mortgage of land

and building on pari passu with LICHFL and personal guarantee of Managing Director (MD) and Directors of SBPL. The repayment of principal was to commence from February 1999 and interest from August 1998. The Company received only Rs.10.29 lakh out of its interest dues of Rs.24.10 lakh and did not receive any amount towards principal resulting in overdue of Rs.63.81 lakh (March 2001) since February 1999. Following irregularities were noticed in audit:

(i) The Company disbursed another term loan of Rs.22.50 lakh between June 1998 and June 1999 to Sri S.K.Mohanty, MD of SBPL out of sanctioned loan of Rs.25 lakh against the same personal security obtained from the MD for the first loan without executing agreement. Against this second loan, the Company received only Rs.6.90 lakh and the overdue stood at Rs.25.74 lakh since June 1999 (Interest) and August 1999 (Principal).

(ii) The Company had not collected demand promissory note for its dues as a token of security as specified in the sanction order.

(iii) The Company sanctioned and disbursed the loans to SBPL without verifying the viability of the project .

Disbursement of loan without ensuring viability of the project and without proper security led to recovery of Rs.0.90 crore being rendered doubtful.

Thus, disbursement of loan without proper appraisal and security resulted in the locking up of borrowed funds of the Company to the tune of Rs.89.55 lakh (Principal Rs.69.16 lakh and interest Rs.20.39 lakh). Further, the chances of recovery of the amount is doubtful in view of pari passu agreement with LICHFL as well as lack of sale of flats.

The Management stated (July 2001) that project viability was estimated on the basis of available residential flats and the builder was asked to provide collateral security towards the personal loan. The reply is not tenable since the assumptions as to marketability of the flats had not been properly supported by survey/market data which resulted in their non-disposal.

2A.12.1.4. Disbursal of loan without proper documentation

A term loan of Rs.20 lakh was disbursed (between May and June 1997) to Raj Bahadur Associates (RBA), Visakhapatnam, for construction of the housing project viz. Surya Enclave at Bhubaneswar at a cost of Rs.63.73 lakh against the mortgage of the project land, personal guarantee of the partner Sri S.R.K.K. Raj Bahadur and collateral security in the form of guarantee deed by Sri Prafulla Kumar Puhan who had the Power of Attorney over another land. The loan was repayable in 2 instalments on 15 August 1998 and 15 November 1998 and the interest (21 per cent per annum) was payable monthly commencing from June 1997. The Company received only Rs.3.06 lakh out of its interest dues of Rs.16.15 lakh upto March 2001 and did not receive any amount towards principal.

It was noticed in audit that:-

(a) The Company sanctioned and disbursed the loans to RBA without executing tripartite loan agreement between the owners of the project land, RBA and the Company;

(b) The landowners had not executed affidavit towards clear title over the land as stipulated by the legal adviser of the Company. The landowners subsequently cancelled the Power of Attorney given to RBA and executed the same in favour of Surya Enclave Welfare Society which had since taken the possession of the project. Hence, the chance of realisation of the loan is remote;

(c) It was further observed that the Managing partner of RBA, Mr. S.R.K.K. Raj Bahadur had absconded (February 2001) without completing the construction work. As his whereabouts were not known, the legal notice issued after lapse of 26 months (September 2000) could not be served to him to enforce personal guarantee deed; and

(d) The collateral security was inadequate as Mr. Prafulla Kumar Puhan did not own any land and was only holder of Power of Attorney over another land. However, no attempt has been made to enforce collateral security till date (March 2001).

Failure to properly execute mortgage deed and to enforce collateral security resulted in non-recovery of Rs.0.33 crore.

Thus, disbursement of loan without properly executing mortgage deed along with inaction to enforce collateral security resulted in non-recovery of overdue amount of Rs.33.09 lakh (including interest of Rs.13.09 lakh since February 1998)

The Management stated (July 2001) that legal action was being taken against the builder.

2A.12.2 Individual Housing Scheme

In order to reduce losses, Company decided (June 1995 and May 1996) upon cross subsidisation of higher income group financing in the urban sector with that of rural housing scheme and to diversify its activities. Board approved (December 1998) the detailed guidelines of urban housing scheme for individuals, companies and corporate bodies. The Company disbursed Rs.42.68 crore to 2,846 number of loanees under the Scheme during the period from 1996-97 to 2000-01. Following observations were made in audit:

(i) Though the Pre-Equated Monthly Instalment of Interest (PEMII) are required to be recovered till commencement of Equated Monthly Instalment (EMI), it was seen that the Company could recover only Rs.88.41 lakh (49 per cent) against the dues of Rs.180.24 lakh including realisation of Rs.69.04 lakh (70 per cent) from the fully disbursed loanees. The reasons for non-realisation/adjustment of the balance PEMII (Rs.29.97 lakh) dues even from the fully disbursed loanees were not on record; and

No efforts were taken for realisation of overdue of Rs.1.45 crore.

(ii) From 12 January 2001 onwards, the Company was to recover the EMIs through bank. Prior to that cash/cheques were accepted directly. It was observed in audit that as at the end of March 2001, the Company could realise

Rs.7.69 crore (83 per cent) against the cumulative demand of Rs.9.14 crore (1,624 loanees) and the amount overdue was Rs.1.45 crore for a maximum period of 64 months. Out of 1,123 defaulter loanees, 286 loanees having overdues of Rs.62.26 lakh for a period ranging from one to 52 months did not pay even a single EMI and no efforts were made by the Company to realise the overdues.

Audit scrutiny was undertaken of all cases of loan sanctioned (Rs.5.86 crore) during period of review exceeding Rs.5 lakh. Out of 75 such cases, 30 (viz.40 per cent) were defaulters (Rs.27.88 lakh). Out of the 30 defaulters, there were 12 cases (as detailed vide Annexure-12) of default (Rs.18.61 lakh) exceeding Rs.1 lakh. It was noticed that the recovery from these loanees ranged between 'Nil' and 79 per cent with the period of overdue ranging between 151 to 516 days upto March 2000. The irregularities noticed in various cases are as under.

(i) ***Sanction of loan amount beyond eligibility***: In case of Sri Dolagobinda Nayak, the then M.L.A of Aul (Sl. No. 2 of Annexure-12), housing loan of Rs.8 lakh was sanctioned (January 1999) as against the eligibility of Rs.6.lakh. However; the loanee had not repaid any instalment though Rs.1.40 lakh was overdue since April 1999. Similarly, in case of Sl No.6 and 11 of Annexure-12, loans of Rs.10 lakh and Rs.6 lakh were sanctioned against their eligibility of Rs.7.62 lakh and Rs.3 lakh respectively. No action had been taken by the Management to initiate recovery (August 2001).

The Management stated (July 2001) that the loan was sanctioned as a special case to Sri Nayak since he was a Member of the Assembly and the Company is hopeful of recovery of the loan. Regarding eligibility of the two others, it was stated that the loans were sanctioned as per their eligibility. The reply is not tenable since loans should have been disbursed as per the scheme criteria and timely action should have been taken for their recovery.

(*ii*) ***Undue favour to the then CMD*****:** It was seen that a housing loan of Rs.9.75 lakh was sanctioned and disbursed (November1998) to Sri Indramani Rout (Sl No.9 of Annexure-12), the then CMD of ORHDC without taking approval from the Government of Orissa as per Section 295 of Companies Act, 1956. Loan was disbursed without obtaining approved plan and estimate, non-encumbrance certificate, and without guarantee deed. Though sanction was with the condition that the repayment period would be either 15 years or till the end of tenure of Shri Rout as CMD, whichever is earlier, same was not incorporated in the loan agreement with the result that after the cessation of tenure of Sri Rout (October 1999), the amount of outstanding (Rs.12.96 lakh) is still pending (March 2001) for recovery.

The Management stated (July 2001) that since the loan was sanctioned under normal terms, approval of Government was not considered. The reply is not tenable since permission of Government was not obtained as per the Companies Act and moreover the loan agreement was not made as per the conditions of sanction.

(iii) Undue favour to Builders: In case of Sl.Nos.4 and 11 of Annexure-12, loans were disbursed without security/mortgage. It was seen that the loanees furnished an undertaking that flats from Metro Complex would be mortgaged and the title transferred to the Company. However, Metro Complex was earlier mortgaged with the Company against loan of Rs.1 crore and hence considering the part of same property as security was unjustified as the security will not be enforceable for the present loan. Till date, not a single instalment of loan had been paid nor had recovery action been taken.

(iv) Inadequacy of value of security obtained**:** It was seen that in three cases (Sl. Nos.3, 5 & 8 of Annexure-12) as against loans of Rs.10 lakh each the amount of security obtained was only Rs 0.48 lakh, Rs.1.46 lakh and Rs.0.15 lakh which was clearly inadequate.

The Management stated (July 2001) that the loan was sanctioned against land value as well as cost estimate of the building thereon. The reply is not tenable since estimated cost of the building should not have been considered as security.

(v) Sanction of additional loan despite non-realisation of a single EMI against earlier loan disbursed by the Company: In case of Sl. No.1 of Annexure-12, a loan of Rs. 1 lakh was sanctioned in 1997. Though not a single instalment was paid, yet another loan of Rs. 9 lakh was sanctioned in 1998.

(vi) Disbursement made without ensuring the progress of construction as well as ensuring promoters contribution**:** In seven cases (Sl. Nos. 1, 3, 4, 7, 10, 11 & 12 of Annexure-12) the disbursements were made without ensuring progress of construction as required under the terms of the loan. The Management noted (July 2001) the observations of audit for future reference.

(vii) Disbursement of loan for repayment of loan availed earlier from other sources**:** In case of Sl. Nos.1 & 6 of Annexure-12, the loan was sanctioned and disbursed to enable the repayment of earlier loan taken for the same property. The property was not mortgaged in favour of the Company making the loan security fragile.

(viii) Improper execution/non-execution of Guarantee Deed: The Guarantee Deed mentioning details of assets owned by the guarantor was either not executed or was incomplete in 7 cases (Sl. Nos. 1, 3, 4, 7, 10, 11 & 12 of Annexure-12).

The Management stated (July 2001) that guarantee deeds had been executed in 5 cases and for others steps would be taken for proper execution of the same. The fact remains that the guarantee deeds stated to be executed were not as per requirement.

2A.13 Reconstruction of houses affected by Super Cyclone in October 1999

In the aftermath of the super cyclone which struck coastal region of the State in October 1999, the State Government embarked on a massive programme of relief and rehabilitation of the affected people. ORHDC was engaged as one of the agencies for reconstruction of damaged/destroyed housing stock by providing financial assistance to build up 87,500 fully collapsed houses and 50,000 partly collapsed houses of beneficiaries in EWS category through borrowings from HUDCO under Credit Linked Housing Scheme.

2A.13.1 Financial Progress

HUDCO sanctioned (November 1999/October 2000) Rs.306.25 crore and Rs.175 crore for fully collapsed and partly collapsed houses respectively against which Rs.239.34 crore was released (upto March 2001) for only fully collapsed houses. The Company released Rs.141.71 crore (upto March 2001) to 1,09,008 beneficiaries of both the categories. Under the Scheme, Company was to release Rs.35,000 per beneficiary in four instalments i.e. Rs.6,000, Rs.7,000, Rs.12,000 and Rs.10,000 respectively. However, the Company was directed (May 2000) by the State Government to release the 1st and 2nd instalments (Rs.13,000) simultaneously and also directed the Company to retain the last instalment (i.e. 4th. instalment of Rs.10,000) as fixed deposit of the beneficiaries to ensure repayment. Hence, the Company did not disburse the balance amount of Rs.97.63 crore to the beneficiaries. Following observations are made in audit:

i) No separate accounts were maintained for fully collapsed and partly collapsed houses in the absence of which disbursement of funds to partly collapsed beneficiaries against whom no funds were released by HUDCO could not be verified in audit;

Retention/adjustment of loan instalments meant for beneficiaries defeated the objective of the scheme.

ii) In addition to the retention of the last instalment towards fixed deposit (Rs.10,000), Board also decided (August 2000) to adjust the 3rd instalment (Rs.12,000) towards the repayment of loan already disbursed. Hence, the net release would be only Rs.13,000 which is quite inadequate for completion of houses and defeated the objective of enabling EWS beneficiaries for re-constructing their destroyed dwellings; and

iii) Funds amounting to Rs.97.63 crore retained by the company was diverted for disbursement to Government/Public Sector Employees.

The Management stated (July 2001) that the net release to the beneficiary being Rs.25,000 would be adequate for completion of the house. The reply is not tenable since after retaining Rs.10,000 as fixed deposit and adjustment of Rs.12,000 towards repayment, only Rs.13,000 was left towards construction of house which was inadequate. Non-disbursement of the full instalments thus deprived the intended EWS beneficiaries of the benefits of the Scheme.

2A.13.2 Physical Progress

Against the target of 1,37,500 beneficiaries (87,500 fully collapsed houses and 50,000 partly collapsed houses) sanction and disbursement was made (upto March 2001) to 1,30,046 and 1,09,008 beneficiaries respectively. Neither the State Government nor the Company has laid down any time frame for completion of the houses. Following observations are made in audit:

(i) Though 1,09,008 beneficiaries were disbursed assistance, the Company could inspect (up to February 2001) construction of only 69,052 houses (63.35 per cent) out of which 3,951 (6 per cent) only were completed whereas 33,018 (48 per cent) were not even started. Further, due to injudicious decision of the Board for adjusting the 3rd instalment towards repayment of loan already disbursed, 6,182 eligible loanees (constructed upto roof level) were deprived of 3rd instalment (Rs.7.42 crore) thus hampering the completion of construction of their houses;

Non-consideration of the waiting list resulted in depriving 10,809 cyclone victims from the benefit of the scheme.

(ii) Out of 1,30,046 beneficiaries sanctioned financial loan for construction of houses, 3,355 beneficiaries (Jagatsinghpur, Jajpur and Puri districts) dropped out subsequently due to inclusion of their names under IAY Scheme (2,189), CMG loan (146), not interested cases (205) and lack of proper documentation (815). Audit noticed that the beneficiaries under waiting list (13,750) were not considered in place of the drop outs (3,355) and the gap between target and sanction (7,454) was not filled in spite of the fact that each district office is having the list of beneficiaries approved by State Government. As a result, at least 10,809 beneficiaries were deprived of the benefit of availing housing loan for construction of houses; and

(iii) Audit noticed that no action for cancellation of loan and recovery proceedings were initiated against the beneficiaries who had not started construction of houses (33,018) even after disbursement of Rs.42.92 crore.

The Management stated (July 2001) that due to non-availability of funds on account of non-release of 2nd instalment of loan by HUDCO, the 3rd and subsequent instalment could not be released to the beneficiaries. It was added that notice has been issued to those who had not started construction even after receipt of loan and proceedings under OPDR Act would be initiated after obtaining clearance from Government. The reply is not tenable as the non - release of funds by HUDCO was due primarily to the Company utilising funds specifically released for EWS beneficiaries for providing loan to Government and Public Sector employees at higher rate of interest without obtaining concurrence of HUDCO which was objected by HUDCO.

Thus, the Credit Linked Housing Scheme for cyclone affected people failed to achieve the prescribed targets despite disbursement of Rs.141.71 crore.

2A.13.3 Irregularities in the implementation of the Credit Linked Housing Scheme

Further, a test check of records at District Offices (established in January 2000) for the implementation of the Credit Linked Housing Scheme for cyclone affected victims revealed:

Identification of the beneficiaries was not done as per the prescribed procedures.

(i) As the total number of damaged houses assessed by the State Government was 21.87 lakh (Fully collapsed - 8.86 lakh and Partly collapsed - 13.01 lakh), beneficiaries were selected by the District Collectors through lottery. However, no identification was made in respect of beneficiaries belonging to Above Poverty Line/Below Poverty Line/EWS category, though loan was sanctioned by HUDCO only for EWS category;

(ii) Twenty-eight loanees (Puri and Jagatsinghpur district) who were not selected in the lottery were assisted under the scheme thereby resulting in irregular sanction of loans to the extent of Rs.9.80 lakh (Rs.35,000X28) and disbursement of Rs.3.64 lakh. Audit noticed that no enquiry was initiated against the officials for the lapse (January 2001);

(iii) Three hundred fifty eight cheques dated between July and December 2000 amounting to Rs.44.03 lakh were not delivered to the beneficiaries (January 2001) the reasons for which were not on record; and

(iv) Affidavits from the loanee indicating his annual income and solvency as required under the scheme were not obtained in the absence of which the realisation of loan is doubtful.

The Management stated (July 2001) that the District Offices had been instructed recently to produce the category-wise list and audit observations against other items were noted for verification.

2A.13.4 Physical Inspection

In order to verify the implementation of the scheme at the ground level and to assess the extent to which the scheme had been successful in reaching assistance to the cyclone affected persons, Gram Panchayats (GP) of five most affected districts (Cuttack, Puri, Kendrapara, Jajpur and Jagatsinghpur) were selected by audit for physical verification of construction of houses. Accompanied by the staff of the Company, audit could inspect 1,821 loanees (51 per cent) out of 3,602 loanees in the GPs selected during the period November 2000 to January 2001. Out of the total beneficiaries inspected, 761 had not even started construction and for 824 the work was in progress. Only 236 (13 per cent) had completed their houses (January 2001) despite lapse of more than one year since the cyclone. This occurred due to late receipt of loan (294 cases), high cost/ non-availability of building materials and engagement in agricultural work after the monsoon. The physical inspection brought out the following:

(i) Irregular selection of beneficiaries: One hundred and fifty six beneficiaries were disbursed Rs.20.28 lakh though their houses were not

affected in cyclone. Hence, the list of the Revenue Department on the basis of which loanees were selected was clearly defective;

(ii) Non-disbursement of final instalment: Non disbursement of final instalment of Rs.12,000 to the beneficiaries (386 nos.) despite completion of construction till roof level resulted in non-completion of housing units defeating the purpose of the loan;

(iii) Unrealistic assistance disbursed: Retention of Rs.10,000 as fixed deposit resulted in lack of adequate funds for construction (for 202 beneficiaries) while others had to arrange loan from other sources (103 loanees). Thus loan assistance to the extent of Rs.26.26 lakh to 202 beneficiaries became unfruitful; and

(iv) Non-availment of facility of concessional cement: As per decision of Central Government (February 2000), excise duty exempted cement was to be supplied for houses under this scheme which could not be availed by 1,046 beneficiaries due to lack of awareness of such scheme. Further, in case of 226 beneficiaries, funds/entitlement vouchers were not made available while 438 beneficiaries could not avail the facility as stocks were not available with the dealers.

Hence, it was evident that there were severe short-comings in extending of actual relief to the cyclone affected persons and only a small percentage of those affected had been afforded relief despite lapse of over a year.

2A.13.5 Establishment of Building Centres in the Cyclone affected Districts

For production and supply of cost effective building materials required for the cyclone affected victims, HUDCO decided (January 2000) to provide grant of Rs.2.50 crore for setting up 20 Building Centres (BC) by March 2000 under the aegis of the Company. The Board resolved (February 2000) that over and above the grant from HUDCO, loan assistance of Rs.20 lakh each would be given to these BCs to be managed by NGOs. It was also decided to set up another 60 BCs through private entrepreneurs by extending loan assistance of Rs.25 lakh each. During April 2000 to January 2001, the Company extended loan assistance of Rs.4.14 crore to 51 BCs (10 NGOs Rs.1.15 crore and 41 private Rs.2.99 crore).

In this connection, the following was observed in audit:

Non-submission of UC resulted in non-availment of grants of Rs.2.20 crore.

(i) Due to non-submission of Utilisation Certificates (UC) for the grants received (Rs.30 lakh) and non-documentation for the balance grants, the Company could not avail the balance grants of Rs.2.20 crore (February 2001);

(ii) Non-stipulation of any time schedule by the Company for commencement of production by the BCs defeated the very objective of financing the BCs; and

(iii) Though 14 BCs started production, the utilisation of their product by the beneficiaries as well as the cost effectiveness of the material had never been examined by the Company.

The Management stated (July 2001) that balance grant was not received from HUDCO due to non-submission of UC and certificate for possession of land and observation of audit against items (ii) and (iii) were noted for future guidance. The fact remains that the Management could have taken timely action to overcome this problem.

2A13.6 Unfruitful expenditure on procurement of machinery for the Building Centres (BCs)

To meet the urgent need of 15 BCs managed by NGOs the Company placed (February 2000) orders on Victor Electrical and Machinery Manufacturer (VEMM), New Delhi, the sole licensee of Building Materials and Technology Promotion Council (BMTPC) of Government of India, for supply of 15 sets of machinery by March 2000 at a cost of Rs.79.87 lakh inclusive of Rs.16.63 lakh towards cost of installation, training and setting up of service center.

Non-installation of machinery led to idle investment of Rs.0.80 crore.

It was noticed in audit that the delivery of the machinery was made in phases by July 2000 and the Company released (February to October 2000) the full cost of the machinery (Rs.79.87 lakh) though VEMM did not fulfil the conditions like installation of machinery, training and setting up of service centre. Further the machines were yet to be installed which led to idle investment of Rs.79.87 lakh. Due to non-submission of C-form, the Company also incurred an additional expenditure of Rs.4.78 lakh.

The Management accepted (July 2001) the facts.

2A.14 Internal Audit

Board appointed (October 1994) Patra & Co, Chartered Accountants, Bhubaneswar for conducting the internal audit of Corporate Office on continuous basis with effect from September 1994. However, only two half-yearly reports for the year 1997 were submitted. Further, 13 district offices formed in January 2000 had not been subjected to internal audit so far (January 2001). The Company has neither taken any action on the reports nor placed them before the Board. Thus expenditure incurred towards internal audit to the extent of Rs.4.96 lakh proved unfruitful.

Conclusion

Audit review revealed poor financial management of available resources and investments of funds in violation of instructions of State Government resulting in avoidable losses. The Company also failed to effectively implement the Housing Schemes meant for Economically Weaker Sections and for

Scheduled Castes and Scheduled Tribes due to operational deficiencies and unrealistic assumption which resulted in depriving the beneficiaries of the intended benefits and frustrating the objective of the Scheme. The Company was entrusted with providing financial assistance to persons in EWS category whose houses had been destroyed in the super cyclone of October 1999. Here again, irregularities in implementation coupled with failure to disburse full loan amount resulted in depriving a large number of EWS beneficiaries of the intended benefits thus defeating the objective of the assistance for re-construction of houses of those rendered homeless.

The above matters were reported to Government (April 2001); their reply was awaited (August 2001).

2B. REVIEW ON THE WORKING OF THE INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED (IDCOL)

Highlights

Injudicious investment decisions and poor operational performance led to accumulated losses of Rs.31.95 crore as on 31 March 2000 which wiped out the earlier profits and eroded 56 per cent of the paid-up capital.

(Paragraph 2B.5)

Non-charging of interest on the sales consideration (Rs.51.37 crore) of Hira Cement Works treated as unsecured loans resulted in loss of Rs.7.59 crore.

(Paragraph 2B.6.2)

Investment in Equity shares of 5 companies and in Preference shares of 2 companies from borrowed funds coupled with delay in redemption of the Preference shares resulted in loss of Rs.3.07 crore.

(Paragraph 2B.7.1.)

Injudicious decision to reimburse the cash loss of ORICHEM Limited instead of pursuing its closure ignoring the fact that it was an irretrievably sick company led to loss of Rs.2.97 crore which further aggravated its liquidity position.

(Paragraph 2B.8.2)

Uneconomic coke mix resulted in excess consumption of 46,979 MT of coke valued at Rs.15.95 crore during the period 1996-97 to 1999-2000 in KIW.

(Paragraph 2B.10.2.1)

Conversion of 6.5 MVA slag furnace meant for production of LCFC into a furnace for production of HCFC despite the dwindling market for HCFC led to unfruitful investment of Rs.1.59 crore with consequential loss of interest.

(Paragraph 2B.11.2)

The Company received coke without proper assessment of the size which resulted in generation of excess breeze coke and consequential loss of Rs.10.01 crore.

(Paragraph 2B.11.4.2)

Purchase of fourth TG set without actual requirement resulted in futile investment of Rs.7.81 crore.

(Paragraph 2B.11.5)

Delay in finalisation of work order for modification of furnace No.1 of KIW resulted in cost overrun of Rs.3.50 crore with consequential loss of production of pig iron valued at Rs.57.69 crore.

(Paragraph 2B.11.6)

Non-recovery of conversion cost for production of HCFC as per the agreement with TISCO resulted in cash loss of Rs.1.28 crore.

(Paragraph 2B.12.2)

2B.1 Introduction

The Industrial Development Corporation of Orissa Limited (IDCOL) was incorporated as a wholly owned Government Company on 29 March 1962 with the following main objectives:

(i) to promote, establish and execute industries, projects or enterprises for manufacture and production of plant, machinery, tools, implements, material, substances, goods or things of any description which in the opinion of the Company are likely to promote or advance the industrial development of Orissa;

(ii) to aid, assist and finance any industrial undertaking, project or enterprise whether owned or run by Government, statutory body, private company, firm or individual, with capital, credit, means or other resources for prosecution of its work and business; and

(iii) to promote subsidiary companies for the purpose of implementing any of the objectives of the Company.

The Company set up (1963 to 1968) three units viz. (a) Kalinga Iron Works (KIW), (b) Ferro Chrome Plant (FCP) and (c) IDCOL Rolling Mill (IRM). The Company's investment in the three units was Rs.104.60 crore as on 31 March 2000 whereas the accumulated loss in these units stood at Rs.17.78 crore. The Company had invested Rs.69.60 crore in eight subsidiary Companies from 1974 to 1998.

The Company also invested Rs.6.29 crore in eight joint sector/joint ventures and other companies from 1962 to 1998 but realised only Rs.2.05 crore from disinvestment in one company with a profit of Rs.35 lakh up to 31 March 2000.

The Company had not formulated any policy for disinvestment at the appropriate time as a result of which the objective of recycling of funds in promotion of many industries was not achieved. No new industry could be promoted by the Company during the period from 1996-97 to 1999-2000 except one subsidiary (November 1998) called IDCOL Software Limited. Thus, the primary objective of the Company to accelerate industrial growth in the State remained unfulfilled.

2B.2 Organisational set-up

The management of the Company is vested with a Board of Directors consisting of 12 members including one Chairman cum Managing Director who is the Chief Executive with the powers to control the day to day management of the Company with the assistance of five General Managers and a Company Secretary at Corporate office and three General Managers in the three units of the Company.

2B.3 Scope of Audit

The investments and Loans and Advances made by the Company were reviewed and commented in the Report of the Comptroller and Auditor General of India (No.2) for the year ended 31st March 1993. Recommendations of the COPU are contained in Fourth Report (12th Assembly) presented to the Assembly in March 2001. Action Taken Notes on the recommendations are still awaited (August 2001). The present review covers the working of the Company for the period from 1996-97 to 2000-2001 with particular reference to the losses incurred by the Company and the findings are discussed in the succeeding paragraphs.

2B.4 Share Capital and Borrowings

The authorised share capital of the Company is Rs.75 crore. The paid-up share capital of the Company as on 31 March 2000 was Rs.57.12 crore.

The borrowings of the Company as on 31 March 2000 amounted to Rs.300.92 crore which was availed from State Government (Rs.24.99 crore), Central Government (Rs.0.01 crore), Banks (Rs.30.82 crore), issue of bonds (Rs.225.59 crore) and others (Rs.19.51 crore). Unsecured loans had increased from Rs.126.78 crore in 1998-99 to Rs.268 crore in 1999-2000. Current Assets and Loans and Advances, Miscellaneous Expenditure not written off and accumulated losses had also increased from Rs.130.86 crore in 1998-99 to Rs.268.71 crore in 1999-2000, Rs.0.05 crore in 1998-99 to Rs.6.42 crore in 1999-2000 and Rs.17.17 crore in 1998-99 to Rs.31.95 crore in 1999-2000 respectively which affected the liquidity position of the Company.

Government stated (August 2001) that the Company was resorting to borrowings mainly due to continuous loss as the market for all its products were crashing down due to post liberalisation effect. The reply is not tenable as the main reason of increase in borrowing was due to infusion of funds in subsidiary companies, joint sector companies and incurring cash losses in own units.

2B.5 Financial Position and Working Results

The Company had finalised its accounts up to the year 1999-2000 and accounts for the year 2000-01 were stated to be under finalisation (August 2001). The financial position and working results of the Company for the last four years is given in Annexure-13. The net-worth of the Company had come down from Rs.101.66 crore as on 31 March 1997 to Rs.26.31 crore as on 31 March 2000 due to continuous losses made from 1996-97 onwards.

It would be observed from the working results that the losses had increased to Rs.32.95 crore in 1998-99 as against a loss of Rs.12.41 crore in 1996-97. It decreased to Rs.14.95 crore in 1999-2000 owing to write back of Rs.13.05 crore being excess provision of depreciation in previous years.

Accumulated losses stood at Rs.31.95 crore as on 31 March 2000 after erosion of earlier profits.

It was noticed in audit that the Company was earning profit up to the year 1995-96. Thereafter, the Company continuously sustained losses and the accumulated loss stood at Rs.31.95 crore as on 31 March 2000 after erosion of earlier profits. This has also eroded 56 per cent of the paid up capital. The main reason for such huge losses was attributed by the Company to low sales realisation owing to industrial recession coupled with high cost of production. But it was observed in audit that the main reasons for the losses were attributable to:

(i) Injudicious investment in subsidiaries and other joint sector companies out of borrowed funds without any return; (Paras 2B.6 & 2B.7);

(ii) Poor operational performance of its own units (Paras 2B.10 & 2B.11); and

(iii) Blocking up of funds in loans and advances (Para 2B.8).

These are discussed in detail in the succeeding paragraphs:

2B.6 Investment in Subsidiaries

Investment of borrowed funds led to loss of Rs. 41.95 crore.

Investment in subsidiaries and other companies by IDCOL were commented in the Report of the Comptroller & Auditor General of India for the year ended 31 March 1993 (Commercial). The COPU had recommended (March 2001) that "IDCOL had failed in all fields of management and monitoring of Subsidiaries and Joint Sector Companies and was increasing liabilities only." Hence, the Committee felt that quick disinvestment was the panacea to all the problems of the Company. Though the Company had invested an amount of Rs.69.60 crore in these eight subsidiaries as on 31 March 2000, it did not receive any dividend from these subsidiaries for the period from 1996-97 to 1999-2000 except from Hirakud Industrial Works Limited [Rs.0.29 crore for 1996-97 (10 per cent) and Rs.0.24 crore for 1997-98 (5 per cent)]. As the investments were made from borrowed funds, the company sustained a loss of Rs.41.95 crore at the average interest rate of 16 per cent per annum for the last four years ending 31 March 2000.

