REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2003

COMMERCIAL

GOVERNMENT OF ORISSA

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Preface

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Orissa under Section 19A of the Comptroller and 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 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 the 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 the Orissa State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. In respect of Orissa State Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2002-03 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 2002-03 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2003, the State had 70 Public Sector Undertakings (PSUs) comprising three Statutory corporations and 67 Government companies. Of these, there were only 33 working Government companies. The remaining 34 were non-working Government companies as against 35 non-working Government companies as on 31 March 2002. In addition, there were three companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2003 with no change from the previous year.

The total investment in working PSUs increased from Rs.10,913.78 crore as on 31 March 2002 to Rs.12,178.55 crore as on 31 March 2003. The total investment in non-working PSUs increased from Rs.151.91 crore to Rs.216.86 crore during the same period.

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs increased from Rs.68.79 crore in 2001-02 to Rs.591.45 crore in 2002-03. The State Government guaranteed loans aggregating Rs.816.89 crore during 2002-03. The total amount of outstanding loans guaranteed by the State Government increased from Rs.3,810.33 crore as on 31 March 2002 to Rs.4,392.83 crore as on 31 March 2003.

Only five working Government companies finalised their accounts for the year 2002-03 within the stipulated period. The accounts of 28 working Government companies and all the three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2003. The accounts of 32 non-working Government companies were in arrears for periods ranging from one to 37 years as on 30 September 2003.

According to latest finalised accounts, 14 working PSUs (12 Government companies and two Statutory corporations) earned aggregate profit of Rs.256.88 crore. Against this, 15 working PSUs (14 Government companies and one Statutory corporation) incurred aggregate loss of Rs.386.30 crore as per the latest finalised accounts. Of the loss incurring working Government companies, seven companies had accumulated losses aggregating Rs.1353.33 crore which exceeded their paid-up capital of Rs.508.33 crore. One loss incurring Statutory corporation had accumulated loss of Rs.166.83 crore, which exceeded the paid-up capital of Rs.115.88 crore.

(Paragraphs 1.1, 1.2, 1.3 1.7,1.8,1.10 and 1.12)

2. Reviews in respect of Government companies

Aspects relating to activities of the Orissa Forest Development Corporation Limited, Orissa Small Industries Corporation Limited and Orissa State Electronics Development Corporation Limited were reviewed in Audit and some of the main findings are as follows:

2.1 Review on Orissa Forest Development Corporation Limited

Orissa Forest Corporation Limited was incorporated as a wholly owned Government company in September 1962. With the merger of Similipahar Forest Development Corporation Limited and Orissa Plantation Development Corporation Limited with the Company in October 1990, the Company was renamed (November 1990) as Orissa Forest Development Corporation Limited.

(Paragraph 2.1.1)

Poor marketing strategy coupled with delay in sale of kendu leaves at lower rates resulted in loss of Rs.2.30 crore to the Company and Rs.55.24 crore to the Government.

(Paragraph 2.1.27)

Non-transportation of timber and firewood by the Divisional Managers in time resulted in loss of Rs.10.53 crore.

(Paragraph 2.1.12)

Short receipt of timber and firewood at depots resulted in loss of Rs.5.93 crore.

(Paragraph2.1.13)

Introduction of raw material procurer system led to low production with the resultant loss of Rs.3.76 crore to the Company.

(Paragraph 2.1.15)

Delay in tender sale of bamboo resulted in loss of Rs.2.58 crore.

(Paragraph 2.1.17)

The Company could not recover Rs.2.90 crore towards shortfall in production and lifting of bamboo due to failure to execute agreement with raw material procurers.

(Paragraph 2.1.18)

Collection of cashew nuts far below the norm resulted in loss of potential revenue of Rs.19.12 crore.

(Paragraph 2.1.34)

2.2 Review on Orissa Small Industries Corporation Limited

The Orissa Small Industries Corporation Limited was established in April, 1972 as a wholly owned Government company to aid, counsel, assist and promote the interests of small industries in Orissa.

(Paragraph 2.2.1)

The accumulated loss increased to Rs.8.28 crore in 2002-03 from Rs.0.87 crore in 1999-2000 and the net worth decreased from Rs.10.14 crore in 1998-99 to Rs.1.38 crore in 2002-03.

(Paragraph 2.2.8)

Credit sales extended by Depot Managers in violation of guidelines resulted in doubtful recovery of Rs.2.96 crore.

(Paragraph 2.2.20)

Extension of credit without security led to doubtful recovery of Rs 2.26 crore.

(Paragraph 2.2.15)

Failure to present the post dated cheques in time by Depot Managers led to loss of Rs.1.12 crore.

(Paragraph 2.2.16)

Failure to specify the admissible incentive on shortfall in supply by TISCO led to loss of Rs.0.77 crore.

(Paragraph 2.2.14)

Failure of the Company to review the viability of a subsidiary company from 1996-97 onwards resulted in additional loss of Rs.1.63 crore.

(Paragraph 2.2.30)

2.3 Review on Orissa State Electronics Development Corporation Limited

Orissa State Electronics Development Corporation Limited was incorporated in September 1981 with the overall objective of promoting and establishing electronic industries, aiding, assisting, financing electronic related industries and setting up facilities for research and development, quality control test and development centre.

(Paragraph 2.3.1)

As the setting up of Indian Institute of Information Technology became uncertain, the expenditure of Rs.1.01 crore incurred thereon proved wasteful.

(Paragraph 2.3.16)

Raising of funds through bonds and subsequent premature redemption without utilising the money in the intended projects led to loss of Rs.1.49 crore being the differential amount of interest earned on fixed deposits and interest paid on bonds (Rs.1.08 crore) and other expenses (Rs.0.41 crore).

(Paragraph 2.3.19)

Failure to disinvest from five assisted units led to blocking of funds and loss of assured return of Rs.0.68 crore.

(Paragraph 2.3.11)

Delay in starting the training programme for Y2K compliance led to loss of Rs.0.81 crore during 1999-2002.

(Paragraph 2.3.18)

Extension of guarantees for Rs.26.22 crore to the subsidiaries/assisted units without charging guarantee fee led to loss of revenue of Rs.0.66 crore.

(Paragraph 2.3.22)

3. Miscellaneous topics of interest

Government companies

Failure to ensure timely clearance of imported mill fans and auxiliary fans by **Konark Met Coke Limited** despite availability of funds for the purpose led to loss of Rs.40.17 lakh.

(Paragraph 3.1)

Despite prior knowledge of lack of the assured availability of water and without sorting out protracted land acquisition problems, award of consultancy contract for updation of detailed project report by **Orissa Hydro Power Corporation Limited** led to wasteful expenditure of Rs.1.40 crore.

(Paragraph 3.9)

Use of light diesel oil instead of the stipulated fuel-mix by **Orissa Power Generation Corporation Limited** led to extra expenditure of Rs.6.35 crore

(Paragraph 3.11)

Injudicious decision to accept the Eastern Region Electricity Board tariff resulted in avoidable loss of Rs.12.97 crore to **Grid Corporation of Orissa Limited**.

(Paragraph 3.16)

Extension of undue benefit to the contractor without the knowledge of the Board led to loss of Rs.0.52 crore to **Orissa State Civil Supplies Corporation Limited**.

(Paragraph 3.18)

Failure to disinvest in time and extension of undue favour to private promoters led to a loss of Rs.22.21 crore to **Industrial Promotion and Investment Corporation of Orissa Limited**.

(Paragraph 3.20)

Statutory corporation

Delay in handing over the completed godowns coupled with faulty selection of locations within municipal limits by **Orissa State Warehousing Corporation** led to loss of Rs.2.26 crore.

(Paragraph 3.21)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2003, there were 67 Government companies (33 working companies and 34[1] non-working companies) and three working Statutory corporations as against 68 companies (33 working companies and 35 non-working companies) and three working Statutory corporations as on 31 March 2002 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 State Government had formed Orissa State Electricity Regulatory Commission and audit is entrusted to the Comptroller and Auditor General of India, under Section 19 (3) of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. 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 Accountant and supplementary Audit by CAG
3	Orissa State Warehousing Corporation (OSWC)	Section 31 (8) of the State Warehousing Corporations Act, 1962	Chartered Accountant and supplementary audit by CAG

[1] Non-working companies/corporations are those which are under the process of liquidation/closure/merger, etc.

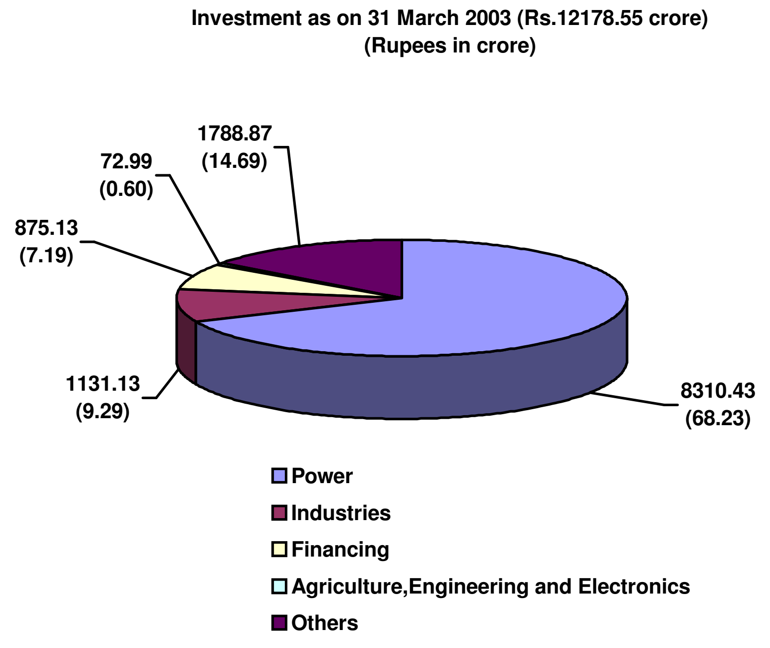
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2003, the total investment in 36 working PSUs (33 Government companies and three Statutory corporations) was Rs.12,178.55 crore (equity Rs.2,360.59 crore, long-term loans• Rs.9,759.96 crore and share application money Rs.58.00® crore) as against 36 working PSUs (33 Government companies and three Statutory corporations) with a total investment of Rs.10913.78 crore (equity Rs.2,042.50 crore, long-term loans Rs.8673.44 crore and share application money Rs.197.84 crore) as on 31 March 2002. The analysis of investment in working PSUs is given in the following paragraphs.

Sector wise investment in working Government companies and Statutory corporations

1.3 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 31 March 2002 are indicated below in the pie charts:

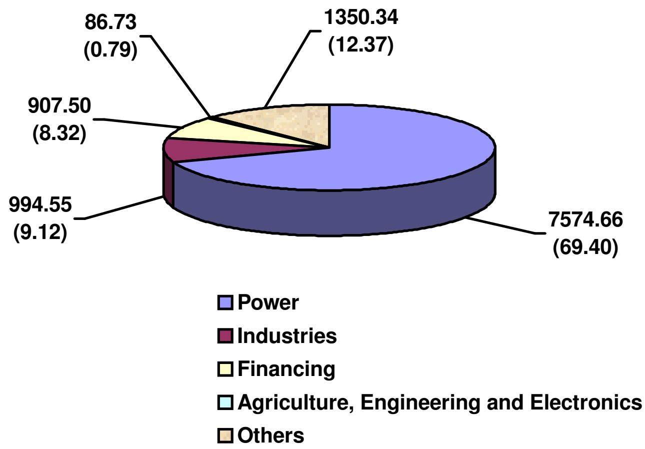


(Figures in brackets indicate percentage)

• Long-term loans mentioned in paragraphs 1.2,1.3 and 1.4 are excluding interest accrued and due on such loans.

® Rs.58 crore not allotted by 'Neelachal Ispat Nigam Limited' (Sl.No.A.5 of Annexure-1) to MMTC since 1999 in violation of Government of India, Department of Company Affairs guidelines dated 24 March 1964.

Investment as on 31 March 2002 (Rs.10913.78 crore)
(Rupees in crore)



(Figures in brackets indicate percentage)

Working Government companies

1.4 Total investment in working Government companies at the end of March 2002 and March 2003 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2001-02	33	1,816.35	197.84	7,942.30[α]	9,956.49
2002-03	33	2,133.00	58.00	9,056.78	11,247.78

There was increase in investment during the year mainly due to increase in equity and long-term loan in Power (GRIDCO[2]-Rs.484.94 crore) Miscellaneous (ORHDC[3]-Rs.152.07 crore) and Industry (NINL[4]-Rs.136.59 crore) sectors,.

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

As on 31 March 2003, the total investment in working Government companies comprised 19.48 per cent of equity capital and 80.52 per cent of loans as compared to 20.23 per cent and 79.77 per cent respectively as on 31 March 2002.

[α] Based on information furnished by GRIDCO the amount of loans as on 2001-02 was taken as Rs.443.73 crore instead of Rs.4250.47 crore for which the total loans for the year 2001-02 was shown less by Rs.3806.74 crore

[2] Grid Corporation of Orissa Limited

[3] Orissa Rural Housing and Development Corporation Limited

[4] Neelachal Ispat Nigam Limited

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2002 and March 2003 was as follows:

(Rupees in crore)

Name of corporation	2001-02		2002-03 (Provisional)	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation[#]	136.41	71.12	136.41	54.26
Orissa State Financial Corporation	87.57	653.57	87.57	626.68
Orissa State Warehousing Corporation	3.60	--	3.60	22.25
Total	**227.58**	**724.69**	**227.58**	**703.19**

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

As on 31 March 2003, the total investment in working Statutory corporations comprised 24.45 per cent of equity capital and 75.55 per cent of loans as compared to 23.90 per cent and 76.10 per cent respectively as on 31 March 2002.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans in to equity

1.6 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 ten working Government companies and three working Statutory corporations for the three years up to 31 March 2003 are given below:

(Amount-Rupees in crore)

	2000-01				2001-02				2002-03			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	6	6.06	1	0.20	1	10.00	--	--	4	22.77	-	-
Loans given from budget	4	14.70	--	--	--	--	1	0.81	2	438.00	1	0.25
Grant	2	1.83	--	--	1	0.20	--	--	3	34.05	1	6.00
Subsidy towards (i) Projects/ programmes/ Schemes	3	71.46	1	1.75	--	--	--	--	--	--	--	--
(ii) Other subsidy	--	--	1	1.60	3	55.98	2	1.80	3	88.38	2	2.00
(iii) Total	3	71.46	2	3.35	3	55.98	2	1.80	3	88.38	2	2.00

[#] Figures for 2001-02 are provisional

	2000-01				2001-02				2002-03			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Total outgo	10*	94.05	3*	3.55	3*	66.18	2*	2.61	10*	583.20	3*	8.25

In the last three years, the Government guarantee issued on loans to working PSUs has increased from Rs.209.06 crore in 2000-01 to Rs.423.45 crore in 2001-02 and further increased to Rs.816.89 crore in 2002-03. There was one case of conversion of loans into equity for Rs.400.00 crore (GRIDCO) and no case of waiver of dues in 2002-03.

During the year 2002-03, the Government had guaranteed loans aggregating Rs.816.89 crore obtained by five working Government companies. At the end of the year, guarantees of Rs.4,392.83 crore against nine working Government companies (Rs.4,004.51 crore), two Statutory corporations (Rs.386.87 crore) and one non-working Government company (Rs.1.45 crore) were outstanding. The guarantee commission paid or payable to Government by 10 Government companies and by two Statutory corporations during 2002-03 was Rs.27.72 crore and Rs.3.58 crore respectively.

Finalisation of accounts by working PSUs

1.7 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 the 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 noticed from **Annexure-2**, only five working Government companies (APICOL, NINL, IDCOL Software Limited, OPGC and OHPC)[5] have finalised their accounts for the year 2002-03 between October 2002 to September 2003. None of the Statutory corporations finalised the accounts for the year 2002-03 during the above period. During this period, 27 working Government companies finalised 41 accounts for previous years and one working Government company subsequently privatised has finalised their previous year accounts (Central Electricity Supply Company Limited). Similarly, during this period, three Statutory corporations finalised four accounts for previous years.

* Actual number of companies/corporations which received equity/loan/grants/subsidy from State Government during the respective years.
[5] Serial Nos.A-4, 5, 9, 17 and 18 of Annexure-2.