Government stated (August 2001) that since the investments were made either out of Government Fund or from internal generation of the Company, the investment at 16 per cent rate of interest is unrelated. The reply is untenable in view of the fact that the equity was Rs.57.12 crore as on 31 March 2000 whereas fixed assets was Rs.71.16 crore and capital work-in-progress was Rs.0.71 crore. Hence, investment of Rs.69.60 crore in subsidiary companies could only have been met from borrowings. Further, any investment whether from own funds or borrowed funds should earn a return.

Detailed examination of two cases revealed the following:

2B.6.1 Improper investment in equity of Hirakud Industrial Works Limited (HIW)

Non-charging of interest on unsecured loans resulted in loss of Rs.1.72 crore.

Hirakud Industrial Works (HIW), a loss making unit of IDCOL, was incorporated (18 January 1993) as a wholly owned Company and re-named as Hirakud Industrial Works Limited (HIWL) and taken over (31 March 1993) by IDCOL as a subsidiary. The sales consideration was fixed at Rs.4.90 crore which was to be treated initially as unsecured loan. The right thereafter to convert the whole or part of the loan into equity or preference share capital was left to IDCOL. The Company opted for conversion of the whole amount into equity i.e. Rs.2.90 crore in March 1994 and Rs.2 crore in February 1998. Further, an amount of Rs.49.17 lakh being sales consideration for merger (February 1997) of Hira Cable Works (HCW) (another own unit) with HIWL was also treated as unsecured loan and was lying as such (July 2001). No interest was charged on the sales consideration converted as unsecured loan resulting in loss of Rs.172.22 lakh.

Government stated (August 2001) that there was no provision in the agreement for charging interest on the loan as the position of HIWL from day one was not good. The reply is not acceptable in view of the fact that since the investment was made out of borrowed funds, provision should have been made in the agreement for charging interest.

2B.6.1.1 Merger of HCW with HIWL

As part of its efforts to improve functioning of State Public Sector Undertakings, the State Government had offered two options for restructuring of HCW viz. (i) privatisation of HCW or (ii) integration with HIWL. The Company accepted the second option (June 1996) in order to bring about synergy in operation of both the units and in anticipation of HIWL being in a position to obtain turn key orders at economical rates. It was, however, observed in audit that after conversion into a subsidiary company, HIWL had earned profit (Rs.2.71 crore) from 1994-95 to 1998-99. But after merger of HCW in February 1997, the financial position of HIWL deteriorated resulting in loss of Rs.1.18 crore in 1999-2000; one of the reasons for this being poor performance of HCW. Thus, decision to integrate a loss-making unit with a profit making concern (HIWL) was clearly injudicious as it converted the latter into a loss making company thereby negating the returns from the investment thereon.

Government stated (August 2001) that the profitability of HIWL was gradually reducing due to loss of other units of HIWL and was not due to merger of HCW. The reply is not tenable as HIWL's profit started dwindling after merger of HCW with HIWL.

2B.6.2 Investment in IDCOL Cement Limited (ICL)

Non-charging of interest on the sales consideration resulted in loss of Rs.7.59 crore.

Hira Cement Works (HC), a profit making unit of IDCOL, was converted (February 1993) into a subsidiary company under the name IDCOL Cement Limited (ICL) to enable it to avail finance from the market for its modernization and expansion project. The sale consideration of HC amounting to Rs.51.37 crore was initially treated as an unsecured loan and subsequently converted into equity on 21 April 1994. As per the agreement (March 1993) between IDCOL and ICL, interest at the rate of 14 per cent per annum was to be charged on the unsecured loan. However, the Company had not charged any interest on the unsecured loan up to the date of conversion as equity resulting in a loss of Rs.7.59 crore.

Further, ICL incurred loss continuously up to 31 March 1999 and the profit of Rs.1.35 crore for the year 1999-2000 was due to write back of interest of Rs.146.32 crore waived by financial institutions.

Government stated (August 2001) that interest on the sales consideration of Rs.51.37 crore was not charged since ICL was just stabilising its operation after implementing the modernisation scheme. The reply is not tenable as the Company did not adhere to the agreement (March 1993) between IDCOL and ICL for charging of interest.

2B.7 Investment in other companies

2B.7.1 Loss on investment in shares

The Company, expecting an yield ranging from 16 to 28 per cent, invested Rs.4.76 crore in equity shares of five companies out of borrowed funds carrying 16 per cent (average) rate of interest per annum during 1996-97 to 1999-2000 and Rs.1.13 crore as preference shares in two companies during January 1990 to September 1996 to be redeemed between January 1997 and May 1998. During this period, the Company earned dividend amounting to only Rs.40.53 lakh on equity shares and Rs.99.01 lakh on preference shares resulting in loss of interest of Rs.2.76 crore. Further, there was delay in redemption of preference shares ranging between 258 days and 1 year as a result of which there was additional loss of interest of Rs.9.79 lakh.

Investment of borrowed funds in shares of other Companies resulted in loss of Rs.3.07 crore.

Further, the Company invested (December 1997) Rs.47 lakh in Rights issue of Equity shares of NICCO Corporation Limited (NICCO), an assisted unit of IDCOL, even though the financial soundness of NICCO was not good as they had asked for extension of three years to redeem the preference shares which were due for redemption in September 1997 and also the Company (IDCOL) was facing liquidity problem and operating cash credit. Against this investment, the Company received only 4 per cent dividend in the first year i.e. 1998. Thereafter, no dividend was received. Thus, the Company incurred loss of Rs.20.68 lakh (difference between interest on borrowing and dividend received) on this investment. Thus, improper management and investment of borrowed funds resulted in loss of Rs.3.07 crore.

Government stated (August 2001) that actual rate of return on the investments varied from case to case and from time to time depending on the prevailing economic situation. The reply is not acceptable as the Company had invested in originally profit making companies but had not closely monitored the performance of the companies subsequently nor taken timely remedial action for disinvestment to safeguard the interest of the Company.

2B.7.2 Loss of revenue due to delay in selling the shares

Loss of revenue of Rs.0.82 crore as shares could not be sold in time.

The Company decided (July 1999) to sell all the shares worth Rs.164.50 lakh in NICCO as the dividend was low. The Company sought (December 1999) permission from the Government of Orissa to sell the shares in the open market which was received only in April 2001. In the meantime, the price of shares increased from Rs.10 to Rs.15 during January 2000 and thereafter fell (April 2000) to Rs.10. Due to non-receipt of the approval of the Government and lack of adequate pursuance, the Company could not sell the shares at the appropriate time when the price of the shares had reached Rs.15 and was thus deprived of a gain of Rs.82.25 lakh.

Government stated (August 2001) that approval of Government had been accorded and the shares would be disposed of at the opportune time depending on the market behaviour. The reply is not convincing as the approval was obtained only in April 2001 and thus the opportunity of selling of shares at higher price was lost by the Company. Besides the Company did not furnish the reasons for obtaining Government's approval in such case.

2B.7.3 Failure of Joint Venture Project with Snehadhara Industries Limited

A Joint Venture was entered into with Snehadhara Industries Limited (SIL) for raising lime stone from Ampavalli Mines for ten years from 25 July 1992 without any independent assessment of the financial and technical capability of the promoters of SIL. As per the agreement, SIL was to pay all the government dues like royalty, dead rent etc. to IDCOL. It was also to pay agency fees subject to a minimum of Rs.3 per MT of lime stone raised since the mining lease was in the name of IDCOL. In this connection, the following points were noticed in audit:

(i) As against 11 per cent of equity envisaged in the agreement, IDCOL contributed 11.55 per cent of equity (excess contribution Rs.8.78 lakh) after some private promoters refused to bring in their share of contribution (IDCOL contributed Rs.146 lakh in July 1992 and Rs.39 lakh in September 1996);

(ii) IDCOL did not receive any dividend as SIL was continuously incurring losses;

(iii) The amount outstanding from SIL was Rs.43.40 lakh towards government dues including interest up to 30 June 2001 and Rs.24.99 lakh towards agency fees, survey expenses etc.

(iv) SIL was referred (April 1999) to BIFR which ordered that the Company be wound up (July 2000). Action for winding up is yet to be taken (August 2001).

Entering into a joint venture without ensuring its viability resulted in loss of Rs.2.53 crore.

Thus, entering into a Joint Venture without ensuring the financial or technical viability or capability of the joint venture partner resulted in a loss of Rs.253.39 lakh.

Government stated (August 2001) that the viability of the Cement Plant was examined by the Company, State Government and the Financial Institutions and found good but it could not sustain due to lack of infrastructure development such as road and rail communication, electricity and water supply etc. The reply is not tenable as the viability of a cement plant can not be considered good in the absence of above infrastructure facilities.

2B.8 Loans and Advances

The outstanding balances of loans and advances had gone up to Rs.184.31 crore in 1999-2000 as against Rs.57.57 crore in 1996-97 indicating more than a three-fold increase. This was mainly due to advances (June 1999 to January 2000) of Rs.126.28 crore out of Bond proceeds to ICL for settlement of dues of financial institutions under One Time Settlement.

2B.8.1 Loans and advances to Subsidiaries and Joint Sector Companies

Loss of Rs.47.07 crore due to non-charging of interest on loans and advances.

The Company extends loans and advances to subsidiaries and Joint Sector Companies to meet their shortfall in working capital as these companies are continuously incurring cash losses. It was observed in audit that a sum of Rs.172.50 crore was outstanding as on 31 March 2000 from the subsidiaries and joint sector companies. However, no interest was charged nor was there any stipulation for recovery/repayment of those loans and advances except in the case of Konark Jute Limited, HIW and Orichem Limited on whom interest was charged on a portion of the loan. Consequently, the Company incurred a loss of Rs.47.07 crore during the period 1996-97 to 1999-2000 due to non-charging of interest.

Government stated (August 2001) that due to severe financial constraints faced by the subsidiaries, loans and advances were given to them and as these advances were to be written off/converted as equity, no interest was charged. The reply is not acceptable as the Company had neither specified the terms of repayment of advance nor payment of interest before giving financial assistance as a result of which Subsidiaries did not try to improve their performance and refund the advances.

2B.8.2 Reimbursement of cash loss to ORICHEM Limited (OL)

Mention was made in Paragraph 2B.5.2 (iii) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993 (Commercial) – Government of Orissa about the losses arising from the investment made by the Company in OL. COPU had recommended (March 2001) that "The company was started 30 years back and the Company was still incurring losses and the mis-management could not be detected .The nominees of IDCOL should be held responsible for such lapses and departmental inquiry should be conducted to find out whether the mis-management was prompted by inaction or vested interest". However, action in this regard had not been initiated by the Company so far (August 2001).

Injudicious decision to reimburse the cash loss of OL led to loss of Rs.2.97 crore.

It was further noticed in audit that due to heavy losses, OL was initially declared (November 1987) sick by BIFR with effect from 31 December 1986. In January 1993, BIFR suggested a rehabilitation scheme whereby IDCOL had to bear the cash loss and also agree to meet the shortfall in cash flow projections. As IDCOL agreed to this stipulation, BIFR sanctioned the scheme. It was observed in audit that the decision of IDCOL to reimburse the cash loss instead of proposing its closure was injudicious in as much as it ignored the fact that OL was a sick company with no hope of revival and its continuance would only be a continuing burden on the Company. Due to this injudicious decision, the Company had to reimburse a further amount of Rs.2.97 crore to OL for the period from 1994-95 to 1999-2000 which aggravated its own liquidity position. OL was ultimately closed in October 2000.

Government stated (August 2001) that the very objective of industrial development of the State would have been defeated in case IDCOL had shied away from its responsibility. The reply is not tenable in view of the fact that

OL could not be revived and ultimately was closed in October 2000. Objective of industrial development could not be achieved unless investments are made in a judicious manner.

2B.9 Guarantee given for subsidiaries

The COPU in its Fourth Report (12th Assembly) observed (March 2001) that extending guarantee to unviable units was a natural follow up to unwise decisions to invest in losing concerns. The Company has been giving Corporate Guarantee to Banks and Financial Institutions for providing working capital facilities as well as term loans to the subsidiary companies from 1990-91. The Company provided guarantees to the tune of Rs.49.24 crore as on 31 March 2000. As per the Section 370 of the Companies Act, 1956, a wholly owned Government company should obtain the approval of the Central or State Government before giving any guarantee to a company under the same management. It was noticed that the Company had given the guarantees without obtaining the approval of the Government of Orissa in contravention of the requirements of the Companies Act.

Government stated (August 2001) since IDCOL has given guarantee to its subsidiaries, the provisions of Section 370 are not applicable. The reply is not correct as the approval of the State Government is necessary as per Section 370 of the Act ibid.

2B.10 High cost of production

The main products of the Company are High Carbon Ferro Chrome (HCFC) from FCP, Graded Pig Iron (GPI) and Spun pipe from KIW and MS Rod from IRM.

The cost of sales and the selling price of various finished products of the Company for the last four years ending 1999-00 are given in the table below.

Product	1996-97		1997-98		1998-99		1999-00	
	Cost	Sale Price	Cost	Sale Price	Cost	Sale Price	Cost	Sale Price
HCFC	26373	24099	29788	24729	27466	21955	28053	23541
GPI	7765	7111	7340	6192	8895	6181	7007	6094
Spun Pipe	12924	13929	13466	14410	14200	14215	14111	14340
M.S.Rod	15634	12456	16714	13563	21680	14104	Production stopped.	

HCFC: High Carbon Ferro Chrome

GPI: Graded Pig Iron

Sales below the cost price resulted in loss of Rs.71.72 crore.

It would be seen that the cost of sales was always more than the selling price except for spun pipe which resulted in loss of Rs.71.72 crore including cash loss of Rs.2.83 crore on the sales of GPI at lesser price than the variable cost in the years 1997-98 (Rs.1.75 crore) and 1998-99 (Rs.1.08 crore) to the Company. The high cost of production was due to low capacity utilisation and excess consumption of raw material as detailed below:

2B.10.1 Capacity utilisation

The capacity utilisation of various plants of the Company during the last four years is given in Annexure-14. There was under-utilization of capacity in all the plants ranging between 18.02 and 97.51 per cent except in Pig Iron Division during 1996-97 and 1997-98 and in Ferro Chrome Plant during 1996-97.

Government stated (August 2001) that low capacity utilisation was due to maintenance problems, want of working capital and market recession. The reply is not tenable in view of the fact that the Government had also accepted the fact that sales target were not achieved due to poor production. Evidently, the Company failed to take coherent steps to either increase sales and turnover which would have eased the working capital position or otherwise increase production by removing maintenance bottle-necks.

2B.10.2 Excess consumption of raw material

The Company had not determined any permanent norm for consumption of raw material. However, norms were fixed annually in the annual budgets based on previous year's consumption. The details of excess consumption of raw material over the budgeted norms from 1996-97 to 1999-00 are given below:

Name of the Unit	Raw-material	Excess consumption	
		Quantity	Value (Rs.in lakh)
Ferro Chrome Plant	Power	3.56 M.U	101.63
	Furnace oil & Lube oil	1883.235 K.L	98.81
Kalinga Iron Works	Limestone	6584 MT	29.04
	Dolomite	5049 MT	19.78
	Quartzite	888 MT	2.34
	Manganese Ore	1596 MT	7.12
	Total		**258.72**

Excess consumption of raw materials led to loss of Rs.2.59 crore.

Thus, the Company sustained a loss of Rs.2.59 crore due to excess consumption of various raw materials during the years 1996-97 to 1999-00.

Government stated (August 2001) that excess consumption of each raw material was due to factors like excess chromium content, high ash content in coke and inferior quality of Quartzite. The reply is not convincing as the aforesaid factors were taken into account at the time of fixing norms in the budget and even then the norm was not adhered to.

2B.10.2.1 Loss due to Uneconomic Coke Mix

Uneconomic coke mix resulted in loss of Rs.15.95 crore.

In KIW, different grades of coke such as Hard Coke, Nut Coke and Pearl Coke are to be blended and charged to the furnaces in such a manner that maximum output is achieved at minimum cost. It was noticed in audit that the budgeted norms were not adhered to and in many cases the blending was done using more quantity of costlier varieties of coke though output remained the same in all cases. This uneconomic coke mix resulted in excess consumption of 46,979 MT of coke valued at Rs.15.95 crore during the period 1996-97 to 1999-2000.

Government stated (August 2001) that due to non-availability of Coke as per the budgeted requirement, blending was done according to availability of Coke which led to excess consumption. The reply is not tenable in view of the fact that the Company did not utilise facilities available for conversion of coal into coke resulting in extra expenditure of Rs.15.95 crore.

2B.10.3 Short Output of Finished Products

The inputs and outputs of High Carbon Ferro Chrome (HCFC) in FCP and Graded Pig Iron (GPI) in KIW during the period 1996-97 to 1999-2000 were as follows:

Year	Actual consumption of raw material (MT)	Standard output (MT)	Actual output (MT)	Short output (MT)	Rate per MT (in Rupees)	Value (Rupees in lakh)
Graded Pig Iron						
1996-97	119985	82749	82342	407	6546	26.64
1997-98	190480	131454	129734	1720	6364	109.46
1998-99	46117	32941	32679	262	6356	16.65
1999-2000	87360	64712	63657	1055	5291	55.82
Total						**208.57**
HCFC						
1997-98	22164	10406	10139	267	18939	50.57
1998-99	23538	10767	10224	543	18446	100.16
1999-2000	26483	12115	11519	596	19640	117.05
Total						**267.78**

Short output of finished products resulted in loss of Rs.4.76 crore.

It was observed that there was short output valued at Rs.4.76 crore in comparison to the norms fixed by the Company though norm was fixed every year taking into account the prevailing operating conditions and available raw material.

Government stated (August 2001) that due to actual operating condition and actual raw material there was short output in some years and excess output in some years and finally there was no short output. The reply is not tenable since the short output of a furnace can not be adjusted against the excess output of another furnace.

2B.10.3.1 Loss due to excess rejection of C.I. Pipes over norms during manufacture

Rejection in excess of norms led to loss of Rs.0.53 crore.

C.I. Pipes are manufactured through three processes viz.melting, spinning and finishing. No fixed norms were prescribed for rejection. However, the Company determined norms for rejection in spinning process at 6 per cent for 1996-97 and 1997-98 and at 7 per cent for 1998-99 and 1999-2000 based on past performance. In respect of finishing process, the rejection norm was fixed at 6 per cent for all the years. It was noticed that Kalinga Iron Works (KIW) sustained a loss of Rs.52.59 lakh (after deducting the value of scrap) due to excess rejection over norms for respective years in the above two processes during the period 1996-97 to 1998-99.

Government stated (August 2001) that excess rejection was due to operational parameters and size mix in the production and the actual loss was only Rs.19.02 lakh based on realisable value of the scrap. The reply is not acceptable as the norm was fixed after considering all these factors which was also achieved by the Company in some years. Further, loss of Rs.19.02 lakh was not correct as it was arrived at after adjustment of savings in one process against the shortage of another process.

2B.11 Other cases of infructuous/avoidable expenditure

Few interesting cases of avoidable/infructuous expenditure as noticed in audit are discussed below:

2B.11.1 Avoidable payment of delayed payment surcharge on power bills

NESCO, the electricity supply utility, claimed Rs.22.40 crore towards their dues up to January 2001 whereas Ferro Chrome Plant (FCP) calculated the dues as Rs.19.61 crore. The difference of Rs.2.79 crore was yet to be reconciled (March 2001). The dues as calculated by FCP include Rs.81.06 lakh towards Delayed Payment Surcharge (DPS) at the rate of 24 per cent per annum. It was observed in audit that the Company had not prioritised its liabilities as it could have met its outstanding liabilities on electricity charges through oversubscription (retained) of Rs.33.86 crore received on the issue of bonds to meet working capital requirement thereby reducing its liability on DPS.

Government stated (August 2001) that the extra fund received from bond issue was utilised for repayment of other interest bearing liabilities. The reply is not convincing as DPS was at 24 per cent per annum whereas other liabilities bear lesser interest ranging between 12 and 20 per cent per annum for which the Company should have paid the electricity charges first to avoid loss.

2B.11.2 Modification of 6.5 MVA slag Furnace (FCP)

Modification of slag furnace despite a dwindling market led to infructuous expenditure of Rs.1.59 crore besides loss of Rs.1.22 crore on account of operation of Furnace No.2

The 6.5 MVA slag furnace of FCP (Furnace No.2) meant for production of Low Carbon Ferro Chrome (LCFC) was kept idle since 1983 due to dwindling market of LCFC. In September 1997, the Company decided to convert the furnace for production of HCFC at a cost of Rs.2.30 crore and entrusted the work to RgCON Services, Visakapatnam, even though the Company was aware at that time (March 1996) of the declining market trend for HCFC. The Company completed (June 1998) the project by spending Rs.1.59 crore out of borrowed funds and commercial production started on 26 June 1998. It, however, stopped from 17 December 1998 due to high rate of consumption of power and raw material (i.e. as against Rs.12,182 per MT it was Rs.22,064 per MT) and poor marketing condition. The Company sustained a loss of Rs.48.68 lakh during the period from June to December 1998. As there was no clause in the agreement for consumption parameters, the Company could not get the excess consumption in the furnace rectified by the contractor. The furnace was again put into operation from December 1999 to February 2001 without any remedial measures and again stopped in March 2001 due to fall in price of HCFC in the market. The company suffered loss of Rs.73.23 lakh from December 1999 to February 2001 due to operation of Furnace No.2. Since capacity of Furnace No.1 was sufficient to meet the annual sales made, there was no need of operating Furnace No.2. Thus, the decision to take up modification of the furnace despite lack of market and without ensuring consumption parameters was clearly injudicious which led to the capital investment of Rs.1.59 crore becoming unfruitful with consequential loss of interest of Rs.25.44 lakh per annum due to blocking up of the funds to that extent. In addition, the Company suffered a loss of Rs.1.22 crore on account of excess consumption of material by the re-furbished Furnace.

Government stated (August 2001) that FCP is able to sell the entire production leaving some marginal stock but due to decline in sales price the product is being sold at below cost of production. It was added that the contractor did not agree to guarantee consumption norms and the modification was not total due to fund constraints. The reply is not convincing as the Company had decided to take up the modification work in spite of declining trend of market and fund constraints, which resulted in partial modification of furnace and ultimately the product was sold below cost of production.

2B.11.3 Purchase of Dryer system in FCP

To reduce the moisture content of chrome ore from 5-15 per cent to a level of 2-3 per cent in order to get quality briquettes and to reduce the cost of production of HCFC by Rs.148 per MT, the Company decided (March 1998) to install a new Dryer system at an estimated cost of Rs.64 lakh (equipment Rs.38.33 lakh, civil works Rs.11.17 lakh and erection and commissioning Rs.14.50 lakh). A purchase order was placed (May 1998) on Techtran Enterprises Private Limited, Calcutta, (TEPL) for supply of Double Shell Rotary Dryer with a capacity of 10 TPH at Rs.20.70 lakh. Another order was placed (June 1998) on RgCON Services, Vishakapatnam, for detailed design and engineering, fabrication, erection, testing and commissioning of the plant at Rs.14.25 lakh. A sum of Rs.12 lakh was paid to TEPL from May 1998 to

October 1999 towards advance against supply of material and a sum of Rs.7.49 lakh was paid to RgCON Services from June 1998 to March 1999 towards design and engineering and running account bills. Further, a sum of Rs.9.37 lakh was spent during the years 1998 and 1999 towards steel material, civil works etc.

Though the supplier had manufactured (September 1998) the dryer and its accessories, the project was deferred (February 1999) due to paucity of funds. However, the Company lifted (July 1999) material worth only Rs.16.56 lakh. The Company proposed to complete the project whenever its financial position improved. In the mean time, the guarantee for the equipment expired (October 2000). Due to failure in arranging the funds, the Company lost the opportunity of cost reduction of Rs.148 per MT and hence incurred a loss of Rs.19.25 lakh per annum at the production level of 1999-2000 (13,007 MT). The delay in completion of work resulted in infructuous expenditure of Rs.45.42 lakh i.e. material lifted (Rs.16.56 lakh) advance to TEPL (Rs.12 lakh), payment to RgCON (Rs.7.49 lakh) and steel material and civil works (Rs.9.37 lakh) since the installation of Dryer was doubtful. Further, in view of the fact that guarantee period was already over any defect or deterioration in quality may not be compensated.

Government stated (August 2001) that the installation of dryer system would be completed once the financial position improves. The reply is not correct as without arrangement of funds, the Company should not have gone for purchase of the dryer.

2B.11.4 Procurement of coke

A test check of cases of procurement of coke revealed the following:

2B.11.4.1 Excess payment of customs duty on import of coke

KIW entered (February 1999) into an agreement with MMTC TRANSNATIONAL Pvt. Ltd., Singapore, for supply of 10,000 MT of coke which was subsequently increased (July 1999) to 11000 MT ± 10 per cent at the rate of US$ 87 per MT. As per the agreement, any increase in moisture level above 5 per cent was to be adjusted/reduced from the weight in the Bill of Lading. A quantity of 11,829 MT of coke was shipped (August 1999) which had 7.42 per cent moisture content. The supplier instead of reducing the quantity for excess moisture from the Bill of Lading as per the agreement reduced the value in the invoice. This resulted in excess payment of customs duty to the tune of Rs.16.28 lakh. The suppliers were requested (September 1999) to refund the above amount but they refused to do so (October 1999) since they were not made aware of the fact. Thus, due to lack of timely action, the Company had to incur an avoidable expenditure of Rs.16.28 lakh towards customs duty.

Government stated (August 2001) that the Company had taken steps for payment of less customs duty which had not fructified. The reply is not tenable as instead of approaching the customs authorities, the Company should have asked the supplier in time to reduce the gross weight in the Bill of Lading.

2B.11.4.2 Loss due to acceptance of Breeze coke

Acceptance of Breeze coke resulted in loss of Rs.10.01 crore.

Though the agreements with the suppliers provided for supply of a specified size of coke, KIW accepted supplies without properly ascertaining the size of coke. It was noticed that the coke purchased contained Breeze coke which was not usable in the furnaces. Hence, the Breeze coke had to be segregated and sold. During the period 1996-97 to 1999-00, KIW consumed 4,67,909 MT of coke (value: Rs.217.36 crore) and generated 84,645 MT of Breeze coke. The loss on this account worked out to Rs.10.01 crore after allowing five per cent normal handling loss and sale value of Breeze Coke.

Government stated (August 2001) that due to scarcity of coke, the Plant had very often purchased coke from Steel Plants on 'no complaint' basis and hence there was no fixed percentage of undersize. The reply is not tenable since the Company is procuring coke not only from Steel Plants but also from foreign suppliers and through conversion of coal into coke.

2B.11.5 Unnecessary purchase of T.G Set without actual requirement

The Company entered into an agreement (November 1990) with DLF Energy Systems, New Delhi, for supply, erection and commissioning of one 4 MW Turbine Generator (TG) set at a cost of Rs.7.59 crore to be commissioned at KIW by 31 March 1992. The TG set was commissioned in September 1995 after a delay of about 3 ½ years at a total cost of Rs.7.81 crore. It was noticed that as against 10,920 hours available, the T.G. set was operated for only 2,533 hours during the period 13 May 1996 to 11 August 1997 due to frequent problems/defects. The generation of power was 2.41 M.W per hour as against 4 M.W projected in the agreement. The T.G. set was ultimately shutdown with effect from 11 August 1997 due to failure of super-heater coils and soot blowers.

In September 2000, the Company decided to dispose of the T.G set as there were already three T.G sets of which two were running and one was kept as stand-by and invited tender for the same (November 2000). It was evident in audit that no assessment had been made of the actual requirement of TG set.

Purchase of TG set without requirement led to futile investment of Rs.7.81 crore.

Thus, the capital investment of Rs.7.81 crore on the fourth T.G set became infructuous with corresponding loss of interest of Rs.1.25 crore per annum from September 1995. Further, in response to the Tender Notice for sale of the T.G set, the maximum offer received by the Company was only Rs.35 lakh against the cost of Rs.7.81 crore. Disposal of the set is awaited (August 2001).

Government stated (August 2001) that the 4th T.G. set was procured for diversification programme of KIW which could not be used due to abandoning of the diversification programme. The reply is not tenable as the Company had gone for procurement and commissioning of the T.G. set before final decision on implementation of diversification programme.

2B.11.6 Cost and time overrun in modification of Furnace No.1 of KIW

The low shaft Blast Furnace which was commissioned in 1959 at KIW became uneconomical due to high consumption of coke. Hence, the Company engaged (September 1994) CMIEC Simplex CERIS (Simplex), Calcutta, who were the Indian representative of CERIS, for preparation of feasibility report for modernisation of furnace according to which the production would be 56,000 MT of Pig Iron per annum and coke consumption would be 850 kgs per MT as against the existing level of 1,350 kgs per MT. The cost as per the detailed estimate of the firm was Rs.14.75 crore (November 1994). The Company decided (December 1994) to modify this furnace into a mini Blast Furnace with CERIS technology of China. The work was entrusted (December 1995) to Simplex for Rs.18.25 crore with escalation up to 20 per cent. In this connection, the following points were noticed in audit:

(i) The Company has no prescribed tendering procedure. No open tender was floated even though the project cost was more than Rs.14 crore;

Delay in finalisation of work order resulted in cost overrun of Rs.3.50 crore.

(ii) Instead of placing order on Simplex as per their estimate, the Company again called for an offer from them (March 1995), the reasons for which were not on record. This resulted in cost overrun of Rs.3.50 crore (Rs.18.25 crore - Rs.14.75 crore);

(iii) Even without accepting the revised offer, the Company called (June 1995) for supplementary offers from another three firms and in the meantime, Simplex increased the price escalation ceiling from 10 to 20 per cent. Calling of offers in piece-meal by the Company thus, resulted in exposing the Company to further increase of cost by Rs.1.83 crore being the additional 10 per cent escalation;

(iv) As per the contract, the furnace was to be commissioned before 31 January 1998 but it was commissioned on 5 October 1999 due to change of technology and slow progress of work by the firm. This resulted in time over-run of 20 months and consequential production loss of 93,333 MT of Pig Iron valued at Rs.57.69 crore; and

(v) Liquidated damages amounting to Rs.91.25 lakh were not yet levied on the firm for delay in completion of work (December 2000).

Government stated (August 2001) that time overrun was due to certain difficulties like delay in supply and irregular payment to Simplex and LD would be charged after settlement of their accounts. The fact remains that the Company had not closely monitored the timely execution of the project even after expenditure of Rs.18.38 crore (Final bill not yet passed). Further, LD should have been recovered from the contractor from their bills entertained so far (August 2001).

2B.12 Sales performance

2B.12.1 Sales policy and targets vis-à-vis achievement of sales

The Company had no sales policy of its own. The company had been appointing selling agents on commission basis for selling its products. Though, as per agreement, the selling agents were to submit reports every month regarding the market trends, activities of competitors, anticipated sales etc. this was not followed by the agents nor insisted upon by the Company. Thus, the Company was finalising the selling price without sufficient market information and was not able to increase its sales to meet the break even. Further, the sales targets fixed by the company were not realistic as ad hoc targets were fixed without any apparent basis. It was further observed that the targets were under-pitched in most of the years which enabled 100 per cent achievement.

Government stated (August 2001) that IDCOL had an adequate sales policy, the prices of the products were being finalised with sufficient market information and achievement of sales targets depends upon production. The reply is not acceptable as the Company had not framed any sales policy nor conducted any market survey and curtailed production for want of sales.

2B.12.2 Cash loss from Conversion Sale

Agreement of conversion charges below cost resulted in cash loss of Rs.1.28 crore.

The Company entered into an agreement (January 1995) with Tata Iron and Steel Company Limited (TISCO) for conversion of chrome ore into HCFC. As per agreement, TISCO had to supply chrome ore and coke free of cost and all other inputs were to be supplied by the Company. Further, the conversion charges were to be fixed according to the change in the market price of HCFC. It was noticed that the conversion charges could cover only the variable cost only during 1995-96. From 1996-97 to 1999-2000, the Company converted 13,484 MT of HCFC and received conversion charges of Rs.19 crore against the variable cost of Rs.20.28 crore (excluding cost of chrome ore and coke) and thus incurred a cash loss of Rs.1.28 crore.

Government stated (August 2001) that when the market price of HCFC was much lower than the actual cost of production, one could not expect to receive full conversion cost in conversion agreement. The reply is not tenable in view of the fact that the Company has not adequately safeguarded its interest to get conversion charges atleast to meet break even point, which resulted in the loss.

2B.13 Restructuring of units and subsidiaries

As per the report of the Cabinet sub-Committee on functioning of Public Sector Undertakings, the State Government directed (October 1996) the Company to take up/continue with re-structuring measures for its units and subsidiaries. It is seen that none of the recommendations had been implemented (January 2001) except the merger of Hira Cable Works with

HIWL with effect from February 1997. Detailed scrutiny of three cases indicated the following:

2B.13.1 Non-disinvestment of shares of HIWL due to delay by Government

Three offers were received in response to an advertisement (December 1998) issued inviting offers for takeover of HIWL. The highest offer was from Klen and Marshalls Manufacturers and Exporters Limited, Chennai, at the rate of Rs.31 per share. Negotiations were conducted (May 1999) with the firm who agreed to increase the price to Rs.33 per share. Subsequently, the Government level Committee had a meeting (November 1999) with the firm who further increased their offer to Rs.35 per share. The proposal to accept the above mentioned offer was sent (December 1999) for Cabinet approval. The offer of the firm was initially valid up to 30 June 1999 which was extended from time to time up to 31 July 2000. The Company issued four reminders to the Government from April 2000 to July 2000 requesting approval for the disinvestment proposal. But the approval from the Cabinet had not been received till the validity of the offer i.e. 31 July 2000. The Company requested (July 2000) the firm to extend the validity of their offer up to 31 October 2000. The firm did not extend the validity of their offer and the disinvestment proposal did not materialise.

Thus, the Company lost an opportunity of disinvesting its shares in HIWL for Rs.17.14 crore as against the net worth of Rs.7.02 crore due to unexplained delay by the Government.

Government offered (August 2001) no comments.

2B.13.2 Restructuring of IDCOL Rolling Mill -Non-consideration of Lease Option.

Sixteen offers were received in response to an advertisement (May 1997) inviting offers for take-over/joint venture / lease etc. of IDCOL Rolling Mill (IRM). But only two parties viz. Ardee Business Services Private Limited (ABS), Vishakapatnam, and Concast Ispat Limited (CIL), Calcutta, deposited the requisite EMD. The offer of ABS being unreasonable was not found to be acceptable. CIL offered to take over the Rolling Mill on lease basis for a period of 11 years at a lease rental of Rs.60 lakh per annum for the first three years and at the rate of Rs.84 lakh per annum for the remaining period. They also submitted an offer for outright purchase at a price of Rs 250 lakh. The firm was requested to increase both the offers and submit revised offers (August 1997). The firm submitted a revised offer only for out right purchase at a price of Rs.4 crore when the capitalised cost was Rs.2.29 crore and written down value was Rs.70.59 lakh. As this offer was not considered satisfactory, the EMD was refunded (June 1998). IDCOL did not pursue the lease option. Had the lease option been considered and fructified, the Company would have earned Rs.120 lakh during the last two years ended June 2000. It is pertinent to mention that the Mill had stopped production from August 1998 and was idle. The idle wages amounted to Rs.1.22 crore per annum.

Government stated (August 2001) that the party backed out from the lease proposal when a security deposit of Rs.50 lakh was stipulated. The reply is not correct in view of the fact that the party had agreed to extend Bank Guarantee of Rs.25 lakh and cash deposit of Rs.25 lakh towards security deposit. Hence, his offer for taking IRM on lease should have been accepted.

2B.13.3 Handing over of Management contract of IPEWL to BEPL, Hyderabad

With the approval of the Board of Directors of IDCOL, an agreement was executed (April 1998) between IDCOL Piping and Engineering Works Limited (IPEWL) and Brindavan Engineering Private Limited (BEPL), Hyderabad, wherein it was envisaged that BEPL would provide Management assistance and bring in additional working capital so as to achieve cash profit. Shri E.V.Prasad, Managing Director of BEPL, was appointed as Director (Operation) of IPEWL. As per the agreement, BEPL was entitled to 35 per cent of the profit as management fees and in the event of loss, BEPL was to compensate IPEWL 35 per cent of the loss during the initial period of three months and 100 per cent of the loss thereafter. No security deposit/bank guarantee was, however, sought or obtained from BEPL. After execution of agreement, the performance of IPEWL instead of improving, deteriorated further. BEPL neither brought in working capital nor reimbursed the cash loss as agreed upon. Management stated (September 2000) that Mr. E.V.Prasad was absconding since 12 February 1999 and the agreement was terminated on 25 March 1999. As no security deposit was obtained, the Company could not recover the amount of Rs.73.88 lakh towards compensation for cash loss and Rs.8.99 lakh taken by BEPL as advance. F.I.R was lodged (March 2000) with the Vigilance Police Station, Bhubaneswar and the matter was under investigation. Hence, injudicious decision-making, lack of monitoring of investments made and failure to exercise normal commercial prudence in obtaining security deposit or bank guarantees led to loss of Rs.82.87 lakh.

Government stated (August 2001) that no transfer of any asset or any assignment thereof in favour of BEPL was envisaged and as such it was not considered to stipulate any security deposit. The reply is not tenable as BEPL was to bring in working capital and share the loss during the period of their management for which the Company should have collected security deposit to protect its interest in the event of failure by BEPL.

2B.14 Inventories

The Company had not fixed any norm for the minimum, maximum and re-ordering level of stock for inventories. It was observed that the holding of inventories ranged between Rs.40.48 crore (1996-97) and Rs.46.63 crore (1999-2000). This was mainly due to procurement of raw material and stores and spare parts in excess of actual requirements and on account of huge unsold finished goods in stock. It was noticed in audit that the stock of raw material and stores and spare parts held by FCP during 1996-97 to 1999-2000 represented 7 to 10 months' and 65 to 124 months' consumption and by KIW, 9 to 24 months' and 37 to 67 months' consumption respectively. Further, due to excess raising of chrome ore by FCP from its mines in 1996-97, 24,583 MT of chrome ore constantly remained in stock during all the four years ending 1999-2000. Thus, the raising cost of Rs.3.23 crore spent by the Plant out of the borrowed funds was blocked up with consequential loss of Rs.2.07 crore on payment of interest for these four years.

Government stated (August 2001) that the chrome ore should not be a factor of concern as the Company is not purchasing the same. As regards coke, the Company has to procure as much quantity as available without looking into inventory point since it is a very scarce material. The reply is not acceptable as the Company incurs considerable expenditure on raising of chrome ore and coke is being procured very often on no complaint basis.

Conclusion

The Company had failed to achieve its primary objective of promoting industries in the State and had tied up its investments in its three units, eight subsidiaries and eight joint-sector/joint-ventures and other companies. During the period 1996-97 to 1999-2000, no new industry was promoted by the Company except one subsidiary (November 1998) called IDCOL Software Ltd. The Company had been continuously incurring losses from 1996-97 onwards due to poor capacity utilisation, excess consumption of raw material, injudicious investment decisions and unfruitful investments in subsidiaries and other companies. The Company lost the opportunity of disinvesting/privatising the losing units owing to non-receipt of approval from State Government.

It is imperative that the Company initiate necessary steps for improvement in its performance. Concerted endeavour need to be taken at Government level to divest the units incurring cash losses.

2C. REVIEW ON PROJECT IMPLEMENTATION OF NEELACHAL ISPAT NIGAM LIMITED

Highlights

Consequent upon refusal of foreign parties to contribute towards equity of the Company to the extent of Rs.130 crore, IDBI revised (February 2001) the project cost to bridge the gap by equity contribution from public issue and supplier of equipment. However, this effort was not successful and the Company was forced to avail more loan amount.

(Paragraphs 2C.2 and 2C.5.1)

Award of the work of basic and detailed engineering of Blast Furnace equipment to three parties instead of getting the work carried out by MECON with the assistance of ITALIAMPIANTI resulted in extra expenditure of Rs.1.32 crore.

[Paragraph 2C.9.1 (ii) (a)]

Failure to identify 1,360 MT steel structure as scrap forced the Company to import this material with Blast Furnace by incurring an expenditure of Rs.1.73 crore towards freight and stevedoring charges.

[Paragraph 2C.10.2.1 (a)]

Unnecessary recovery of cables and pipes from dismantled material resulted in loss of Rs.0.58 crore.

[Paragraph 2C.10.2.1 (b)]

Failure on the part of the Company to ensure proper storage of the refurbished mudguns and drilling machines necessitated a second refurbishing at a cost of Rs.0.39 crore which was clearly avoidable.

(Paragraph 2C.10.2.2)

Non-supply of material by the supplier despite payment of mobilisation advance aggregating Rs.12.56 crore resulted in loss of interest of Rs.1.86 crore.

(Paragraph 2C.10.2.3)

2C.1 Introduction

Neelachal Ispat Nigam Limited (NINL) was set up (1982) by Government of India at Duburi, in district Jajpur, Orissa, for manufacturing pig iron. As there was no progress in the project, Orissa Sponge Iron Limited (OSIL) was inducted as promoter of the Company in 1992. The project was transferred (April 1994) by Government of India to Government of Orissa at a token value of Re.1 against transfer of 77,29,000 equity shares of Rs.10 each amounting to Rs.7.73 crore alongwith the assets and liabilities and the Company became a State Government Undertaking. OSIL withdrew from the project (September 1995) and the amount paid by them (Rs.6.76 crore) was refunded by the Company. The Company in their 52nd Board meeting (October 1995) resolved that Minerals and Metal Trading Corporation (MMTC) would takeover charge as Co-Promoter/Managing Promoter of the Project.

2C.2 Project Appraisal by IDBI

The Industrial Development Bank of India (IDBI) being the lead financial institution approved (September 1996) the estimated cost of the project for Rs.1,510 crore with debt equity ratio of 1.5:1. It was proposed that NINL was to be promoted by MMTC Limited, Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) and Metallurgical Engineering Consultants Limited (MECON) with equity participation from Common Wealth Development Corporation (CDC), UK and LG International Corporation (LGC), Korea. The Company was to set up an integrated Steel Plant for manufacture of 3 lakh ton of steel wire rods, 3.2 lakh ton of steel billets and 4.9 lakh ton of basic grade pig iron per annum.

The IDBI appraisal (September 1996) envisaged that the project would be completed in all respects in 36 months by September 1999 as follows:

Sl. No.	Activity	Projected month of completion
1	Acquisition of land	September 1996
2	Civil construction works	To commence from December 1996
3	Arrival of re-furbished component of Blast Furnace from three European firms	September 1997
4	Indigenous re-furbishing to be completed	September 1997
5	Orders for plant & Machinery to be placed	December 1996 to March 1997
6	Equipment were to start arriving at site	from October 1997
7	Supply was to be completed for Pig Iron Plant (Phase-I)	July 1998
8	For entire Steel Plant	June 1999
9	Commencement of production (i) Pig iron (Phase I) (ii) Integrated Steel Plant (Phase II)	 October 1998 September 1999

As per the IDBI appraisal (September 1996), the project was to be financed by equity of Rs.603 crore and loan of Rs.907 crore {Rupee Term Loan (RTL) Rs.604 crore (67 per cent) and Foreign Currency Loan (FCL) Rs.303 crore (33 per cent)} with debt equity ratio of 1.5:1. Since the pace of implementation of the project could not be maintained by the Company due to delay in acquisition of land for the project, inability of the Company to achieve financial commitments due to withdrawal of CDC and LGC from the project due to economic crisis in their countries and non-receipt of public portion of equity, a mid-term review of the project was undertaken by IDBI in February 2001. According to the mid-term appraisal, the means of finance of the project (Rs.1,524 crore) was equity Rs.555 crore and loan Rs.969 crore with debt equity ratio of 1.75:1.

In order to reduce the financial outlay on the project and gap in financing, IDBI modified the scope of the project by excluding the Air Separation Plant (ASP) estimated to cost Rs.65 crore and the Wire Rolling Mill, the original cost of which was Rs.152 crore. As per the revised estimate, phase-I of the project was to be completed by June 2001 and Phase-II by June 2002. However, as on 31 July 2001, the Company had received equity of Rs.200.45 crore {MMTC Rs.115.52 crore (21 per cent), IPICOL Rs.73 crore (13 per cent) MECON Rs.5 crore (1 per cent) and Equipment supplier Rs.6.93 crore (1 per cent)} and loan of Rs.586.40 crore {RTL Rs.546.21 crore (56 per cent) FCL Rs.40.19 crore (4 per cent)}.

The sources and utilisation of funds as per the IDBI appraisal (September 1996) and Mid Term Review report (February 2001) have been shown in Annexure-15.

2C.3 Organisational Set-up

The Management of the Company is vested in a Board of Directors consisting of 11 Directors. The Managing Director is the Chief Executive of the Company, who is assisted by Executive Director (Project), Director (Finance), Chief General Manager (Works), General Manager (Administration) and a Company Secretary for secretarial and financial matters.

2C.4 Scope of Audit

The review conducted between December 2000 and March 2001 covered the various aspects of project implementation viz. (i) agreements made with various financial institutions for availment of term loans/foreign currency loans, (ii) system followed for awarding contract for civil works/supply of plant and machinery including erection, supervision and training etc., (iii) the procedure adopted for purchase of project material, (iv) progress *vis-a-vis* the schedule of implementation and (v) analysis of time and cost over run with overall impact on the project cost and the result thereof.

2C.5 Gaps in tying up financing arrangements

2C.5.1 In the mid term review undertaken by IDBI in February 2001, it was envisaged that MMTC would contribute an additional amount of Rs.50 crore towards equity. However, the Company had received (July 2001) only Rs.15.52 crore. The unsecured loan of Rs.50 crore to be received from MMTC (considered as equity) had not yet been received (July 2001) by the Company. Further, the Company has received only Rs.6.93 crore from the equipment suppliers as against the assessment of Rs.277 crore from the public/equipment suppliers. Hence, there was a gap of Rs.354.55 crore in the equity of the Company which adversely affected the commissioning of the Phase-I of the project scheduled to be completed by June 2001.

Government stated (August 2001) that IDBI sanctioned Rs.50 crore towards equity participation in the Company which is expected to be received during August/September 2001 after additional equity of Rs.50 crore of MMTC is received during July/August 2001 and balance Rs.30 crore is being tied up through private placement. It was observed in audit that the gap in financing arrangements remained unfilled as MMTC had intimated (June 2001) that they would not contribute the unsecured loan of Rs.50 crore, in which case the receipt of equity from IDBI is also doubtful. The Company also had not made any arrangement for public issue of equity so far (July 2001).

2C.5.1.1 Mannesmag Demag-Metallurgy (MDM) Germany and their Indian Associate Indomag Steel Technology (IST) Limited, New Delhi, offered (November 1998) to contribute Rs.20.70 crore (equity Rs.12.85 crore and preference shares of Rs.7.85 crore) to the equity of the company in view of Letter of Award placed on them (December 1998) for supply and erection of equipment worth Rs.150.88 crore. However, MDM paid only Rs.6.43 crore (November 1998 and January 1999) and refused (May 1999) further contribution unless guarantee from MMTC / IDBI for buy back of their share was furnished to them.

Subsequently (September 1999), MDM was merged with SMS Demag AG, Germany and the Company signed (April 2001) an Memorandum of Understanding (MOU) with SMS Demag (SMSD) according to which SMSD agreed to contribute balance equity (Rs.6.42 crore) in three instalments and 50 per cent of preference share after opening of Letter of Credit against supply of equipment. The balance amount of preference share would be paid by SMSD after issue of Performance Acceptance Certificate from the Company. However, execution of agreement with SMSD is still pending (July 2001) and the Company had not received any amount from SMSD (August 2001).

Government stated (August 2001) that shareholders agreement was being executed wherein buy back clause would be incorporated as per the provisions of the Companies Act.

2C.5.1.2 Two contracts, were entered into by NINL with GA Danieli India Limited, Calcutta, in September 1999. As per Article 13 of the contract, the firm was to pay Rs.1 crore towards equity of NINL (50 per cent before issue of LOA and balance 50 per cent in three instalments after expiry of 45 days from the date of contract). Though LOAs were issued in July 1999, the firm paid (21 September 1999) only Rs.50 lakh towards equity and no further payment was received by NINL, till July 2001.

Government stated (August 2001) that negotiations were in progress for revalidation of the contract and matter regarding equity would be re-negotiated in view of delay in execution of the contract.

Thus, the assumption of the Company to meet initial project expenditure through equity was belied and consequently more loan funds had to be availed which adversely affected the financial viability of the Project.

2C.6 Progress of Project: Cost and time overrun

Failure to adhere to time frame led to cost overrun of Rs.218 crore.

As per original project appraisal report of IDBI, the project was to be completed by September 1999. The land for the project was acquired from the State Government between March 1997 and June 1998 as against the scheduled date of September 1996. In view of delay in handing over the land by the State Government, the Company fixed the zero date of the project as 15 January 1998 with the stipulation for completion of the project by March 2001 (Phase I and II both). However, it was noticed in audit that the Company could not adhere to time schedule because of the following reasons:

(a) Failure on the part of the Company to tie up financing arrangements as discussed in para 2C.5 supra;

(b) Civil construction work awarded to the contractor (August 1997) for completion by November 1998 were still in progress (July 2001) due to awarding of extra items of work on piecemeal system discussed vide para 2C.10.3 infra;

(c) In case of 22 packages, the placement of supply orders and in case of 20 packages (Phase I) approval of vendors drawings from Company's consultant were still pending (July 2001). Similarly, in case of 30 packages of Phase II, there was no progress of work at all discussed in para 2C.7 infra. Subsequently, (February 2001), IDBI undertook mid-term review of the project and assessed the project cost at Rs.1,524 crore with schedule date of completion of phase I and phase II in June 2001 and June 2002 respectively. Audit scrutiny revealed the following:

(i) The initial estimated cost of the project was Rs.1,510 crore which had gone up to Rs.1,524 crore even after exclusion of the (a) Air Separation Plant (Rs.65 crore) and (b) Wire Rolling Mill (Rs.152 crore). Further scrutiny in audit revealed that the revised project cost did not include Computer Hardware and Software estimated to cost Rs.1 crore included in the initial project estimate (Rs.1,510 crore). Hence, there is a cost overrun of Rs.232 crore which could have been avoided had the project been implemented as per schedule;

(ii) As against the revised project cost of Rs.1,524 crore, the order placed (capital commitment) for acquisition of plant and machinery, execution of civil works etc. stood at Rs.832.30 crore as on July 2001. However, the actual expenditure during the corresponding period was Rs.785.65 crore; and

(iii) Further, the Company had awarded the work of Basic Oxygen Furnace (BOF), Continuos Casting Plant (CCP) and Gas Cleaning Plant (GCP) of phase-II to SMSD which was to be executed after 22 months from the date of revalidation of the Contract. Since the Contract had not been revalidated so far (July 2001) as discussed vide paragraph 2C.10.2.3 infra, the completion of the work by June 2002 (schedule date of completion of the Project) appears to be remote which may lead to further time overrun and cost overrun.

Government stated (August 2001) that the revised project estimate has been approved and the delay as well as cost overrun had been analysed by IDBI and other lenders. The reply is untenable since the delay in implementation of the project had been attributed by IDBI to lapses on the part of the Company. Thus, the time overrun and cost overrun should have been avoided by better management control.

2C.7 Completion of project as per revised schedule

2C.7.1 As per the revised project estimate (February 2001), Phase-I was to be completed by June 2001 and commercial production of pig iron was to commence from October 2001. However, against the projected cash flow of Rs.125.16 crore for completion of Phase-I, the Company received only Rs.18.97 crore (equity Rs.15.52 crore and FCL-Rs.3.45 crore) up to July 2001 as a result of which Phase-I could not be completed in time. Taking into consideration the anticipated receipt of Rs.84.48 crore by September 2001 as discussed in para 2C.5.1 supra and available balance of Rs.1.20 crore as on July 2001, the completion of the Phase-I of the Project appears to be doubtful. Further, in the absence of any tie-up arrangement of funds for Phase-II, the chance of completion of Phase-II by June 2002 was also bleak.

Delay in implementation of packages ranged from 3 to 32 months.

2C 7.2 There were 226 number of major packages (Phase-I-157, Phase-II-69). Out of 157 packages for Phase-I, 106 Packages were reviewed in audit and it was noticed that works for 31 packages had been completed at a cost of Rs.76.36 crore with time overrun ranging between 2 and 28 months in comparison to the scheduled date of completion while in case of 53 packages the work valued at Rs.377.05 crore was still continuing (July 2001) against which an expenditure of Rs.230.88 crore had been incurred (July 2001) even though their target date of completion had since expired. The time overrun in these cases as on July 2001 varied from 3 to 32 months. The reasons for non-completion of work of these packages were delay in obtaining approval of vendors drawings from the Company's consultant (20 cases), non-completion of erection work (9 cases), non-supply of material by the supplier, non-conducting of inspection of material by the Company and defective submission/non-submission of drawings by vendors (24 cases). For 22 packages, LOAs are yet to be issued (July 2001) by the Company. In case of

Phase II, 10 cases were under execution, in 6 cases placement of orders were not fully completed, in 23 packages percentage of tendering varied from 0 to 75 and there is no progress in balance 30 cases (July 2001).

Government stated (August 2001) that there was delay in supply of drawings by vendors due to non payment of mobilisation advance in time and the contracts were being extended in line with the revised schedule. The reply is untenable in view of the fact that the Company had paid mobilisation advance as per the terms of the Contract but failed to ensure timely submission of drawing by vendors.

2C.8 Borrowings

During the period from June 1997 to July 2001, the Company availed (both foreign currency and Rupee term loan) term loans aggregating Rs.586.40 crore against the projected amount of Rs.969 crore. The Company paid the instalments of interest till September 2000. Thereafter, no further repayments were made either for interest or principal. The instalment of interest liability as worked out by the Company as on March 2001 stood at Rs.37.19 crore. The Company submitted (December 2000) proposal for rephasement of loan to the FIs/Banks which was considered by IDBI in May 2001 with the following main conditions:

(a) Funded Interest Term Loan (FITL) was granted for Rs.33.5 crore during the construction period of October 2000 to June 2002;

(b) FITL loan of Rs.33.5 crore would bear interest at the rate of 12.5 per cent being the minimum term lending rate (MTLR);

(c) The Company would pay 3.5 per cent interest over and above MTLR;

(d) Additional interest at the rate of 1 per cent shall also be payable on FITL;

(e) Up front fee at the rate of 1 per cent would also be payable on FITL; and

(f) Loan agreements were to be executed within four months from the date of receipt of letter of Intent (10 May 2001).

Re-phasement of borrowings resulted in additional financial burden of Rs.6.04 crore.

Thus, the rephasement would result in additional financial burden of Rs.6.04 crore to the company. However, the loan agreement has not been executed by the Company so far (July 2001). Approval of the rephasement by other financial institutions except Syndicate Bank was also awaited (July 2001).

2C.9 Consultancy Services

The Company made a contract (January 1998) with MECON as its consultant at a fee of Rs.36 crore (Phase-I & II) based on 2,000 man months for site services at the rate of Rs.43,300 per month as against which Rs.35 crore was incorporated in IDBI project appraisal report (September 1996). The contract was given effect from January 1997 with a validity of 52 months ending June 2001. The Committee of Directors while approving (May 1997) the contract for Rs.36 crore urged for inclusion of 1,000 mandays for expediting services at the rate of Rs.3,050 per manday in addition to 2,000 man months but this element was neither included in the contract nor were the fees got reduced by Rs.30.50 lakh.

The scope of services to be rendered by MECON included Package-I (Design and Engineering Services and Procurement Services), Package-II (Project monitoring services), Package-III (Detailed supervision services and assistance in commissioning services) and Package-IV (Expediting and Inspection services and reporting of status of manufacture and supply of indigenous equipment).

2C.9.1 Performance of contractual activities

Tardy progress coupled with deviation from contractual terms resulted in extra expenditure of Rs.2.60 crore.

(i) It was seen in audit that 2,182 man months had already been utilised for site service Phase I alone as of February 2001 as against 2,000 man months. As per discussion held on March 2001 between representatives of the Company and MECON, it was assessed that 418 man months more (upto June 2001) was required for completion of Phase-I of the project. This would result in an extra expenditure of Rs.2.60 crore for Phase I of the project alone. Since Phase-I had not been completed (July 2001), more man-months would be required for completion of the work.

Government stated (August 2001) that since the Blast Furnace could not be commissioned within the stipulated period, MECON's man-months deployed for this project exceeded the man-month provided in the contract. It was added that efforts were still being made to complete the entire project within the limit of Rs.36 crore. The reply is not tenable since no arrangement had been made with MECON for limiting the expenditure within Rs.36 crore despite delay in completion of the Project.

(ii) The following further irregularities were noticed in audit in performance of contractual activities:

(a) Clause 5.12 of the contract envisaged that NINL would ensure assistance form ITALIAMPIANTI/original designer to enable MECON to carry out basic and detailed engineering of the Blast Furnace. However, though the required drawings and details were obtained from ITALIAMPIANTI, preparation of detailed engineering drawings were awarded to three parties (Paulwurth India, GHH-Borsig and BHEL India) at a total cost of Rs.1.32 crore and MECON was not asked to furnish the detailed engineering drawings as per clause 4.1.2.2 (c) (ii) of the contract.

Government stated (August 2001) that since Paulwurth and GHH-Borsig were original suppliers for Blast Furnace Bell Less Top (BLT) system and Electric Turbo Blowers respectively, drawings and documents were received from them. It was added that turn key job of Blast Furnace (BF) Electrics was awarded to BHEL because the whole electrics of BF Complex were procured new except for few panels brought from Italy.

The reply is not tenable because as per the terms of contract with MECON, the work should have been carried out through MECON with assistance from ITALIMPIANTI who was the original designer even though material was procured form different parties.

(b) As per clause 4.1.2.2 (e) of the contract, MECON was to scrutinise spares and spare parts list of the dismantled equipment of Blast Furnace and certify its adequacy/assessment of further requirement for proper operation of the plant. However, it was seen in audit that instead of getting the assessment from MECON and purchasing the material directly from the suppliers, the Company allowed BHEL to purchase from other suppliers on payment of 15 per cent overhead charges. The Company paid Rs.27.73 lakh to BHEL towards 15 per cent overheads on procurement of material worth Rs.1.85 crore from other suppliers.

Government stated (August 2001) that assessment of MECON was done for refurbishing of the equipment. The parts which were required during the course of refurbishing could only be ascertained by BHEL who was doing the refurbishing job. The reply is untenable since as per scope of work of MECON, it was to certify the adequacy of available spare parts as well as to certify the assessment of further requirement for proper operation of the related plant

2C.10 Procedure for purchase/execution of work orders

2C.10.1 ***Process of Tender:*** The Company adopted (August 1997) the following procedure for purchase/execution of work orders:

	Basis	Criteria
Single Tender	Past/reputed supplier meeting delivery and quality requirement	Urgent/emergency purchase and contract job/civil, structural, mechanical and electrical, not exceeding Rs.5 lakh in each case.
Limited Tender	Out of a panel of reputed firms pre-assessed by consultant from their approved and qualified vendor list	Specialised plant and equipment, civil structural, mechanical and electrical contract jobs.
Open Tender	Short listed out of pre-qualification bids received through news papers/trade Journals/advertisements	Specialised plant and equipment of complex technology and large packages.

Purchase/Work order valued at Rs.6.97 crore placed on single tender basis.

Scrutiny of records revealed that on 38 occasions, the Company placed purchase/work orders valued at Rs.10.12 crore on single tender basis between November 1997 and December 2000. Out of these 38 occasions, purchase/work orders were placed in 8 occasions with money value ranging between Rs.11.70 lakh and Rs.246.30 lakh against limit of Rs.5 lakh in each case on single tender between March 1998 and December 2000. The aggregate value of the purchase/work order was Rs.6.97 crore. The criteria for urgent purchase was also not met as there was delay ranging from 2 to 12 months in the purchase.

2C.10.2 Execution of contracts

As on 31 July 2001, the Company incurred an actual expenditure aggregating Rs.785.65 crore towards acquisition of plant and machinery and execution of civil works etc. The points noticed in audit are as follows:

2C.10.2.1 Purchase of Second Hand Blast Furnace

(i) Orissa Sponge Iron Limited (OSIL), the earlier promoter of the project, had purchased (May 1992) a second hand Blast Furnace from Steel Works Sud, ILVA, Italy, at a lump sum cost of US $ 7 million with the available spare parts and technical documents on "as is where is as seen basis" with FOB delivery without any warranty. Payment to the supplier was to be made within July 1992 beyond which interest at the rate of 6 per cent per annum was payable. As per terms of the contract, the firm was also entrusted with the job of dismantling the Blast Furnace at a cost of US $ 6.3 million. After OSIL ceased to be the promoter (October 1995), the new management was actively involved in carrying out the inspection of dismantled material for which a team of Engineers from the Company/MECON visited ILVA Workshop, Italy, from 10 April 1995 to 31 January 1996 and again in July 1996 to inspect and supervise the work. An amount of US $ 16.54 million aggregating Rs.56.81 crore was paid (December 1994 to September 1996) including interest (US $ 0.77 million) and extra items (US $ 0.36 million) and landed cost (US $ 2.11 million).