The accounts of 28 working Government companies and three Statutory corporations were in arrears for periods ranging from one year to seven years as on 30 September 2003 as detailed below:

Sl. No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	1	1996-97 to 2002-03	7	A-1	B-1
2.	2	--	1997-98 to 2002-03	6	A-14,21	--
3.	4	--	1998-99 to 2002-03	5	A-7,8,26,33	--
4.	4	--	1999-00 to 2002-03	4	A-10,16,24,25	--
5.	5	--	2000-01 to 2002-03	3	A-2,3,13,27,28	--
6.	5	--	2001-02 and 2002-03	2	A-11,12,19,23, 29	--
7.	7	2	2002-03	1	A-,6,15, 20,22,30, 31,32	B-2,3

It is the responsibility of the administrative departments 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 apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures have been taken by the Government and as a result, the net worth of these PSUs could not be assessed in Audit.

Financial position and working results of working PSUs

1.8 The summarised financial position 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 last three years for which accounts are finalised, are given in **Annexures-4 and 5** respectively.

According to the latest finalised accounts of 33 working Government companies and three working Statutory corporations, 14 companies and one corporation had incurred an aggregate loss of Rs.247.56 crore and Rs.138.74 crore respectively; 12 companies and two corporations had earned an aggregate profit of Rs.251.46 crore and Rs.5.42 crore respectively; one company (Sl.No.A-5 of **Annexure-2**) had not prepared profit and loss account; two companies (Sl.Nos.A-4 and 14) have "no profit no loss" for the year, in case of two companies (Sl.Nos. A-30 and 31), the assets and liabilities have been transferred from their holding company (Sl.No.A-22) on 1 April 2002 and they have not finalised their accounts for the year 2002-03 and two companies (Sl.No.A-32 and 33) have not finalised their first accounts (September 2003).

Working Government companies

Profit earning working companies and dividend

1.9 Out of the five working Government companies which finalised their accounts for 2002-03 by 30 September 2003, one company (Sl.No.A-5) has not prepared profit and loss account, one company (Sl.No.A-4) is on "no profit no loss" basis, two companies (Sl.No.A-9 and A-17) earned profit of Rs.0.06 crore and Rs.198.64 crore respectively and one company (Sl.No.A-18) incurred loss of Rs.41.80 crore.

Similarly out of 27 working Government companies which finalised their accounts for previous years by 30 September 2003, ten companies earned an aggregate profit of Rs.52.76 crore out of which six companies 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 per cent, four per cent and one per cent respectively, as dividend on equity. Out of the 12 profit earning companies, which finalised their accounts by 30 September 2003, only one company i.e., Orissa Power Generation Corporation Limited declared dividend of Rs.147.06 crore for the year 2002-03.

Loss incurring working Government companies

1.10 Of the 14 loss incurring working Government companies, seven companies had accumulated losses aggregating to Rs.1,353.33 crore, which exceeded their aggregate paid-up capital of Rs.508.33 crore. Despite poor performance and complete erosion of paid-up capital, the State Government had provided financial support to one (Grid Corporation of Orissa Limited) of these seven companies, by way of 'conversion of loan into equity' to the extent of Rs.400.00 crore during 2002-03.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 None of the three Statutory corporations have finalised their accounts for the year 2002-03. Out of three working Statutory corporations, which finalised their accounts for previous years by 30 September 2003, two[$] corporations earned an aggregate profit of Rs.5.42 crore of which only one corporation (OSWC) earned profit successively for two or more years and declared dividend of Rs.28.40 lakh for the year 2001-02.

[$] Orissa State Financial Corporation and Orissa State Warehousing Corporation.

Loss incurring Statutory corporations

1.12 The only loss incurring Statutory corporation, viz. Orissa State Road Transport Corporation had accumulated loss of Rs.166.83 crore which exceeded its paid-up capital of Rs.115.88 crore.

Operational performance of working Statutory corporations

1.13 The operational performance of the working Statutory corporations is given in **Annexure-6**. In case of Orissa State Road Transport Corporation, loss per kilometer has considerably reduced from 277 paise (2000-01) to 66 paise (2001-02) and profit of 14 paise per kilometer (2002-03) was registered mainly on account of reduction in average operating expenditure per kilometer by 133 paise during 2000-2003. In respect of Orissa State Warehousing Corporation, though average revenue per tonne per year (rupees) increased steadily (from Rs.50.11 to Rs.53.28) during the last three years i.e., 2000-2003, profit per tonne reduced sharply from Rs.12.84 in 2001-02 to Rs.3.78 during 2002-03 due to considerable increase in expenditure per tonne.

Return on capital employed

1.14 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**. As per the latest finalised accounts of 33 working companies (up to 30 September 2003), the capital employed[6] worked out to Rs.6184.22 crore and total return[7] thereon amounted to Rs.275.57 crore which is 4.46 per cent as compared to total return of (-) Rs.204.70 crore in the previous year (accounts finalised up to September 2002). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to 30 September 2003) worked out to Rs.704.12 crore and (-)Rs.72.19 crore respectively against the total return of Rs.48.80 crore (7.17 per cent) in the previous year (accounts finalised up to September 2002).

Reforms in Power Sector

Status of implementation of MOU between the State Government and the Central Government

1.15 In pursuance to Chief Minister's conference on Power Sector Reforms, held in March 2001, a Memorandum of Understanding (MOU) was signed on 1 June 2001 between the Ministry of Power, Government of India and the Department of Energy, Government of Orissa as a joint commitment for

[6] 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).
[7] 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.

implementation of reforms programme in power sector with identified milestones.

Status of implementation of reform programme against each commitment made in the MOU is detailed below:

Sl. No.	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2003)	Remarks
	Commitments made by the State Government			
1.	100 per cent electrification of all villages	March 2007	81 per cent	No work taken up in 2001-02 and 2002-03. Out of Rs.51.04 crore released by Government of India as of March 2003, Rs.8.52 crore was released to privatised distribution companies and Rs.42.52 crore kept in Deposit Account by Finance Department.
2.	Transmission and distribution losses will not exceed 34 per cent, which have to be brought down to 20 per cent.	June 2006	Transmission and Distribution losses during 2002-03 were more than 44 per cent.	--
3.	100 per cent metering of all distribution feeders	December 2002	20 per cent	The progress of metering is not satisfactory. The actual distribution loss was not measured to identify loss prone areas.
4.	100 per cent metering of all consumers	December 2002	61 per cent	-do-
5.	Agreement for securitising the outstanding dues of CPSUs	July 2002	Yet to be executed	-
6.	State Electricity Regulatory Commission (SERC) i) Establishment of OERC	April 1996	Set up in June 1996	-
	ii) Implementation of tariff orders issued by OERC during the year	Annually	Implemented	-
	General			
7.	Monitoring of MOU	Half yearly	Not done	-

State Electricity Regulatory Commission

1.16 Orissa Electricity Regulatory Commission (Commission) was formed on 12 June 1996 under the Orissa Electricity Reforms Act, 1995 (Act) with the object of regulation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises three members including a Chairman who are appointed by the State Government. The audit of accounts of the Commission is entrusted to CAG under Section 19(3) of the CAG's (Duties, Power and Conditions of Service), Act, 1971.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working Government companies

1.17 During the year 2002-03, one working Government company viz. Orissa Timber and Engineering Works Limited became non-working company as it was closed since July 2002. As on 31 March 2003, the total investment in 34 non-working Government companies was Rs.216.86 crore (equity Rs.40.48 crore, long-term loans Rs.152.42 crore and share application money Rs.23.96 crore) as against the total investment of Rs.151.91 crore (equity Rs.51.73 crore, long-term loans Rs.76.22 crore and share application money Rs.23.96 crore) in 35 non-working Government companies as on 31 March 2002.

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

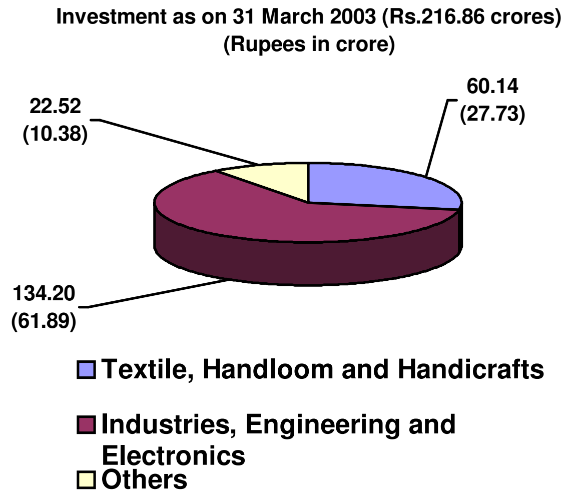
(Rupees in crore)

Sl. No.	**Status of non-working PSUs**	**Number of companies**	**Investment**	
			Equity	**Long-term loans**
(i)	Defunct[a]	15	24.58	125.65
(ii)	Closed[b]	7	12.47	8.41
(iii)	Under liquidation[c]	12	27.39	18.36
	Total	**34**	**64.44**	**152.42**

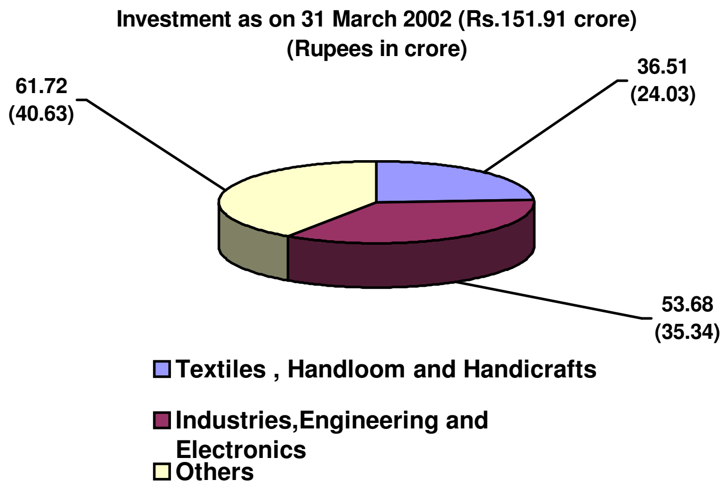
[a] Companies at Sl Nos.C-1 to 3,9,10,15,18,19,20,22,23,24,26,27,32 of Annexure-2
[b] Companies at Sl Nos.C-8,11,17,25,31,33,34 of Annexure-2
[c] Companies at Sl Nos.C-4,5,6,7,12,13,14,16,21,28,29,30 of Annexure-2

Sector wise investment in non-working Government companies

1.18 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2003 and 2002 are indicated below in the pie charts:



(Figures in brackets indicate percentage)



(Figures in brackets indicate percentage)

Budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans in to equity of non working PSUs

1.19 During the year 2002-03, State Government released Rs.9.28 crore loan to IDCOL Piping and Engineering Works Limited towards one time settlement (OTS). In one case (ABS Spinning Mills Limited), loans of Rs.1.10 crore was waived under OTS in 2002-03.

Total establishment expenditure of non-working PSUs

1.20 The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2002-03 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by			
			Disposal of investment/assets	Government by way of		Others
				Loans	Grants	
		Government companies				
2000-01	5	4.14	--	0.13	3.58	0.43
2001-02	4	0.19	0.11	--	0.04	0.04
2002-03	3[α]	0.14	--	--	0.11	0.03
Total	**--**	**4.47**	**0.11**	**0.13**	**3.73**	**0.50**

Finalisation of accounts by non-working PSUs

1.21 The accounts of 32 non-working companies were in arrears for periods ranging from one year to 37 years as could be noticed from **Annexure-2**. During the period October 2002 to September 2003, two non-working Government companies {ORICHEM Limited (C-1 of Annexure) and Kalinga Steels India Limited (C-3 of Annexure)} have finalised their two years accounts up to 2002-03. During the period from October 2002 to September 2003, four non-working Government companies (Sl.Nos.C-10,18,24 and 25 of Annexure) finalised four accounts for previous years and one non-working Government company (Orissa Pump and Engineering Company Limited) subsequently privatised have finalised its accounts for 1993-94.

With a view to reduce the arrears in finalisation of accounts by non-working Government companies, a meeting was held with the Commissioner-cum Secretary, Department of Public Enterprise on 28 April 2003 to discuss the possibility of striking off the names of the non-working Government companies from the register of Registrar of Companies (ROC), under the Simplified Exit Scheme-2003 of Ministry of Finance and Company Affairs, Government of India. The Minister for Industries and Public Enterprise, Orissa has also taken up the matter with the Minister of Finance and Company Affairs, Government of India to strike off the names of such companies.

[α] Out of 34 non-working Government companies, only 11 companies furnished the information, out of which establishment expenditure in case of eight companies were 'Nil'.

Financial position and working results of non-working PSUs

1.22 The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Annexure-2**. Out of the total 34 non working companies, information regarding net worth, cash loss and accumulated loss in respect of 15[8] companies was not available. The net worth of remaining 19 non working companies against their paid up capital of Rs.46.55 crore was (-)Rs.109.82 crore. These companies suffered cash loss of Rs.57.10 crore and their accumulated loss worked out to Rs.335.63 crore.

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

1.23 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)	2000-01	2001-02	21 August 2003.	Adopted in AGM held on 8 September 2003
2	Orissa State Road Transport Corporation (OSRTC)	1994-95	1995-96	10 September 2003	--
3	Orissa State Financial Corporation (OSFC)	SARs up to 2001-02 had been issued to the State Government. 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 Corporation Act, 1951. However, in the meetings of the Committee on Papers Laid on the Table held on 14 August 2003, Management committed to place the SARs up to 1998-99 before the Orissa Legislative Assembly by November 2003.			

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Restructuring Programme of Government of Orissa

1.24 As per the records of discussion held (15 April 1999) between the Ministry of Finance, Government of India and the Government of Orissa for a fiscal reform programme, the Government of Orissa was to take up a time

[8] Twelve companies (at Sl.Nos.C-4,5,6,7,9,12,13,19,26,27,28, and 29 of Annexure-2) are defunct/closed since long and their accounts are not available and three companies (at Sl.Nos.C-11,17 and 33 of Annexure-2) had not finalised their first accounts.

bound 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 (September 2003) 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	Incorporated as a separate Company named "IDCOL Rolling Mill Limited" on 22 March 2002. Unit Trust of India appointed as the advisor to undertake the disinvestment.
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999	Winding up order issued by BIFR on 29 October 1999 and the decision is pending in the High Court.
Ferro Chrome Plant and Kalinga Iron Works, (Units of IDCOL)	Partial privatisation	October 1999	Incorporated as two separate companies named as "IDCOL Ferro Chrome and Alloys Limited" (IFCAL) and "IDCOL Kalinga Iron Works Limited" (IKIWL) on 26 March 1999. An advisor has been appointed to undertake the disinvestment of IFCAL. In case of IKIWL, valuation of assets is in progress.
IDCOL Cement Limited	Revival/Closure	31 March 2000	Privatisation process is in progress. An advisor has been appointed to undertake the disinvestment of IDCOL share.
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 judgment of the court is awaited.
Orissa State Road Transport Corporation	Formal closure of the Corporation and restructuring by transfer of assets	Not fixed.	The Board of Directors of the Corporation is yet to dispose its assets.

It would be observed from the above that none of the milestones have been achieved till date (September 2003).

Results of audit of accounts of PSUs by Comptroller and Auditor General of India

1.25 During the period from October 2002 to September 2003, the audit of accounts of 30 Government companies (24 working and six non-working) and three working Statutory corporations were selected for review.

The net impact of important audit observations as a result of review of the PSUs is as follows:

Details	Number of accounts		Rupees in crore	
	Government companies	Statutory corporations	Government companies	Statutory corporations
	Working	Working	Working	Working
(i) Increase in loss	13	1	273.08	0.57
(ii) Decrease in profit	6	--	49.89	--
(iii) Increase in profit	1	--	0.03	--
(iv) Non-disclosure of material facts	--	2	--	1.22

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:

Errors and omissions noticed in case of Government companies

GRID CORPORATION OF ORISSA LIMITED (2000-01)

1.26 Understatement of loss for the year by Rs.26.70 crore due to:

- non-provision of interest on bonds payable to NTPC for the period October 2000 to March 2001 (Rs.18.57 crore).
- non-provision of the differential value of power purchased from OHPC Limited during 1999-2000 and 2000-01 as per recast Power Purchase Agreement under the direction of OERC (Rs.5.14 crore).
- accountal of guarantee fees payable to Government of Orissa on reduced amount despite being commented during 1999-2000 (Rs.2.99 crore).

Understatement of accumulated loss by Rs.21.72 crore due to:

- accountal of delayed payment surcharge against Assam State Electricity Board on accrual basis in violation of its Significant Accounting Policies (Rs.13.81 crore).
- non-provision of the value of power purchased from OHPC Limited (Machkund) during 1997-98 to 1999-2000 (Rs.7.91 crore).