In this connection, the following points were noticed in audit:

Avoidable expenditure of Rs.1.73 crore incurred on transportation of material unfit for use in the project.

(a) Lack of identification of scrap resulting in extra expenditure: Dismantled material of 8,446 MT was shipped to India in three shipments between February and August 1996 at an expenditure of Rs.10.75 crore incurred towards freight and stevedoring charges. From the monthly progress report (February 2001) of MECON, it was seen in audit that out of 5,250 MT of steel structure given to Hindusthan Steel Construction Limited (HSCL) for re-furbishing, only 3,890 MT of Steel structure could be re-furbished. The balance of 1,360 MT (23.90 per cent) was discarded as scrap as this quantity was beyond re-furbishing.

It was noticed that though the representatives of the Company/MECON identified (July 1996) 1,300 MT of cast house structure as abandoned material even before HSCL could take up refurbishing and not fit for transportation in view of the expenditure involved, they did not exercise the same expertise to identify the 1,360 MT steel structure as scrap despite their presence at ILVA workshop from April 1995 to April 1996 at the time of dismantling. The failure of the Company/MECON to identify 1,360 MT of scrap steel structure resulted in avoidable expenditure of Rs.1.73 crore towards freight and stevedoring charges.

Government stated (August 2001) that after visual inspection during the time of dismantling, the equipments thought to be fit for use were brought and redundant items could be salvaged and utilised in future course of plant operation. The reply is not tenable in view of the fact that new structures were fabricated and erected in place of redundant structures brought from Italy. Hence the Company should not have brought those items from Italy considering the cost of freight and stevedoring charges.

Injudicious decision to recover cables and pipes from dismantled material resulted in loss of Rs.0.58 crore.

(b) Unnecessary recovery of copper cables and pipes: Though the recovery of copper cables and pipes from the dismantled material was beyond the scope of SWS, ILVA, recovery of 6,715 meters of cables and 3,284 number of pipes was carried out at ILVA at a cost of US $ 0.16 million (Rs.57.94 lakh). It was subsequently seen from the store report (January 2000) that the cables were damaged and their insulation value was low and 2,681 number of pipes out of 3,284 pipes were unserviceable. Since the Company had replaced cables (1,200 meters) and 367 pipes valued at Rs.30.47 lakh and Rs.7.89 lakh respectively, the possibility of total replacement of copper cables and pipes cannot be ruled out. Hence, injudicious decision of the Company to recover copper cables and pipes from the dismantled material resulted in loss of Rs.57.94 lakh towards payments to SWS.

(ii) Injudicious decision to purchase second hand Blast Furnace

MECON being the Company's consultant in August 1996 made a comparison between the cost of old Blast Furnace and new Blast Furnace. As per the comparison the cost of old Blast Furnace including refurbishing charges worked out to Rs.99 crore while the cost of new Blast Furnace (1992 price) including cost of escalation, engineering charges, structural material etc. was fixed for US $ 72.9 million equivalent to Rs.262.00 crore (at the exchange rate of Rs.36 per US $). Thus, there was an envisaged saving of Rs.163 crore.

Expenditure of Rs.262.80 crore incurred on purchase of second hand BF with life of 20 years whereas new BF would have cost same amount but with life of 50 years.

However, it was noticed in audit that the Company brought dismantled Blast Furnace including landed cost at a price of Rs.56.81 crore. Thereafter, the Company spent Rs.205.99 crore towards the cost of refurbishing of Blast Furnace, procurement of imported and indigenous equipments for the blast furnace etc. Hence, the total expenditure incurred on the old Blast Furnace for bringing it into operational condition stood at Rs.262.80 crore with an available life period for 20 years. Had the Company purchased a new Blast Furnace, its cost would have been Rs.262 crore with a life period of 50 years. Hence, the decision to purchase the second hand Blast Furnace seems to be imprudent.

2C.10.2.2 Avoidable expenditure on refurbishing machinery

Two numbers each of Mudguns and Drilling machines were brought from SWS, Italy, alongwith the Blast Furnace. These machines were got re-furbished (complete over hauling) in 1995 by the above firm at a cost of US $ 29,000 (Rs.10.30 lakh) being an extra item of work. Since August 1996, these machines were kept idle over a period of three years at Duburi plant yard of the Company. A visual inspection (March 1999) by the management revealed that (i) all of the equipment and specifically the base pedestals were heavily rusted, (ii) all hydraulics and pneumatic pipes, fittings, rotary seal were partly damaged and rusted, (iii) some of the relief valves were broken and lubrication system was damaged and (iv) the machines required maintenance prior to installation.

Failure to ensure proper storage of re-furbished material led to avoidable expenditure of Rs.0.39 crore.

With a view to re-furbishing these machines for a second time, limited tender enquiry was made with three parties (March 1999). Out of these, two parties submitted (April/May 1999) their offers viz. (a) Rotomac India Limited (RIL), Calcutta (Rs.21.20 lakh) and (b) Paramount Sinter, Nagpur (Rs.34.80 lakh). Instead of finalising the tender, the Company invited (January 2000) fresh tenders from two firms viz. HEC, Ranchi and Paramount Sinter, Nagpur. Since HEC did not quote any rate, Letter of Award (LOA) was issued (February 2000) to Paramount Sinters, Nagpur, at their quoted rate of Rs.33 lakh with the stipulation for completion of the work within 15 weeks from the date of issue of LOA. The total amount to be paid to Paramount Sinters was Rs.38.62 lakh including spare parts, excise duty and overhead charges.

Thus failure to ensure proper storage of machine already refurbished by the supplier resulted into avoidable expenditure of Rs.38.62 lakh.

No responsibility had been fixed on the erring officials responsible for the lapses, which led to second time re-furbishing of the equipment.

Government stated (July 2001) that an amount of US $29,000 was charged by SWS, Italy towards dismantling of the equipment, inspection, cleaning, lubrication and painting and not towards refurbishing of equipment. The reply is untenable as US$ 29,000 was paid for complete overhauling including refurbishing.

2C.10.2.3 Non supply of material by MDM/IST

For purchase of material and installation of Basic Oxygen Furnace (BOF), Continuous Casting Plant (CCP) and Gas Cleaning Plant (GCP) for Phase II of the project, global tender was initiated by the Company in July 1996 and the contract for supply of equipment for BOF, CCP and GCP was awarded to Mannesmag Demag Metallurgy (MDM), Germany, and its Indian partner Indomag Steel Technology Limited (IST), New Delhi. Contracts were signed (December 1998) for a value aggregating Rs.150.88 crore. The scheduled date of completion of the contract was December 2000.

As per terms of the contract, 10 per cent mobilisation advance amounting to Rs.2.35 crore was paid to MDM in June 1999 and Rs.10.21 crore was paid to

IST through LC opened in January 1999. As against the payment of mobilisation advance, the Company obtained (January 1999) three BGs aggregating Rs.10.05 crore from IST with validity period upto 5 November 2001. The basic and detailed engineering documents (373 number each) were to be supplied by them by June 1999.

Against supply of drawing, MDM was paid Rs.7.36 crore through LC opened in May 1999. Similarly IST, New Delhi was paid Rs.1.25 crore in June 1999 through LC. However, MDM/IST submitted (June 1999) only 311 basic engineering drawings and 46 detail engineering drawings.

Failure to compel supplier to adhere to term of contract led to loss of interest of Rs.1.86 crore.

In the mean time (September 1999), Metallurgical Division of MDM was merged with SMS Demag (SMSD). The Company entered into (April 2001) a Memorandum of Understanding with SMSD according to which SMSD agreed to execute the Contract at the same price and within 22 months from the date of re-validation of the Contract. Study of the MOU revealed that since re-validation of the contract with the supplier had not been finalised so far (July 2001), the execution of the contract would not be feasible before June 2003 as against the scheduled date of completion of December 2000. Hence, failure on the part of the Company to compel MDM/IST to complete the work as per schedule resulted in delay in completion of the work by 29 months and loss of interest of Rs.1.86 crore at the rate of 14 per cent per annum on the mobilisation advance paid to MDM/IST excluding the equity received from them (Rs.6.43 crore) for a period of 26 months (June 1999 to July 2001).

Government stated (August 2001) that it was not considered prudent to take any adverse action on the contractor by invoking the BG as the advantage of putting up the Plant at a highly competitive price would have been lost. The reply is untenable as the Company should have taken up the matter with SMSD soon after the merger in order to avoid the delay in completion of the Project.

2C.10.3 Execution of Civil Works

2C.10.3.1 Site levelling

Hindustan Steel Construction Limited (HSCL), Calcutta was awarded (April 1997) the work of civil construction of Blast Furnace including site levelling of the project area and an agreement for a contract value of Rs.22.66 crore was entered into with the firm (August 1997) for completion by November 1998. As per the contract, the rate for site levelling of all kinds of soil (excluding hard rock requiring blasting/chiseling) and excavation in foundation with hard rock requiring blasting and chiseling was fixed at Rs.43.50 and Rs.46 per cum. respectively. The rate for site levelling on hard rock requiring blasting and chiseling was not provided for in the contract. In course of execution of work, the contractor encountered hard laterite rock in site levelling 56,674 cum. and requested (October 1998) the Company to treat the work as an extra item.

As per clause 3.8.1 of the contract, the rate for extra work of similar nature appearing in schedule of items shall be derived from contract rates of similar/closest item of work. In order to arrive at the rate for extra item of work, Rs.46 per cum. should have been taken as the basis for calculation by the Company. Instead, the Company adopted rates of Rs.218 per cum. (November 2000) and Rs.236 per cum. (February 2000) for excavation of hard laterite rock in foundation and Rs.186 per cum. for excavation of hard laterite rock in site levelling and allowed (May 2000) Rs.172 per cum. (218 ÷ 236 x 186) for excavation of hard rock in site levelling with retrospective effect from April 1997 without approval of the Board of Directors. This resulted in extra expenditure of Rs.71.41 lakh.

Government stated (August 2001) that no loss was sustained as the contractor was paid at the rate of Rs.172 per cum against his demand for Rs.1,714 per cum. The reply is not tenable because the rate of Rs.1,714 per cum was not claimed by contractor and rather they claimed workable rate. Further, the rate for excavation of hard laterite rock in site levelling allowed in November 1999 being lower than the rate allowed for excavation of hard laterite rock in foundation, the rate of Rs.46 per cum. available in the contract for similar work should have been fixed for excavation of hard laterite rock in site levelling.

2C.10.3.2 Removal of studded boulders

The Company fixed (July 2000) a rate of Rs.172 per cum for removal of studded boulders. However, the Company paid at the rate of Rs.601 per cum. for removal of 7,494 cum of studded boulder in the Railway Exchange Yard which resulted in extra expenditure of Rs.32.15 lakh.

Government stated (August 2001) that the contractor submitted a rate of Rs.759 per cum. for removal of studded boulders against which MECON recommended a rate of Rs.601 per cum. and the same was approved in February 1999. The reply is not tenable as the rate of Rs.601 per cum. allowed (February 1999) in the area where blasting operation was not possible should not have been allowed in the area where blasting operation was possible. Further, the Company provided a rate of Rs.172 per cum. for removal of studded boulders in Amendment No.5 of May 2000 to the contract with the knowledge of MECON.

It was also seen in audit that the execution of civil work was still continuing (July 2001).

2C.10.4 Use of excess material due to bad workmanship

MMTC Transnational PVT limited (MTPL) along with the Trading Company Nissho Iwai (NIC), Japan were engaged (November 1998) to supply hearth refractory lining material of Blast Furnace manufactured by the Nippon Electrode Company Limited (NDK), Japan at a contract price of 22.46 crore Japanese Yen (JY) (Rs.7.86 crore).

In January 2000, NDK supplied 2 MT of Carbon raming mix RP-3F at a cost of Rs.3.46 lakh for use below the bottom plate of Blast Furnace. These quantities were sufficient for only 60 per cent of the requirement. However, on the advice of NDK, 2 MT of Carbon Mortar CC-3B at a cost of Rs.1.08 lakh was also used for this work. The use of CC-3B did not yield the desired result and both RP-3F and CC-3B aggregating 4 MT (valued at Rs.4.54 lakh) were wasted. Thereafter, in order to refix the bottom plate, the Company was forced to procure 4.5 MT of an indigenous substitute material from Industrial Associates, Calcutta, at a cost of Rs.10.33 lakh and had to spend additional Rs.3.90 lakh for completing the work through HSCL.

The foreign consultant of the Company (DI) expressed (January 2000) the view that under bottom plate was not done in a workmanship manner and the mean space between the bottom plate and the carbon ramming was greater than 10 mm which resulted in the shortage of RP-3F. Hence, due to poor workmanship, the Company incurred an extra expenditure of Rs.15.30 lakh (including cost of 2 MT CC-3B) which could have been avoided had the Company taken the expert opinion of DI before the work was started.

Government stated (August 2001) that fixing of the bottom plate as shown in DI drawing was not possible because the plate could not be put in two pieces from top as the top equipments were already erected. It was added that to tide over the situation it was decided to take the plate in 38 pieces and weld it inside the furnace as a single plate after which the gap was found to be 10 mm instead of 2 mm as a result of which excess material had been necessitated.

The reply is indicative of the fact that had the Company obtained the expert opinion of DI before execution of the work the loss would not have arisen.

2C.10.5 Undue favour shown to the contractors

MECON prepared (January 1997) an estimate duly segregating the re-furbishing work into 7 groups viz.: (i) hydraulic equipment and system, (ii) cranes and hoists, (iii) various types of pumps, (iv) valves and condensers, (v) fans and impellers, (vi) technological equipment and components and (vii) miscellaneous. MECON invited (April 1997) quotations from 13 firms with a list indicating the quantum of re-furbishing required for the blast furnace. Out of 11 offers received (July 1997), offers of 9 parties were found to be techno-commercially suitable. Out of 9 parties, 7 parties were asked (October 1997) to submit their revised offer. Following irregularities were noticed in audit:

(i) Excess expenditure due to not awarding the works to lowest tenderer: It was seen that though Beekay Engineering Corporation (BEC), Mumbai quoted the lowest rate of Rs.7.90 lakh, Rs.19.00 lakh and Rs.79.00 lakh for Group I, III and IV, the works were awarded (December 1997) to HEC Ranchi at a price for Rs.11.70 lakh, Rs.25.12 lakh and Rs.79.00 lakh respectively. Though the Company awarded the Group IV work at the quoted price of BEC (against the offer of Rs.80.52 lakh), the works for Group-I and III were awarded to HEC Ranchi at their quoted price resulting in undue favour of Rs.9.92 lakh.

Government stated (August 2001) that selection of parties for particular groups was made considering the specialisation achieved by them in respective groups of equipment. The reply is untenable as BEC was also assessed as a techno-commercially acceptable party and the Company should have negotiated with HEC to award the Group I and III work at the lowest rate offered by BEC as was done in case of Group IV work.

(ii) Undue payment for rejected items: The work of Group VII was awarded (February 1998) to Indfab for Rs.47.56 lakh. As per terms of the contract, no payment was to be made for items rejected at the time of inspection. However, the Company paid Rs.4.63 lakh to Indfab even after rejection of works at the time of inspection, resulting in undue favour to the party to that extent, since the equipment were rejected due to technological deficiencies and not due to any faulty refurbishing.

Government stated (August 2001) that it was recommended to pay the party since the party was not responsible for any rejection. The reply is not tenable since the Company should not have paid for the rejected items as per the terms of the contract.

2C.10.6 Laying of Pipe line for infrastructure Water Supply facility on disputed land

HSCL, Calcutta, was awarded (November 1997) the infrastructure water supply facility on the basis of lowest offered price of Rs.27.90 crore for manufacture, supply and laying of spiral welded pipes and the contract was signed in January 1998. The entire work was to be completed by February 1999.

Non-adherence to terms of contract led to avoidable expenditure of Rs.0.12 crore.

Even though extensions were allowed three times upto October 2000, the work could not be completed till July 2001 due to non-acquisition of land for 2.7 km (out of 16.6 km). The contractor was specifically instructed (April 2000) not to resort to laying of pipes on the disputed land and that any work on disputed land would be at their risk and cost. However, HSCL laid (April 2000) pipes covering 1,456 meters on the disputed land but could not thereafter complete the trenches. Subsequently, the trenches collapsed causing damage to the insulators. After the land dispute was solved, the Company decided (January 2001) to complete the work of re-excavation of trenches, repair of damaged insulators and re-laying of pipes to be executed by HSCL as an extra work subject to the condition that the value of the work was to be determined by a Committee constituted for the purpose. However, it was seen that HSCL had submitted (December 2000) an estimate for Rs.22.51 lakh as against which a sum of Rs.11.97 lakh was approved by the Committee (May 2001) for payment in view of the completion of work by the contractor. Thus, the Company's approval to bear the cost amounting to Rs.11.97 lakh constituted an extension of undue financial benefit to HSCL.

Government stated (August 2001) that "no extra payment was made in this account and we have only kept a recording of the work done". The reply is not tenable since HSCL was allowed Rs.11.97 lakh for payment by the Committee considering an extra item of work already executed.

2C.10.7 Avoidable payment to Bharat Heavy Electrical Limited (BHEL)

The Company awarded (May 1998) the work of unloading, storage, handling, transportation to erection point, erection, start up, trial run, commissioning and performance guarantee test of re-furbished and new electrical items at a cost of Rs.1.51 crore to BHEL, Bangalore.

BHEL claimed (February 2000) Rs.14.30 lakh towards additional items not included in the contract. MECON considered (January 2000) that all these items were already included in the schedule of contract and should not be considered as additional items. Despite the above, the Company paid Rs.14.30 lakh to BHEL as extra items which constituted an extension of undue financial benefit.

Government stated (August 2001) that the electrical panels received from ILVA, Italy, had been modified totally to make completely new panels to suit the project requirement. Hence, that was not covered under the original contract. The reply is untenable as the items of works stated to be not covered under the contract was considered by MECON to be included in the contract.

2C.11 Non-moving store material

Excess purchase led to Company having to incur avoidable interest liability of Rs.0.40 crore.

It was seen from the Bin cards maintained in the store that various types of steel plates, checker/refractory bricks and castables valued at Rs.1.75 crore had been lying in store from 1 to 3 years. This indicates that these material worth Rs.1.75 crore was purchased without assessing the actual requirement. As these purchases were effected from loan funds, the company incurred an avoidable interest liability of Rs.39.80 lakh.

Government stated (August 2001) that to maintain economy and to avail price discounts, bulk purchases of items were made keeping in view the future requirements of the project like erection work of BOF, GCP and CCP etc. and they had saved about Rs.5 crore. The reply is not acceptable as the Company should not have purchased material for Phase II (BOF, GCP, CCP) work when its Phase I work was affected due to fund constraint. As to the saving of Rs.5 crore, the company failed to produce documentary evidence to establish the fact.

2C.12 Loss of interest on mobilisation advance

Release of instalment of payment to contractors despite work not being started led to loss of interest of Rs.0.29 crore.

As per terms of the contract, the Company paid mobilisation advance aggregating Rs.6.10 crore to 12 contractors between March 1998 and June 1999 in order to mobilise men and material at the site of the work. Despite payment of mobilisation advance and even after expiry of the scheduled date of completion of the contracts (contract period expired between February and September 1999), no work was started. Work was eventually started after allowing extension and these were still in progress (July 2001). Thus, release of 2nd and subsequent instalments even though work had not started resulted in idle investment of the borrowed fund with consequential loss of interest of Rs.28.82 lakh.

Government stated (August 2001) that mobilisation advance was paid as per agreed terms and conditions to facilitate mobilisation of men, material and resources at site. Since the project work of the Company had been divided into several packages and in most of the cases the work of one package was inter dependent on the other, the work could not commence. The reply is not tenable since in case of non-commencement of work, second and subsequent instalment of mobilisation advance should not have been released to the parties to save loss of interest.

Conclusion

The project implementation of NINL has been suffering due to lack of adequate equity arrangements forcing the Company to resort to high cost loan funds which undermined the financial viability of the project. This led to revision of project implementation three times (October 2000, April 2001 and June 2001) for Phase I alone. Though target has been fixed for completion of Phase II of the Project by June 2002, this would not be possible due to failure to tie-up financial resources. Inadequate monitoring coupled with poor contract implementation resulted in time overrun of 33 months (Phase-I) and in cost overrun of Rs.232 crore (Phase-I & II). The commercial viability of the Project is uncertain since the Company will be able to produce value-added products such as billets and wire rods and earn profit only after completion of Phase-II.

Chapter-III

3. Miscellaneous topics of interest relating to Government companies and Statutory corporations

3A. Government companies

3A.1 INDUSTRIAL PROMOTION AND INVESTMENT CORPORATION OF ORISSA LIMITED

Loss due to unfruitful investment

Investment of borrowed funds in OVCF without actual requirement resulted in loss of interest of Rs.1.45 crore.

The Orissa Venture Capital Fund (OVCF) was set-up (February 1996) as a twelve year close ended trust fund with a corpus of Rs.10 crore to be contributed by South Asia Regional Apex Fund (SARA) (Rs.5 crore), IPICOL (Rs.1 crore) and the private sector including banks (Rs.4 crore) to meet the funding requirement of ancillaries and down stream projects of large industrial units in Orissa. Since only Rs.1.50 crore was committed from Private Sector, the Company approached (January 1996) the Empowered Committee of State Government constituted to monitor utilisation of the steel bonds issued by the State Government to grant Rs.2.50 crore from the steel bond funds to IPICOL for investment in the OVCF. The proposal was approved (January 1996) and the Company invested (July 1996) an additional amount of Rs.2.50 crore from the steel bond funds in OVCF. The borrowing from the steel bond funds carried an interest of 15.5 per cent per annum.

Futile investment of borrowed funds resulted in loss of Rs.1.45 crore.

It was observed in audit (May 2000) that there was no immediate requirement of funds by OVCF for investment. In fact, out of the total corpus of Rs.10 crore available with OVCF including Rs.3.50 crore from IPICOL, OVCF had invested (December 2000) only Rs.1.50 crore in Orissa. The rest of the funds were parked in short-term fixed deposits. As such, there was clearly no need for the Company to have borrowed Rs.2.50 crore for investment in OVCF. This injudicious decision of the Company resulted in loss of interest of Rs.1.45 crore calculated at the rate of 15.5 per cent per annum for the period from July 1996 to August 2001 after deducting dividend of Rs.52.50 lakh received by the Company up to August 2001. Further, the purpose of establishment of OVCF was defeated as the funds of only Rs.1.50 crore, were invested up to August 2001 in the State against a projected investment of Rs.8 crore.

Government stated (September 2001) that steps would be taken to make the fund more effective and useful failing which the size of the fund would be reduced. The fact remains that the Company had neither taken any steps during the last five years for better investment of the funds of OVCF nor attempted for down sizing the fund even though it was not properly utilised.

3A.2 ORISSA SMALL INDUSTRIES CORPORATION LIMITED

3A.2.1 Extra payment on closure compensation

Adoption of wrong procedure for closure of KSRL resulted in extra payment of compensation to the workers to the tune of Rs.0.18 crore.

Kanti Sharma Pottery Development Centre came under the management of the Company (August 1987) and was converted (November 1994) into a wholly owned subsidiary company in the name of Kanti Sharma Refractories Limited (KSRL). Due to stiff competition in the market and non-upgradation of technology to produce high tech refractory material required by the steel plants, the performance of the Unit deteriorated after 1994-95 and KSRL was unable to meet its statutory obligations including payment of around Rs.4 lakh per month for salary and wages of its employees since October 1997. Hence, Board of Directors of KSRL proposed (December 1997) the closure of the Company. At that point of time, there were 157 permanent employees in the Company. The matter was referred (January 1998) to the Industries Department which after three months placed the issue before the Public and Co-operative Enterprises Restructuring Committee (PCERC) of the State Government headed by the Chief Secretary which recommended (April 1998) the closure of KSRL as per provisions of the Industrial Disputes Act, 1947. Thereafter, the Industries Department communicated the decision for closure of KSRL to the Company in July 1998 viz. after lapse of three months. The Company thereafter applied (August 1998) to Labour and Employment Department for closure under Section 25 FFA* of the Industrial Disputes Act, 1947 instead of under Section 25 (O), which was applicable in this case. Consequently, the application was returned by the Labour and Employment Department. The Company again applied (September 1998) to Labour and Employment Department under Section 25 (O) of Industrial Disputes Act and the closure was permitted by them in November 1998 and payment of closure compensation was made for Rs.1.14 crore for the period from 1 February to 4 December 1998.

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* Section 25FFA is applicable to undertakings engaging more than 50 but less than 100 workmen per working day in the preceding 12 months

Adoption of wrong procedure for closure of KSRL resulted in extra expenditure of Rs.0.18 crore.

It was observed in audit (June 2000) that according to Section 25 (O) of the Industrial Disputes Act, an industrial undertaking employing 100 or more workmen per working day in the preceding 12 months on an average can be closed by obtaining prior permission of the Government at least 90 days before the date on which the closure was to be effective and if the Government does not communicate the order granting or refusing to grant permission within a period of 60 days from the date of application, the permission applied for shall be deemed to have been granted. Had the Company applied to Labour and Employment Department invoking provisions of Section 25 (O) of Industrial Disputes Act in April 1998 itself viz. immediately after approval by the PCERC, KSRL would have been deemed to have been closed by July 1998.

Inordinate delay in processing the case and adoption of wrong procedure for closure even after approval of the competent administrative authority led to extra payment of compensation to the workers to the tune of Rs.18.26 lakh for the period from August to December 1998.

Government stated (February 2001) that Board's decision regarding closure could not be implemented without administrative approval of the Government. On receipt of advice of the Administrative Department, the matter was referred to Labour and Employment Department for closure of KSRL.

The reply is not tenable in view of the delay involved at every stage and since the Labour and Employment Department should have been approached immediately under Section 25 (O) of the Industrial Disputes Act after decision for closure was taken by the PCERC to avoid extra payment of compensation.

3A.2.2 Loss due to undue favour shown to the Loanee

Due to undue favour shown to a defaulter loanee by disbursement of loans time and again without obtaining required security the Company sustained a loss of Rs.0.47 crore.

Sri Durga Cables (P) Limited (SDCL), a Small Scale Industry engaged in the manufacture of PVC wires and cables, was availing financial assistance from the Company since 1987-88 against deposit of margin money having the loan dues of Rs.25.82 lakh (April 1996). Though the credentials of SDCL were questionable due to its past conduct, it was extended a further financial assistance of Rs.29.02 lakh (April 1996), exceeding the maximum financial limit of Rs.50 lakh under the Raw Material Credit Scheme (RMC) against the executed agreement for Rs.45 lakh. As per the terms of the agreement, SDCL was to avail the assistance of Rs.19.50 lakh against mortgaged security of Rs.26.30 lakh and the balance on production of Bank Guarantee (BG) or post dated cheques of equal value.

Disbursement of loan to a defaulter loanee without adequate security and non-adherence to the terms of scheme led to loss of Rs.0.47 crore.

It was observed in audit that the additional assistance Rs.29.02 lakh (April 1996) under RMC Scheme was disbursed (Rs.20.03 lakh in April 1996 against post dated cheques and Rs.8.99 lakh between August 1996 to September 1997 against BG worth Rs.10 lakh) in violation of the terms of the Scheme (RMC) which provides for extension of financial assistance only against production of BG/Letter of Credit and deposit of Margin money.

Further, the additional assistance was extended to SDCL on the condition that the unit would repay the old outstanding dues of Rs.25 lakh alongwith accrued interest in four instalments between 15 August 1996 and 10 April 1997 against which the Company could recover (August 1996 to September 1998) only Rs.19.75 lakh (Principal of old loan Rs.7.64 lakh and Interest Rs.12.11 lakh).

The Company, instead of taking any recovery action, allowed (December 1998) extension of time for repayment of loans by replacing post dated cheques with fresh cheques and extending the validity period of BG upto June 1999.

The outstanding dues as on May 2000 stood at Rs.83.01 lakh (Principal Rs.80.77 lakh including Rs.33.57 lakh of interest converted into principal and interest Rs.2.24 lakh) against which security worth only Rs.36.30 lakh was available with the Company. Thus, against the maximum financing limit of Rs.50 lakh, the credit limit was exceeded gradually upto Rs.80.77 lakh as at May 2000.

The Management accepted the facts and figures and stated (July 2001) that as a promotional agency it had allowed rephasement of repayment from time to time and action under Negotiable Instruments Act had been initiated for dishonour of cheques. It was added that the Banking Ombudsman had been approached for non-payment of BG amount, who had directed the concerned Bank for releasing payment with interest. For the balance amount, legal action would be initiated. The fact remains that the Company should not have extended facility to a defaulter violating the extant provisions of RMC Scheme.

The matter was reported to Government (May 2001); their reply was awaited (August 2001).

3A.3 IDCOL CEMENT LIMITED

Undue benefit to agent

Sale of cement to agent at rates applicable to bulk consumers instead of that applicable to stockist led to loss of Rs.0.28 crore.

The Company appointed (January 1999) Shri J.K. Jena (JKJ), Chandikhol, as stockist for distribution of cement among the different Blocks in the districts of Cuttack, Kendrapara, Jagatsinghpur, and Jajpur at the rate of Rs.1,800 per MT

(Portland Slag Cement-PSC), Rs.1,950 per MT (Ordinary Portland Cement (OPC-33) and Rs.2,050 per MT (OPC-43) valid up to February 1999. The offer was extended upto March 1999 with revised rate of Rs.1,900 per MT (PSC), Rs.2,050 per MT (OPC-33), and Rs.2,150 per MT (OPC-43). It was observed in audit (November 2000) that the above rates were applicable to bulk consumers and contractors and the rate for stockist ranged between Rs.2,540 and Rs.2,850 per MT. This resulted in extension of undue benefit of Rs.4.92 lakh on supply of 616 MT of cement.

Subsequently, the Company engaged (April 1999) JKJ as order collection agent from the District Rural Development Agency (DRDA) of Kendrapara and Jagatsinghpur districts with the condition that supply of cement is to be made at the rates approved by DRDA and JKJ would be paid Rs.150 per MT towards service charges. Further, the Company would directly transport cement to DRDA authorities who would acknowledge receipt of cement and reimburse the cost of transportation. However, the Company, on its own, allowed JKJ to transport cement to DRDA and JKJ was to submit receipt from DRDA authorities towards proof of delivery of cement. During April 1999 to March 2000, the Company supplied 8,127 MT of cement to DRDA authorities through JKJ and claimed Rs. 1.52 crore from JKJ towards the cost of cement.