Overstatement of accumulated loss by Rs.11.22 crore due to:

- accountal of value of secondary energy drawn during 1999-2000 at higher rate (Rs.8.30 crore).
- accountal of value of power purchased from OHPC Limited during 1998-99 at higher rate (Rs.2.92 crore).

ORISSA HYDRO POWER CORPORATION LIMITED (2001-02)

1.27 Overstatement of sundry debtors by Rs.2.80 crore being the surcharge on belated payment raised against GRIDCO up to March 2001 not in conformity with the orders of OERC and also the Company's Accounting Policy No.5.3 on 'Revenues Recognition', resulted in understatement of 'Loss for the year' by Rs.2.80 crore.

INDUSTRIAL PROMOTION AND INVESTMENT CORPORATION OF ORISSA LIMITED) (2001-02)

1.28 Non-provision of interest of Rs.4.77 crore on Government loans for the last seven years i.e. 1995-96 to 2001-02 resulted in understatement of loss for the year by Rs.1.01 crore and prior period loss by Rs.3.76 crore.

KONARK MET COKE LIMITED (2002-03)

1.29 Profit and Loss Account: Even though the STG –1 of power plant was commissioned and final synchronisation was done since April 2002 and the asset has generated revenue of Rs.26.83 crore from sale of power and steam, the company has not prepared profit and loss account.

CENVAT credit: Due to inclusion of CENVAT credit in spite of rejection made by Commissioner of Central Excise and Customs on the ground that power produced by the company was not an excisable commodity and not meant for exclusive use by KMCL but substantially for sale, 'CENVAT credit receivable' and 'Deferred CENVAT credit receivable' were overstated by Rs.16.60 crore and Rs.3.19 lakh respectively with corresponding understatement of Capital Work in Progress by Rs.16.63 crore.

INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED (2001-02).

1.30 Despite the directions of the Certificate Officer (15 March 2002), non provision of Rs.65 lakh being the outstanding dues of East Coast Breweries and Distilleries Limited payable by the Company towards principal and interest accrued on the sales tax equivalent excise duty draw back loans resulted in overstatement of profit for the year by Rs.65 lakh.

Internal audit/internal control

1.31 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major recommendations/comments made by Statutory Auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated in

Annexure-7. It would be noticed from the annexure that large number of comments were of following nature:

- Internal Audit system was not commensurate with the size and nature of business of Government companies.
- Audit committees were not set up by 12 companies.
- The internal audit done by 10 companies was not satisfactory.

Response to Inspection Reports, Draft Paragraphs and Reviews

1.32 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative 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 up to March 2003 pertaining to 58 PSUs disclosed that 8,463 paragraphs relating to 1,958 Inspection Reports remained outstanding at the end of September 2003. Of these, 427 Inspection Reports containing 2064 paragraphs had not been replied to for one to five years. Department-wise break-up of Inspection Reports and Audit observations outstanding as on September 2003 is given in **Annexure-8**.

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 out of 23 draft paragraphs and three draft reviews forwarded to the various departments between December 2002 and July 2003, as detailed in **Annexure-9**, replies to all reviews and 13 draft paragraphs were awaited (September 2003).The reviews are, however, finalised after discussion with the Management and the Government in the Audit Review Committee Meeting held on 5 July 2003.

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

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

1.33 During October 2002 to September 2003, the Committee on Public Undertakings (COPU) held 12 meetings and discussed two reviews and four paragraphs of the Audit Reports (Commercial) for the years 1992-2002. The position of Audit Reports (Commercial) pending in COPU for discussion as on 30 September 2003 is detailed below:

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion		No. of COPU Reports outstanding		No. of ATNs outstanding	
	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	4	24	2	18	--	4	1	1
1994-95	3	21	1	15	1	--	1	6
1995-96	3	20	1	16	--	1	2	3
1996-97	4	23	1	5	1	11	2	4
1997-98	1	14	1	8	--	1	--	2
1998-99	4	22	4	9	--	2	--	8
1999-2000	4	25	4	22	--	3	--	--
2000-01	3	22	3	18	--	4	--	--
2001-02	3	14	3	14	--	--	--	--
TOTAL	**29**	**185**	**20**	**125**	**2**	**26**	**6**	**24**

619–B companies

1.34 There were three companies coming under Section 619-B of the Companies Act, 1956, of which only one was working company. Two 619-B companies viz. Konark Met Coke Limited[9] and SN Corporation Limited have finalised their two years accounts up to 2002-03 during the period from October 2002 to September 2003. **Annexure-10** 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.

[9] Shares for Rs.38.53 crore not allotted to MMTC (Rs.9.40 crore) since June 2000, NMDC (Rs.25 crore) and Government of Orissa (Rs.4.13 crore) since March 2003 in violation of Government of India, Department of Company Affairs guidelines dated 24 March 1964.

CHAPTER-II

Reviews relating to Government companies

2.1 Review on the working of **Orissa Forest Development Corporation Limited**

2.2 Review on the working of **Orissa Small Industries Corporation Limited**

2.3 Review on the working of **Orissa State Electronics Development Corporation Limited**

2.1 REVIEW ON THE WORKING OF ORISSA FOREST DEVELOPMENT CORPORATION LIMITED

Highlights

Orissa Forest Corporation Limited was incorporated as a wholly owned Government company in September 1962. Consequent to the merger of Similipahar Forest Development Corporation Limited and Orissa Plantation Development Corporation Limited with the Company in October 1990, the Company was renamed (November 1990) as Orissa Forest Development Corporation Limited.

(Paragraph 2.1.1)

Cumulative loss of Rs.108.26 crore eroded the paid up capital of Rs.1.28 crore by more than 84 times as of 31 March 2003.

(Paragraph 2.1.8)

Poor marketing strategy coupled with delay in sale of kendu leaves at lower rates resulted in loss of Rs.2.30 crore to the Company and Rs.55.24 crore to the Government.

(Paragraph 2.1.27)

Failure to implement voluntary retirement scheme effectively led to payment of idle wages of Rs.30 crore to the surplus staff during 2001-03.

(Paragraph 2.1.37)

Non-transportation of timber and firewood by the Divisional Managers in time resulted in loss of Rs.10.53 crore.

(Paragraph 2.1.12)

Short receipt of timber and firewood at depots resulted in loss of Rs.5.93 crore.

(Paragraph 2.1.13)

Introduction of raw material procurer system led to low production with the resultant loss of Rs.3.76 crore to the Company.

(Paragraph 2.1.15)

The Company could not recover Rs.2.90 crore towards shortfall in production and lifting of bamboo due to failure to execute agreement with raw material procurers.

(Paragraph 2.1.18)

Collection of cashew nuts far below the norms resulted in loss of potential revenue of Rs.19.12 crore.

(Paragraph 2.1.34)

Company incurred loss of Rs.11.72 crore on works of outside agencies.

(Paragraph 2.1.35)

Introduction

2.1.1 The Orissa Forest Corporation Limited (OFC) was incorporated as a wholly owned Government company in September 1962. Consequent to the merger of Similipahar Forest Development Corporation Limited (SFDC) and Orissa Plantation Development Corporation Limited (OPDC) in October 1990, the Company was renamed Orissa Forest Development Corporation Limited (OFDC) with effect from 14 November 1990. The Orissa Composite Board Limited, a subsidiary company of OFC, was also merged with OFDC in April 1991.

Objectives

2.1.2 The main objectives of the Company are:

- to undertake proper and scientific exploitation of the forest resources in the State.
- to encourage and establish industries based on forest products.
- to market the various forest products both raw and finished goods inside and outside the State of Orissa.
- to plant, grow, cultivate, produce and raise plantation of all varieties of forest plants, trees, grasses, bamboo, cane, medicinal plants and to buy, sell and deal in all these kinds besides taking up breeding, apiculture, sericulture and producing, supplying and dealing in relative products.

The ancillary objectives are:

- to develop scenic and beautiful places, Wildlife Sanctuaries, National Parks and Zoological Parks with a view to encourage tourism.
- to rationalise Podu* cultivation by giving financial assistance to Adibasis to refrain from Podu cultivation with a view to develop economic crops.
- to enter into partnership or any other arrangement for joint operations and sharing of profit.

Scope of Audit

Extent of coverage

2.1.3 The overall working of the Company (erstwhile OFC) was reviewed and commented upon in the Report of the Comptroller and Auditor General of India for the year 1980-81 (Commercial), Government of Orissa. The recommendations of the Committee on Public Undertakings (COPU) contained in their 13th Report (Ninth Assembly) were placed before the Legislature on 31 March 1988. A few other activities of the Company were commented upon separately in the Reports of the Comptroller and Auditor General of India as per details given below alongwith the progress of discussion by the COPU.

Name of the activity	Year of Audit Report	Position of discussion by COPU
Kendu leaf trade	1983-84 (Commercial)	Passed over (May 1995)
Cashew plantation	1985-86 (Commercial)	Discussed in September 1989; **ATNs passed over
Timber operation	1988-89 (Commercial)	Discussed in March 2001; ATNs not received
Sal seed and Mohua flower trade	1992-93 (Commercial)	Discussed in June 2003; Report not yet received.
Trading on kendu leaf	1996-97 (Civil)	Not discussed

The review conducted between November 2002 and March 2003 covers the working of the Company in respect of 13 divisions (commercial-9, kendu leaf-3 and plantation-1) out of 22 divisions for the four years ending March 2002.

* Shifting cultivation.
** Action taken notes.

Audit objective

2.1.4 The Audit objectives were:

- to review the performance of the Company with reference to its objectives during the past five years ending March 2003.
- to examine the efficiency of the methodology adopted to carry out its activities.
- to ascertain whether the Company effectively formulated policies and strategies in tune with the liberalisation of economy.

Audit Review Committee for State Public Sector Enterprises (ARCPSE)

2.1.5 The draft comprehensive appraisal on the working of Orissa Forest Development Corporation Limited was discussed by the ARCPSE in their meeting held on 5 July 2003. The State Government was represented by Principal Secretary, Forest and Environment Department, Government of Orissa and the Company was represented by Chairman-cum-Managing Director of the Company.

Organisational set up

2.1.6 The management of the Company is vested in a Board of Directors (Board) consisting of 15 directors, four functional, including the Chairman-cum-Managing Director (CMD) holding technical qualifications and eleven non-functional directors. The CMD acts as the Chief Executive of the Company assisted by a Director (Finance), a Director (Operation) and a Director (Commercial). The Director (Commercial) is exclusively in charge of kendu leaf (KL) operations. The Company has four zonal offices[1] headed by General Managers to supervise the field operations.

Capital structure, borrowings and budget

2.1.7 The paid-up capital was Rs.1.28 crore as on 31 March 2003 as against the authorised share capital of Rs.5 crore. The entire capital was subscribed by the State Government. The borrowings of the Company as on 31 March 2003 were Rs.35.82 crore as against Rs.21.48 crore as on 31 March 1999. The increase in secured loans was on account of working fund requirement for KL operation. This also increased the Company's debt-equity ratio to 12.25:1 in 2002-03 from 8.38:1 in 1998-99.

The Company prepares the annual budget based on the actuals of the preceding year and the estimates of harvesting of timber, bamboo, sal seed,

[1] Berhampur, Bhubaneswar, Bolangir and Sambalpur

and marketing of KL for the subsequent year. The revised estimates are prepared in December of each year.

Audit scrutiny revealed that there was no proper link between the budget heads and the accounting heads (both for revenue and expenditure). The head-wise variance which is an important internal control mechanism was also not analysed.

The management stated (May 2003) that action would be taken to interlink budget heads with accounts heads as early as possible.

Financial position and working results

Cumulative loss of Rs.108.26 crore eroded the paid-up capital of Rs.1.28 crore by more than 84 times as of 31 March 2003.

2.1.8 The Company had not finalised its accounts since accounting year 1998-99 and there has been a backlog in the finalisation of accounts. The financial position and working results based on the audited and provisional accounts are given in **Annexure-11**. As observed from the annexure, the Company incurred losses continuously for all the five years with decrease in sales from Rs.48.28 crore in 1998-99 to Rs.24.65 crore in 2002-03. The accumulated losses as of 31 March 2003 were Rs.108.26 crore, which had eroded the paid-up capital of Rs.1.28 crore by more than 84 times. Out of the total loans and advances of Rs.60.16 crore as on 31 March 2003, Rs.35.88 crore pertained to the dues receivable from Government of Orissa.

The Company had negative net worth of Rs.105.73 crore at the end of March 2003. The main reasons for the huge losses, as analysed by Audit, were:

- high establishment expenses due to retention of surplus manpower.
- continuance of sales centres outside the State.
- decrease in value of sales due to delay in disposal of perishable goods like bamboo, sal seed and kendu leaves.
- huge shortages of stock.

Activities of the Company

2.1.9 The present activities of the Company were confined to trading in timber, firewood, bamboo and sal seed, maintenance of earlier plantations, plantation works from outside agencies on commission basis and marketing of kendu leaves (KL). The Company failed to encourage and establish industries based on forest products which is one of its main objectives and also failed to achieve any of its ancillary objectives during the 40 years of its existence.

Exploitation of forest resources

The Company undertook activities of trading in timber, bamboo and sal seed. The observations noticed on these activities are discussed in the succeeding paragraphs.

Timber trade

The Company sustained losses of Rs.39.89 crore during 1997-2002 in timber trade.

2.1.10 The Forest Department delivers (with effect from November 1994) dead, dry and wind fallen trees to the Company on payment of royalty at varying rates. The Company transports the same to its depots after logging as round timber and firewood. In depots, species-wise lots are made, upset prices of the lots fixed and are sold through auction/tender. The details of trading in timber and operating profit and losses are given in **Annexure-12**. It was observed that the Company sustained losses of Rs.39.89 crore during 1997-2002 which were attributed (August 2003) by the Company to surplus manpower and reduction of activities. It was observed in Audit that other factors also contributed to the losses, as discussed in detail in succeeding paragraphs.

Target and achievement

2.1.11 The physical target (both original and revised) and achievement for production of round timber/firewood with reference to revised estimate for the five years ended 31 March 2002 are given in **Annexure-13**.

It would be observed from the annexure that the revised estimate of round timber and firewood was between 63 and 88 per cent (except for 1997-98) and between 54 and 85 per cent (except for 2001-02) of original estimate respectively. The achievement against the revised estimate was between 20 and 47 per cent for timber and between 10 and 25 per cent for firewood. Fixation of targets by the Company was, thus, not realistic.

Non-lifting of round timber and firewood

2.1.12 It was observed that due to non- transportation of timber/firewood from the forest to depots in time by the Divisional Managers (DMs) (Commercial) of four zones of the Company, 11,109 cum of round timber and 7,723 MT of firewood received from the Forest Department during 1997-2002 were left in the forest and declared by the Company as shortages.

Non-transportation of timber and firewood by the Divisional Managers in time resulted in loss of Rs.10.53 crore.

Inaction of the DMs to transport the delivered stock in time resulted in loss of Rs.2.20 crore towards payment of royalty for the above stock besides the loss of revenue of Rs.8.33 crore at the average sales price (after netting the amount of royalty).

The management stated (May 2003) that the lifting was less than the delivered quantity as the materials were not available and the delivery certificates were signed in good faith by the staff of the Company on the request of Forest

Department employees. Action would be taken against the employees responsible for taking short delivery.

The reply is not tenable as issuance of delivery certificates without physical inspection of delivered quantity was a serious system lapse. The Company, although sustaining huge losses every year on short/non-receipt of timber, had not formulated any mechanism to analyse the causes of shortages or to minimise shortages.

Short receipt, shortages and unsaleable stock at depots

Short receipt of timber and firewood at depots resulted in loss of Rs.5.93 crore.

2.1.13 The Company transports the timber and firewood received from forest to its depots for sale. It was observed that depots were showing less receipts on many occasions and excess receipts on a few. The reasons for such variation were not on record. During 1997-2002, the net short receipt at the depots was 5,763 cum of timber valued at Rs.5.04 crore and 8,111 MT of firewood valued at Rs.89.50 lakh.

Further, timber despatched from forest to depots is entered in depot stock registers maintained at the depot level. Physical verification of stock is conducted annually by the officers nominated by the Company.

Scrutiny of physical verification reports during 1997-2002 revealed shortages of 2,031 cum of round timber and 15,839 MT of firewood valued at Rs.3.41 crore (average sale value). As of March 2002, total of such shortages was 6,287 cum of round timber, 2,155 cum of sawn sizes and 36,084 MT of firewood valued at Rs.11.47 crore. Besides, 897 MT of firewood valued at Rs.12.09 lakh were declared unsaleable during 1997-2002. The total of such unsaleble stocks as of 31 March 2002 was 5,608 cum of round timber, 318 cum of sawn timber, 2,818 MT of firewood valued at Rs.5.75 crore. The Company had not made any analysis of the shortages.

The Company had not yet initiated action to investigate the reasons for such huge shortages and unsaleable stock. Failure to take such action defeats the purpose of the physical verifications.

The management confirmed the figures and stated (May 2003) that they were very serious about follow up action on such losses.

Bamboo trade

2.1.14 The erstwhile OFC was appointed the agent of the State Government for extraction of and trade in bamboo of all species with effect from 1 October 1988. The State Government constituted (September 1988) an Empowered Committee (EC) for disposal of industrial and commercial bamboo. The EC decides the target of production, allotment and fixation of royalty and ceiling for works expenditure. The stocks are allotted to different paper mills on equitable basis based on the approximate production of bamboo for the year, the installed capacity of the paper mill and the quantity produced by the mills during the past years.

In September 1993, the State Government appointed the paper mills* in Orissa as raw material procurers (RMP) to work as labour contractors of the Company with the objective of increasing the production of bamboo, providing more raw materials to the industries in the State and earning more revenue and royalty for Government. The RMPs were to harvest bamboo from the coupes and transport the same to the Company's depots. The quantity to be harvested and allotment of bamboo to paper mills were to be decided by EC. Field staff of the Company assigned to the concerned coupes were to work with the RMPs. The divisional staff of the Company were responsible for monitoring field operation , upkeeping depot work and delivering stock to paper mills. The RMPs were to bear forest expenses and the Company was to bear depot expenses. The Company did not execute agreements with the RMPs either for harvesting or for lifting of allotted quantities even though the RMP system started in 1993 and ended in 2000. As per direction of EC (April 2002), the Company intimated (May 2002) the RMPs that a committee comprising Principal Secretaries of Forest, Industry, Law and Finance departments and the Principal Chief Conservator of Forest would decide the claims and counter claims of the RMPs and the Company. The RMPs did not agree to the proposal and proposed (May 2002) to appoint their own arbitrator. The matter is still pending (October 2003).

Absence of agreements with raw material procurers led to piling up of stock of Rs.3.47 crore.

In addition to the working of the RMPs, the Company also continued harvesting of bamboo upto 2000 crop year and stopped thereafter. Due to non-execution of agreements with the RMPs, the agreed quantities were not lifted by the RMPs and the stocks were piling up every year. The accumulated stock of bamboo stood at 26,360 sale units (SU) (including RMPs' production of 5,561 SU) valued at Rs.3.47 crore as of 30 June 2003.

The details of trading of bamboo and operating profit and loss are given in **Annexure-14** from which it would be observed that the Company earned profit of Rs.4.99 crore during 1997-98 and incurred losses of Rs.13.53 crore thereafter till 2001-02. The losses were attributed by the Company to surplus manpower and reduction of activities. It was, however, observed in audit that the losses were incurred also due to low achievement of production target, shortages at forest, depots and in transit, delay/non-disposal of stocks, as discussed below:

Poor achievement of target

2.1.15 Neither the Company nor the RMPs achieved the target in any of the years during the period of review except BILT (Sewa) in 1999-2000. The percentage of production to target of the Company which was 76 in 1997-98 reduced to 28 in 1999-2000.

* Ballarpur Industries Limited, Orient Paper Mills Limited, Brajarajnagar and Straw Products Limited, Rayagada.

Introduction of raw material procurer system led to low production with resultant loss of Rs.3.76 crore to the Company.

While comparing the annual average of 2,40,358 Sale Units (SU) for five years ending 1992-93, (i.e. before introduction of RMP system) the actual production for three years ended 1999-2000 was 4,41,229 SU registering a shortfall of 2,79,845 SU. This correspondingly resulted in loss of Rs.19.34 crore to Government towards royalty and silviculture expenses and Rs.3.76 crore to the Company towards commission and establishment expenditure.

The management stated (January 2003) that the EC had not taken proper care in fixing the target both for the Company and RMPs. In 1997-98, the Government undertook the potentiality survey on bamboo under the chairmanship of Divisional Forest Officer (DFO) concerned and the same was yet to be completed (August 2003). The target for 1997-98 to 1999-2000 fixed by the Empowered Committee (EC) was prior to the potentiality survey of the Government and the shortfall in achievement was due to less potentiality in normal areas and stoppage of extraction from sanctuary areas.

The reply is not tenable as the targets were fixed by the EC considering the targets proposed by the Company. The Company proposed the targets assessing the potentiality furnished by its divisions. Non-achievement of targets has, thus, defeated the primary objective of introduction of the RMP system.

Shortage of bamboo at forest, in transit and at depot

2.1.16 Shortage of stock at forest, in transit and at depot resulted in loss to the Government in the form of royalty and silvicultural expenses and loss to the Company in the form of non-realisation of forest expenses, establishment expenses, commission, transport expenses and depot expenses.

Realisation of Rs.0.92 crore from raw material procurers is bleak in the absence of agreement.

The loss of Rs.42.10 lakh and Rs.44.80 lakh to the Government and the Company respectively for the period from 1993-94 to 1999-2000 on account of shortages was yet to be investigated (August 2003). Besides, the loss of Rs.75.66 lakh and Rs.16.71 lakh to the Government and the Company respectively for RMP working during 1993-94 to 1999-2000 was not claimed against the respective RMPs till date (February 2003). Since there was no formal agreement with the RMPs, the prospect of realisation of Rs.92.37 lakh from RMPs is bleak.

Management stated (January 2003) that the Company had so far recovered an amount of Rs.4.08 lakh towards shortage from the concerned staff and due to pending disciplinary proceedings/legal cases, the assessment of recoverable shortage was not yet complete.

The reply is not tenable because the recoveries effected were meagre in comparison to the losses incurred.

Delay in tender sale

2.1.17 In pursuance of the decision of Empowered Committee in September 1999 for the disposal of 24,100 SU of unsold bamboo produced during the crop years 1991-92 to 1998-99, the Company invited national tenders (seven times) during 18 March 2000 to 20 January 2003. The Company could dispose of only 22,880 SU on three occasions (27 May 2002: 7,206 SU, 25 October 2002: 7,244 SU and 20 January 2003: 8,430 SU). It was observed that the actual sales realisation was only Rs.86.08 lakh as against the sale value of Rs.3.44 crore. The Company, thus, sustained a loss of Rs.2.58 crore due to delay in disposal.

Delay in tender sale of bamboo resulted in loss of Rs.2.58 crore.

The loss could have been reduced by Rs.59.96 lakh if the Company had disposed of the stocks in October 2000 as discussed below:

Four offers were received for 9,953 SU to 13,528 SU in response to the tender invited on 30 October 2000 for disposal of 23,729 SU. Bidders were called (November 2000) for negotiation as the price offered was considered very low in comparison to sale price of 1999-2000. As the highest bidder insisted on purchasing the stocks produced on or after 1997-98, the offer (Rs.975 per SU) was rejected. On negotiation, one of the bidders {(Durga Trading Co., Kolkata (Firm D)} agreed to purchase 15,201 SU @ Rs.806 per SU. The matter was referred (October 2000) to EC who in turn directed (January 2001) the Industries Department to decide the sale. The Government decided (January 2001) to sell 15,201 SU of bamboo to BILT (Sewa) (firm B) @ Rs.950 per SU. Firm B (not participated in the tender) lifted only 1,500 SU against the ordered quantity of 15,201 SU. Since the Company did not execute any agreement with firm B, no action could be taken against firm B for short-lifting.

Indecisiveness on the Company's part in disposal of stocks led to non-realisation of Rs.0.60 crore.

The Company realised Rs.62.56 lakh[2] on sale instead of Rs.1.23 crore being the value of sales of 15,201 SU @ Rs.806 per SU which resulted in non-realisation of Rs.59.96 lakh.

Management stated (May 2003) that "all the forest produce handled by the Company is primarily the property of the State Government, therefore, the Company does not have a free hand to take decision especially when a high amount is involved".

The contention of the Company is not correct as the Chairman-cum-Managing Director of the Company was also a member of EC.

Non-realisation of penalty from the RMPs

2.1.18 Considering the loss of revenue to the Government due to shortfall in harvesting and lifting the fallen quantity to depots within the stipulated time, the EC decided (26 October 1995) to impose penalty on the RMPs at the rate of Rs.100 per SU on the shortfall in harvesting of the targeted quantity and also shortfall in lifting the fallen quantity to depots. The EC reiterated this decision in their meeting dated 30 January 1997.

[2] May 2002 (7,206 SU @ Rs.500 per SU), October 2002 (7,244 SU @ Rs.100 to Rs.415 per SU) and January 2003 (752 SU @ Rs.125 to Rs.375 per SU)

Scrutiny of workings of RMPs[Ψ] for the crop years 1995-96 to 1999-2000 revealed that neither the production target was achieved nor the fallen quantity was brought to the depot within the crop year. During the above period, there was shortfall of 1,75,457 SU in production as well as 1,14,888 SU in lifting of the fallen quantity. The Company demanded (April 1999) penalty for Rs.1.83 crore on 1,83,051 SU being the shortfall in production and lifting during the crop years 1995-96 to 1997-98 which was yet to be realised (June 2003). After being pointed out by Audit (December 2002), the Company demanded (January 2003) a further penalty of Rs.1.07 crore on shortfall of 1,07,294 SU for the years 1998-99 to 1999-2000. Since the Company had not executed agreement with the RMPs, the possibility of recovery of Rs.2.90 crore seems remote.

Non-execution of agreement with raw material procurers resulted in doubtful recovery of Rs.2.90 crore.

The management stated (January 2003) that the Government had decided (October 2002) to finalise the issues through arbitration committee.

The reply is not tenable as the arbitration committee has not been appointed even after a lapse of 10 months.

Sal seed trade

2.1.19 Collection of sal seed from primary collectors (forest dwellers) was nationalised in December 1982 for mobilisation of resources of the Government and also to ensure an assured off take and payment of reasonable price to the primary collectors. The Company was appointed (December 1982) as an agent for procurement and sale of sal seeds. The targeted quantity of collection, the procurement rate and the admissible working cost including agency commission was being fixed by Government at the commencement of each crop year. The Government decided (May 1995) to appoint the private solvent extraction plants for collection of sal seeds in some areas of the State as RMPs.

Target and achievement

2.1.20 A comparison of the target for collection vis-à-vis the actuals for the last four years up to 2001-02 (except 1999-2000 when there was no operation), revealed that the percentage of collection to target ranged between 7.06 and 49.54. The shortfall in collection was attributed (February 2003) by the Company to fixation of target on the higher side, non-payment of dues of primary collectors by the RMPs, poor potentiality in flowering and natural calamities like rain and heavy wind during flowering and collection. The reply is not tenable since the Company did not submit its proposals in time for fixation of targets by Government. Further, it was the responsibility of the Company to ensure payment to primary collectors by the RMPs.

[Ψ] JK Corporation, BILT(S), BILT(C), OP Mills

Performance of RMPs

2.1.21 Agreements were executed each year wherein the RMPs were required to work under the supervision of the Company. Four RMPs were engaged up to 2000 crop year. Audit scrutiny revealed the following:

- The number of RMPs declined from four in 1996 to one in 2000. The target was reduced accordingly from 30,690 MT in 1996 to 6,250 MT in 2000. Thus, the purpose of introduction of RMP system to create employment opportunities, benefit to the primary collectors and generation of additional revenue to State was defeated.

- The RMPs removed the entire stock for the crop years 1996 to 1998 without paying the full amount. As a result, Rs.26.81 lakh remained outstanding against RMPs. The RMPs could have been compelled to lift the entire stock on full payment if the Company had restricted the removal of sal seeds to the amount received. The Company suffered a loss of Rs.22.65 lakh towards interest (at the rate of 12 per cent per annum) up to August 2003 due to blocking of funds.

Management stated (May 2003) that the Government would be moved to realise the interest. The reply is not tenable as no action for recovery of the dues has been taken since 1998.

Sales

2.1.22 During the last two years ended 31 March 2002, the Company sustained a cash loss of Rs.31.37 lakh in sal seed trade. In addition, there was loss of revenue to the extent of Rs.86.45 lakh due to delay in disposal of the stock.

Sale of 2000 crop

2.1.23 A tender was invited (19 August 2000) for disposal of the collection of 2000 crop (595.639 MT) and only one offer from MP Oil Extraction Limited (MOE), Raipur was received (19 August 2000) at varying rates of Rs.3,625 to Rs.3,850 per MT for stocks at different divisions with the condition that the stocks would be processed at its factory located at Raipur. The validity of the offer was up to 18 September 2000. Meanwhile, on 18 September 2000, Government waived the restriction on sale of sal seed to outside the State in response to the Company's request made earlier. While the Company was aware (8 September 2000) of the possible waiver, the Company did not get the validity extended, instead it decided (19 September 2000) to invite fresh tenders.

Subsequently, though the Company invited tenders afresh on eight occasions between October 2000 and January 2002, the sale could not materialise as the response was poor. In response to the tender floated on 30 January 2002, five offers were received. After negotiation with Bhanjaprava Super Bazaar (firm B), Bhubaneswar, one of the bidders, the rate of Rs.755 per MT was agreed for 567.295 MT lying with five divisions. On negotiation with Vidharbha

Refineries (firm V), Mumbai, another bidder, rates for 28.344 MT lying with other two divisions was fixed at Rs.735 per MT. Both parties were issued work orders on 26 February 2002. Firm B deposited (4 April 2002) the full sale value of Rs.4.45 lakh and the stock was lifted by April 2002. However, firm V neither executed the agreement nor lifted the stock. CMD instructed (24 April 2002) concerned Divisional Mangers to destroy the stock to avoid further expenditure on its storage as the sale value at offered rate was less than earnest money deposit (Rs.25,000) by firm V with the Company at the time of the bid.

Non-acceptance of the rates offered (19 August 2000) by MOE even after knowing the approval of the State Government for sales to outside states and going for fresh tenders till January 2002 resulted in loss of Rs.18.65 lakh (including Sales Tax) on disposal of 595.639 MT of sal seeds.

The management stated (May 2003) that the State Government should have given the permission to the Company when the same was granted to another agency viz. Tribal Development Co-operative Corporation (TDCC). The loss has been caused due to State Government's discriminatory treatment towards OFDC.

The reply is not tenable as the Company should have moved Government well in advance for obtaining the waiver of the restriction of outside state sales like TDCC who applied for the permission in June 2000 and got the same on 14 August 2000.

Sale of 2001 crop

2.1.24 In response to tender notice (10 May 2001) for disposal of sal seed of 2001 crop, four offers were received and the highest offer of Rs.3,700 per MT of Hanuman Minor Oil Limited, (HMO), Raipur was accepted by the Company for sale of 8,000 MT. Agreement with HMO was entered into on 15 May 2001 which was later transferred in the name of Hanuman Vitamin Foods Limited (HVF), Mumbai as both the firms had same ownership and Board of Directors.

As per clause 7 of the agreement, HVF was to pay three monthly instalments of Rs.98.67 lakh each. HVF paid the first instalment within the due date, the second instalment after a delay ranging from 26 to 44 days and did not pay the third instalment due on 30 July 2001 on the ground that the stocks were not available at "all weather truckable points" in accordance with clause 4 of the agreement. The Company instead of making the stock available at truckable points, issued (September 2001) show cause notice for non-payment of the instalment and rescinded (4 October 2001) the agreement by forfeiting the security deposit of Rs.29.60 lakh. HVF had lifted 5,263 MT out of total collection of 7,162 MT. HVF filed (3 October 2001) an arbitration petition against the Company to keep in abeyance any tender for resale. The arbitrator ordered (10 October 2001) the Company to make available the stock at truckable points and HVF to pay the outstanding dues on or before 20 October 2001 and lift the stock by 31 October 2001 failing which the Company would be free to dispose of the stock to any other party. Since HVF did not pay the amount within the stipulated period, the Company invited (19 November 2001) fresh tenders for disposal of 1,865 MT (excluding shortage of 35 MT) and received three offers. After negotiation (28 November 2001) with the bidders, the Company sold (December 2001) the entire quantity of 1,865 MT @ Rs.601 per MT.

Injudicious decision in sale of sal seed for 2001 crop resulted in loss of Rs.0.68 crore.

Audit scrutiny revealed that request of HVF to make available the stock at "all weather truckable points" was not considered by the Company. The Company though aware of fall in market value of the sal seed, did not allow some more time to HVF for depositing the third instalment. As a result, the Company not only incurred loss of Rs.57.78 lakh on resale of 1,864.645 MT but also incurred extra expenditure of Rs.10.01 lakh on watch and ward, godown rent, insecticides, transportation and advertisement due to such injudicious decision.