Audit scrutiny (November 2000) revealed that instead of supplying cement to DRDA authorities, JKJ sold the 8,127 MT of cement in the open market. This could happen as JKJ was allowed to transport cement and the Company did not properly verify the receipted challans of DRDA. Though the fact of irregular sale of cement by JKJ was known (October 1999) to the Company, higher rate applicable to stockist was not claimed from JKJ (Rs.1.76 crore for 8,127 MT) which resulted in extension of undue benefit to the tune of Rs.23.54 lakh.

Thus, selling cement to JKJ at rates applicable to the contractors and bulk consumers instead of rates applicable to stockist in the above two instances, resulted in loss of Rs.28.46 lakh to the Company.

Government stated (July 2001) that complaint cases had been filed against JKJ in the court for breach of agreement and legal action was being taken for recovery of the amount. The fact remains that had the Company not allowed JKJ to transport cement and properly verified the receipted challans of DRDA this loss could have avoided.

3A.4 GRID CORPORATION OF ORISSA LIMITED

3A.4.1 Loss due to unplanned procurement of material

Procurement of material without ensuring adherence to installation schedule resulted in the Company having to bear interest liability of Rs.2.66 crore for the material lying with the suppliers.

As part of the Orissa Power Sector Reforms Project financed by a World Bank Loan, the Company had to procure Transmission and Distribution material and erect new lines. The project plan strategy prepared (September 1997) by the Project Monitoring Unit (PMU) of the Company envisaged that the procurement strategy should ensure that expensive items such as transformers, circuit breakers etc. are procured strictly according to their installation programmes. Accordingly, international tenders were invited (October 1997) for procurement of transmission transformers and circuit breakers and contracts were entered into (July and August 1998) with different suppliers for supply of aforesaid material during June 1999 to October 2002 (Transformers) and May 1999 to March 2002 (Circuit Breakers) to be used in sub-stations. The contracts envisaged strict adherence to delivery schedule.

It was noticed in audit (April 2001) that despite the suppliers' readiness (June 1999 to September 2000) to deliver the material in time, the Company was unable to accept the material as respective sub-stations where the material was to be used were not ready. Hence, the Company proposed storage of the material with the suppliers till their actual requirement at the work site. The suppliers claimed payment as if the material were despatched by them and the Company released payment to them during the period from July 1999 to September 2000 while these were actually lying at the site of the suppliers. The Company thus failed to co-ordinate the procurement of material with the actual requirement which resulted in blocking up of borrowed funds ranging from Rs.1.21 crore to Rs.6.57 crore for a period from 7 to 22 months upto April 2001 with consequential loss of interest of Rs.2.66 crore.

Non-recasting of delivery schedule to suit the installation programme led to loss of Rs.2.66 crore.

Thus, the Company incurred an interest liability of Rs.2.66 crore by paying for the material out of loan funds without any corresponding benefit from the project. No attempt was made to recast the delivery schedule so as to avoid unnecessary drawal of loan and incurring of interest burden. The Company had also not fixed a revised date of completion of the project or utilisation of the material (August 2001).

Government stated (August 2001) that due to non-availability of land, the sub-station works were delayed and turn key order for erection of substation was placed in June 1999. Hence, the manufacturers were requested to store the material till requirement, in order to save price variation. The reply is untenable in view of the fact that the Company should have placed orders for transformers and circuit breakers after the issue of turn key orders for erection of substation in order to avoid the loss of interest.

3A.4.2 Unjustified waiver of liquidated damages

Inspite of delay in supply of material by the party, the Company waived LD of Rs.0.99 crore violating the extant provisions of the contract.

The Project Management Unit (PMU) of the Company invited international bids (August 1997) for procurement of distribution transformers of various ratings to be funded by IBRD loan. Three Notifications of Award (NOAs) were placed on Marsons Limited, Calcutta (supplier) for three packages DT-A2 (June 1998), DT-A3 (September 1998) and DT-B3 (June 1998). The supply order stipulated that in case of delay in supply, the purchaser shall deduct as liquidated damages (LD), a sum equivalent to half percent (0.5 per cent) of the delivered price of the delayed goods for each week of delay or part thereof until actual delivery or performance upto a maximum of ten per cent. On the other hand, if the purchaser fails to make payments on the respective due dates, the purchaser shall have to pay to the supplier interest on amount of such delayed payment.

It was observed in audit (April 2001) that the supplier failed to comply with the delivery schedule in all three contracts as detailed below:

Contract Number	Ratings of transformers	Quantity scheduled to be delivered by due date	Quantity actually delivered by due date	Quantity not delivered within due dates	Percentage of non-execution
DT-A2	3.15 MVA	129 by March,2001	52	77	60
DT-A3	5 MVA	70 by March, 2001	45	25	36
	8MVA	24 by March 2001	12	12	50
DT-B3	200 KVA	500 by March 2001	395	105	21
	500 KVA	115 by Oct,1999	79	36	31

Thus, 21 to 60 per cent of the ordered quantity could not be delivered within the scheduled time for which the Company was entitled to deduct Rs.1.05 crore as LD. The supplier, however, insisted (July 1999 to January 2001) for re-scheduling of the delivery without imposition of LD and offered to forego the claim for interest towards delay in payments of their dues in lieu of waiver of LD.

The Task Force (Committee of the Board) approved (February 2001) waiver of LD on the plea that the transformers already received were yet to be installed and utilised fully. The supplier in turn was not to claim any interest on the delayed payment. The supplier was informed in March 2001.

Waiver of LD amounting to Rs.0.99 crore inspite of delay in supply of material lacks justification.

Thus, acceding to the request of the supplier for waiver of LD (Rs.1.05 crore) in view of his willingness to forego the claim of interest of a mere Rs.6.27 lakh lacks justification.

Government stated (August 2001) that failure of the Company to honour the obligation towards timely payment to the supplier and issue of way bills in terms of the contract created a Force Majeure situation and under such condition the supplier was not liable for payment of LD. It was added that interest clause was applicable only for direct payment of final 10 per cent. The reply is not tenable since delay in payment or issue of way bills can not be deemed to be a Force Majeure condition.

3A.4.3 Restoration works on EHT lines affected during Cyclone

Delay in restoration works in cyclone affected areas despite availability of funds defeated the purpose of immediate restoration of power supply besides resulting in revenue loss of Rs.13.12 crore. Lack of adequate supervision and non-enforcement of contractual clauses also resulted in loss of Rs.0.74 crore besides avoidable interest burden of Rs.1.48 crore on unutilised loan funds.

Government of Orissa (Department of Energy) granted (November 1999 to January 2000) Rs.19 crore (Rs.4 crore as grant and Rs.15 crore as loan) to the Company for urgent restoration of both transmission and distribution systems which had been disrupted due to the cyclone of October 1999. The restoration works were to be completed on emergent basis by March 2000.

Delay in restoration work despite availability of funds resulted in revenue loss of Rs.13.12 crore.

Audit scrutiny of the utilisation of the funds revealed that out of 13 EHT lines and 7 grid sub-stations damaged in the cyclone, only 2 EHT lines and one sub-station could be repaired within the stipulated time though funds were not a constraint. There was considerable delay ranging from 3 to 16 months in respect of six cases (Chaudwar, Kendrapara, Bidanasi, Jagatsinghpur, Berhampur, and Ganjam sub-stations) thereby resulting in the loss of potential revenue of Rs.13.12 crore to the Company on estimated short-fall of load of 154.37 MU at the bulk supply rate of Re.0.85 per unit.

Audit scrutiny of repair of Narendrapur-Mohana DC line revealed that work order for Rs.25.96 lakh was entrusted (December 1999) to Jyoti Structures Limited (JSL) for completion by March 2000. After delay in taking up the work, JSL abandoned the work midway on the plea that approach to the work site was blocked which was not tenable as the conditions prevailing in the work site should have been known to them at the time of acceptance of the work. The work was entrusted to other contractors and ultimately completed in September 2000. Despite the delay of six months caused by abandonment of the work by JSL on untenable grounds, no action was taken to recover Rs.2.19 lakh as penalty from the defaulting contractor as per clause 14 of the Contract. It was observed that the contractor failed to return material valued at Rs.42.96 lakh including 6.58 MT of

Tower members, 15.80 MT of ground wire and 48.44 MT of conductors after dismantling them from the affected line. It was further observed in audit that before the contractor abandoned the work, material worth Rs.29 lakh issued to him (mainly conductors) were apparently stolen from the work site (January to August 2000) but no action was taken for recovery of its cost from the contractor.

Government while accepting the factual position of the delay stated (August 2001) that there was no extra cost in executing the above cited work and nothing was due from the contractor except 7.5 km of ground wire and 16.4 km of conductors which was stolen from the site for which FIR has been lodged. Action for recovery of the cost of any material would be taken after receipt of police report.

The reply is not tenable since there was no justification for foregoing the penalty stipulated in the contract as time was clearly the essence of the contract. Further, the unit records verified in audit indicated failure of the contractor to return material the cost of which was recoverable from him. In so far as the stolen material is concerned, safe custody of the material was the responsibility of the contractor and hence the loss should have been recovered from him as per clause 17 of the contract.

There was avoidable interest burden of Rs.1.48 crore on unutilised loan funds.

Out of Rs.19 crore received for restoration works, only Rs.9.27 crore had been spent upto March 2001. However, the Company incurred interest liability of Rs.1.48 crore at the rate of 13 per cent per annum for 14 months (March 2001) on the loan portion which could have been avoided by re-scheduling of drawal of the loan according to cost estimates and actual requirement. Further, as against Rs.9.27 crore booked as expenditure (March 2001) by the corporate office, the units have booked only Rs.7.87 crore leaving Rs.1.40 crore unreconciled even after lapse of one year.

Hence, delay in restoration works despite availability of funds defeated the very purpose of the allocation of Rs.19 crore besides resulting in revenue loss of Rs.13.12 crore. Lack of adequate supervision and non-enforcement of contractual clauses also resulted in loss of Rs.74.15 lakh besides avoidable interest burden of Rs.1.48 crore on unutilised loan funds.

3A.5 ORISSA HYDRO POWER CORPORATION LIMITED

Avoidable expenditure on payment of ex-gratia

Payment of ex-gratia to ineligible employees resulted in avoidable expenditure of Rs.0.18 crore.

In order to reduce redundant manpower, the Company introduced (November 1999) a scheme offering the employees in the Nominal Muster Roll establishment/contingent khalashis an opportunity to seek separation with commensurate monetary benefits. The scheme stipulated, inter-alia, that the employee seeking separation by December 1999 would receive an ex-gratia payment of Rs.1.25 lakh provided he had put in five years continuous service without break in the Company as on 1 January 1999. Accordingly, the Company paid ex-gratia to 668 employees in January 2000.

Payment of ex-gratia to persons ineligible as per criteria fixed by the Company led to loss of Rs.0.18 crore.

A test check of 216 cases revealed (August 2000) that 14 employees who were paid Rs.17.50 lakh towards ex-gratia, were not deemed to be in continuous service in the Company for five years as on 1 January 1999 as per the criteria fixed by the Company (December 1999). This resulted in avoidable payment of ex-gratia to ineligible employees. In the remaining 452 cases, ex-gratia was paid on the basis of an eligibility certificate furnished by the Division which was not supported by details of qualifying services. The supporting records in respect of these 452 cases could not be made available to audit though called for (January 2001). In the absence of these details, audit was unable to verify the correctness of the payments made.

Government stated (August 2001) that there was no irregular payment of ex-gratia to any ineligible person. The reply is untenable as ex-gratia payment was made to persons who were not in continuous service as per the criteria fixed by the Company.

3A.6 ORISSA POWER GENERATION CORPORATION LIMITED

3A.6.1 Blockade of funds due to injudicious purchase

Purchase of Chlorination Plant disregarding environmental stipulations along with defective terms in the Purchase Order resulted in potential loss of Rs.0.15 crore.

In August 1985, the Thermal Power Approval Committee (TPAC) of the Union Ministry of Environment & Forest had, after visiting the site, stipulated installation of a closed water cooling system for condenser to prevent water pollution at Ib Thermal Power Station. Ignoring the above said stipulation, the Company placed (December 1993) orders with Babubhai Narotamdas and Company (BNC), Mumbai, for supply, erection and commissioning of a Chlorination Plant (CP) for the Power Plant involving a "Once Through Cooling System" instead of 'Closed Water Cooling System' as stipulated by the TPAC. The cost of the Plant was Rs.16.50 lakh and it was scheduled to be commissioned by May 1994. The firm completed the supply of material by November 1994 and awaited instruction from the Company for its erection and commissioning. In January 1995, BNC requested the Company to intimate the readiness of site for commissioning of the Chlorination Plant. However, the Plant could not be installed till today due to the environmental objection.

It was also observed in audit that though the price was inclusive of erection, commissioning and testing, a clause was included in the Purchase Order stipulating release of 90 per cent of the ordered value against despatch of documents. In pursuance of this clause, 90 per cent of the value of the contract amounting to Rs.14.85 lakh was released (November 1994) without any verification of the material received. Subsequently after 2½ years from the date of supply, a joint verification was conducted by the Company and representatives of BNC which revealed short supply of some material. Inspite of several requests by the Company till March 1999, the Supplier failed to supply the remaining material. Hence, inclusion of a clause providing for release of 90 per cent value without verification of material and without obtaining any security like Bank Guarantee was clearly injudicious and placed the Company at a disadvantageous position in the event of breach of contract by the Supplier.

It was further noticed in audit that BNC furnished Bank Guarantee for Rs.0.87 lakh and Rs.1.65 lakh towards Security Deposit and Performance Guarantee, but the Company failed to take any steps to validate the Bank Guarantee which expired in June 1997.

Management admitted (May 2001) that the Chlorination Plant was redundant due to the environmental objections and that there had been blockage of funds from 1994 to 2001. It was added that efforts were being made to utilise the system in Sewerage Treatment Plant for Ib Thermal Power Station employees colony depending upon technical suitability.

Thus, placement of orders for Chlorination Plant disregarding environmental stipulations resulted in purchase of a system which could not be utilised for the intended purpose. Further, incorporation of a clause stipulating payment of 90 per cent of value before verification or installation of the system was clearly injudicious. No responsibility has been fixed for the injudicious purchase and consequent blockage of funds.

The matter was referred to Government (April 2001); their reply awaited (August 2001).

3A.6.2 Loss due to receipt of inferior quality of coal

Despite receipt of inferior quality of coal the Company did not raise claims against MCL which resulted in loss of Rs.47.82 crore.

Coal requirement of Ib Thermal Power Station (ITPS), Banharpalli, is met from Mahanadi Coal Fields Limited (MCL). In order to ensure supply of quality coal to ITPS, a meeting of the officers of ITPS and MCL was held in January 1997 wherein it was decided inter alia that (i) samples of coal shall be collected at the loading point from the loaded wagons during day time (8 A.M. to 4 P.M.), (ii) analysis of samples shall be done at MCL laboratory jointly by the representatives of MCL and ITPS and (iii) Credit Note or Supplementary Bill shall be issued on the basis of monthly weighted average. Joint sampling of coal was resorted to with effect from April 1997. As per the joint sampling, the Useful Heat Value (UHV) of coal for the month of April 1997 was 2,712 K Cal/Kg. However the UHV as per boiler feed coal quality test by the Company was found to be 2,204 K Cal/Kg mainly due to (a) drawal of sample during day time was only 30 per cent of the total coal sampled and hence there remained the possibility of supply of inferior quality of coal in the balance 70 per cent coal left untested and (b) samples taken were not adequately representative of the lot.

Receipt of low quality of coal led to loss of Rs.47.82 crore during April 1998 to August 2000.

For settlement of issues arising out of supply of inferior quality coal, a meeting was held (May 1997) in the chamber of Principal Secretary, Energy Department, Government of Orissa, wherein it was decided that (i) MCL would reconsider the bills raised against the Company on account of supply of lower grade coal and (ii) regular meetings would be held between Company and MCL to sort out the problems. Subsequently, due to supply of inferior grade of coal, MCL accepted (March 1998) the claim of the Company amounting to Rs.3.90 crore for 1997-98. It was observed in audit (November 2000) that inspite of supply of inferior quality of coal during the period April 1998 to August 2000, the Company failed to raise any claim against MCL amounting to Rs.47.82 crore. Further, the Company also did not insist upon suitable revision of the method of sampling at joint inspection to provide for continuous sampling of coal during the whole day with adequate representation of the samples taken from the quantity of coal supplied for ensuring better quality of coal. It was further noticed that due to use of bad quality coal, the Company sustained loss of generation of 362.09 MU of power valued at Rs.57.56 crore, during 1998-99 and 1999-2000. Had the Company, claimed the cost of bad quality coal from MCL, this loss would have been reduced to that extent.

Government stated (August 2001) that it was a fact that MCL supplied low grade coal ('G' grade) but payments were made on the monthly weighted average of Gross Calorific value supplied by MCL and individual lots were not considered for payment. It was added that it had been decided in December 2000 for joint sampling in two shifts during which time the Company would lift its entire requirement of coal and there is continuous improvement in the terms of supply. The fact remains that, had the Company taken such steps from April 1998 onwards or payment made to MCL on the basis of actual monthly weighted average of UHV of coal received it could have avoided the loss on account of receipt of inferior quality of coal.

Thus, failure of the Company to ensure proper joint inspection and sampling of coal supplied by MCL followed by raising of claims for supply of inferior grade coal led to loss of Rs.47.82 crore as the chance of getting the amount reimbursed from MCL after a lapse of more than two years appears to be remote.

3A.7 ORISSA STATE CIVIL SUPPLIES CORPORATION LIMITED

3A.7.1 Procurement of Moong Dal for Cyclone Relief Programme

Procurement of moong dal for cyclone relief work in excess of requirement as well as at higher than prevailing market rate led to extra expenditure of Rs.3 crore.

In the aftermath of the super cyclone which struck coastal parts of Orissa in October 1999, the High Level Committee of Government of Orissa set up to monitor cyclone relief works entrusted the Company with the procurement of moong dal for free kitchens in the cyclone affected areas of the State. The Company procured 22,887 quintals of moong dal valued at Rs.6.40 crore during the period from 5 to 23 November 1999. Audit scrutiny of the procurement and distribution of the dal revealed the following:

(a) Avoidable extra expenditure on procurement at higher rate

The Company placed orders from 3 to 16 November on five co-operative firms and three private traders for supply of 20,500 quintal of moong dal at rates ranging from Rs.2,373 to Rs.2,950 per quintal. It was observed in audit (November 2000) that the orders were placed and payments made without reference to the prevailing market rate of Rs.2,650 per quintals which should have been readily available with the Company. The absence of any effort by the Company to adhere to the market price and its readiness to procure moong dal at any price enabled the traders to raise the rates in an ad hoc manner resulting in extra avoidable expenditure on procurement of 17,825 quintals of moong dal.

Purchase of Moong Dal at higher than the market rate resulted in avoidable expenditure of Rs.0.36 crore.

Management stated (March 2001) that spot purchases were made adopting emergent procedure as an agent of Special Relief Commissioner (SRC) duly approved/reimbursed by SRC. It was added (July 2001) that no market price was available with the company nor was it communicated by any body and negotiation was held with the parties to reduce the price to Rs.2,850 per quintal against Rs.2,880 per quintal offered by National Agricultural Co-operative Marketing Federation of India Limited (NAFED). The reply is not tenable since the prevailing market price of moong dal was readily ascertainable and in fact it was stated by DM-CSO, Cuttack, to be Rs.2,400 per quintal as per report of Market Intelligence Wing which was submitted to the Estimate Committee of the Orissa Legislative Assembly in June 2000. State Government has informed (July 2001) that the prevailing market rate was Rs.2,650 per quintal at that time. Hence, negotiations should have taken these rates into account. Further, in view of the purchase of Moong Dal from NAFED at the rate of Rs.2,750 per quintal on 9

November 1999, negotiation at the rate of Rs.2,850 per quintal was not a prudent decision.

Thus, procurement of moong dal without reference to the available market rate resulted in avoidable expenditure of Rs.35.52 lakh.

(b) Procurement in excess of requirement

Avoidable expenditure of Rs.3.20 crore due to purchase of excess quantity

Revenue Department instructed (3 November 1999) the Company to supply 500 quintals of moong dal per day. As per data subsequently furnished (11 November 1999 and 25 January 2000) by Revenue Department to Central Relief Commissioner, Government of India, 11,43,105[#] people were fed between 5th to 23rd November 1999 (19 days) as part of the relief effort during November 1999. Based on norms of 100 gms. of moong dal per head per day fixed by the High Level Committee, the actual requirement/distribution works out to 11,647 quintals.

As against the above, the Company placed orders for 20,500 quintals and ultimately accepted 22,887 quintals resulting in excess procurement of 11,240 quintals valued at Rs.3.20 crore.

Out of the 22,887 quintals procured, 22,762 quintals were dispatched to the 6 affected districts of which 20,486 quintals were utilised for the relief effort and 2,276 quintals were subsequently transferred to the Mid Day Meal programme to avoid deterioration in quality. Out of the remaining 125 quintals (22,887 - 22,762), 117 quintals were auctioned at a rate of Rs.1,600 per quintal and there was wastage of 8 quintals.

Management stated (March 2001) that orders were placed and supplies accepted as per instructions of Revenue Department and actual requirements. It was added (July 2001) that local purchase was made on orders of Chief Secretary and purchases were concluded on 14 November 1999 and only the quantity in the pipe line was perceived by Audit as excess supply.

The reply of the Management was not tenable as the Company had not only placed orders far in excess of the actual requirement of 11,647 quintals but had also thereafter accepted supply in excess of its own purchase orders the last of which was placed on 16 November 1999. Further, the utilisation of 8,839 quintals (viz. 22,887 - 11,647 - 2,276 - 125 quintals) valued at Rs.2.46 crore could not be ascertained in audit as the details as to its actual distribution through the relief kitchens are not available.

Government, in its reply (July 2001), has admitted that the prevailing market rate of moong dal during the period was Rs.2,650 per quintal, as per the Market Intelligence Report.

[#] 414000 people from 5th to 11th November 1999 & 729105 from 12th to 23rd November 1999

Thus, improper assessment of requirement coupled with procurement at higher rate than the prevailing market rate led to avoidable expenditure of Rs.3 crore (less Rs.55.88 lakh recovered through sale of 117 quintals and 2,276 quintals transferred to MDM programme) on procurement of moong dal. Further, utilisation of 8,839 quintals valued at Rs.2.46 crore supplied by the Company to the districts could not be verified in audit due to lack of details of utilisation.

3A.7.2 Loss due to non-collection of differential incremental cost of APL Wheat and Rice from the storage agents

The Company suffered a loss of Rs.0.18 crore towards differential cost as it failed to intimate to FCI the fact of sale of APL rice and wheat to ultimate consumers.

The Central Issue Prices (CIP) of wheat and rice relating to Above Poverty Line category (APL) were revised (29 January 1999) by Government of India (GOI) with effect from 28 January 1999 from Rs.450 per quintal of wheat to Rs.650 per quintal and Rs.700 per quintal of rice to Rs.905 per quintal (rice grade 'A'). As per the GOI order, Food Corporation of India (FCI) would realise the new rates from the State Government in respect of release orders issued from 22 to 28 January 1999 when their agencies/nominees lifted the stocks. In January 1999, FCI clarified that the revised CIP would be effective from 29 January 1999 and the revised CIP would be applicable to stock in pipeline i.e. the stock which was already lifted by State Government and their agencies at the old prices and were lying in their godown or in transit or lying in fair price shops but still not issued to the ultimate consumers. This stock was to be frozen.

Accordingly Government of Orissa (GOO) directed (January and March 1999) all district Collectors as well as the Company to verify the stocks of rice and wheat held by storage agents and retailers at the closing of 28 January 1999 and to make payment of the differential price to FCI for the release orders issued from 22 to 28 January 1999. The Company issued instructions (February and May 1999) to the District Managers on the above lines and directed them to recoup/collect the differential price from the storage agents.

During the audit of three divisions viz. Balasore (May 2000), Dhenkanal (February 2001) and Khurda (March 2001), it was observed that the differential cost of 4,183 quintals of rice and 4,627 quintals of wheat held in pipeline during the period from 22 to 28 January 1999 amounting to Rs.17.91 lakh was not recovered by the Company from the storage agents because the stock had already been sold to the consumers. However, this fact was not intimated to FCI and the Company paid Rs.14.70 lakh to them (March 1999 to August 2000). The balance amount of Rs.3.21 lakh is yet to be paid (March 2001).

The Unit management stated (February 2001) that since the stocks had already been issued to the ultimate consumers at pre-revised price during the pipeline period, it was not possible to collect the differential amount from the consumers and there was 'Nil' stock as on 28 January 1999 with the storage agents/retailers. The Management added (July 2001) that recovery of differential cost from storage agents on stocks which had been passed on to the retailers/consumers was not justified and proper.

The reply is not tenable in view of the fact that the Company should have brought the fact of 'Nil' stock as on 28 January 1999 to notice of FCI in which case it would not have had to pay the differential cost to FCI as per their instruction of 30 January 1999.

Thus, the Company suffered a loss of Rs.17.91 lakh as it failed to intimate FCI the fact of sale of APL rice and wheat as on 28 January 1999 to ultimate consumers.

The matter was reported to the Government (May 2001); their replies were awaited (August 2001).

3A.7.3 Loss due to deviation from extant instructions of Government

The Company incurred extra expenditure of Rs.0.42 crore due to failure to adhere to Government instructions while entering into agreements with storage agents.

Food Supplies and Consumer Welfare Department, Government of Orissa directed (August and October 1997) the Company to procure 41,000 MT of rice to meet the shortfall in allotment by Government of India under Targeted Public Distribution System (TPDS). The rice so procured were to be kept in the godowns of the Orissa State Warehousing Corporation (OSWC). It was stipulated in the Government order that incidental charges were to be paid at the rate of Rs.2 per quintal to OSWC and no incidental charges were payable to storage agents. The Government order was silent on payment of shortage charges to OSWC and storage agents. The Company procured 40,895 MT of rice during September to November 1997. The Company incurred a total expenditure of Rs.76.75 lakh which, inter alia, included payment of shortage charges to storage agent (Rs.15.38 lakh) and OSWC (Rs.15.38 lakh) as well as incidental charges to storage agents (Rs.13.27 lakh). The Company also paid incidental charges to OSWC at the rate of Rs.4 per quintal as against Rs.2 per quintal provided by Government. However, Government allowed only Rs.34.62 lakh as a result of which the Company incurred extra expenditure of Rs.42.13 lakh.

After the point was raised in audit, the Company requested (June 1999) the Government to reimburse the extra expenses as subsidy. No response has been received from Government so far (July 2001).

Expenditure in violation of Government instructions led to loss of Rs.0.42 crore.

Thus by incurring expenditure in violation of Government instructions, the Company had to suffer a loss of Rs.42.13 lakh.

The Management stated (July 2001) that in the economic costing of PDS stock Government approved Rs.2 per quintal towards incidental charges for one operation. Since OSWC conducted two operations (loading and unloading), Rs.4 per quintal was allowed and agreement was made accordingly. It was added that storage charges and incidental charges to storage agents were released as per Storage Agency Agreement made with them. The reply is untenable since the Company should have made agreement with the storage agents as per the instructions issued by Government in order to avoid the loss. Further, the Company also paid incidental charges at the rate of Rs.2 per quintal to OSWC for similar operation in May 1997.

The matter was reported to Government (May 2001); their reply was awaited (August 2001).

3A.8 ORISSA FOREST DEVELOPMENT CORPORATION LIMITED

3A.8.1 Commercial Plantations

Despite investment of Rs.24.59 crore in cashew, rubber and mixed commercial plantation which were expected to yield revenue of Rs.18.22 crore during 1996-97 to 2000-01, the Company could obtain only Rs.2.94 crore due to non-maintenance, delay in harvesting and inadequate horticultural operations.

Up to 1992-93, the Company took up commercial plantations over an area of 64,071 ha comprising of pure cashew (11,054 ha), mixed cashew (7,275 ha) and other commercial species including Eucalyptus, Accacia, Simaruba and Bamboo (45,742 ha). The cashew plantations were expected to start yielding from the fifth year till 30 years while the other commercial plantations were to mature for harvesting after seventh year. It was noticed in audit (April 2001) that the actual yield in cashew plantations were far below the projected yield and there was inordinate delay in harvesting of commercial plantations leading to loss of revenue as discussed in subsequent paragraphs.

(a) Cashew plantation

The project report approved (March 1978) by the Government of Orissa envisaged survival of 148 seedlings (95 per cent) out of 156 planted per ha. and an average annual yield of two kg per tree. In Bhubaneswar ‘A’ Division, the survival percentage of trees declined from 47 (1996-97) to 39 (1999-2000) due to non-maintenance of the plantation as no funds were provided by the Corporate office as depicted below:

Crop Year	Area in ha.	No. of trees at 95% survival rate as per project report	No. of trees actually survived (percen-tage of survival)	*Anticipated net revenue on trees actually available	Revenue realised (actual)	Loss of revenue on available trees
		(Trees in lakh)		(Rupees in lakh)		
1996-97	10170	15.05 (95%)	7.09 (47)	729.44	62.47	666.97
1997-98	10091	14.93 (95%)	7.08 (47)	311.51	69.66	241.85
1998-99	10091	14.93 (95%)	6.83 (46)	361.78	76.70	285.08
1999-2000	10126	14.99 (95%)	5.80 (39)	345.84	85.23	260.61
Total				**1748.57**	**294.06**	**1454.51**

Revenue of Rs.14.55 crore was lost due to low survival and lesser yield than the norms on account of poor maintenance.

It was noticed in audit that as against the anticipated net revenue of Rs.17.49 crore based on the actual survival, the Company earned a meagre Rs.2.94 crore. The low revenue realisation was due to low yield on account of non-maintenance of plantations. Had the plantations raised at an investment of Rs.3.26 crore been properly maintained, the Company could have earned a net revenue of Rs.17.49 crore on the actually surviving trees against which only Rs.2.94 crore was realised resulting in loss of revenue of Rs.14.55 crore.

(b) Loss on account of low survival

Plants valued at Rs.9.57 crore were lost due to survival below the prescribed norm

A test check of records of six (out of eight) Divisions revealed that the survival percentage of other commercial plantations over an area of 32,858 ha. created at an expenditure of Rs.18.02 crore ranged between 0 and 48 per cent (against the norm of 75 per cent) after maintenance period. The expenditure incurred in plants lost in excess of norms worked out to Rs.9.57 crore.