The management stated (May 2003) that allegations of HVF that the stocks were not located at all weather truckable points was incorrect.

The reply is not tenable since it was evident from the records that the Company had incurred Rs.0.81 lakh on transportation of the said stock to truckable point for subsequent sales.

Marketing of kendu leaves

2.1.25 The State Government appointed (1973) the Company as selling agent under Section 10 of the Orissa Kendu Leaves (Control of Trade) Act, 1961 for disposal of KL received from the Forest Department of the State. The processed leaves are classified in four grades from I to IV based on colour, texture, size, shape and body conditions of the leaves. The Government and the Company executed agreements stipulating the level of production, schedule of delivery to/from godowns, schedule of payment of working expenses advance, commissions and royalties payable and other related activities at the commencement of each crop year from 1973. Except for the agreement executed in 1973, subsequent agreements did not indicate the quality-wise production/delivery. There was, however, no agreement from 1994 to 2001. For the crop year 2002, a formal agreement was executed. Thus, the stipulations about levels of expected production, schedule of delivery to/from godowns, commissions and royalties payable was not defined from 1994 onwards. During 1977 crop-year to 2000 crop-year, the delivery of grade-IV processed leaves was between 95 and 96 per cent and there was an increase of phal/unprocessed leaves from 0.53 lakh quintals to 1.02 lakh quintals. The Company receives commission at the rate of five per cent of sales price. This includes one per cent earmarked for construction of central godown to be executed through the Forest Department. After adjustment of working advances paid to Chief Conservator of Forest (CCF) (KL), Orissa and deducting its sales commission and surcharge on sales tax, surplus of sale value is to be paid by the Company to the Government directly as revenue (which is presently deemed to be the royalty).

Working results of kendu leaves

2.1.26 Working results of marketing of KL for the five years ending 31 March 2002 are indicated in **Annexure-15** from which it would be observed that the Company incurred losses totalling Rs.7.60 crore for the years 1997-98 to 2000-01 and earned a meagre profit of Rs.0.35 lakh in 2001-02 due to reduction in operational expenditure. The Management neither approached Kendu Leaf Co-ordination Committee (KLCC) to increase the delivery of higher grade to achieve more revenue both for the State as well as for the Company nor analysed the reasons for losses.

Audit scrutiny revealed that the Company sustained losses mainly due to (i) sale of spill over stocks in subsequent years at lower prices, (ii) operation of uneconomic sales centres at Kolkata and Chennai, (iii) blockage of funds in sales through negotiation and (iv) shortage, damage and theft of stocks as discussed in the succeeding paragraphs.

Sale of spill over stocks at lower prices

Delay in sale resulted in loss of revenue to Government for Rs.55.24 crore and to the Company for Rs.2.30 crore.

2.1.27 As per Revised Sale Policy, 1997, the main objective was to market the entire quantity of KL produced in a year during the same year at a maximum price. Keeping this in view, sales centres at Kolkata and Chennai were continued even though they were incurring losses every year. In spite of availability of sales facilities outside State, stocks were retained for more than three years leading to sales at much lower price in subsequent years. Audit scrutiny revealed that 2,37,970 qtls pertaining to crop years 1993 to 2001 were sold in subsequent years between 1997-98 and 2002-03 at lower prices as compared to the average sale price of concerned crop years. As a result, the Company sustained loss of Rs.2.30 crore towards its commission and a loss of potential revenue of Rs.55.24 crore to the Government.

Management stated (May 2003) that the stocks remained unsold due to saturation of demand in the market. The reply is not tenable as the Company failed to create KL Marketing Cell (KLMC) as directed by Government of Orissa in June 1998 for obtaining most competitive price through collection of information from different KL producing states and maintaining up to date national inventory of bidi manufacturing factories, bulk traders and exporters.

Uneconomic sales centres

2.1.28 Sales centres at Kolkata and Chennai were opened in 1975-76 and 1976-77 respectively for augmenting sales of KL outside the State. Lots remaining unsold within the State were being sent to these sale centres for disposal. The upset price of KL lots despatched to Chennai and Kolkata were fixed taking into account the overheads and transportation cost so as to ensure that the Company did not suffer any loss on this account.

A comparison of revenue earned and expenditure incurred during the last five years ending 31 March 2002 by these two sale centres revealed that there were continuous losses up to 2001-02 due to meagre income which did not meet even the cost of transportation of KL from divisions to the concerned sales

Continuance of sale centres at Kolkata and Chennai resulted in loss of Rs.4.27 crore.

centres. The total loss incurred by Kolkata and Chennai sales centres were Rs.2.12 crore and Rs.2.15 crore respectively for the period from 1997-98 to 2001-02. The Board of the Company decided (17 March 2003) belatedly to close these two sales centres before 1 April 2004.

Blockage of funds

2.1.29 Kerala Dinesh Bidi Workers' Central Cooperative Society Limited (KDB), Kannur had been purchasing bulk quantity of KL on negotiation basis from the Company for the last several years. In the negotiation held in October 2000, it was decided that KDB would purchase 25,000 MT of KL of 2000 crop at a rate of Rs.5,000 per qtl. The Company without executing agreement with KDB, despatched 25,200 qtls between November 2000 and May 2001 and raised bills for Rs.13.23 crore between December 2000 and July 2001. KDB failed to make payment within the stipulated time of 15 days and paid only Rs.6.33 crore up to January 2003. In February 2003, KDB claimed that they had paid Rs.12.36 crore in excess in the past up to the year 2000 due to erroneous fixation of rate in the Negotiation Committee and Rs.6.90 crore could be adjusted against Rs.12.36 crore and the balance Rs.5.46 crore be refunded. It was observed that the contention of KDB was not correct as the selling prices were fixed by the Negotiation Committee alongwith the representatives of KDB. The Company was unable to recover the dues of Rs.6.90 crore mainly due to non-execution of agreement with KDB.

Failure to execute agreements led to doubtful recovery of Rs.6.90 crore.

Management stated (May 2003) that the matter was under correspondence both at their level as well as at Government level and it was hoped that some amicable solution would come out.

Shortage/theft

Recovery action for the cost of theft/shortage of stocks valued Rs.0.58 crore was pending.

2.1.30 It was observed that 27 qtls were shown as shortage and 1,195 qtls as damaged during 1996-2002 at Kolkata sales centre. Further, 205 qtls were found short and stolen under different central godowns of the Company during the said period. The recovery action for the cost of such stocks valued at Rs.58.05 lakh was not initiated (May 2003).

Resale of kendu leaves

2.1.31 The first (original) sale is effected through auction/tender. The left over stock, if any, is resold by the Company through retender/auction. In terms of clauses 10 and 11 of the auction sale notice, the highest bidder shall pay security deposit (SD) @ 15 per cent of the full sale value within 15 days and the balance amount within 75 days. He should lift the lots within 90 days of sale on full payment. The payment period would be allowed up to 105 days of the sale provided that the purchaser deposits further 10 per cent of the full purchase price as additional security. In case of failure to pay the purchase price within the stipulated period, the sale would be automatically treated as cancelled and the SD along with additional SD (ASD) would be forfeited and the lots would be resold at the risk and cost of the purchaser.

Test check of records of three out of six KL divisions revealed that 6,198 qtls relating to 2001-02 were re-sold with a loss of Rs.34.24 lakh to the Company after adjustment of SD and ASD deposited by the original purchasers. No action was taken by the Company for realisation of Rs.34.24 lakh from the original bidders.

Management stated (May 2003) that the problem could be overcome if the amount of SD is increased and the time provided for lifting is reduced.

The reply is not tenable as the Company though aware of the solution had not taken steps for implementation of the same.

Sale below average sale price

Sale below average sale price of 1998 crop year led to loss of Rs.18.35 crore to Government/ Company.

2.1.32 While comparing the average sale price (ASP) of 1999 and 2000 crops with 1998 crop for three consecutive auction/tender of the same Forest Divisions, it was observed that the realisation was far below ASP which resulted in loss of revenue of Rs.17.64 crore to Government and loss of commission of Rs.70.54 lakh to the Company. Though the Chairman of the Company, during the Negotiation Committee meeting held in November 1999, directed the reasons for shortfall in ASP of 1999 crop as compared to 1998 crop to be ascertained from the concerned DMs and GMs, the fall in ASP continued up to 2000 crop year. Thus, despite clear directions, there was no follow up action by the management to analyse causes of lower rates and take remedial actions.

Financial arrangement and guarantee commission

2.1.33 The trading of kendu leaves (KL) by the Company was to be self-supporting without any budgetary support from the Government. Therefore, in terms of the agreement with the Government, the Company was required to advance money to the Chief Conservator of Forest (CCF) (KL) by way of working advance on the basis of estimated production as decided by the Kendu Leaf Co-ordination Committee. The advance was to cover the cost of departmental operations towards fixed cost like bush cutting, repair and maintenance of phadies, payment to seasonal staff, miscellaneous contingencies, etc. and towards variable cost like purchase of KL, drying and storage, processing, bundling, bagging, transportation, etc.

The working fund was placed directly with the CCF (KL) by the Company up to August 1997. In September 1997, Forest Department modified the modalities of accounting procedure and directed the Company to send bank drafts in favour of the respective DFOs for operational expenses and in favour of CCF (KL) for central purchases and establishment charges. In this revised procedure, the Company incurred additional expenses of Rs.30.06 lakh towards bank charges for preparation of bank drafts during 1998-2002. The Company did not prefer claims with the Government for compensation in lieu of this expenditure leading to loss of Rs.30.06 lakh.

The management accepted (May 2003) the above facts.

Payment of guarantee commission of Rs.1.14 crore was not in the interest of the Company.

It was further observed that the Government extended guarantee for the loans of Rs.102.75 crore at 0.5 per cent guarantee commission per year between 1994-95 and 2000-01 out of which the Company availed Rs.92.75 crore for the working fund advance for KL and paid Rs.1.14 crore between 1998-99 and 2002-03 towards guarantee commission. Since the payment was a legitimate expenditure on KL trade, this was chargeable to the Government. Audit scrutiny revealed that the Company requested (8 November 2001) the Government for reimbursement of guarantee commission of Rs.46.37 lakh already paid. The Company did not pursue the matter with the Government and further paid Rs.31.50 lakh (November 2002) and Rs.36.38 lakh (December 2002) towards guarantee commission to the Government.

Plantation

2.1.34 Consequent to the merger of Orissa Plantation Development Corporation Limited with the Company with effect from October 1990, the Company was undertaking plantation of cashew in three zones and 16 divisions. Plantation works could not be taken up adequately for want of allotment of funds by Government under centrally sponsored and central plan schemes and the Company surrendered (February 1997) eight plantation divisions to the administrative control of the Government. Remaining eight plantation divisions have since been reorganised into two divisions at Bhubaneswar and Berhampur.

Collection of cashew nuts below the norm resulted in loss of potential revenue of Rs.19.12 crore.

The year wise collection and sales of cashew nuts for the years 1997-98 to 2001-02 are given in **Annexure-16** from which it would be observed that the collection was far below the norms resulting in loss of potential revenue of Rs.19.12 crore during the above period. The reasons for low fruiting and less revenue were not analysed by the Company.

The replies of Government/Company had not been received (October 2003).

Performance of plantation works

Company incurred loss of Rs.11.72 crore on works of outside agencies.

2.1.35 During the five years ended 31 March 2002, the Company took up plantation works of outside agencies* at a commission of 25 per cent of the cost of the work alongwith procurement and marketing of cashew nuts under its own plantation divisions. A comparison of the revenue earned (on commission and sale of cashew nuts) with the expenditure incurred by each division revealed that the expenditure of each division in all the years exceeded the income. The total loss for the five years up to 31 March 2002 (excluding the proportionate expenditure of corporate office) was Rs.11.72 crore.

* Railway, NTPC, MCL, DRDA, NH-5, PPT, etc.

In order to reduce these losses, the Board in their meetings in December 1996 and August 2000 decided to undertake large scale plantation work. No plantations were, however, taken up by the Company till March 2003.

The management stated (May 2003) that this loss was mainly due to establishment cost which was unavoidable.

The reply is not acceptable as the Company did not make any effort to take up large scale plantation as decided by the Board in 1996 and 2000.

Manpower

Surplus manpower

2.1.36 Ban on timber operation in three districts of the State viz. Phulbani, Bolangir and Kalahandi in October 1988 reduced the activity of the Company. The existing manpower (4,455) of the Company increased to 7,071 due to absorption of retrenched paper mill staff (160) and merger of three companies viz. SFDC (1,374), OPDC (900) in October 1990 and OCB (182) in April 1991. Further, ban on timber operation in the entire State in November 1992 reduced the activities of the Company substantially resulting in further increase in surplus manpower.

As decided by the Board (December 1990) the work of comprehensive manpower planning for ensuring productive utilisation of manpower and elimination of surplus manpower was awarded (May 1992) to Tata Consultancy Services (TCS). TCS submitted (January 1993) their report suggesting reduction in manpower based on norms fixed by them. The Board of Directors accepted (September 1993) the report and authorised the Chairman of the Company to constitute a Task Force (TF) to formulate necessary modalities and time frame for implementation of the report. The Board of Directors, however, constituted two committees only in May 1997. With a view to arrange funds for implementation of voluntary retirement scheme (VRS), the Government included (November 2000) the Company in the list of Department for International Development (DFID) funded scheme.

Meanwhile, the committees assessed (November 2000) the surplus manpower at 2,825 (including 1,047 daily-wage employees) in the field offices, 102 in zonal offices and 97 in the Head office. On the direction of the Government (19 June 2001) for implementation of VRS for right-sizing the PSUs, the Board of Directors again constituted (26 June 2001) a sub-committee to monitor the implementation of VRS/compulsory retirement scheme (CRS) for the defined class of employees at fortnight intervals to reduce the establishment cost by Rs.15 crore (minimum) per year. As of May 2003, only 808 daily-wage employees were retrenched (November 2001) and 330 regular employees retired (between September 2001 and June 2002) under VRS.

Failure to implement VRS effectively led to payment of idle wages of Rs.30 crore for two years.

2.1.37 Audit scrutiny revealed that though the fact of surplus manpower was noticed by the Company in 1990, the indecisiveness of the Company in assessing surplus manpower and finalisation of modalities led to delay of more than 10 years in reducing manpower. Even though the Board decided to implement VRS and CRS to retire 2,825 surplus staff, only 1,138 were relieved leading to non-reduction of establishment expenditure of Rs.30 crore for the two years i.e. 2001-02 and 2002-03 which also contributed to the loss of the Company. Besides, the Company also incurred an avoidable establishment expenditure of Rs.4.53 crore for the period from October 1993 to March 2001 due to failure to relieve 160 staff of paper mills absorbed in the Company though the Managing Director instructed (November 1993) the GMs, Berhampur and Bolangir (Commercial) zones to relieve the concerned staff with immediate effect. These 160 staff were not yet relieved (July 2003).

Management replied (May 2003) that the TCS report was considered as a foundation/reference to take various measures and Government took back plantation divisions from the Company based on this report. It had further stated that the services of employees are covered by legal protection and the employees have a number of forum for legal redressal. The absorption of paper mill staff was in compliance of the decision of the State Government and being a wholly owned State Government company, the decision of Government can not be disobeyed.

The reply is not tenable as the Company failed either to utilise the services of surplus manpower by diversifying its activities as many of its objectives were not yet taken up or to reduce the surplus manpower by implementing VRS and CRS since 1990.

Disciplinary proceedings

Contrary to the decision of the Board, 313 departmental proceedings involving Rs.12.04 crore were pending for disposal for more than 22 years.

2.1.38 The Board of Directors decided (September 1994) to expedite disposal of pending disciplinary proceedings within three months to safeguard the Company's interest. As on 31 March 2003, 313 departmental proceedings {excluding ministerial cadre (up to Head Assistant) and field cadre (up to Section Supervisor)} involving Rs.12.04 crore were pending for more than 22 years. Further, out of these 313 cases, 80 incumbents had retired and five expired; against whom Rs.4.64 crore and Rs.39.18 lakh respectively were outstanding. The delay in settling the cases was attributed by the Company to shortage of suitable Enquiry Officers (EO). It is pertinent to mention that in September 1994, the Board had decided to appoint Divisional Managers (DMs) as EO which was reconsidered and revised in September 2002, after a lapse of eight years, to appoint Deputy Divisional Managers and Sub-Divisional Managers as EOs. Even then the Company failed to settle the cases substantially and only three cases were settled during September 2002 to March 2003.