Management stated (July 2000) that the low survival rate was due to illicit felling and biotic interference. The reply is not tenable as the Management should have provided proper watch and ward to prevent illicit felling and maintenance of the plantations should have been made properly to achieve the survival percentage as per norm since huge expenditure was incurred for raising the same. Government confirmed (August 2000) that though biotic factors are important, the executing agency cannot be absolved of the responsibility in case of low survival.

* Anticipated net revenue =No. of trees x 2 Kg x rate per Kg obtained on sale of cashew for the year - maintenance cost.

(c) Loss due to delay in harvesting

During the period 1980-81 to 1992-93, the Company raised commercial plantations over 53,017 ha. (in 701 locations) other than pure cashew at a total investment of Rs.21.20 crore. These plantations were taken-up without approval of the Forest Department as prescribed in Orissa Forest Act, 1872. The Company decided (December 1992) to harvest the commercial plantations which were more than five years old. The Company was to take-up enumeration of commercial plantations to identify the trees available for exploitation. This was expected to be completed by May 1994. Due to delay in completion of enumeration, the Company could submit proposals only in February 1996 for harvesting-cum-replanting schemes over an area of 6,525 ha. The Government directed (June 1996) the Company to proceed with the harvesting by calling for open tenders. Open tenders obtained (September 1996) by the Company fetched a highest price of Rs.2.73 crore which was much below the offset price of Rs.4.91 crore fixed by the Company. Though the Company subsequently decided (April 1997) to proceed with the harvesting/re-planting through its commercial divisions, this could not be implemented due to delay in obtaining necessary clearance from Government.

Company's investment of Rs.21.20 crore was blocked due to delay in harvesting

Government of Orissa intimated (December 1998) the Company that harvesting proposals had to conform to the working plan for the respective forest areas. The Company accordingly submitted (January 1999) proposals for harvesting 35,862 ha. (including the 6,525 ha. indicated above) raised during 1980-81 to 1992-93 which was found (January 1999) by the Government of India to be not in conformity with the working plan. The Company re-submitted (October 1999) the proposal which was awaiting sanction of GOI (August 2001). No proposal has been submitted for the balance area of 17,155 ha.

It was observed in audit that the Company failed to get any return on the investment of Rs.21.20 crore invested in these commercial plantations due to its failure to adhere to the provisions of the Forest Act and subsequent delay in finalising proposals for harvesting in tune with the working plan of the area. There was no sense of urgency though the Company was aware that illicit felling was rampant in these areas since February 1996. Thus, delay in harvesting had not only left scope for continued illicit felling but also locking up of huge sums which would have otherwise been realised through auction sales and replantation would have been undertaken, utilising internal resources. The whole plantation has not been harvested so far (August 2001).

(d) Loss of revenue due to non-maintenance of rubber plantations

Investment on Rubber Plantations Rs.0.13 crore remained unfruitful

The Company took up rubber plantations in Keonjhar district in three locations over an area of 34 ha. during the year 1988-89 to 1990-91 at a cost of Rs.13.36 lakh. As per norms of the Rubber Board:

(i) rubber plantations mature at the age of seven years on attaining the minimum specific girth of 45 cm.,

(ii) tapping of trees should commence from the seventh year till the 25th year of plantation and it should yield five kilograms of rubber per year,

(iii) it is uneconomical to commence tapping unless at least 70 per cent of the trees in a given area achieve the minimum girth of 45 cm., and

(iv) the minimum stand (number of standing trees) per ha. should be 380 plants of 45 cm girth during seventh year.

As per the above norms, the Company was expected to earn a revenue of Rs.73.49 lakh between March 1996 (seventh year) and March 2001.

It was observed in audit that out of 14,465 rubber trees planted during 1988-89 to 1990-91 viz. 425 per ha., the average number of surviving plants was only 262 per ha. in December 1996 (seventh year of plantation) which decreased to 215 per ha. in March 2001. Further, the number of tappable trees per ha. ranged from 13 to 32 trees during the years from December 1996 to March 2001 as against 297 trees per ha. required for economically viable tapping as per norm of the Rubber Board (minimum 70 per cent of 425 per ha.).

Non-maintenance of plants led to loss of Rs. 0.73 crore

The low survival and low stand of tappable trees was attributed (June 1997 and February 1998) by the Rubber Board to improper maintenance and inadequate horticultural operations. Thus, the Company lost potential revenue amounting to Rs.73.49 lakh (as on March 2001) and the expenditure of Rs.13.36 lakh in respect of the plantation was rendered largely unfruitful as tapping of trees was yet to be commenced.

Thus, out of investment of Rs.24.59 crore in cashew, rubber and mixed commercial plantation which were expected to yield revenue of Rs.18.22 crore during 1996-97 to 2000-01, the Company could obtain only Rs.2.94 crore due to non-maintenance, delay in harvesting and inadequate horticultural operations.

Government stated (August 2001) that yield depends on meteorological and environmental factors along with age of the plants and the projected revenue calculated by audit is on "critical basis which did not appear to have any nexus to the practical bearing". It was added that harvesting of commercial plantation would be taken up after getting clearance from Govt. of India. The reply is not tenable since the company clearly failed to take adequate measures to prevent illicit felling and ensure proper maintenance of harvesting to earn the expected revenue. As the plantations were purely a commercial venture, the Company should not have made huge investments unless it was in a position to ensure remunerative returns.

3A.8.2 Loss in Plantation Activity in Khandagiri-Udaygiri Hills

Failure to harvest the plantation in time resulted in loss of income of Rs.0.20 crore.

The Forest Department prepared (1987) a scheme for developing the landscape at Khandagiri-Udaygiri Hills at an estimated cost of Rs.28.80 lakh over a period of five years and directed the Company to implement the scheme from its own resources. The Company prepared (June 1992) a project report on the scheme *Ecological Plantation for Environmental Protection* at an estimated cost of Rs.50 lakh during a span of five years with anticipated revenue of Rs.5 lakh per annum from 1996-97 onwards. The Company incurred expenditure of Rs.19.28 lakh on 22,415 plants upto 1991-92. Due to funds constraint, the Company requested (November 1997) the Government to takeover the project and to reimburse the expenditure incurred by it. The project work was stopped (March 1998). The proposal for reimbursement was not accepted by the Government (May 1998).

The Company was to harvest the plantations raised for the development of landscape at Khandagiri-Udaygiri hills annually from 1996-97 onwards to earn Rs.6.72 lakh per annum (at the rate of Rs.30 per plant from 22,415 plants). However, the Company failed to harvest the above plantations. After the super cyclone in October 1999, the plantations were damaged and the Company harvested the plantation for the first time in January 2000 earning revenue of only Rs.1.14 lakh against the estimated revenue of Rs.20.16 lakh for three years from 1996-97 to 1998-99. The income did not cover even the annual recurring establishment expenses of Rs.1.58 lakh.

Failure to harvest the plantation in time resulted in loss of income of Rs.0.20 crore.

Thus, developing a project without adequate planning and without ensuring availability of the required funds and failure to harvest the plantation in time resulted in loss of income of Rs.20.16 lakh on the above plantation.

The Management stated (June 2000) that the Scheme was undertaken by the Company at the behest of Government of Orissa to improve the natural beauty of the hills, attract Jain ascetics and develop the place as a centre for meditation and religious rites. Government added (August 2001) that the Company is not only a commercial organisation but they had some social objectives for improvement of ecological and environmental development. However, the devastation caused by the super cyclone was beyond the control of the Company. The reply is not tenable as the Scheme was taken up without specific commitment of finance or adequate planning, the project could not be completed and project objectives remained unrealised.

3A.9 ORISSA AGRO INDUSTRIES CORPORATION LIMITED

Futile investment in Joint Sector Project

Lack of monitoring of investment in the Joint Sector Project resulted in loss of Rs.0.19 crore.

The Project Approval Committee of the State Government approved (May 1995) a proposal for establishment of a pickle manufacturing unit in Joint Sector with Odyssy Pickles Limited (OPL) in Keonjhar district at an estimated cost of Rs.98.40 lakh .

The Company entered into an agreement with OPL in July 1995. The project cost was subsequently revised to Rs.1.07 crore by Bank of India (BOI) at the time of appraisal which was to be contributed by the promoter (Rs.20.23 lakh), the Company (Rs.18.65 lakh), the National Horticulture Board (Rs.24 lakh) and through a term loan (Rs.44 lakh). Accordingly, the Company invested (January to May 1996) Rs.18.65 lakh in the project towards equity and the project started commercial production in September 1997.

Inadequate follow-up action led to futile investment of Rs.0.19 crore.

It was observed in audit (November 2000) that the Company had not received the share certificate so far against the equity participation. OPL also had neither prepared its annual accounts since inception nor complied with the standing provisions of the Companies Act, 1956 with respect to allotment of shares, submission of returns, holding of meetings etc. as a result of which the assets and liabilities of OPL is not known to the Company. Though the Board of Directors of the Company authorised (January 1996) the Managing Director to watch the progress of the project and to bring to the notice of the Board any discrepancy, no action was taken in this regard inspite of poor performance of OPL. Further, in the absence of share certificate, no action could be initiated by the Company for disinvestment of its equity holding in OPL as per the terms of the agreement. The Company also failed to take up the matter regarding non-compliance to the provisions of Companies Act with the Company Law Board or Registrar of Companies. Due to unsatisfactory performance of OPL and with the financial position nearing insolvency, BOI intimated (September 2000) the recall of the term loan (Rs.56.93 lakh) and working capital (Rs.1 crore).

Thus, poor monitoring of the project by the Company, inspite of presence of its three nominees including Chairman in the Board of OPL, resulted in futile investment of Rs.18.65 lakh. The chance of recovery is remote in view of the terms of the agreement that in case the project does not come up, the expenses would be borne by the respective parties.

The matter was reported to the Management (February 2001) and Government (March 2001); their replies were awaited (August 2001).

3A.10 ORISSA CONSTRUCTION CORPORATION LIMITED

Loss due to improper cash management

Investment in short-term deposit in violation of extant guidelines resulted in differential loss of interest of Rs.0.15 crore.

As per extant guidelines of State Government (November 1996), Public Sector Undertakings (PSUs) should not invest their funds at a particular rate of interest for a particular period of time while at the same time resorting to borrowings at an equal or higher rate of interest for their requirements.

Investment of surplus funds in STDs instead of parking the same against cash credit account resulted in differential loss of interest of Rs.0.15 crore.

It was noticed in audit (December 2000) that the Company had been availing of Cash Credit facility during the period from 20 April 1998 to July 2000 ranging from Rs.69.19 lakh to Rs.1.09 crore at an interest rate of 16.75 per cent per annum. During the same period, the Company invested its funds in short-term deposits (STDs) ranging from Rs.1 crore to Rs.1.50 crore at a rate of interest ranging from 5.4 to 7 per cent per annum in violation of the above cited guidelines. This resulted in excess expenditure of Rs.15.13 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.15.13 lakh could have been avoided.

Government stated (April 2001) that since there was a time lag between amount spent on the works and amount received from the contractees, the Company kept the surplus money in STDs for a period of 32 to 45 days instead of keeping in Current Account. It added that had the Company resorted to repayment of cash credit it would have affected the works and the Company would have earned a bad name.

The reply is untenable as the Company kept the surplus funds in STDs for a period of 45 to 205 days which could have been parked in Cash Credit Account and drawn at the time of actual requirement for execution of works in order to reduce the interest burden.

3A.11 ORISSA LIFT IRRIGATION CORPORATION LIMITED

Delay in execution of Lift Irrigation Projects under Drought Mitigation Programme

In spite of availability of funds, the Company could not implement the Drought Mitigation Programme defeating the purpose of the programme and resulting in depriving irrigation facility to 2,500 acres.

As per decision (28 April 1999) of the Committee for administration of Calamity Relief Fund, the Company submitted (28 April 1999) an Action Plan to the State Government for utilisation of drought grant in the affected districts of the State towards installation of 119 new lift irrigation projects at a cost of Rs.5 crore during April to June 1999. Accordingly, the Special Relief Commissioner (SRC), Orissa, approved (14 May 1999) construction of 100 new Lift Irrigation (LI) Projects at a cost of Rs.4 crore to be completed by end of June 1999 and the amount was released to the Company in June 1999. The Managing Director of the Company committed (June 1999) to install all the projects by 15 July 1999 in order to provide water to the cultivators during the Khariff season for 1999 (June to October). The Company had instructed (3 June 1999) the Lift Irrigation Divisions to form Water User Associations (WUA) in each of the LI projects and get the same registered so as to hand over the projects to the WUAs on completion. The Company released (11 June 1999) Rs.1 crore (at the rate of Rs.1 lakh for each project) to the concerned divisions for taking up the work including deposit of service connection charges for supply of LT line. It was also instructed that WUAs must be formed and registered before deposit of cost of service connection charges.

A review in audit (May 2001) of implementation of the programme in 6 out of 19 divisions (i.e. 50 out of 100 projects) revealed the following:

(a) The projects to be completed in June 1999 were actually completed between November 1999 to March 2001 resulting in delays ranging from 5 to 21 months. Though funds were available with the Company and advance action was initiated in April 1999, none of the projects could be completed by July 1999 to provide water to the cultivators during the khariff season for 1999 (June to October 1999). Hence, there was loss of irrigation potential of 2,500 acres for that year.

The delay in implementation of the project was due, inter alia, to (i) delayed supply of material by the suppliers, (ii) failure of the beneficiaries to form WUAs in time, and (iii) delay in drawal of power lines by GRIDCO. Evidently, the Management did not take adequate steps to implement the 71 projects (other than in the coastal areas where installation of 29 tube well was not possible due to early monsoon rain fall) in time, considering the emergent situation as a result of which the purpose of release of funds by SRC was defeated. Further, the works executed by the Company upto 20 July 1999 was only for Rs.29.28 lakh against Rs.315.04 lakh (excluding Rs.84.96 lakh relating to GRIDCO) which is a clear indicator of the lackadaisical approach of the Company in execution of the work. The Company also deposited only Rs.46.89 lakh with GRIDCO towards cost of service connection charges which was 55 per cent of total expenditure.

(b) In Keonjhar, Dhenkanal, Bolangir and Bhawanipatna districts, 13 projects were not ready even for the next Rabi season (November 1999 to May 2000) as a result of which there was further loss of irrigation potential of 650 acres during that season. Of these 13 projects, 11 projects were also not ready for the next Khariff season (June to October 2000) and thus another 550 acres of land was deprived of irrigation facility.

(c) Though formation of WUAs was a pre-condition for taking up the LI projects, in case of 9 projects (Koraput - 3 and Bolangir - 6) WUAs were not formed. Those projects though completed in December 1999 to December 2000 remained inoperative and thus the expenditure of Rs.33.14 lakh remained unfruitful. Besides, in Phulbani district, 8 projects completed between November 1999 to January 2000 could not be handed over to the WUAs as they were not willing to take over the project in view of no demand from the beneficiaries due to lack of agricultural knowledge and poor financial condition. Hence, taking up of the projects at a cost of Rs.34 lakh needs justification. Further, in case of 8 projects installed at a cost of Rs.34.50 lakh in Bhawanipatna, the reasons for non-handing over to WUA is not on record.

(d) Out of Rs.2.15 crore sanctioned for the 50 LI projects in the 6 divisions, the Company incurred expenditure for Rs.2.05 crore and a balance amount of Rs.0.10 crore is lying unutilised (April 2001).

Thus, delay in implementation of the projects by the Company resulted in non-achievement of Drought Mitigation Programme despite availability of funds.

The Management stated (October 2001) that out of 100 projects, 99 projects had since been installed by March 2001 of which 7 projects were awaiting energisation. It was added that the delay in installation of tube wells was due to super cyclone which occurred during October 1999. The reply is untenable in view of the fact that the projects were to be completed by June 1999 so as to ensure water to the cultivators during Khariff 1999 i.e. June to October 1999, i.e. much before the super cyclone. However, due to lackadaisical approach of the Company in execution of the work there was delay in completion of the projects as a result of which the purpose of release of funds was defeated.

The matter was reported to Government (May 2001); their reply was awaited (December 2001).

3A.12 ORISSA MINING CORPORATION LIMITED

Loss due to supply of iron ore on credit basis without any agreement or security

Due to supply of material without entering into agreement and without security the Company sustained a loss of Rs.0.45 crore.

Mideast Integrated Steels Limited (MISL), a private sector Company which was part of MESCO Group approached (October 1992) the Company for supply of iron ore lumps and fines for its steel plant from 1995-96. The Company decided (March 1995) to supply the ore to MISL on the condition that MISL should open a Letter of Credit (LC) amounting to 15 days supply. Accordingly, the Company sent (August 1995) a draft agreement to MISL for their acceptance. MISL did not accept the agreement inspite of reminders issued by the Company. Meanwhile MISL requested (October 1995) for supply of a small quantity of 2,000 MT on 30 days credit. The Company considered it as a special case and supplied 2,001 MT of lumpy ore between 21 November and 2 December 1995 on the condition that MISL should settle the bills on presentation. The bills were raised on 29 March 1996 after lapse of more than 3 months. The reasons for the delay in raising bills were not on record. Though the earlier bills were not settled, the Company again supplied 6,876 MT between December 1995 and March 1996 and further 2,267 MT between April and 20 May 1996 to MISL and the bills were raised in March and June 1996 respectively. Since no payment was received as committed by MISL in May 1996 against supply of 11,144 MT of ore valued at Rs.35.18 lakh, the Company intimated MISL on 20 May 1996 that further supply would be considered depending on opening of LC and clearance of outstanding dues. However, despite non-fulfillment of the above conditions, the Company again supplied 3,000 MT of ore valued at Rs.9.85 lakh during 21 May to July 1996, without any recorded reasons. Payment for the entire supply of 14,144 MT of ore amounting to Rs.45.03 lakh was not yet received by the Company (April 2001).

Supply of iron ore despite non-payment for earlier supplies and without entering into agreement resulted in likely loss of Rs.0.45 crore.

It was noticed in audit (February 2001) that though the Company had decided while supplying the first lot that further supplies shall be governed as per the agreed terms and it shall not be cited as precedent, yet further supplies were made without entering into agreement and even without insisting for payments for earlier supplies or opening of LC. Further, in a meeting held on 27 January 2000 with the MISL, the Company sought payment for earlier supplies by February 2000 and committed to supply about 5 lakh MT of ore during 2000-01 but did not insist on entering into agreement for the supplies. Since the steel plant which was scheduled to be completed by 1994 was not yet commissioned and supplies were made without agreement as well as security, the chance of recovery of dues of Rs.45.03 lakh is bleak. Thus, supply of iron ore without any agreement or security despite continuous non-payment of pending bills constituted undue favour to MISL and resulted in likely loss of Rs.45.03 lakh.

The Management stated (September 2001) that material was supplied to MISL on good faith and money could not be realised till date due to non-execution of the contract. The fact remains that the Company should not have supplied material on credit repeatedly without ascertaining the credit worthiness of the purchaser.

The matter was reported to Government (May 2001); their reply was awaited (September 2001).

3B. Statutory corporation

3B.1 ORISSA STATE FINANCIAL CORPORATION

3B.1.1 Avoidable payment of Underwriting Commission

Payment of underwriting commission to the subscriber of bonds who performed no underwriting function resulted in loss of Rs.0.20 crore.

Small Industries Development Bank of India (SIDBI) permitted the Corporation to raise funds through issue of bonds in January 1998, January 1999 and June 2000 under the market borrowing programme for the years 1997-98 to 1999-2000.

As against the allotment of Rs.95.53 crore, the Corporation raised only Rs.62.00 crore. The terms of allotment of SIDBI permitted brokerage (0.12 per cent) and underwriting commission (0.38 per cent). The Company did not appoint any brokers or underwriters for these issues and went ahead collecting subscriptions from banks through direct placement. However, the Corporation paid Rs.26.53 lakh towards brokerage (Rs.6.37 lakh) and underwriting commission (Rs.20.16 lakh) to these subscribing banks. As the issue was not subscribed through appointment of underwriters and was in fact undersubscribed to the extent of Rs.33.53 crore, the question of payment of underwriting commission does not arise and that too to the subscribers directly for no underwriting functions performed by them.

The Management stated (March 2001) that as per the terms and conditions of the bond issue, the Corporation paid brokerage and underwriting commission as an incentive and the Corporation had the option to negotiate with the prospective subscribers. The Management added (May 2001) that the Corporation was trying to avoid payment of brokerage and underwriting commission. However, for taking into cognizance the long-term benefit of bond subscriptions, the Corporation had agreed to the conditional subscription of the subscribers by allowing underwriting commission.

While the contention of the Corporation regarding payment of brokerage is acceptable as an incentive paid to the subscribers as per practice, the payment of underwriting commission to the subscribers is not tenable since underwriters are appointed to raise funds and also to make good shortfall, if any, in allotment. In this case, the Corporation could not makeup the shortfall in allotment yet paid the commission to the non-entitled subscribers. Further, there was no clause in the Bond prospectus for payment of underwriting commission.

Thus, payment of underwriting commission to the subscribers in the absence of any commitment to make good the shortfall in allotment resulted in avoidable payment of Rs.20.16 lakh and undue favour to the subscribers at the cost of the Corporation.

The matter was reported to Government (April 2001); their reply was awaited (August 2001).

3B.1.2 Loss due to injudicious purchase of premises

Injudicious decision to purchase seized premises without any requirement resulted in blockage of funds of Rs.0.33 crore besides loss of interest of Rs.0.13 crore.

The Corporation seized (November 1990) Hotel Alankar (P) Limited, Cuttack, under Section 29 of the State Financial Corporations Act, 1951. The National Institute of Rehabilitation Training and Research (NIRTAR), who were using a large portion of the building on rent before the seizure, were allowed to continue as tenant after seizure. The Corporation advertised (March 1997) for sale of the premises against which four offers were received, the highest being Rs.31.11 lakh. Instead of accepting the offer, the Corporation decided (March 1997) to purchase the premises at a cost of Rs.32.50 lakh for its own office use. However, instead of using the building for the purpose for which it was purchased, the Corporation entered into a fresh agreement with NIRTAR to continue them as a tenant at a monthly rent of Rs.27,000 for the period from April to September 1997 for which no justification has been recorded. NIRTAR vacated the premises in September 1998 and thereafter it was kept vacant. In December 1999, the Board of Directors decided to dispose of the premises and fixed the reserve price of Rs.32.50 lakh which had not yet been materialised (August 2001).

It was observed (February 2001) in audit that the Board had decided earlier (January 1996) to construct a seven storied building to accommodate all the departments of the Corporation. Four floors of the building has since been constructed and the ground floor occupied by OSFC. Hence, there was no requirement for the premises and the Corporation never utilised the purchased premises for its own use. Had the Corporation accepted (March 1997) the offer of Rs.31.11 lakh, it could have earned a minimum interest of Rs.17.18 lakh upto August 2001. Thus, injudicious decision of the Corporation to purchase the premises resulted in blockage of funds of Rs.32.50 lakh for more than 4 years besides loss of Rs.12.59 lakh excluding the rent received from NIRTAR.

The Management stated (September 2001) that the premises could not be used due to resistance offered by the ex-loanee and the Corporation was trying to find a prospective buyer to sell the property on as is where is basis. The reply is untenable in view of the fact that there was never any need for the building and it should not have purchased the premises. Further, legal action could have been contemplated to counter the resistance offered by the ex-loanee.

The matter was reported to Government (April 2001); their reply was awaited (September 2001).

3B.1.3 Unfruitful expenditure on implementation of computerisation project

Inadequate technical support, undue favour to the supplier and delay in completion of the computerisation project led to unfruitful expenditure of Rs.0.48 crore.

Computerisation of various activities of the Corporation started during 1989-90 with the procurement of a mini computer system and four personal computers. Subsequently in Septemeber 1997, the Corporation framed a project at an estimated cost of Rs.1.20 crore for augmentation of the system with online connectivity between the head office and its other sections through Local Area Network (LAN) and branch offices to head offices through Wide Area Network (WAN). As the Corporation did not have any IT trained personnel, it decided to develop the application software with the help of an approved nodal agent of the State Government for implementation of Computer Software viz. Orissa Computer Application Centre (OCAC). The Corporation borrowed Rs.1.20 crore (Rs.90 lakh from Small Industries Development Bank of India and Rs.30 lakh from other banks) at the rate of 13 per cent interest per annum for completion of the project by September 1998. The Corporation had spent Rs.1.31 crore as on March 2001.

(a) Orders placed on Zenith Computer Limited

The Corporation invited open tenders (July 1997) for delivery, installation and commissioning of computer hardware and software. Out of the 24 offers received, 6 firms were short listed. Though the lowest offer for Rs.46.90 lakh of the package was from Oricom System Private Limited (ORICOM), the Corporation, on the recommendations of Technical Sub-Committee placed the order (September 1997) with Zenith Computer Limited (ZCL) at Rs.52.08 lakh who was the second lowest offerer on the ground that ZCL would provide free benefits valued at Rs.12.80 lakh. The material was to be delivered and installed by 30th November 1997, but was actually received only in January 1998 and installed in October 1998 after a delay of 42 weeks.

(b) Order on OCAC for software development

The work of system integration and application software development was awarded (December 1997) to OCAC at a cost of Rs.20 lakh. As per the work order, the system integration was to be completed within one month from the date of delivery of hardware and software development by September 1998. Though the Corporation paid Rs.13 lakh to OCAC from March 1998 to April 2001, the work has not been completed so far (August 2001).

In this connection the following was observed in audit (April 2001):

(i) The Corporation awarded the work to ZCL in view of their offer for free benefits valued at Rs.12.80 lakh. Analysis of these items revealed that except for training of two persons and utilisation of Domino 4.5 (2) in intranet valued at Rs.1.20 lakh, other items of free benefits were not availed. Further, no negotiation was done with ORICOM who was the lowest offerer. Hence, by not accepting the lowest offer the Corporation incurred an extra expenditure of Rs.5.17 lakh.

(ii) ZCL completed the work after a delay of 42 weeks. As per the terms of the contract, penalty at the rate of 0.5 per cent per week subject to maximum of 5 per cent of the contract price (Rs.51.52 lakh) was to be levied. However, such penalty amounting to Rs.2.57 lakh was not recovered from ZCL.

(iii) For WAN connectivity, ZCL was to supply (September 1997), CISCO AS 5100 ACCESS Terminal server with 4 quad modems to establish dial up connectivity with all the branches and headquarters valued at Rs.6.47 lakh. However, ZCL supplied (March 1999) only one quad modem valued at Rs.2.87 lakh. ZCL also did not supply cabinet for the CISCO which was purchased by the Corporation at a cost of Rs.0.19 lakh. Since the components supplied by ZCL were inadequate to achieve WAN connectivity and the product had since become obsolete, the expenditure of Rs.3.06 lakh was rendered infructuous. The Corporation also did not impose penalty amounting to Rs.0.14 lakh for delayed supply as per the terms of the contract nor did it examine the utility of the purchase at this belated stage.

(iv) Corporation paid Rs.13 lakh to OCAC from March 1998 to April 2001 for work of system integration and development of application software. However, there was no penal clause in the contract for levy of damages for delay in completion of work. There was inordinate delay of 3 years in completion of the task which has not only rendered the investment of Rs.13 lakh unfruitful till date but the Company was also precluded from levying any damages for the delay. OCAC had not completed the work of system integration and application software development so far (August 2001) even after lapse of 2 years. Since there is no penal clause for delay in completion of work by OCAC and the Corporation felt that IT professionals of OCAC did not have detailed knowledge of the intricacy of a system, the expenditure made for development of software amounting to Rs.13 lakh was rendered unfruitful.

(v) The Corporation blocked its fund of Rs.1.20 crore resulting in loss of interest of Rs.26.55 lakh besides not achieving the objective.

Thus, taking up the computerisation project in the absence of adequate technical support and delay in completion of the project led to unfruitful expenditure/loss of Rs.47.78 lakh to the Corporation besides denying it the anticipated reduction in cost. Besides this loss, the Corporation did not levy penalty of Rs.2.71 lakh.

Government stated (August 2001) that the work was awarded to ZCL in view of their reputation and additional facilities offered by them. Since the machinery was procured with the principle " just in time " and to avoid litigation, penalty was not levied on ZCL. It was added that in the absence of additional quads, the WAN connectivity is not adversely affected and the system had been developed but delayed due to problems in process re-engineering in the intervening period to achieve optimum level by use of limited resources. The reply is not tenable since the Corporation should have negotiated with ORICOM as they were among the 6 firms short listed by the Technical Sub-Committee and were also awarded the work of upgradation of RAM capacity which could not be done by ZCL. The WAN connectivity to 16 branches at a time from head office is not possible in the absence of 4 quads having 16 modems. Further, penalty should have been levied as per terms of the contract and a penalty clause should have been added in the contract with OCAC by which the Corporation could have recovered the amount paid to them in case they failed to complete the project.