Internal Audit

2.1.39 The Company formed the internal audit wing in 1974-75. At present it is headed by Chief Audit Officer, who is assisted by one Internal Audit Officer, one Assistant Audit Officer, six Section Officers and 26 Auditors. In 1990-91 the pre-audit of payments at corporate office was introduced and entrusted to the Internal Audit wing. During the last five years ending 2001-02, out of 37,800 mandays, 18,370 mandays were utilised in field audit work and the balance were utilised for finalisation at Head Office. The year wise utilisation of mandays was between 29 and 60 per cent. During the last five years up to March 2003 only two reports were placed before Board on which no follow up action was initiated by the Board and 13,328 paragraphs were pending for settlement (July 2003).

The above matters were reported to the Government (June 2003) and also discussed in ARCPSE (July 2003); their replies had not been received (October 2003).

Conclusion

The Company, established in September 1962, undertook mainly exploitation of forest resources but failed in establishing industries based on forest products even after 40 years of its incorporation. The Company also did not initiate any action for developing plantation.

The Company incurred heavy losses due to (i) non-reduction or gainful redeployment of surplus manpower, (ii) delay in receipt and disposal of forest products leading to sale at lower rate, (iii) shortfall in achievement of the targets, (iv) shortages at depots and (v) short lifting of delivered quantity even with availability of huge surplus manpower.

The Company should initiate action to reorient its activities in view of the rapid changes and reduced activities in conventional areas to off set losses and achieve its objectives viz.:

- **resolve the issue of surplus manpower by proper redeployment/ implementation of voluntary retirement scheme/compulsory retirement scheme;**
- **maintain database of buyers and devise marketing strategy;**
- **sell the harvested forest products in the same crop year and maintain delivery schedules as per agreement;**
- **minimise loss on account of shortages by taking appropriate action.**

2.2 REVIEW ON THE WORKING OF ORISSA SMALL INDUSTRIES CORPORATION LIMITED

Highlights

The Orissa Small Industries Corporation Limited was established in April, 1972 as a wholly owned Government company to aid, counsel, assist and promote the interests of small industries in Orissa.

(Paragraph 2.2.1)

The accumulated loss increased to Rs.8.28 crore in 2002-03 from Rs.0.87 crore in 1999-2000 and the net worth decreased from Rs.10.14 crore in 1998-99 to Rs.1.38 crore in 2002-03.

(Paragraph 2.2.8)

Out of 9,936 small scale industrial units engaged in engineering and electrical trade, only four per cent are availing material from the Company.

(Paragraph 2.2.12)

Credit sales extended by Depot Managers in violation of guidelines resulted in doubtful recovery of Rs.2.96 crore.

(Paragraph 2.2.20)

Extension of credit without security led to doubtful recovery of Rs.2.26 crore.

(Paragraph 2.2.15)

Non-presentation of post-dated cheques in time by Depot Managers led to loss of Rs.1.12 crore.

(Paragraph 2.2.16)

Failure to specify the admissible incentive on shortfall in supply by Tata Iron and Steel Company Limited led to loss of Rs.0.77 crore.

(Paragraph 2.2.14)

Failure of the Company to review the viability of a subsidiary company from 1996-97 onwards resulted in additional loss of Rs.1.63 crore.

(Paragraph 2.2.30)

Introduction

2.2.1 Orissa Small Industries Corporation Limited (OSIC) was established in April 1972 as a wholly owned Government company with the main objectives to aid, counsel, assist and promote the interests of small industries in Orissa.

Objectives

2.2.2 The main objectives of the Company are:

- to aid, counsel, assist and promote the interest of small industries in Orissa;
- to provide them with assistance for the procurement of raw materials for their business;
- to provide assistance to improve their methods of manufacture and production techniques; and
- to provide assistance for marketing their goods.

Besides, the ancillary objectives are:

- to establish depots at different places within the State for effective and speedy supply of industrial raw materials, finished and semi-finished products to small industrial units;
- to work as stockist, for the State for iron and steel materials and supply the same in accordance with orders of Government.

Scope of Audit

Extent of coverage

2.2.3 The present review covers the overall activities of the Company for the five years ending 31 March 2003. Records of seven raw material depots[3],

[3] Cuttack, Bhubaneswar, Keonjhar, Angul, Berhampur, Rourkela and Balasore.

one coal depot[4] and two subsidiary companies[*] out of 13 raw material depots, two coal depots and four subsidiary companies respectively were test checked in Audit.

Audit objectives

2.2.4 The Audit objectives were:

- To review the performance of the Company with reference to main objectives and activities carried out during the past five years ending 31 March 2003.
- To examine the efficiency of the methodologies adopted to carry out its activities.
- To ascertain whether the Company effectively formulated policies and strategies in tune with the liberalised economy.

Audit Review Committee for State Public Sector Enterprises (ARCPSE)

2.2.5 The draft comprehensive appraisal on the working of Orissa Small Industries Corporation Limited was discussed by the ARCPSE in their meeting held on 5 July 2003. The State Government was represented by Principal Secretary, Industries Department, Government of Orissa and the Company was represented by Managing Director of the Company.

Organisational set up

2.2.6 The management of the Company is vested in a Board of Directors (Board) consisting of 12 directors including a full time Chairman and a Managing Director (March 2003). It was observed that the number of directors increased to 15 during December 1999 to May 2000 as against the maximum of 14 permissible as per Articles of Association. The Managing Director is the Chief Executive of the Company assisted by one General Manager, two Deputy General Managers and three Managers.

The post of Managing Director was held by six persons during the last five years up to March 2003 for periods varying from two to 18 months. The post of Chief General Manager was vacant since 1996. The posts of Financial Controller cum Secretary (vacant from March 2002) and two Deputy General Managers (vacant from February 2002 and November 2002) were not filled up (June 2003), depriving the Company of valuable resources for monitoring key areas and taking decisions.

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[4] Manguli at Choudwar.

[*] K.S. Refractories Limited, Jharsuguda and General Engineering and Scientific Works Limited, Berhampur

The Company had 13 raw material depots (RMDs) and two coal depots of which two (one raw material and one coal depot) were closed in October 2002.

Capital structure and borrowings

2.2.7 Against the authorised share capital of Rs.15.00 crore, the paid-up capital of the Company as on 31 March 2003 stood at Rs.9.66 crore. The borrowings of the Company as on 31 March 2003 were Rs.43.57 crore comprising secured loans (Rs.16.03 crore) and unsecured loans (Rs.27.54 crore). As on 31 March 2003, the unsecured loans showed an increase of 159 per cent over 1998-99. The reason for the increase was attributable to the inability of the Company to generate internal resources for repayment of loans.

Financial position and working results

2.2.8 The Company had finalised its accounts up to the accounting year 2000-01. Only provisional accounts were prepared up to 2002-03. The financial position and working results for the last five years ended 31 March 2003 are given in **Annexures- 17** and **18**.

The accumulated loss increased to Rs.8.28 crore in 2002-2003 from Rs.0.87 crore in 1999-2000.

As seen from the financial position, the accumulated loss increased to Rs.8.28 crore in 2002-2003 from Rs.87.49 lakh in 1999-2000, the debt-equity ratio increased to 4.51:1 in 2002-03 from 2.86:1 in 1998-99 and the net worth of the Company decreased from Rs.10.14 crore in 1998-99 to Rs.1.38 crore in 2002-03.

2.2.9 As observed from the working results, the Company sustained continuous cash losses from 1998-99 to 2002-03 which was mainly attributable to:

- continuous drop in sale of iron and steel materials since 2000-01. The sale of secondary iron and steel scrap by Director of Industries under State quota directly to SSI units also affected the sales of the Company with consequential loss of potential margin of Rs.2.50 crore per annum thereon;

- non-recovery of interest cost of Rs.11.66 crore involved in trading activities for the above period which constituted 44 per cent of the total interest paid on borrowings; and

- blocking up of funds in receivables from Agriculture Department (Rs.1.17 crore) since 1992-93, trade debtors of raw material depots (Rs.2.96 crore) since 1998-99 and recoverable advances from staff (Rs.53.39 lakh) since 1997-98.

Management stated (August 2003) that the cash loss was due to insufficient supply of TISCON[5] bars by Tata Iron and Steel Company Limited (TISCO), drop in sales due to market competition and increased use of re-rolled iron and steel materials by SSI units, high interest burden and non-recovery of long outstanding dues.

Activities of the Company

2.2.10 The Company during the period of review and in general was mainly engaged in procurement and distribution of raw material such as iron and steel materials, TISCON bars and plastic materials under various schemes to SSI units. The extent of coverage of its objectives are discussed in the succeeding paragraphs.

Aid and counsel small scale industrial units

2.2.11 During the period under review and in general, the Company did not render any service in aiding and counselling the SSI units. The Company even after 31 years of existence did not have a data-base on SSI units functioning in the State under various trades, their pattern of consumption and material requirement. Thus, the Company failed to achieve the objective of aiding and counselling small scale industrial units.

Provide assistance for procurement of raw material

The Company procures and distributes iron and steel materials to SSI units and is also distributor/stockist for TISCON bars and plastic materials.

Procurement of iron and steel materials

2.2.12 Government of India (GoI) entrusted (April 1972) the work of distribution of iron and steel materials, which were then in short supply, to small scale industries corporations (SSICs) to ensure the supply at reasonable prices to small scale industrial (SSI) units. Consequent to decontrol (April 1992) in steel pricing and distribution, the above scenario changed to a competitive market coupled with a surplus supply giving rise to under-cutting of price among the main producers. The Company distributed iron and steel materials to SSI units up to 1997 and thereafter the marketing of non-SSI items like TISCON bars was taken up as an alternative.

[5] TISCON: brand name of steel bars produced and marketed by TISCO.

Out of 9,936 units engaged in engineering and electrical trade, only four per cent drew material from the Company.

It was further observed that the sale of steel materials, other than TISCON bars, dropped considerably from 20,001 MT in 1999-2000 to 2,716 MT in 2002-03 and the percentage of actual sales to SSI units dropped from 63 to 10 per cent during the same period. Further, out of 74,133 SSI units engaged in various trades in the State as on March 2003, only 9,936 units were engaged in engineering and electrical trade of which only four per cent were drawing iron and steel materials from the Company. Thus, the Company needs to examine its policy of raw material distribution and continuance of depots.

Failure to enter into long term contract with consortium of SSIs and MOUs with prime producers led to non-availing of bulk discount.

The Government of India had observed (April 2002) that the distribution of iron and steel materials be de-linked from SSICs as only a meagre per cent of supply was routed through them and the main producers were directly supplying materials to SSI units. The Company neither discontinued the steel business nor formulated long term plans to remain competitive in the trade. Further, the Company failed to enter into long term contracts with consortium of SSI units and re-rollers for their raw material requirements to avail bulk discount from main producers. The Company neither entered into MOUs with main producers nor participated in the open tender floated by main producers for disposal of their stock.

Management stated (August 2003) that it could not participate in tenders as materials offered were either defective or of off grade. The reply is not tenable as the Company did not rework its strategy of participating in tenders though demand from SSI units existed.

Procurement of iron and steel materials through Government of India allotment

2.2.13 Based on the requirement/ past off take by SSI units, the Company intimates annual demand for iron and steel materials to GoI to allot materials from main producers. GoI grants a subsidy of Rs.480 per MT (PMT) of steel, out of which the Company passes on a discount of Rs.240 PMT to SSI units only. The Company procures the materials against such allotment from the main producers based on actual requirement of RMDs on monthly basis. The percentage of off-take of SSI product from central sector undertakings (CSU[$]) declined from 61 per cent in 1999-2000 to 15 per cent in 2001-02. Out of the total sale of 30,371 MT of SSI products during the five year period ending 31 March 2003, 8,296 MT was sold to non-SSI units on which subsidy of Rs.480 PMT from Government of India was not available. The Company failed to avail Rs.19.91 lakh as subsidy @ Rs.240[*] PMT on the quantity supplied to non-SSI units.

Due to sale of SSI products to non-SSI units the Company failed to avail subsidy of Rs.19.91 lakh.

Management stated (May 2003) that the SSI units were able to get materials at cheaper price. It further stated (August 2003) that the main reason for poor off take from CSUs was attributable to mismatch in the availability of material with main producers and demand by SSI units.

[$] Steel Authority of India Limited, Rashtriya Ispat Nigam Limited, Indian Iron and Steel Company Limited

[*] Out of subsidy of Rs.480, Rs.240 was to be retained by the Company and Rs.240 was to be passed on to SSI units.

The reply is not tenable as the Depot Managers of the Company had reported in the Annual Review Meeting that the sales target was not achieved due to un-timely delivery of materials and high price charged by the Company. The Company has also not taken steps to synchronise the demand with the availability of material by undertaking market study or measures to reduce costs.

Procurement of TISCON bars

2.2.14 Till April 2000, the Company was marketing bars, a non-SSI product, procured from main producers viz. TISCO, SAIL and RINL. From April 2000, the Company was appointed as distributor for TISCON bars of TISCO which was renewed annually. As per the terms of agreement, the Company was to lift 10,800 MT in 2000-01 and 16,000 MT per year thereafter and not to deal with any other manufacturer either directly or indirectly. Further, in the event of failure of TISCO to supply the minimum quantity, the Company would be entitled for incentives and in case of Company's inability to procure the annual tonnage it would not be eligible for discounts or performance incentives. Though the agreement provides for declaration of incentives from time to time based on parameters fixed by TISCO, the incentives and the parameters were not defined till date. The Company also failed to ascertain the admissible incentive and to claim incentive for non-supply of material by TISCO.

Failure to specify the admissible incentive on short supply led to loss of Rs.0.77 crore.

As against the target of 43,345 MT and indented quantity of 49,692 MT by the Company for the three years ending 2002-03, TISCO supplied only 34,055 MT. The shortfall in the supply was mainly due to failure of TISCO to make available lower dia (8mm to 12mm) bars which were in demand locally and irregular supply of other items. The Company could, therefore, not achieve its sales targets. As the Company was eligible for turnover discount of Rs.325 PMT, the discount foregone was Rs.30.19 lakh on the shortfall in supply of 9,290 MT by TISCO. Besides, the Company also lost Rs.46.45 lakh towards its margin at the rate of Rs.500 per MT on 9,290 MT.

The Company increased the sale of TISCON bars from 5,991 MT in 1998-99 to 11,144 MT in 2002-03 besides appointing sub-dealers from 2000-01 in the State. As the marketing of TISCON bars was profitable, the Company should have entered into long-term agreement with TISCO instead of annual renewal which was not in the best interest of the Company.

Credit sale of materials to SSI units

The Company did not provide direct financial assistance to SSI units for procurement of raw material but sold raw material to them on credit to increase sales. The performance of the Company in extending credit sales through Head Office and RMDs is discussed in the succeeding paragraphs.

Credit sale of iron and steel materials through Head Office

2.2.15 In April 1993, the Company introduced raw material credit scheme (RMCS) by merging two different credit schemes in operation since 1986. Under RMCS, materials were sold to SSI units on production of bank guarantee (BG)/letter of credit (LC)/margin money (MM) immediately after execution of the agreements. The Company was to fix the quantum of security deposit payable by the loanee as per the agreement. The rate of interest ranged between 22.75 and 24.75 per cent per annum to be compounded in a period of 90 days. The maximum credit period was, however, to be limited to 120 days.

Under the scheme, Rs.5.53 crore was outstanding as on March 2003 against 14 units. Four cases involving outstanding dues of Rs.3.27 crore have already been commented vide paragraphs 4.9.1 of Audit Report (AR) 2000 (Commercial), 3A.2.2 of AR 2001 (Commercial) and 4.5.3 of AR 2002 (Commercial).

The details of outstanding of Rs.2.26 crore as of 31 March 2003 are given in **Annexure-19**. A perusal of annexure revealed the following deficiencies:

- The Company filed legal suits in nine cases involving Rs.0.95 crore, but failed to initiate legal action in one case (Sl. No. 7 of Annexure) involving Rs.1.31 crore for reasons not on record;
- The Company did not stipulate the security deposit payable by the loanee (Sl. Nos. 1 to 6, 8 and 10 of Annexure);
- The Company granted higher credit duration of up to 120 days though the loanees applied for 30 days in all cases (except Sl. No. 7 of Annexure); and
- The Company failed to recover the dues under Orissa Public Deposit Recovery (OPDR) Act as details of properties of the loanees were not obtained while extending credit (Sl. Nos. 1,2 and 10 of Annexure).

Extension of credit without security led to doubtful recovery of Rs.2.26 crore.

Thus, the chances of recovery of Rs.2.26 crore from the above units appears remote. Further as the rate of interest was high, the response for the scheme was poor after 1996-97 and was being availed occasionally by SSI units.

Management confirmed (May 2003) the above facts and figures.