Bhubaneswar	**(R.K. GHOSE)**
The	**Accountant General (Audit) II**
	Orissa

Countersigned

New Delhi	**(V.K.SHUNGLU)**
The	**Comptroller and Auditor General of India**

ANNEXURES

ANNEXURE-1

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2001 in respect of Government companies and Statutory corporations

(Referred to in Paragraphs 1.2.1.1, 1.2.1.2 and 1.2.2)

(Figures in column 3(a) to 4(f) are Rupees in lakh)

		Paid-up Capital as at the end of the current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans *Outstanding at the close of 2000-01			Debt equity ratio for
Sl. No.	Sector and Name of the Company	State Government	Central Govern -ment	Holding Comp-anies	Others	Total	Equity	Loans		Govern-ment	Others	Total	2000-01 (Previous year) 4(f)/ 3(e)
(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	WORKING GOVERNMENT COMPANIES												
	AGRICULTURE AND ALLIED												
1.	Orissa Agro Industries Corporation Limited	609.28	105.27	--	0.60	715.15	--	--	--	1505.82	--	1505.82	2.10:1 (2.11:1)
2.	Orissa State Seeds Corporation Limited	211.00	--	--	47.60	258.60	0.99	--	--	--	--	--	--
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	***1085.32***	***105.27***	***--***	***48.20***	***1238.79***	***0.99***	***--***	***--***	***1505.82***	***--***	***1505.82***	***1.22:1 (1.22:1)***
	INDUSTRY												
5.	Neelachal Ispat Nigam Limited	772.90	--	--	17957.14	18730.04$	--	--	14289.53	34.11	61266.09	61300.20	3.27:1 (2.88:1)
	Sector wise total	***772.90***	***--***	***--***	***17957.14***	***18730.04***	***--***	***--***	***14289.53***	***34.11***	***61266.09***	***61300.20***	***3.27:1 (2.83:1)***
	ENGINEERING												
6	Hirakud Industrial Works Limited (Subsidiary of Sl. No.23 of working Company)	--	--	490.01	--	490.01	--	--	--	--	--	--	-- (4.77:1)
	Sector wise total	***--***	***--***	***490.01***	***--***	***490.01***	***--***	***--***	***--***	***--***	***--***	***--***	***-- (4.77:1)***

(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)
	ELECTRONICS												
7	Orissa State Electronics Development Corporation Limited	2203.50	--	--	--	2203.50	240.00	--	--	--	--	--	--
8	ELMARC LIMITED(Subsidiary of Sl No.7)	-	-	101.57	-	101.57	-	-	30.40	-	164.06	164.06	1.62:1 (1.32:1)
9	IDCOL Software Limited(Subsidiary of Sl. No. 23 of WC)	--	--	60.05	40.02	100.07	--	--	--	--	--	--	--
	Sector wise total	***2203.50***	***--***	***161.62***	***40.02***	***2405.14***	***240.00***	***--***	***30.40***	***--***	***164.06***	***164.06***	***0.07:1 --***
	TEXTILES												
10	ABS Spinning Orissa Limited (Subsidiary of Sl. No. 23 of WC)	--	--	300.00	--	300.00	--	--	--	--	720.75	720.75	2.40:1 (0.79:1)
	Sector wise total	***--***	***--***	***300.00***	***--***	***300.00***	***--***	***--***	***--***	***--***	***720.75***	***720.75***	***2.40:1 (0.79:1)***
	FOREST												
11	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	1681.40	--	4681.40	4681.40	36.57:1 (23.44:1)
	Sector wise total	***128.00***	***--***	***--***	***--***	***128.00***	***--***	***--***	***1681.40***	***--***	***4681.40***	***4681.40***	***36.57:1 (23.44:1)***
	MINING												
12	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--	--	2418.00	--	2418.00	0.77:1 (0.8:1)
	Sector wise total	***3145.48***	***--***	***--***	***--***	***3145.48***	***--***	***--***	***--***	***2418.00***	***--***	***2418.00***	***0.77:1 (0.80:1)***
	CONSTRUCTION												
13	Orissa Construction Corporation Limited	1150.00	--	--	--	1150.00	50.00	--	--	--	--	--	
14	Orissa Bridge and Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	--	--	--	--
	Sector wise total	***1650.00***	***--***	***--***	***--***	***1650.00***	***50.00***	***--***	***--***	***--***	***--***	***--***	***--***
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION. PUBLIC DISTRIBUTION												
15	Orissa State Civil Supplies Corporation Limited	978.32	--	--	--	978.32	--	438.70	--	438.70	--	438.70	0.45:1
	Sector wise total	***978.32***	***--***	***--***	***--***	***978.32***	--	***438.70***	***--***	***438.70***	***--***	***438.70***	***0.45:1***

(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)
	CEMENT												
16	IDCOL Cement Limited (Subsidiary of the Company at Sl. No.23 of WC)	--	--	5350.01	3500.00	8850.01	--	981.29	12119.04	981.29	12206.73	13188.02	1.49:1 (0.01:1)
	Sector wise total	**--**	**--**	***5350.01***	***3500.00***	***8850.01***	**--**	***981.29***	***12119.04***	***981.29***	***12206.73***	***13188.02***	***1.49:1 (0.01:1)***
	TOURISM												
17	Orissa Tourism Development Corporation Limited	962.16	--	--	--	962.16	10.00	--	--	--	--	--	-- (0.01:1)
	Sector wise total	***962.16***	**--**	**--**	**--**	***962.16***	***10.00***	**--**	**--**	**--**	**--**	**--**	**-- *(0.01:1)***
	POWER												
18	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.65	49021.74	--	--	--	--	26182.04	26182.04	0.53:1 (0.65:1)
19	Orissa Hydro Power Corporation Limited	32080.00	--	--	--	32080.00	--	--	--	145069.04	34074.16	179143.20	5.58:1 (5.67:1)
20	Grid Corporation of Orissa Limited	48981.00	--	--	--	48981.00	65.00	--	74720.18	65330.34	256939.84	322270.18	6.58:1 (5.06:1)
	Sector wise total	***106062.09***	**--**	**--**	***24020.65***	***130082.74***	***65.00***	--	***74720.18***	***210399.38***	***317196.04***	*527595.42*	***4.05:1 (3.55:1)***
	FINANCING												
21	Industrial Promotion & Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	--	--	585.90	1636.97	6291.89	7928.86	0.95:1 (0.88:1)
	Sector wise total	***8314.29***	**--**	**--**	**--**	***8314.29***	**--**	**--**	***585.90***	***1636.97***	***6291.89***	***7928.86***	***0.95:1 (0.88:1)***
	MISCELLANEOUS												
22	Orissa State Police Housing & Welfare Corporation Limited	563.01	--	--	--	563.01	--	--	--	--	--	--	--
23	Industrial Development Corporation of Orissa Limited	5711.79	--	--	--	5711.79	--	--	--	1377.00	24250.22	25627.22	4.48:1 (4.50:1)
24	Orissa Small Industries Corporation Limited	965.86	--	--	--	965.86	--	35.00	95.73	173.00	278.21	451.21	0.46:1 (0.33:1)
25	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	14.58	--	129.58	--	129.58	0.24:1 (0.21:1)
26	Kalinga Studios Limited (Subsidiary of Sl. No. 25 of WC)	--	--	129.50	--	129.50	---	--	14.30	--	14.30	14.30	0.11:1
27	Orissa Timber and Engineering Works Limited (Subsidiary of Sl.No.24 of WC)	--	--	0.05	--	0.05	--	--	--	--	--	--	--
28	Konark Jute Limited (Subsidiary of Sl. No. 23 of WC)	--	--	413.00	180.99	593.99	--	--	--	876.80	43.49	920.29	1.55:1 (1.55:1)

(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)
29	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	18.50	--	347.86	347.86	0.05:1 (0.04:1)
30	Orissa Rural Housing and Development Corporation Limited	940.00	--	--	75.00	1015.00	240.00	--	11546.71	448.00	28802.00	29250.00	28.8:1 (22.84:1)
	Sector wise total	***16193.96***	_	***542.55***	***255.99***	***16992.50***	***240.00***	***49.58***	***11675.24***	***3004.38***	***53736.08***	***56740.46***	***3.34:1 (2.69:1)***
	TOTAL (A) WORKING GOVT. COMPANIES	**141496.02**	**105.27**	**6844.19**	**45822.00**	**194267.48**	**605.99**	**1469.57**	**115101.69**	**220418.65**	**456263.04**	**676681.69**	**3.48:1 (2.95:1)**
B.	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT												
1	Orissa State Road Transport Corporation	11904.93	1592.27		0.83	13498.03			2829.48		6947.72	6947.72	0.51:1 (0.30:1)
	Sector wise Total	***11904.93***	***1592.27***		***0.83***	***13498.03***			***2829.48***		***6947.72***	***6947.72***	***0.51:1 (0.30:1)***
	FINANCING												
2	Orissa State Financial Corporation	4852.52	_	_	3904.79	8757.31	_	--	7576.56	1900.00	59325.00	61225.00	6.99:1 (6.13:1)
	Sector wise total	***4852.52***	_	_	***3904.79***	***8757.31***	_	**--**	***7576.56***	***1900.00***	***59325.00***	***61225.00***	***6.99:1 (6.13:1)***
	AGRICULTURE AND ALLIED												
3	Orissa State Warehousing Corporation	180.00	-	-	160.00	340.00	20.00	-	-	-	-	-	--
	Sector wise total	***180.00***	-	-	***160.00***	***340.00***	***20.00***	-	-	-	-	-	--
	TOTAL (B) ALL STATUTORY CORPORATION	**16937.45**	**1592.27**	**--**	**4065.62**	**22595.34**	**20.00**	**--**	**10406.04**	**1900.00**	**66272.72**	**68172.72**	**3.02:1 (2.54:1)**
	TOTAL (A)+(B)	**158433.47**	**1697.54**	**6844.19**	**49887.62**	**216862.82**	**625.99**	**1469.57**	**125507.73**	**222318.65**	**522535.76**	**744854.41**	**3.43:1 (2.54:1)**
C.	**NON WORKING GOVERNMENT. COMPANIES**												
	INDUSTRY												
1	ORICHEM Limited (Subsidiary of Sl.No.23 of Working Company)	--	--	229.12	47.53	276.65	--	--	--	--	94.02	94.02	0.34:1 (0.34:1)
2	Konark Detergent and Soaps Limited (Subsidiary of the Company at Sl.No.24 of working Company)	--	--	9.32	--	9.32	--	--	--	--	--	--	--
3	Kalinga Steel (I) Limited (Subsidiary of Sl.No.21 of working Company)	--	--	0.08	--	0.08	--	--	--	--	--	--	--
	Sector wise total	**--**		***238.52***	***47.53***	***286.05***	**--**	**--**	**--**	_	***94.02***	***94.02***	***0.33:1***
	ENGINEERING												
4	Orissa Electrical Manufacturing Company Limited (Company closed since 1968 under voluntary liquidation since 30.8.76)	4.34	--	--	0.20	4.54	--	--	--	--	--	--	--

(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)
5	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01.03.74)	3.78	--	--	0.22	4.00	--	--	--	--	--	--	--
6	Premier Bolts and Nuts Limited (Under process of liquidation; assets have been disposed of)	1.46	--	--	0.82	2.28	--	--	--	--	--	--	--
7	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09.03.76)	3.70	--	--	0.50	4.20	--	--	--	--	--	--	--
8	Orissa Instruments Company Limited	96.79	--	--	--	96.79	--	--	--	--	--	--	--
9	Hira Steel and Alloys Limited (Subsidiary of Sl. No.23 of WC)	--	--	12.28	--	12.28	--	--	--	--	--	--	--
10	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.23 of WC)	--	--	193.15	--	193.15	--	--	--		3085.13	3085.13	15.97:1 (16.8:1)
11	General Engineering and Scientific Works Limited (Subsidiary of Sl.No.24 of WC)	--	--	0.05	--	0.05	--	--	--	--	--	--	--
	Sector wise total	***110.07***	**--**	***205.48***	***1.74***	***317.29***	**--**	**--**	**--**	**--**	***3085.13***	***3085.13***	***9.72:1***
	ELECTRONICS												
12	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	0.36	--	--	0.10	0.46	--	--	--	--	--	--	--
13	Modern Electronics Limited (Under process of liquidation)	4.27	--	--	0.10	4.37	--	--	--	--	--	--	--
14	IPITRON Times Limited (Subsidiary of Sl.No.7 of WC)	--	--	80.83	--	80.83	--	--	--	168.33	--	168.33	2.08:1 (2.08:1)
15	Konark Television Limited	606.97	--	--	--	606.97	0.90	--	--	200.75	--	200.75	0.33:1 (0.33:1)
16	ELCOSMOS Limited (Subsidiary of Sl. No. 7 of WC)	--	--	158.51	--	158.51	--	--	--	200.00	--	200.00	1.26:1 (1.26:1)
17	ELCOPHONES Limited (Subsidiary of Sl. No. 7 of WC)	--	--	0.01	--	0.01	--	--	--	--	--	--	--
18	ELCO Communication and Systems Limited (Subsidiary of Sl.No.7 of WC)	--	--	63.80	--	63.80	--	--	--	72.00	--	72.00	1.13:1 (1.13:1)
	Sector wise total	***611.60***	**--**	***303.15***	***0.20***	***914.95***	***0.90***	**--**	**--**	***641.08***	**-**	***641.08***	***0.70:1 (0.76:1)***
	TEXTILES												
19	Mayurbhanj Textiles Limited	3.79	--	--	--	3.79	--	--	--	--	--	--	--
20	New Mayurbhanj Textiles Limited	16.94	--	--	--	16.94	--	--	--	0.68	--	0.68	0.04:1 (0.04:1)
21	Orissa Textile Mills Limited	2104.28	--	3.21	362.74	2470.23[$]	--	--	--	1468.14	--	1468.14	0.59:1 (0.59:1)

(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)
22	Orissa State Textile Corporation Limited	452.92	--	--	--	452.92	--	--	--	162.00	--	162.00	0.36:1 (0.36:1)
	Sector wise total	***2577.93***	**--**	***3.21***	***362.74***	***2943.88***	**--**	**--**	**--**	***1630.82***	**--**	***1630.82***	***0.55:1 (0.34:1)***
	HANDLOOM AND HANDICRAFTS												
23	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)***
	AREA DEVELOPMENT												
24	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)***
	MISCELLANEOUS												
25	Orissa State Commercial Transport Corporation Limited	234.00	376.00	--	--	610.00	--	--	407.99	119.63	553.37	673.00	1.10:1 (0.43:1)
26	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	--
27	Orissa Fish Seed Development Corporation Limited	501.56	--	--	--	501.56	--	--	--	--	200.63	200.63	0.40:1 (2.01:1)
28	Orissa State Export Development Corporation Limited	4.00	--	--	--	4.00	--	--	--	--	--	--	--
29	Eastern Aquatic Products Limited (under voluntary liquidation since 22.02.1978)	0.53	--	--	0.08	0.61	--	--	--	--	--	--	--
30	Orissa Boat Builders Limited (Company since 1987 decided to put under liquidation)	4.72	--	--	0.51	5.23	--	--	--	--	--	--	--
31	Orissa Board Mills Limited (closed; decided for liquidation)	3.67	--	--	0.41	4.08	--	--	--	--	--	--	--
32	Orissa State Leather Corporation Limited	396.63	--	--	28.41	425.04	--	--	--	37.00	--	37.00	0.09:1 (0.04:1)

(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)
33	Orissa Leather Industries Limited (Subsidiary of Sl.No.32 of NWC)	--	--	64.99	0.01	65.00	--	--	--	176.96	--	176.96	2.72:1 (2.72:1)
34	Kanti Sharma Refractories Limited (Subsidiary of Sl. No. 24 of WC)	--	--	85.00	--	85.00	--	--	--	65.98	--	65.98	0.78:1 (0.78:1)
	Sector wise total	**1180.11**	**376.00**	**149.99**	**29.42**	**1735.52**	_	**--**	**407.99**	**399.57**	**754.00**	**1153.57**	**0.66:1 (0.43:1)**
	TOTAL (C) NON WORKING COMPANIES	**5466.46**	**376.00**	**900.35**	**496.00**	**7238.81**	**0.90**	**--**	**407.99**	**2851.70**	**3933.15**	**6784.85**	**0.94:1 (0.42:1)**
	Grand Total (A+B+C)	**163899.93**	**2073.54**	**7744.54**	**50383.62**	**224101.63**	**626.89**	**1469.57**	**125915.72**	**225170.35**	**526468.91**	**751639.26**	**3.35:1 (2.86:1)**

Note : Except in respect of Sl.No.4&5which finalised the accounts for 2000-2001 figures are provisional and as given by the Companies/Corporations.

* Loans outstanding at the close of 2000-01 represent long-term only

$ Includes share application money Rs 194.85 crore (Sl. No.A5 of Annexure-1 - Rs 170.89 crore and Sl. No.C21 of Annexure-1 - Rs.23.96 crore)

ANNEXURE - 2

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Referred to Paragraphs 1.2.3, 1.2.4, 1.2.5, 1.3.4 and 1.3.5)

(Figures in columns 7 to 12 are Rupees in lakh)

Sl. No.	Name of the Company	Name of the Department	Date of incorpo-ration	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit com-ments	Paid-up capital	Accumulated Profit(+) and Loss (-)	Capital employed (A)	Total Return on capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A	WORKING GOVERNMENT COMPANIES												
	AGRICULTURE AND ALLIED												
1.	Orissa Agro Industries Corporation Limited	Agriculture and co-operation	20 December 1961	1992-93	2001-02	(-)344.78	--	476.05	(-)1417.14	828.92	(-)179.89	-	8
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	4
3.	Orissa State Cashew Development Corporation Limited	-do-	06 April 1979	1998-99	2001-02	(+)109.74	--	155.04	(+)346.11	495.31	109.74	22.16	2
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	-do-	1 March 1996	1999-2000 2000-01	2000-2001	Commercial activity not yet started	--	110.00 110.00	--	144.09 144.09	--	--	--
	Sector wise Total					***(-)208.41***	**--**	***993.70***	***(-)1842.50***	***2616.42***	***67.19***	***2.57***	
	INDUSTRY												
5.	Neelachal Ispat Nigam Limited	Steel & Mines	27 March 1982	2000-01	2001-02	Commercial production not yet started	--	18730.04	--	91763.02	--	--	--
	Sector wise Total						**--**	***18730.04***	**--**	***91763.02***	**--**	**--**	
	ENGINEERING												
6.	Hirakud Industrial Works Limited (Subsidiary of Sl.No.23 of WC)	-do-	18 January 1993	1999-2000	2001-2002	(-)117.51	Non-disclosure 510.30 and increase in loss 13.76	490.01	(-)3.15	1661.19	34.94	2.10	1
	Sector wise Total					***(-)117.51***	**--**	***490.01***	***(-)3.15***	***1661.19***	***34.94***	***2.10***	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	ELECTRONICS												
7	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	6
8	ELMARC LIMITED(Subsidiary of Sl.No.7)	-do-	23 January 1990	1996-97	2001-02	(-)81.00	-	101.82	(-)123.80	13.20	(-)67.51	-	4
9	IDCOL Software Limited(Subsidiary of Company at Sl. No. 23 of WC)	-do-	26 November 1998	1999-00	2000-01	(-)22.47	Non-disclosure 6.08	100.07	(-)22.47	67.07	(-)22.47	--	1
	Sector wise Total					***(-)98.91***	***--***	***1904.64***	***(-)368.97***	***497.15***	***(-)85.42***	***--***	
	TEXTILE												
10	ABS Spinning Orissa Limited (Subsidiary of Sl.No.23 of WC)	-do-	23 March 1990	1994-95	2000-2001	(-)723.29	--	300.00	(-)3635.48	(-)211.34	(-)333.24	--	6
	Sector wise Total					***(-)723.29***	***--***	***300.00***	***(-)3635.48***	***(-)211.34***	***(-)333.24***	***--***	
	FOREST												
11	Orissa Forest Development Corporation Limited	Forest & Environment	28 September 1962	1994-95	2000-01	21.43	Decrease in profit 0.74 lakh Non disclosure 190.27	128.00	(-)2379.50	(-)189.50	(-)288.96	--	6
	Sector-wise Total					***21.43***	***--***	***128.00***	***(-)2379.50***	***(-)189.50***	***(-)288.96***		
	MINING												
12	Orissa Mining Corporation Limited	Steel & Mines	16 May 1956	1994-95 1995-96	2000-01 2001-02	(+) 1315.75 (+)5005.02	Error of classification 648.89 Decrease in profit 231.22	3145.48 3145.48	(+)1374.56 (+)3881.05	9374.77 12387.33	1855.29 5476.85	19.79 44.21	-- 5
	Sector-wise Total					***5005.02***	***--***	***3145.48***	***3881.05***	***12387.33***	***5476.85***		
	CONSTRUCTION												
13	Orissa Construction Corporation Limited	Water Resources	22 May 1962	1998-99	2001-2002	(+)6.30	--	1050.00	(+)125.51	4578.34	59.73	1.30	2
14	Orissa Bridge & Construction Corporation Limited	Works	1 January 1983	1995-96	2000-2001	(-)53.43	Increase in loss 8.25	500.00	(-)415.65	570.01	(-)53.43	--	5
	Sector-wise Total					***(-)47.13***		***1550.00***	***(-)290.14***	***5148.35***	***6.30***	***0.12***	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION PUBLIC DISTRIBUTION												
15	Orissa State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	03 September 1980	1993-94 1994-95	2001-02 2001-02	(-)4.51 (-)242.43	Decrease in loss 21.37	978.32 978.32	(-)299.71 (-)299.71	1604.67 1604.04	- (-)242.43	-	-6
	Sector-wise Total					***(-)242.43***	**-**	***978.32***	***(-)299.71***	***1604.04***	***(-)242.43***	**--**	**-- --**
	CEMENT												
16	IDCOL Cement Limited (Subsidiary of Sl.No.23 of WC)	Industries	26 February 1993	1999-2000	2000-01	13457.02	--	8850.01	(-)4415.93	19140.88	13739.85	71.78	1
	Sector-wise Total					***13457.02***	**--**	***8850.01***	***(-)4415.93***	***19140.88***	***13739.85***	***71.78***	
	TOURISM												
17	Orissa Tourism Development Corporation Limited	Tourism	03 September1979	1994-95	2001-2002	(-)26.30	-	812.16	(-)532.84	265.96	(-)16.95	-	6
	Sector-wise Total					***(-)26.30***		***812.16***	(-)532.84	265.96	(-)16.95		
	POWER												
18	Orissa Power Generation Corporation Limited	Energy	14 November 1984	1999-00	2000-01	12438.62	--	49021.74	13786.77	96194.24	18748.92	19.49	1
19	Orissa Hydro Power Corporation Limited	-do-	21 April 1995	1999-00	2001-2002	5038.14		32080.09	25323.14	265482.90	16931.42	6.38	1
20	Grid Corporation of Orissa Limited	-do-	19 November 1995	1997-98	1999-2000	(-)31911.62	--	38423.14	(-)61411.28	168914.01	(-)24762.30	--	3
	Sector-Wise Total					***(-)14434.86***		***119524.97***	***(-)22301.37***	***530591.15***	***10918.04***	***2.06***	
	FINANCING												
21	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	1999-00	2000-2001	(-)372.61		8314.29	(-)3578.93	18294.91	391.38	2.14	1
	Sector-Wise Total					***(-)372.61***		***8314.29***	***(-)3578.93***	***18294.91***	***391.38***		
	MISCELLANEOUS												
22	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	--	8
23	Industrial Development Corporation of Orissa Limited	Industries	29 March 1962	1999-00	2000-01	(-)1494.71	Non disclos-ure of 6.08	5711.78	(-)3195.45	25439.73	556.66	2.19	1

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
24	Orissa Small Industries Corporation Limited	Industries	03 April 1972	1997-98	2000-01	15.85	--	965.86	64.94	3279.38	335.55	10.23	3
25	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	4
26	Kalinga Studios Limited(subsidiary of company at Sl. No. 25 of WC)	Industries	25 July 1980.	1996-97	2001-02	(-)17.02	--	234.38	(-)168.67	77.55	(-)17.02	--	4
27	Orissa Timber and Engineering Works Limited (subsidiary of company at Sl. No. 24 of WC)	Industries	11 January 1994.	1994-95	2001-02	(-)0.08	--	--	--	(-)0.08	--	--	6
28	Konark Jute Limited (subsidiary of Company at Sl. No 23 of WC)	Industries	29 July 1974	1996-97	2000-2001	(-)75.73	–	594.00	(-)1053.21	678.13	(-)34.73	--	4
29	Orissa Lift Irrigation Corporation Limited	Water Resources	21 September 1973	1996-97	2001-02	(-)8.36	--	7473.25	(-)316.35	21759.13	41.00	0.19	4
30	Orissa Rural Housing and Development Corporation Limited	Rural Development	19 August 1994	1997-98	2001-02	86.86	--	750.00	154.15	821.55	538.69	65.56	3
	Sector wise Total					***(-)1512.16***	**--**	***16832.33***	***(-)4624.00***	***53171.70***	***1402.68***	***2.64***	
	Total (A) Working Government Companies					**699.86**	**--**	**182553.95**	**(-)40391.47**	**736741.26**	**31070.23**	**4.22**	
B	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT												
1	Orissa State Road Transport Corporation.	Commerce and Transport	May 1974	1992-93	2001-02	(-)1210.66	–	9320.00	(-)12721.86	(-)280.40	(-)763.15		8
	Sector wise total					***(-)1210.66***	**–**	***9320.00***	***(-)12721.86***	***(-)280.40***	***(-)763.15***		
	FINANCING												
2	Orissa State Financial Corporation	Industries	March 1950	1999-2000	2001-02	(-)8940.72	-	8757.30	(-)37622.60	62181.00	(-)5318.89	--	1
	Sector wise total					***(-)8940.72***	**-**	***8757.30***	***(-)37622.60***	***62181.00***	***(-)5318.89***		
	AGRICULTURE AND ALLIED												
3	Orissa State Warehousing Corporation.	Agriculture & Co-operation	March 1958	1998-99	2000-2001	130.90	Non-disclosure of material fact 127.70	320.00	123.32	848.00	131.00	15.45	2
	Sector wise total					***130.90***	**-**	***320.00***	***123.32***	***848.00***	***131.00***	***15.45***	
	Total (B) Statutory corporation.					**(-)10020.48**	**--**	**18397.30**	**(-)50221.14**	**62748.60**	**(-)5951.04**	**--**	
	Total of (A) + (B)					**(-)9320.62**	**--**	**200951.25**	**(-)90612.61**	**799489.86**	**25119.19**	**3.14**	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
C	**NON-WORKING GOVERNMENT COMPANIES**												
	INDUSTRY												
1	ORICHEM Limited (Subsidiary of Sl.No.23 of WC)	Industry	29 July 1974	1999-00	2001-2002	(-)314.96	–	276.64	(-)1323.76	286.90	(-)233.12	--	1
2	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.24 of WC)	-do-	29 August 1978	1981-82	1996-97	(-)0.60	--	5.79	(-)0.96	5.09	(-)0.60	--	19
3	Kalinga Steel (India) Limited (Subsidiary of Sl.No.21 of WC)	-do-	9 January 1991	1998-99 1999-00	2001-02 2001-02	Commercial production not yet started	--	0.08 0.08	-- -	527.86 527.90	--	--	1
	Sector wise Total					***(-)315.56***	**--**	***282.51***	***(-)1324.72***	***819.89***	***(-)233.72***	**--**	**--**
	ENGINEERING												
4	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	--	34
5	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	--	32
6	Premiere Bolts and Nuts Limited (Company closed)	Industries	4 August 1959	1966	1973-74	(-)0.27	--	2.27	--	0.44	(-)0.27	--	35
7	Modern Malleable Casting Company Limited (Closed since 1968 Under voluntary liquidation since 09.03.1976)	-do-	22 September 1960	1972-73	1975-76	(-)0.36	--	4.20	--	3.08	(-)0.07	--	28
8	Orissa Instruments Company Limited	-do-	14 March 1961	1987-88	2000-2001	(-)6.22	--	8.79	(-)0.79	35.80	(-)3.74	--	13
9	Hira Steel and Alloys Limited (Subsidiary of Sl.No.23 of WC)	-do-	23 August 1974	1975-76	1976-77	--	--	12.28	--	27.39	1.57	5.73	25
10	IDCOL Piping & Engineering Works Limited (Subsidiary of Sl.No.23 of WC)	-do-	26 March 1993	1999-00	2000-01	(-)2456.84	Increase in loss 2.21 & non-disclosure 91.85	193.16	(-)10305.73	(-)6285.91	(-)299.61	4.77	1
11	General Engineering & Scientific Works Limited (Subsidiary of Sl.No.24 of WC)	-do-	11 January 1994	1st Accounts not yet received									7
	Sector wise Total					***(-)2464.59***		***229.23***	***(-)10306.52***	***(-)6212.23***	***302.88***		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	ELECTRONICS												
12	Manufacture Electro Limited (Assets have been sold)	Industries	24 September 1959	1965-66	1982-83	(-)0.08	--	0.45	--	--	(-)0.08	--	35
13	Modern Electronics Ltd.	Industries	22 March 1960	1965-66	1982-83	0.23		4.37	--	2.77	0.26	9.39	35
14	IPITRON Times Limited (Subsidiary of Sl.No.7 of WC)	Science & Technology	11 December 1981	1991-92	1997-98	(-)68.50	--	80.83	(-)225.77	350.28	(-)11.75	--	9
15	Konark Television Limited	-do-	26 June 1982	1991-92	1998-99	(-)94.96	--	120.00	(-)603.52	600.04	46.15	7.69	9
16	ELCOSMOS Electronics Limited (Subsidiary of Sl.No.7 of WC)	-do-	12 January 1987	1991-92	1996-97	(-)77.27	--	174.91	(-)140.48	340.15	(-)26.18	--	9
17	ELCOPHONES Limited (Subsidiary of Sl.No.7 of WC)	-do-	10 December 1987	1st Accounts not yet received									14
18	ELCO Communication &Systems Limited (Subsidiary of Sl.No. of WC)	-do-	8 March 1989	1989-90	1997-98	--	--	10.01	--	--	--	--	11
	Sector wise Total					***(-)240.58***	**--**	***390.57***	***(-)969.77***	***1293.24***	***8.40***		
	TEXTILE												
19	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	(-)0.82	--	3.79	--	(-)0.62	(-)0.71	--	30
20	New Mayurbhanj Textiles Limited	-do-	2 June 1976	1981-82	2000-2001	2.57	--	1.50	(-) 2.21	4.66	2.58	55.36	19
21	Orissa Textile Mills Limited	Textile & Handlooms	25 January 1946	1997-98	1998-99	(-)1023.74	--	2470.24	(-)5340.61	516.81	(-)766.10	--	3
22	Orissa State Textile Corporation Limited	-do-	10 September 1981	1992-93	1998-99	(-)341.37	--	260.00	(-)1286.08	(-)543.66	--	--	8
	Sector wise Total					***(-)1363.36***	**--**	***2735.53***	***(-)6628.90***	***(-)21.57***	***(-)764.23***	**--**	**--**
	HANDLOOM												
23	Orissa Handloom Development Corporation Limited	-do-	1 February 1977	1994-95	2000-01	(-)201.78	Increase in loss 31.36	352.37	(-)862.09	483.84	(-)95.01	--	6
	Sector wise Total					***(-)201.78***	**--**	***352.37***	***(-)862.09***	***483.84***	***(-)95.01***	**-**	
	AREA DEVELOPMENT												
24	Orissa Maritime & Chilka Area Development Corporation Ltd.	Fisheries & Animal Resources Department	29 August 1978	1995-96	2000-01	(-)16.88	--	619.18	(-)153.36	455.65	(-)15.24	-	5
	Sector wise Total					***(-)16.88***	**--**	***619.18***	***(-)153.36***	***455.65***	***(-)15.24***	**-**	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	MISCELLANEOUS												
25	Orissa State Commercial Transport Corporation Limited	Comme-rce & Transport	15 February 1964	1991-92	2000-2001	(-)93.05	--	234.00	(-)941.44	200.46	(-)36.28	--	9
26	Orissa Fisheries Development Corporation Limited	Fisheries & Animal Resources Development	8 August 1962	1982-83	1983-84	(-)3.75	--	35.00	--	19.78	(-)2.53	--	18
27	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	7
28	Orissa State Export Development Corporation Limited	Handicraft & Cottage Industries	27 July 1990	1990-91	1995-96	--	--	0.85	--	(-)0.06	--	--	10
29	Eastern Aquatic Products Limited	Industries	06 May 1959	1972-73	1975-76	--	--	0.60	--	0.31		--	28
30	Orissa Boat Builders Limited (Company closed since 1987)	Industries	18 March 1958	1970-71	1977-78	(-)0.32	--	5.23	--	1.30	(-)0.30	--	30
31	Orissa Board Mills Limited (Closed. Decided for liquidation)	Industries	04 April 1960	1967-68	1976-77	(-)1.04	--	4.08	--	4.69	(-)0.53	--	33
32	Orissa State Leather Corporation Limited	Industries	19 April 1976	1987-88	1997-98	(-)22.18	--	216.68	(-)212.94	161.41	(-)18.85	--	13
33	Orissa Leather Industries Limited (subsidiary of Company at Sl.No.32 of NWC)	Industries	26 July 1986	1991-92	1995-96	--	--	65.00	--	192.02	--	--	9
34	Kanti Sharma Refractories Limited (subsidiary of company at Sl.No.24 of WC)	Industries	11 January 1994	--	1st account not yet received							--	7
	Sector wise total					***(-)204.82***		***1043.00***	***(-)1602.44***	***936.70***	***(-)57.08***		
	Total (C) Non working Government Companies.					***(-)4807.57***		***5652.39***	***(-)21847.80***	***(-)2244.48***	***(-)854.00***		
	Grand Total (A+B+C)					**(-)14128.19**		**206603.64**	**(-)112460.41**	**797245.38**	**24265.19**	**3.04**	

(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).
(B) Companies at Sl.No.4 and 5 of Annexure 2 (A) have not started commercial activity and commercial production respectively.
(C) Companies at Sl.No.1, 2, 3, 8, 9, 10, 11, 14 to 23, 25, 26, 28, 32 to 34 of Annexure 2 (C) are under closure.
(D) Companies at Sl.No.4 to 7, 12, 13, 29 to 31 are under liquidation.
(E) Companies at Sl.No.24 and 27 of Annexure 2 (C) are under merger.

ANNEXURE-3

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 2001
(Referred to in Paragraph 1.2.2)
{Figures in Col.3(a) to 7 are in Rupees in lakh}

		Subsidy received during the year$^{\theta}$				Guarantees received during the year and outstanding at the close of the year$^{\otimes}$					Waiver of dues during the year					
Sl. No.	Name of the Public Sector undertaking	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	Loans on which morato-rium allowed	Loans converted into equity during the year
1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
A.	**WORKING GOVERNMENT COMPANIES**															
1.	Orissa Lift Irrigation Corporation Limited Bhubaneswar	--	3000.00	200.00	3200.00	-- (6407.42)				-- (6407.42)						
2.	Orissa Rural Housing Development Corporation Ltd.	437.06	145.69	--	582.75		17500.00 (58547.25)	--	--	17500.00 (58547.25)		--	--	--	--	--
3	Industrial Promotion and Investment Corporation of Orissa Limited							-- (2297.00)		-- (2297.00)						
4	Orissa Agro Industries Corporation Limited					-- (150.00)				-- (150.00)						
5.	Orissa State Civil Supplies Corporation	456.00	4000.00	--	4456.00											

1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
6.	ABS Spinning Orissa Limited						-- (1528.00)			-- (1528.00)						
7	Grid Corporation of Orissa Limited						-- (241242.46)	--	--	-- (241242.46)	--	--	--	--	--	--
8	Industrial Development Corporation of Orissa Limited						-- (22559.00)			-- (22559.00)						
9	Orissa Construction Corporation Limited	--	--	--	--	71.00 (200.00)				71.00 (200.00)		66.68		66.68		
10	Orissa State Electronics Development Corporation						-- (2000.00)			-- (2000.00)						
11	Orissa Power Generation Corporation						-- (31714.00)			-- (31714.00)						
12	Orissa Hydro Power Corporation Limited						-- (42916.00)			-- (42916.00)						
13 .	ELMARC						-- (250.00)			-- (250.00)						
14	Orissa Forest Development Corporation Limited	--	--	--	--	-- (2431.41)	--	--	--	-- (2431.41)		--	--	--	--	--
	Total (A) Working Government Companies	**893.06**	**7145.69**	**200.00**	**8238.75**	**71.00 (9188.83)**	**17500.00 (400756.71)**	**-- (2297.00)**		**17571.00 (412242.54)**	**-- --**	**66.68**	**-- --**	**66.68 --**	**-- --**	**-- -**
B.	**WORKING STATUTORY CORPORATION**															
1.	Orissa State Financial Corporation	--	175.00	--	175.00	3335.00 (35476.00)	--	--	--	3335.00 (35476.00)						
2.	Orissa State Road Transport Corporation	--	160.00	--	160.00	--	-- (6947.72)	--	--	-- (6947.72)						
	Total (B) Working Statutory Corporations	**--**	**335.00**	**--**	**335.00**	**3335.00 (35476.00)**	**-- (6947.72)**	**--**	**--**	**3335.00 (42423.72)**						
	Total (A) + (B)	**893.06**	**7480.69**	**200.0 0**	**8573.75**	**3406.00 (44664.83)**	**17500.00 (407704.43)**	**- (2297.00)**	**-**	**20906.00 (454666.26)**	**- -**	**66.68 -**	**- -**	**66.68 -**	**- -**	**- -**

1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
C.	**NON WORKING GOVERNMENT COMPANIES**															
1	IDCOL Piping Engineering Works Limited						-- (1968.00)			-- (1968.00)						
2	Orissa State Commercial Transport Corporation	--	--	--	--	-- (60.00)	-- (119.36)	--	--	-- (179.36)	--	--	--	--	--	--
	Total (C) Non Working Government Companies					**-- (60.00)**	**-- (2087.36)**	**--**	**--**	**-- (2147.36)**	**--**	**--**	**--**	**--**	**--**	**--**
	Total (A+B+C)	**893.06 --**	**7480.69 --**	**200.00 --**	**8573.75 --**	**3406.00 (44724.83)**	**17500.00 (409791.79)**	**-- (2297.00)**	**-- --**	**20906.00 (456813.62)**	**-- --**	**66.68 --**	**-- --**	**66.68 --**		

$^{\theta}$ Subsidy includes subsidy receivable at the end of the year which is shown in brackets

$^{\otimes}$ Figures in brackets indicate guarantee outstanding at the end of the year.

(A) During the year 2000-01, Orissa State Electronics Development Corporation Limited, Agricultural Promotion and Investment Corporation of Orissa Limited received grants amounting to Rs.172.69 lakh, Rs.10 lakh respectively. In addition, two non-working companies viz. Konark Television Limited and Orissa State Leather Corporation Limited received grants amounting to Rs.349.60 lakh and Rs.3.63 lakh respectively during the year 2000-01.

ANNEXURE - 4
Statement showing financial position of Statutory corporations
(Referred to in Paragraph 1.2.4)

(Rupees in crore)

1.Orissa State Road Transport Corporation			
Particulars	**1998-99**	**1999-2000**	**2000-2001**
A. Liabilities		**(Provisional)**	
Capital (including loan capital & equity capital)	129.43	134.98	134.98
Borrowings (Government) (Others)	13.73 43.69	18.87 42.95	-- 69.48
Funds[$]	0.89	0.89	0.89
Trade dues and other current liabilities (including provisions)	73.75	84.44	91.31
Total - A	**261.49**	**282.13**	**296.66**
B. Assets			
Gross Block	53.05	53.09	55.63
Less: Depreciation	44.02	46.40	48.77
Net fixed assets	9.03	6.69	6.86
Capital works-in-progress (including cost of chassis)	--	--	--
Investment	--	0.78	3.39
Current assets, loans and advances	18.12	21.56	21.63
Accumulated losses	234.34	253.10	264.78
Total - B	**261.49**	**282.13**	**296.66**
C. Capital employed[Ψ]	**(-)46.59**	**(-)56.19**	**(-)62.82**
2.Orissa State Financial Corporation			
Particulars	**1998-99**	**1999-2000**	**2000-2001 (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	336.26	324.71	354.76
(ii) Fixed Deposits	--	4.13	4.33
(iii)Industrial Development Bank of India & Small Industries Development Bank of India	171.11	177.63	238.41
(iv) Reserve Bank of India	--	6.50	--
(v) Loans in lieu of share capital: (a) State Government (b) Industrial Development Bank of India	 6.23 6.22	 6.23 6.22	 6.23 6.22
(vi) Others (including State Government)	--	20.50	20.50
Other liabilities and provisions	246.03	351.62	361.86
Total –A	**854.79**	**986.48**	**1081.25**
B. Assets			
Cash and Bank balances	19.98	21.67	24.68
Investments	3.45	2.36	2.36
Loans and Advances	533.84	533.33	600.48
Net fixed assets	2.10	2.71	4.29
Other assets	40.86	50.18	61.61
Miscellaneous expenditure (Loss)	254.56	376.23	387.83
Total -B	**854.79**	**986.48**	**1081.25**

[$] Excluding depreciation funds

[Ψ] Capital employed represents net fixed assets (including capital work-in-progress) *plus* working capital.

C. Capital employed[ϖ]	**580.23**	**621.81**	**677.12**
3. Orissa State Warehousing Corporation			
Particulars	**1998-99**	**1999-2000**	**2000-2001**
		(Provisional)	
A. Liabilities			
Paid-up capital	3.20	3.20	3.40
Reserves and surplus	4.96	6.08	8.08
Borrowings (Government. :-) (Others:-)	-- 0.32	-- --	-- --
Trade dues and other current liabilities (including provisions)	14.30	17.70	18.80
Total - A	**22.78**	**26.98**	**30.28**
B. Assets			
Gross Block	8.81	9.31	10.28
Less: Depreciation	2.59	2.32	2.56
Net fixed assets	6.22	6.99	7.72
Capital works-in progress	0.36	0.28	0.74
Current assets, loans and advances	16.20	19.71	21.82
Accumulated losses	--	--	--
Total – B	**22.78**	**26.98**	**30.28**
C. Capital employed[Ψ]	**8.48**	**9.28**	**11.48**

[ϖ] Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, free reserves, 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 - 5

Statement showing working results of Statutory Corporations

(Referred to in Paragraph 1.2.4)
(Rupees in crore)

1.Orissa State Road Transport Corporation			
Particulars	**1998-99**	**1999-2000**	**2000-2001**
	(Provisional)		
Operating			
a) Revenue	20.61	22.17	25.95
b) Expenditure	34.50	35.47	35.52
c) Surplus(+)/Deficit(-)	(-)13.89	(-)13.30	(-)9.57
Non-operating			
a) Revenue	2.88	3.17	4.04
b) Expenditure	8.51	8.35	6.15
c) Surplus(+)/Deficit(-)	(-)5.63	(-)5.18	(-)2.11
Total			
a) Revenue	23.49	25.34	29.99
b) Expenditure	43.01	43.82	41.67
c) Surplus(+)/Deficit(-)	(-)19.52	(-)18.48	(-)11.68
Interest on capital and loans	8.16	8.35	5.88
Total return on Capital employed*	(-)11.36	(-)10.13	(-)5.80
2.Orissa State Financial Corporation			
Particulars	**1998-99**	**1999-2000**	**2000-2001 (Provisional)**
1. **Income**			
(a) Interest on Loans	48.26	42.51	60.06
(b) Other income	1.58	1.34	1.55
Total – 1	**49.84**	**43.85**	**61.61**
2. **Expenses**			
(a) Interest on long-term and short-term loans	53.99	36.22	52.95
(b) Provision for non-performing assets	14.18	84.51	4.54
(c) Other expenses	13.78	12.53	15.72
Total – 2	**81.95**	**133.26**	**73.21**
3. Profit before tax (1-2)	(-)32.11	(-)89.41	(-)11.60
4. Provision for tax	--	--	
5. Profit(+)/Loss(-) after tax	(-)32.11	(-)89.41	(-)11.60
6. Other appropriations	--		
7. Amount available for dividend	--		
8. Dividend	--		
9. Total return on Capital employed*	21.88	(-)53.19	41.35
10. Percentage of return on Capital employed	3.77	--	6.11
4.Orissa State Warehousing Corporation			
Particulars	**1998-99**	**1999-2000**	**2000-2001**
		(Provisional)	
1. **Income**			
Warehousing Charges	12.56	13.04	14.97
Others income	0.02	0.02	0.04
Total - 1	**12.58**	**13.06**	**15.01**

Particulars	**1998-99**	**1999-2000**	**2000-2001**
		(Provisional)	
2. **Expenses** (a) Establishment charges (b) Other expenses	 3.35 7.91	 4.84 6.02	 3.96 8.71
Total - 2	**11.26**	**10.86**	**12.67**
3. Profit(+)/Loss(-) before tax	1.32	2.20	2.34
4. Provision for tax	0.01	0.02	0.02
5. Profit(+)/Loss(-) after tax	1.31	2.18	2.32
6. Other appropriations	1.13	2.00	2.00
7. Amount available for dividend	0.18	0.18	0.32
8. Dividend for the year	0.10	0.09	0.10
9. Total return on Capital employed*	1.31	2.18	2.32
10. Percentage of return on Capital employed	15	23	20

* Total return on capital employed represents net surplus / deficit *plus* total interest charged to profit and loss account (less interest capitalised)

ANNEXURE - 6

Statement showing operational performance of Statutory corporations
(Referred to in Paragraph 1.2.4.2.3)

1.OrissaState Road Transport Corporation			
Particulars	**1998-99**	**1999-2000**	**2000-2001**
		(Provisional)	
Average number of vehicles held	755	615	383
Average number of vehicles on road	306	272	254
Percentage of utilisation of vehicles	41	44	66
Number of employees	4922	4455	3492
Employee vehicle ratio	16.08:1	16.38:1	13.75:1
Number of routes operated at the end of the year	**188**	**147**	**142**
Route Kilometres	**51,942**	**43,350**	**41,709**
Kilometres operated (in lakh) (a) Gross (b) Effective (c) Dead	 293.57 287.88 5.69	 288.46 283.01 5.45	 286.99 281.94 5.05
Percentage of dead kilometres to gross kilometres	1.94	1.89	1.76
Average kilometres covered per bus per day	258	285	304
Average operating revenue per kilometre (Paise)	802	827	892
Increase in operating revenue per kilometre (Paise) over previous year's income (per cent)	16.06	3.12	7.86
Average expenditure per kilometre (Paise)	1352	1348	1260
Increase in operating expenditure per kilometre over previous years' expenditure (per cent)	18.18	(-)0.30	(-)6.53
Loss per kilometre (Paise)	550	521	368
Number of operating depots	40	36	38
Average number of break downs per lakh kilometre	7.10	5.90	4.50
Average number of accidents per lakh kilometres	0.17	0.18	0.15
Passenger kilometres operated (in crore)	93.56	94.81	90.22
Occupancy ratio (percentage)	65	67	68
Kilometres obtained per litre of : (a) Diesel Oil (b) Engine Oil	 NA NA	 NA NA	 NA NA

2. Orissa State Financial Corporation						***(Rupees in crore)***
Particulars	**1998-99**		**1999-2000**		**2000-2001(provisional)**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Application pending at the beginning of the year	87	22.97	66	17.13	124	22.28
Application received	555	81.79	1276	146.77	1338	173.36
Total	**642**	**104.76**	**1342**	**163.90**	**1462**	**195.64**
Application sanctioned	523	68.08	1154	131.12	1384	132.75
Application cancelled/ withdrawn/rejected/ reduced	53	19.55	64	10.50	22	8.66
Application pending at the close of the year	66	17.13	124	22.28	56	54.23
Loans disbursed	473	44.98	1154	83.39	1146	117.77
Loan outstanding at the close of the year	16816	486.40	17017	533.33	17963	600.48
Amount overdue for recovery at the close of the year (a) Principal (b) Interest Total	NA	 212.35 320.68 533.03	NA	 304.36 389.07 693.43	NA	 340.87 423.01 763.88

Particulars	1998-99		1999-2000		2000-2001(provisional)	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Amount involved in recovery certificate cases	--	--	--	--	--	--
Total		533.03		693.43		763.88
Percentage of default to total loans outstanding		66.04		75.18		74.64

3. Orissa State Warehousing Corporation

Particulars	1998-99	1999-2000	2000-2001
		(Provisional)	
Number of stations covered	73	63	58
Storage capacity created upto the end of the year (tonne in lakh)			
(a) Owned	1.57	1.64	1.64
(b) Hired	0.78	0.83	1.02
Total	2.35	2.47	2.66
Average capacity utilised during the year (in lakh tonne)	2.33	2.20	2.49
Percentage of utilisation	99	89	94
Average revenue per metric tonne per year (Rs.)	528.82	557.88	602.87
Average expenses per metric tonne per year (Rs.)	477.00	507.11	509.84
Profit (+)/ Loss (-) per tonne (Rs.)	51.82	50.77	93.03

Annexure-7

Statement showing the department wise outstanding Inspection Reports (IRs)

(Referred to in Paragraph 1.8)

Sl.No.	Name of Department	No. of PSUs	No. of outstanding IR	No. of Outstanding Paragraphs	Year from which paragraphs outstanding
1.	Textile	4	16	130	1991-92
2.	Forest	2	527	2623	1987-88
3.	Transport	2	184	958	1987-98
4.	Tourism	1	6	13	1988-89
5.	Energy	3	844	2175	1980-81
6.	Steel & Mines	2	12	224	1988-89
7.	Industries	4	111	806	1988-89
8.	Works	2	45	210	1990-91
9.	Home	1	4	42	1992-93
10.	Science & Technology	6	10	50	1991-92
11.	Fisheries and Animal Resources	2	14	70	1989-90
12.	Water Resources	1	164	825	1988-89
13.	Agriculture	4	50	293	1981-82
14.	Rural Development	1	3	9	1997-98
15.	Food Supplies and Consumer Welfare	1	275	919	1987-88
	Total	36	2265	9347	

Annexure-8

Statement showing the department wise draft paragraphs/reviews reply to which are awaited

(Referred to in Paragraph 1.8)

Sl. No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue
1.	Agriculture	1	-	March 2001
2.	Industries	3	-	April/May 2001
3.	Food Supplies and Consumer Welfare	2	-	May 2001
4.	Housing and Urban Development	-	1	April 2001
5.	Steel and Mines	1	-	May 2001
6.	Water Resources	1	-	May 2001
Total		**8**	**1**	

Annexure 9

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts
(Referred in Paragraph 1.10)

(Figures in column 5 to 19 are in Rupees in crore)

Sl. No.	Name of company	Status (working/non-working)	Year of account	Paid-up capital	Equity by			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit(+)/ loss (-)	Accumulated profit (+)/ accumulated loss (-)
					State Govt.*	State Govt. companies*	Central Govt. and their companies*	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1.	Orissa Tools and Engineering Company Ltd.	Under closure	1982-83	0.44		0.44									0.44			(-)0.43
2.	Mamata Drinks and Industries Ltd.	Privatised Since 19.9.1997	1990-91	0.29		0.29									0.29		0.13	(-)0.54
3.	S.N. Corporation	Under closure	2000-01	3.05		3.05									3.05		(-)0.08	(-)27.53

ANNEXURE - 10

STATEMENT SHOWING FINANCIAL POSITION AND WORKING RESULTS OF ORISSA RURAL HOUSING & DEVELOPMENT CORPORATION LIMITED (ORHDC)

(Referred to in Paragraph 2A.5)

A. Financial Position (Rupees in Lakh)

	(Audited)	(Provisional)		
LIABILITIES	**1996-97**	**1997-98**	**1998-99**	**1999-2000**
Paid-up Capital	500.00	725.00	725.00	775.00
Reserves & Surplus	133.79	196.34	252.22	352.75
Loan Funds	3,561.48	4285.23	5869.65	17585.36
Trade Dues and Other Liabilities	661.00	590.66	1268.20	1622.61
Total :	4,856.27	5797.23	8115.07	20335.72
Assets				
Gross Block	119.14	132.32	146.45	166.22
Depreciation	8.52	17.13	26.88	38.86
Net Assets	110.62	115.19	119.57	127.36
Investments	950.00	1225.90	1425.90	2250.90
Housing Loans	1,521.32	3149.96	4961.31	8207.02
Current Assets, Loans & Advances	2.263.64	1297.01	1600.64	9744.32
Miscellaneous expenditure not written off.	10.69	9.17	7.65	6.12
Total :	**4,856.27**	**5797.23**	**8115.07**	**20335.72**
Capital Employed	**4145.27**	**5094.07**	**6846.87**	**18688.11**
Net Worth	**623.10**	**912.17**	**969.57**	**1121.63**

NOTES :

a) Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans and reserves & surplus..

b) Net worth represents, Paid-up capital plus Reserves and Surplus less Intangible Assets.

B. Working Results

Particulars	**1996-97**	**1997-98**	**1998-99**	**1999-2000**
Income				
Operating Income	446.54	603.20	766.00	1302.99
Fees & other Charges	43.30	25.27	23.93	32.26
Other Income	3.70	6.13	8.49	17.23
Total :	**493.54**	**634.60**	**798.42**	**1352.48**
Expenditure				
Interest & other charges	286.57	451.83	581.51	1088.31
Staff Salary	12.93	16.87	26.56	28.27
Establishment Expenses	3.98	5.24	7.80	13.47
Other expenses	34.68	54.62	55.04	98.79
Depreciation	6.34	8.61	9.75	11.55
Provision for Sub-standard Advances	4.29	10.57	15.54	17.85
Total :	**348.79**	**547.74**	**696.20**	**1258.24**
Profit before tax	144.75	86.86	102.22	94.24
Income tax	55.20	24.31	31.35	29.55
Net profit Carried to Balance sheet	89.55	62.55	70.87	64.69

ANNEXURE:-11

Statement showing sanction and disbursement of housing loans of ORHDC

(Referred to in Paragraph 2A.9)

(Rupees in Lakh)										
Category	1996-97		1997-98		1998-99		1999-2000		2000-01	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
A. Rural Sector										
i) Sanction	12418	3100.54	10190	2549.75	537	134.25	9667	2428.90	97	0.29
ii) Disbursement	10098	1682.21	4320	1112.18	65	306.54	8921	1610.88	639	569.74
B. Urban Sector										
i) Sanction	170	214.67	207	283.43	376	940.14	1202	1292.00	1096	2463.80
ii) Disbursement	167	209.17	202	266.73	353	874.29	1168	1175.59	956	1741.91
C. Total										
(i) Sanction	12588	3315.21	10397	2833.18	913	1074.39	10869	3720.90	1193	2464.09
ii)Disbursement	10265	1891.38	4522	1378.91	418	1180.83	10089	2786.47	1595	2311.65
D. Percentage of Disbursement to total Disbursement.										
Rural	98	89	96	81	16	26	88	58	40	25
Urban	2	11	4	19	84	74	12	42	60	75

Annexure-12

Statement showing details of sanction, disbursement and recoveries status of twelve individual housing loans (Urban) of ORHDC as on 31.3.2000

(Referred to in Paragraph 2A.12.2.1)

(Amount: Rupees in lakh)

Sl No	Name of Loanee	Amount Disbursed	Date(s) of	Recovery status				
			Disbursement	Amount due	Amount recovered	Amount overdue	Amount outstanding	No. of days overdue
1.	Bijaya Kumar Dash	10.00	26.04.97 to 16.04.98	3.60	0.95	2.65	12.61	516
2.	Dolagobinda Nayak	8.00	04.01.99 to 17.03.99	1.40	Nil.	1.40	9.45	365
3.	Anima Pattnaik	10.00	27.09.98 to 21.11.98	3.07	1.39	1.68	11.40	304
4.	MD Moquim	6.00	07.05.98 to 06.03.99	1.10	Nil.	1.10	7.08	366
5.	Balaram Sahoo	10.00	27.03.97	5.65	3.48	2.17	11.92	424
6.	Ratnamala Patra	10.00	21.10.97 to 27.10.97	5.28	3.08	2.20	11.13	396
7.	Harihar Swain	10.00	18.10.96 to 07.11.96	6.28	4.98	1.30	10.81	442
8.	Kanchanabala Sahoo	10.00	14.10.98 to 27.11.98	2.34	1.29	1.05	10.81	298
9.	Indramani Rout	9.75	19.11.98 to 18.02.99	1.85	0.19	1.66	11.21	365
10.	Mahendra Swain	10.00	18.01.99	3.12	2.10	1.02	9.67	151
11.	Peeyush Mohanty	6.00	07.05.98 to 04.03.99	1.10	Nil.	1.10	7.08	366
12.	Col. Amal Krishna Chanda	8.00	03.12.98 to 01.06.99	1.35	0.07	1.28	9.28	304
	Total	107.75		36.14	17.53	18.61	122.45	

Annexure-13

A – Statement showing financial position of IDCOL

(Referred to in Paragraph 2B.5)

(Rs. in lakh)

I. Liabilities	**1996-97**	**1997-98**	**1998-99**	**1999-00**
a) Paid up Capital	5651.79	5651.79	5651.79	5711.79
b) Reserve and Surplus including Grant in aid	4544.77	2094.25	516.19	757.08
c) Secured loan	2742.12	2881.49	3653.43	3291.93
d) Unsecured loan	8634.13	12325.65	12678.06	26799.65
e) Current liabilities and provisions	4507.54	5912.81	6169.65	8823.95
Total	**26080.35**	**28865.99**	**28669.12**	**45384.40**
II. Assets				
a) Fixed assets (Net)	6333.22	5526.57	4921.39	7116.26
b) Capital work in progress	424.68	917.14	1511.57	71.41
c) Investment	6439.88	7498.53	7428.58	7488.58
d) Current assets loans and advances	12851.56	14919.19	13086.09	26870.76
e) Mis. .expenditure not written off or adjusted	31.01	4.56	4.56	641.94
f) Accumulated loss	-	-	1716.93	3195.45
Total	**26080.35**	**28865.99**	**28669.12**	**45384.40**
Net worth	10165.55	7741.48	4446.49	2631.48
Capital employed	15101.92	15450.09	13349.40	25234.48

Note:1. Net worth represents paid-up capital plus Reserves and Surplus less intangible assets;

2. Capital employed represents net fixed assets plus capital work-in-progress and working capital.

B – Statement showing working results of IDCOL

(Rs. in lakh)

Particulars	**1996-97**	**1997-98**	**1998-99**	**1999-00**
I. Earnings				
a) Sales	19330.42	16777.19	12255.46	14402.64
b) Other income	1208.93	1712.67	1305.89	2385.56
c) Accretion/decretion (-) to stock	(-)347.07	(-)236.10	382.05	(-)658.68
Total	**20192.28**	**18253.76**	**13943.40**	**16129.52**
II. Outgoings				
a) Raw materials	3555.99	2993.29	2130.70	1746.28
b)Excise duty	2173.32	1843.12	1336.64	1750.54
c) Stores & spares consumed	252.00	248.89	225.24	295.64
d) Power & fuel	8284.59	7411.83	6102.53	6697.32
e) Other expenses	2440.97	2633.62	2588.08	2234.32
f) Admn.selling & general exp.	2258.70	3035.55	1860.76	2046.02
g) Interest	1456.69	1583.98	2061.20	2051.36
h) Depreciation	1010.61	950.33	933.24	802.75
i) Profit/Loss(-) for the year	(-)1240.59	(-)2446.85	(-)3294.99	(-)1494.71
Total	**20192.28**	**18253.76**	**13943.40**	**16129.52**

Annexure-14

Statement showing capacity utilisation of IDCOL

(Referred to in Paragraph 2B.10.1)

Year	**Particulars**	**Ferro Chrome Plant**	**Pig Iron Division**	**Spun Pipe Division**	**IDCOL Rolling Mill**
		(Quantity in M.T)			
1996-97	Installed Capacity	13000	110000	36000	25000
	Actual Production	13812	127550	17338	12537
	Capacity utilisation in %	106.25	115.95	48.16	50.15
1997-98	Installed Capacity	13000	110000	36000	25000
	Actual Production	10139	127370	20616	14650
	Capacity utilisation in %	77.99	115.79	57.27	58.60
1998-99	Installed Capacity	19000	110000	36000	25000
	Actual Production	12800	90182	17687	2535
	Capacity utilisation in %	67.37	81.98	49.13	10.14
1999-00	Installed Capacity	19000	140000	36000	25000
	Actual Production	13007	112158	20181	623
	Capacity utilisation in %	68.46	80.11	56.06	2.49
Range of under utilisation (in percentage)		22.01 to 32.63	18.02 to 19.89	43.84 to 51.84	41.40 to 97.51

Annexure-15

A. Statement showing sources and utilisation of funds of NINL as per the IDBI project appraisal (September 1996)

(Referred to in Paragraph 2C.2)

Sources	**Rupees in crore**	**Utilisation**	**Rupees in crore**
(a) Equity		(a) Land and site development	42.28
(i) From promoters		(b) Buildings	159.91
MMTC	100.00	(c) Plant and machinery	
IPICOL	73.00	(i) Imported	285.99
MECON	5.00	(ii) Indigenous	442.25
(ii) From others		(iii) Erection commissioning etc.	50.61
CDC	90.00	(d) Misc. fixed assets	175.78
LGC	40.00	(e) Technical knowledge and detailed engineering	44.77
(iii) Public issue	245.00	(f) expenses on foreign technical personnel	1.32
(iv) Unsecured loan from MMTC	50.00	(g) Preliminary and preoperative expenses	156.77
(b) Debt		(h) Contingencies	123.90
(i) Rupee term loan	604.00	(i) Security deposit to OSEB	5.88
(ii) Foreign currency	303.00	(j) Margin money for working	20.54
Grand Total	**1510.00**		**1510.00**

B. Statement showing sources and utilisation of funds of NINL as per the IDBI revised project appraisal (February 2001)

Sources	**Rupees in crore**	**Utilisation**	**Rupees in crore**
(a) Equity		(a) Land and site development	41.70
(i) Core promoters (A)		(b) Buildings	211.70
MMTC	150.00	(c) Plant and machinery	
IPICOL	73.00	(i) Imported	194.60
MECON	5.00	(ii) Indigenous	454.40
(ii) From others (B)		(d) Misc. fixed assets	188.80
CDC	0	(e) Tech. know-how fees	60.60
LGC	0	(f) Training fees	1.30
(iii) Unsecured loan from MMTC (C)	50.00	(g) Preliminary and pre-operative expenses	307.50
Sub-total (Promoter's contribution) (A+B+C)	278.00	(h) Provision for contingency	37.00
(iv) Private placement/ Public issue/ equipment supplier	277.00	(i) Security deposit to OSEB	5.90
Total equity (D)	555.00	(j) Margin money for working Capital	20.50
(b) Debt			
Rupee loan	848.00		
Foreign currency loan	121.00		
Total debt (E)	969.00		
Total (D+E)	**1524.00**		**1524.00**