Credit sale of plastic materials through Head Office

2.2.16 The Company, from 1982, distributed plastic products of Indian Petrochemical Corporation Limited (IPCL) under the agreement with IPCL at a commission ranging between Rs.375 and Rs.500 per MT which *inter alia* provided for sale of materials on credit for 15 to 30 days as interest free secured loan.

Non presentation of post dated cheques in time by Depot Managers, led to loss of Rs.1.12 crore.

Audit scrutiny revealed that IPCL materials were sold on credit up to 90 days against post dated cheques (PDC) without approval of the Board of the Company. When this scheme was belatedly put up before the Board in August 1995, it was turned down. Despite this, the process of sale against PDC continued. The Board, however, approved the proposal in June 1997 for credit sale on case-to-case basis with a condition to execute agreement with the loanees. Between 1995-96 and 2001-02, the Company sold IPCL materials valued at Rs.148.69 crore to 40 units without any agreement and failed to collect the sale proceeds of Rs.1.12 crore from nine plastic industries as of June 2003 (as per detail in **Annexure-20**) due to acceptance of PDCs as security coupled with non-presentation of the cheques in time. Further, in three cases*, the Company had extended credit facilities amounting to rupees one crore even after the cheques were not honoured. Out of the nine cases referred to, three major cases are discussed in the subsequent paragraphs.

Ajanta Packers

2.2.17 Ajanta Packers, Jagatpur, procured IPCL material worth Rs.35.84 lakh from the Company on credit between May 1995 and May 1998 against PDCs and the outstanding dues against the unit as on June 2003 stood at Rs.20.23 lakh. It was observed in Audit that:

- The MD of the Company delayed the process of encashment of PDCs in time on the pretext of making personal contact with the loanee. No personal contact was, however, made since November 1998 even though the proprietor of loanee unit happened to be a director in the Board of the Company till September 1999 and attended all the Board Meetings;
- The Company could not initiate legal action for want of details of movable and immovable properties of the loanee. The details were neither collected before extending credit nor when the loanee was a director in the Board; and
- The above facts were not placed before the Board.

Orissa Polytex Industries (P) Limited

2.2.18 General Manager (GM) (Commercial) of the Company extended (June 1996) credit to Orissa Polytex Industries (P) Limited (OPI) against LC. It was observed that further credits were extended by GM (Commercial) from time to time, against PDCs, without obtaining LC. The loanee availed (up to December 1998) materials on credit for Rs.1.55 crore without executing any agreement. The transaction with OPI was stopped in December 1998. The outstanding against the unit stood at Rs.38.09 lakh as of June 2003. It was observed in Audit that:

- GM (Commercial) failed to obtain LC to cover the entire credit;

* Laxmi Polythene Private Limited, Padmini Polypack and Jit Pack.

- The credit worthiness of the loanee was not evaluated at any point of time;
- The details of movable and immovable properties of the loanee were not obtained while extending credit for initiating action under OPDR Act; and
- The Company had not initiated legal action against the unit (March 2003).

The Company was thus put to a loss of Rs.38.09 lakh due to negligence.

Laxmi Polythene Private Limited

2.2.19 Laxmi Polythene Private Limited, Jagatpur purchased materials valued at Rs.1.15 crore up to March 1998 on credit against PDCs. The PDCs furnished by the unit were dishonoured on three occasions between October 1996 and January 1998. Although the credit outstanding was Rs.7.73 lakh as of January 1998, the Company extended further credit of Rs.8.21 lakh between April 1998 and July 2000.

Scrutiny in Audit revealed that between May 1998 and July 2001 the loanee lifted IPCL materials worth Rs.32.14 lakh on "cash and carry" basis by adjusting a meagre amount of Rs.4.22 lakh, which was not even sufficient to meet the interest on the outstanding dues. Due to laxity in effecting recovery, the outstanding stood at Rs.22.75 lakh as of June 2003, though the loanee was financially sound.

Credit sale at raw material depots

2.2.20 The Company stopped (November 1993) credit sales at depots as funds were locked up with the parties due to lack of pursuasion in collection of dues and extension of further credit to defaulting parties by Depot Managers. In special cases, the Company permitted (November 1993) extension of credit as per guidelines issued in this regard.

The position of outstanding credit sales as on 31 March 2003 was as follows:

Category	Private parties		Government Departments		Total	
	No. of cases	Rs.in crore	No. of cases	Rs.in crore	No. of cases	Rs.in crore
Interest bearing credit	23	1.33	-	-	23	1.33
Non-interest bearing credit	176	0.85	97	0.78	273	1.63
TOTAL	**199**	**2.18**	**97**	**0.78**	**296**	**2.96**

Scrutiny in Audit revealed that the Depot Managers had not adhered to the guidelines while extending credit sales, as discussed below:

- Pre-sanction appraisal to ascertain the track record of the loanee was never made;
- Approval of Head Office was not obtained for any of the cases before extending non-interest bearing credit;
- Subsequent credits were extended in all cases without clearance of earlier credits;
- In two depots,* out of seven depots test checked, PDCs were obtained but not presented for collection; and
- Despite provision for charging interest on credit sales under Interest on Delayed Payment to Small Scale and Auxiliary Industrial Undertakings Act, 1998, the Company did not charge interest on the credit sales of Rs.1.63 crore.

Credit sales extended by Depot Managers in violation of guidelines resulted in doubtful recovery of Rs.2.96 crore.

The Chairman of the Company while reviewing the activities of RMDs had observed (February 2003) that non-involvement by Managers and Junior Managers had resulted in non-realisation of outstanding dues at depot level. Audit scrutiny revealed that in addition to the above, no system existed to monitor credit sales resulting in blocking up of funds mostly in non-interest bearing credits. In the absence of even postal addresses of the loanees, the chances of recovery of Rs.2.96 crore is doubtful.

2.2.21 Money receipt books (MRB) are an integral part of internal control mechanism for monitoring receipts at depots. The MRBs issued to RMDs were not maintained by Depot Managers to ensure proper accountal of MRBs and their use. Further, no system existed for accountal of receipt of PDCs and watch their timely presentation. Thus, accountal of all receipts could not be ensured in Audit.

The Company stated (May 2003) that the credit sales extended at depot levels were unauthorised and credit sales had been stopped. The management also accepted (May 2003) that the matter was serious and preventive measures had been taken to check such type of irregularities through internal audit and by inspection from time to time. The reply is not tenable as in the absence of any monitoring mechanism, mere inspection from time to time by internal audit would not bring out serious lapses in time for remedial measure.

Further, the Company had not established any system to stop such unauthorised credit sales despite being aware of the irregularities committed by Depot Managers and in respect of only one depot (Keonjhar), the Depot Manager was suspended.

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* Keonjhar and Rourkela

Credit sales at RMD, Rourkela

2.2.22 As on 31 March 2003, Rs.43.06 lakh was outstanding against interest bearing credit sales extended by RMD, Rourkela to 15 SSI units between July 1996 and March 1997. Non-realisation of dues were attributable to non-presentation of PDCs and extension of further credit without ensuring realisation of earlier dues. It was also observed that:

- In respect of only three cases involving outstanding dues of Rs.8.13 lakh, action had been initiated under the Negotiable Instrument Act.

- The Company did not initiate any legal action (under OPDR Act) against eight units in time whereby claims for Rs.27.70 lakh became time barred. Even in two cases, involving credit of Rs.6.90 lakh, which is not time barred, no action was initiated.

Management stated (May 2003) that all the ten loanees paid their principal and major portion of outstanding was towards interest for which legal action had been initiated. The reply is not tenable as the Company should have adjusted the recovery against interest first. The Company did not file legal suits for the past seven years and the claims became time barred.

Credit sales at RMD Keonjhar

2.2.23 The basic records for monitoring credit sales were not maintained at depots. Scrutiny of party ledgers and invoices maintained revealed that:

- In respect of 126 cases, the outstanding dues of Rs.37.60 lakh and in respect of 80 cases the recovery of Rs.1.50 crore were not carried forward in the ledger since 1998-99. The corresponding invoices were also not posted. As a result, the correctness of outstanding dues against these parties could not be ensured.

- In all the cases, non-interest bearing credits were extended by the Depot Manager without obtaining requisitions from the loanees and without the prior approval of Head Office. In respect of 92 cases, Rs.41.33 lakh was outstanding as of December 2002 on which no interest was charged.

- Part payments were received against each invoice on the day of credit sale. The extent of credit availed and address of the loanees were not noted in such cases, as a result, at a later date the loanees were not traceable and in some cases the outstanding was disputed. In 29 cases, involving outstanding dues of Rs.12.53 lakh, the Depot Manager effected regular cash sales on more than one occasion with the same parties without collecting earlier dues. In 35 other cases, credits for Rs.14.78 lakh extended on single occasion remained outstanding till date without further transaction with the party which indicated the lack of pre-credit appraisal of the loanees. In 11 cases, the loanees disputed their outstanding dues of Rs.3.45 lakh as their dues were already settled with the Depot Manager.

Absence of internal control and check system in raw material depot, Keonjhar led to doubtful recovery of Rs.0.79 crore.

Thus, the absence of internal control and check led to doubtful recovery of Rs.78.93 lakh (principal amount) besides interest loss over the years.

Management stated (May 2003) that the concerned Depot Manager has been placed under suspension for such irregularities and the firm of Chartered Accountants to whom the internal audit of RMDs was entrusted did not make proper analysis of customer ledgers.

The reply is not tenable as with a proper internal control system and effective monitoring by Finance and Commercial wings of the Company, these cases could have been detected and corrective action taken in time. Further, the Company had also not taken any action against the Chartered Accountants.

Assistance for marketing SSI products

The Company provides both project marketing assistance as well as product marketing assistance to SSI units by off loading bulk orders received from Government and public sector undertakings to SSI units.

Project marketing

2.2.24 The Company provides marketing support to SSI units in the State through "contract exchange scheme" by participating in tenders for procuring orders for various construction works and sub contracting them to the SSI units on back to back basis. Before participating in the tenders, pre-tender MOUs are entered into with the SSI units (sub-agencies).

The achievement of targets ranged between 9 and 28 per cent.

During the last five years ending 2002-03, the Company could not achieve the targets fixed for the contract exchange scheme. The achievement ranged between 9 and 28 per cent of the targets and the contribution ranged between 2.9 and 6.6 per cent. Further, 10 works were completed, one work rescinded and 17 were under execution up to March 2003. None of the works could be completed within the scheduled period and the delay ranged from one to three years.

Doubtful recovery of advance

2.2.25 The Company received (May 1999) work order from Central Warehousing Corporation, Bhubaneswar (CWC) for construction of a godown at Balasore at a cost of Rs.1.66 crore and entered into an agreement with CWC in June 1999. The work was to be completed within 12 months from the date of issue of the work order. The Company sub contracted (May 1999) the work to Pyramid Engineers (PE), a non-SSI unit, under an MOU on back to back basis at a margin of one per cent on the contract price. Even though MOU did not provide for payment of advances, the Company advanced Rs.29.63 lakh and supplied materials worth Rs.10.52 lakh to PE between June 1999 and November 2000 without any security or linking with the value of work completed. PE could not complete the work within the scheduled time (April 2000). On the request of the Company, CWC granted extension of time up to

March 2001. As the work was not completed within the extended period, CWC rescinded (March 2001) the contract in terms of the agreement.

The Company could not recover Rs.13.35 lakh from the bills of PE as no security against the advance of Rs.40.15 lakh had been obtained. The recovery of Rs.13.35 lakh, therefore, became doubtful. Further, CWC levied (June 2002) Rs.61.72 lakh as compensation (Rs.14.92 lakh as liquidated damages and Rs.46.80 lakh as additional cost due to offloading balance work). The Company though preferred (February 2002) a counter claim of Rs.76.05 lakh against CWC failed to prefer any claim towards LD and compensation against PE. The matter was yet to be finalised (March 2003).

Management stated (May 2003) that advance payment to the sub-contractor was made based on value of work done and materials brought to site by the sub-contractor. The Company's reply is factually incorrect as advance of Rs.13.35 lakh was still pending unadjusted from the bills.

Product marketing

2.2.26 The Company participates in tenders for bulk supply of products manufactured by SSI units and off loads orders to SSI units at a margin of 0.5 per cent to 10 per cent on case to case basis. The Company failed to achieve 70 to 80 per cent of the targets set for product marketing during 2001-02 and 2002-03 mainly due to non-implementation of Industrial Policy Resolution 2001 (IPR 2001).

Under IPR 2001, the Company would act as syndicate leader for marketing the products of SSI units of the State and was to be responsible for the overall quality control by collecting service charges not exceeding one per cent of sale value. Further, all rate contract items were required to be routed through the Company as consortium leader of SSI units and the Company was to be responsible for organising raw material at reasonable rate. These functions remained non-operational as guidelines were not issued by the Government even after two years of declaration of IPR (2001). Further, the Company did not form a consortium of SSI units for each category of product for marketing under a common brand name.

Establishment of depots in the State

The drop in sales was mainly due to fall in sale of 15 major group of items out of 18 although demand existed.

2.2.27 To achieve its main objectives of selling raw materials to SSI units, the Company is operating 13 depots in the State. The targets and achievements for sale of iron and steel materials at 13 depots for the period from 1998-99 to 2002-03 are given in **Annexure-21**. As observed from the annexure, the achievement against the targets was below 50 per cent in respect of three depots in 1999-2000, which increased to eight in 2000-01 and further increased to 12 in 2001-02 and was nine in 2002-03. On an average, sales to SSI units were only 36 per cent of the total sales during the above period. The sale of iron and steel materials in 2002-03 dropped by 86 per cent as compared to the sales figure of 1998-99 mainly due to fall in sale of 15 major group of items out of 18 despite the existence of demand.

Audit scrutiny revealed that the reasons for such poor performance were due to untimely supply of material and higher price charged than the market price.

As per the study report submitted by Prof. R.P.Mohanty in November 1995, the Company suffered from poor marketing efforts, absence of planning of material requirement, absence of conferencing with customers and suppliers, lack of adequate marketing research and sales promotion. To overcome the above deficiencies, the Company proposed (April 1998) a restructuring plan, which was yet to be approved by Government (July 2003). Further, the Company did not fix the break even sales or analyse the performance of each depot to justify their continuance.

Management accepted (May 2003) that there was no comprehensive policy or guidelines for operation of RMDs and also no comprehensive policy was made for various credit sales excepting raw material credit scheme.

Subsidiary units

2.2.28 Out of the four subsidiary companies, three subsidiaries viz. K.S. Refractories Limited, Jharsuguda, General Engineering and Scientific Company Limited, Berhampur and Orissa Timber and Engineering Works Limited, Sunabeda were closed and one subsidiary viz. Orissa Pump and Engineering Company Limited, Jagatpur was privatised (November 1998). Poor management, lack of modernisation/diversification and lack of control in the operation of these subsidiary companies resulted in huge losses to the Company, as discussed below.

Avoidable loss due to delayed decision to close a sick unit

2.2.29 Pursuant to a Government order, the General Engineering and Scientific Works (GESW), Berhampur, engaged mainly in manufacture of scientific instruments, was taken over by the Company in 1978 from Orissa Agro Industries Corporation Limited (OAIC). As the unit continued to incur losses from 1978-79 to 1990-91, a feasibility study was made through Orissa Industrial and Technical Consultancy Organisation (ORITCO) for diversification.

ORITCO in its Study Report (1992) proposed an additional investment of Rs.8.99 lakh on diversification and acquisition of Bureau of Indian Standards (BIS) certificate with intensive marketing efforts to make the unit viable. The Company did not proceed with the proposal and instead requested (April 1993) the Government of Orissa for the conversion of the unit into a subsidiary company which was accepted (August 1993). A subsidiary company was formed in January 1994. But GESW continued as a unit till June 1997. The Company, after three years, appointed (October 1995) an internal committee to study the ORITCO report. The committee submitted its report in

December 1995. Although there was no viable proposal for long term survival of the unit in the report, the Company advanced (April 1996) Rs.7.65 lakh for purchase of machinery (Rs.6 lakh) and administrative expenses (Rs.1.65 lakh). The assets were transferred to subsidiary only in July 1997. The Company, therefore, proposed (October 1997) to close down the subsidiary which the Government accepted. GESW was closed down in June 1998. The Company paid closure compensation of Rs.35.77 lakh of which only Rs.25 lakh was borne by Government by way of grant. The accumulated loss of Rs.2.42 lakh in 1992-93 increased to Rs.70.43 lakh in 1997-98 (up to June 1997).

Non-closure of the unit in time resulted in avoidable loss of Rs.0.68 crore.

Thus, due to non-closure of the unit in 1992-93 itself when no concrete proposal could be found for running the unit on commercial basis, the Company incurred avoidable loss of Rs.68.01 lakh. Management accepted (May 2003) the views of Audit.

Loss on operation of Orissa Timber and Engineering Works

2.2.30 Pursuant to a decision of the Government of Orissa, a unit of Orissa Agro Industries Corporation Limited was taken over (August 1975) by Company which was renamed as Orissa Timber and Engineering Works (OTEW). As per decision of the Government (August 1993), OTEW became a subsidiary company in January 1994 but the assets and liabilities were transferred only in July 1997. The accumulated losses as of June 1997 were Rs.67.30 lakh. Meanwhile, the Company conducted (December 2000) special audit to investigate the working of the unit. Based on the findings and exploring no ways for revival, the Company closed OTEW in July 2002. As the efforts of the Company to privatise OTEW did not materialise, the proposal from the employees of OTEW to buy the unit was under consideration (March 2003).

Failure to review the viability of Orissa Timber and Engineering Works from 1996-97 led to additional loss of Rs.1.63 crore.

It was observed in Audit that due to dearth of orders for engineering and bucket units and ban on use of wood in Government sector (1992) coupled with cancellation of the saw mill license of OTEW in 1995, the subsidiary became unviable. Hence, the viability of OTEW should have been reviewed in 1996-97 itself when the accumulated loss was Rs.67.30 lakh. By delaying the review, the Company suffered additional loss of Rs.1.63 crore as on January 2002.

Management accepted (May 2003) the views of Audit.

Additional sales tax payable

Procedural lapses led to levy of additional sales tax of Rs.7.09 crore.

2.2.31 The sales tax assessment of the Company for the periods from 1984-85 to 1999-2000 was finalised by Sales Tax authorities levying additional dues of Rs.7.09 crore as tax over and above what was paid by the Company as per its return. The additional claims were mainly due to acceptance of defective forms used by SSI units, failure to file declaration in support of sales to manufacturing units, failure to furnish documentary proof for higher percentage of labour component claimed, wrong classification of goods and non-production of Form XI in support of tax deposited at source.

The Company appealed (between 1992-93 and 2002-03) before various Tax Authorities against these cases by depositing Rs.1.33 crore which was a pre-condition for appeal. All such appeals were pending disposal (July 2003). Though the above lapses were recurring in nature, the Company did not take steps for rectifying these lapses nor identified the SSI units/parties from whom such additional sales tax was to be collected in the event of losing its appeal.

Failure to recover sales tax from a sub-contractor

2.2.32 The Company executed (1996-97 to 2000-01) the work of photo identity card (ID card) at four districts of Andhra Pradesh as per work order from Andhra Pradesh Technology Services Limited, a Government company. The work order stipulated payment of Rs.11.49 per ID card (inclusive of sales tax). The Company off-loaded the work to New Gen Technologies Private Limited, (NGT) New Delhi at a cost of Rs.9.49 per card (inclusive of sales tax) for execution and delivery at Andhra Pradesh.

NGT delivered 52,50,466 ID cards to the concerned districts of Andhra Pradesh. The Company paid Rs.17.91 lakh as sales tax at the rate of 3 per cent on the value of work done under Andhra Pradesh Sales Tax Act. The Company while making the payments to NGT did not deduct the sales tax of Rs.14.60 lakh (3 per cent of the bill amount) from the bills of NGT even though the rate of NGT was inclusive of sales tax and thereby incurred a loss of Rs.14.60 lakh.

Management stated (June 2003) that NGT was not liable to pay sales tax. The reply is not tenable as the rate was inclusive of sales tax, the Company should have deducted sales tax from the bills of NGT.

Manpower

2.2.33 In March 1998, the Board approved restructuring of the organisation to make it more officer-oriented. This restructuring proposal to achieve higher turnover by the Company was sent (May 1998) to Government for approval, which was awaited (July 2003). Pending restructuring, the Company could not effect promotions and the motivation of its staff remained low and the Company failed to derive optimum operational efficiency. Further, due to steep drop in turnover from Rs.99 crore in 2000-01 to Rs.50 crore in 2001-02, the Board had observed (March 2001 and June 2002) that for achieving the desired performance, professionalism in the work force should be inculcated and surplus manpower be reduced by right-sizing the work force. Consequently, the Company retrenched 25 employees {contract employee-13, nominal muster roll-11 and unit employee-1} at the lowest level between October 2001 and September 2002 but did not right-size the cadres of officers and other staff. Thus, the decision of the Board to right-size the organisation in

The Company failed to implement the instructions of the Board to right-size the organisation.

view of drop in turnover and continuous losses has not been implemented (July 2003).

Internal audit

2.2.34 An internal audit cell was formed in April 1996 headed by Manager (Finance) who was assisted by Assistant Manager (Finance) and three staff members. The internal audit cell was to prepare an Audit Manual and an Account Manual. In view of paucity of staff, the Board decided (March 1997) to entrust the internal audit work to external agencies viz. Chartered Accountants (CAs). Accordingly, the internal audit was entrusted to CAs from 1996-97 onwards. Their reports were, however, never (except for first quarter of 1998-99) placed before the Board. In August 2002, an internal audit cell was again formed.

In the absence of audit manual and accounts manual, the internal checks and internal control systems of the Company were not in place.

Management accepted the facts and stated (May 2003) that action was being taken for preparation of internal audit manual in line with other public sector undertakings.

The above matters were reported to Government (May 2003) and also discussed in ARCPSE (July 2003); their replies had not been received (October 2003).

Conclusion

The Company, even after 31 years of existence, could not take effective steps to carry out its main objectives. Out of total small scale industrial units engaged in engineering and electrical trade in the state, only four per cent availed materials from the Company. The Company did not adopt a systematic approach or formulate appropriate policies/guidelines for marketing the products of SSI units in the State. Though the Company concentrated on distribution of raw materials, it could not remain competitive even in this trade. The subsidiaries of the Company suffered huge losses due to management lapses and were ultimately closed. The Company also did not enter into long term contract with TISCO which was essential for its survival. In view of the persistent losses and also as the main activities of selling iron and steel materials to SSI units have lost relevance after decontrol of these products, the State Government may consider either redefining the main objectives of the Company or closure of the Company.

2.3 REVIEW ON THE WORKING OF ORISSA STATE ELECTRONICS DEVELOPMENT CORPORATION LIMITED

Highlights

Orissa State Electronics Development Corporation Limited was incorporated in September 1981 with the overall objective of promoting and establishing electronic industries, aiding, assisting, financing electronic related industries and setting up facilities for research and development, quality control test and development centre.

(Paragraph 2.3.1)

As the setting up of Indian Institute of Information Technology became uncertain, the expenditure of Rs.1.01 crore incurred thereon proved wasteful.

(Paragraph 2.3.16)

Raising of funds through bonds and subsequent premature redemption without utilising the money in the intended projects led to loss of Rs.1.49 crore being the differential amount of interest earned on fixed deposits and interest paid on bonds (Rs.1.08 crore) and other expenses (Rs.0.41 crore).

(Paragraph 2.3.19)

Failure to disinvest from five assisted units led to blocking of funds and loss of assured return of Rs.0.68 crore.

(Paragraph 2.3.11)

Failure to invoke personal guarantees led to doubtful recovery of Rs.1.09 crore.

(Paragraph 2.3.14)

Delay in starting the training programme for Y2K compliance led to loss of Rs.0.81 crore during 1999-2002.

(Paragraph 2.3.18)

Extension of guarantees for Rs.26.22 crore to the subsidiaries/assisted units without charging guarantee fee led to loss of revenue of Rs.0.66 crore.

(Paragraph 2.3.22)

Introduction

2.3.1 Orissa State Electronics Development Corporation Limited (OSEDC) was incorporated in September 1981 with the overall objective of promoting, establishing and executing electronic industries, aiding, assisting, financing electronic related industries and setting up facilities for research and development, quality control test and development centre, etc. The Company was expected to promote electronic industries in the State.

Objectives

2.3.2 Main objectives of the Company are:

- to promote, establish and execute industries, projects or enterprises for manufacture and sale of electronic goods;
- to aid, assist, finance and collaborate with electronics related industries; and
- to set up facilities for research and development, inspection, quality control test and development centres, etc.

Ancillary objectives are:

- to grant or guarantee loans or advances to any company engaged in electronic and related industry;
- to establish and maintain training institutions; and
- to promote subsidiary companies for the purpose of implementing any of the main objective of the Company.

Scope of Audit

Extent of coverage

2.3.3 The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1991 (Commercial). The Committee on Public Undertakings (COPU) did not discuss the Report and passed over in August 2002. The disinvestment of shares held by the Company in the joint sector/assisted companies was reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1995. Non-consideration of net asset value in the disinvestment of shares in Radiant Electronics Limited was commented in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1997. The above mentioned reports were yet to be discussed by COPU (September 2003). The working of the Company for the last five years up to

31 March 2003 was reviewed during November 2002 to February 2003 and the audit findings are discussed in succeeding paragraphs.

Audit objective

2.3.4 The Audit objectives were:

- to review the performance of the Company with reference to objectives and activities carried out during the last five years ending March 2003.
- to examine the efficiency of the methodology adopted to carry out its activities.
- to ascertain whether the Company effectively formulated policies and strategies in tune with the liberalised economy.

Audit Review Committee for State Public Sector Enterprises (ARCPSE)

2.3.5 The draft comprehensive appraisal on working of Orissa State Electronics Development Corporation Limited was discussed by the ARCPSE in their meeting held on 5 July 2003. The State Government was represented by Secretary, Information Technology Department, Government of Orissa and the Company was represented by its Managing Director.

Organisational set up

2.3.6 The management of the Company is vested with a Board of Directors (Board) consisting of 11 directors as on 31 March 2003; of which eight were from the State Government, two from Central Government and one from a university of the State. The Managing Director (MD) acts as the Chief Executive of the Company with the assistance of a General Manager (Technical) and a General Manager (Finance)-cum-Company Secretary.

The Company was having a full-time Managing Director up to March 2002. Thereafter, the Government appointed a Managing Director who also held the office of the Managing Director of two other public sector undertakings of the State.

Two Board Meetings were held without quorum and six Board Meetings were not held for want of quorum.

The Company could not hold four Board meetings between June 2001 and March 2002 for want of quorum (four directors). Only one director (MD) was present in three Board meetings and two directors (Chairman and MD) were present in one Board meeting. These four Board meetings were adjourned and never held subsequently. Further, the 72^{nd} and the 74^{th} Board meetings were held in May 2000 and March 2001 respectively without quorum. Similarly, two Board meetings scheduled to be held on 30 September 2002 and 26 March 2003 were not held as no director was present in those meetings. This indicated lack of seriousness on the part of directors in participating in the Company's affairs.

Share capital and borrowings

2.3.7 Against the authorised share capital of Rs.23 crore, the paid up capital of the Company as on 31 March 2002 was Rs.20.04 crore wholly contributed by the State Government. The borrowings of the Company were Rs.19.69 lakh up to 31 March 1999 which increased to Rs.20.20 crore as on 31 March 2002. The increase was due to issue of bonds during April 2000.

Financial position and working results

2.3.8 The Company had finalised its accounts only up to 1997-98. However, provisional accounts were prepared up to 2001-02. Based on the provisional accounts, the financial position and working results of the Company for the last four years ending 2001-02 are given in **Annexures-22** and **23** respectively. The net worth of the Company was Rs.17.84 crore in 1998-99 and increased to Rs.19.34 crore as of 31 March 2002 due to infusion of Rs.40 lakh towards paid up capital and Rs.1.35 crore towards capital grants.

The accumulated loss as on 31 March 2002 stood at Rs.2 crore without provision for doubtful loans and investment.

As observed from the working results, the Company earned a profit of Rs.17.14 lakh in 1998-99, Rs.19.43 lakh in 1999-2000 and incurred a loss of Rs.21.69 lakh in 2000-01 and Rs.15.31 lakh in 2001-02. The accumulated loss as on 31 March 2002 stood at Rs.2 crore without provision for doubtful loans and investment. Grants from the Government of Orissa was the main source of revenue. The losses were attributable mainly to the loss of Rs.80.72 lakh incurred by the Orissa centre for IBM software, as discussed in paragraph 2.3.18.

Promoting and establishing electronic industries

2.3.9 The review of the main objective of promoting, establishing and undertaking activities for setting up industries for manufacture and sale of electronic goods revealed that since inception (more than 21 years), a total of twenty industries (only one viz. IDCOL Software Limited during the period of review) were set up out of which only seven were working, ten had closed down and three were defunct.

Though the Company invested Rs.11.82 crore (as per details in **Annexure-24**) between 1982 and 2000 in its subsidiaries and assisted units as on 31 March 2002, it did not receive any dividend from these companies during 1998-2003 as a result of which the Company could not plough back any money from its investments. The Company, however, had received dividend of Rs.4.30 lakh 1992-93 to 1994-95 from one assisted company (Radiant Electronics Limited, Bhubaneswar).

IDCOL Software Limited

2.3.10 IDCOL Software Limited (ISL) was incorporated on 26 November 1998 as a joint venture of IDCOL (another State Government company) and the Company to establish a Microsoft Development Centre at Bhubaneswar for taking up different software assignments and a Microsoft Authorised Technical Education Centre for providing training to students. The share holding pattern in ISL between IDCOL and the Company was 60:40. The Company paid Rs.4 lakh in April 1999 and Rs.36 lakh in December 1999 towards its share of equity (40 per cent). The projected pay back period was 1.4 years for getting back the entire investment. ISL incurred losses from the beginning and did not pay any dividend to the Company.

Investment without ensuring viability of the unit led to unfruitful investment of Rs.0.40 crore.

It was observed in Audit that the Company invested Rs.40 lakh in ISL relying on the profitability statement of IDCOL and without independently verifying the viability of the project. The unit was to undertake computerisation projects for Government of Orissa and also impart training to students at a fee of Rs.0.25 lakh per student for one month course. Since Orissa Computer Application Centre is entrusted with systems development and promoting computerisation in the Government sector in the State as per Industrial Policy of Orissa, 1996, establishment of another company for the same purpose was not prudent. The unit was incurring losses and the accumulated loss stood at Rs.65.88 lakh as on 31 March 2002. Investment in ISL without ensuring the viability of the project thus proved unfruitful.

Non-adherence to provisions of disinvestment

2.3.11 For carrying on its promotional activities, the Company was to disinvest/buy back its equity shareholding in the joint-sector/assisted companies within certain period from the date of investment/commercial production/allotment of shares as stipulated in the agreements so as to recycle the funds for promoting new industrial units.

Failure to disinvest led to blockage of funds and loss of assured return of Rs.0.68 crore.

The Company invested Rs.58.91 lakh in five assisted units[6] between February 1994 and March 1998. As per terms of the agreements, the private promoters of the companies were required to buy back the shares between March 1995 and March 2002 with an assured return ranging from 12.5 to 18 per cent per annum to the Company. It was observed that the Company failed to ensure the buy back of its shares by the private promoters even after a lapse of one to three years from the due date and also failed to dispose of the shares to other parties as per the terms of the agreements. Thus, failure to buy back/effect disinvestment led to blockage of funds of Rs.58.91 lakh alongwith loss of assured return of Rs.68.05 lakh.

[6] (i) Radiant Telesystems Limited (Rs.40.00 lakh), (ii) NBC Iswar India (Private) Limited (Rs.7.00 lakh), (iii) Ortel Communications Limited (Rs.5.00 lakh), (iv) Krish Electronics Limited (Rs.4.95 lakh) and (v) Omtek Electronics Limited (Rs.1.96 lakh)

Aiding, assisting and financing electronic related industries

2.3.12 Audit scrutiny revealed that the Company provided (with effect from 1991-92) mainly non-financial promotional assistance for setting up electronics and I.T. industries in the State and assisted ten electronics industries up to 2002-03. To provide infrastructural facilities, the Company was planning (December 1997) to construct a multi-storyed building with all facilities to house software units. The Company did not pursue the proposal effectively for implementation despite funds being raised through bonds (Rs.7.00 crore) and critical infrastructure balance (CIB) grant from Government of India (Rs.3.60 crore).

Despite availability of funds infrastructure facilities for software units was not created.

Setting up facilities for research and development and quality control

2.3.13 The Company did not set up any research and development centre as on March 2003. However, the Company extended venture capital assistance for setting up of electronics industries and operated an Electronics Test and Development Centre for the purpose of quality control, as discussed below.

Venture capital assistance

2.3.14 To encourage entrepreneurs to set up electronics industries in the State, the Government of Orissa in its Industrial Policy Resolution - 1992 and Industrial Policy Resolution - 1996 provided certain additional incentives. Venture capital assistance was one among these additional incentives.

The Company received Rs.1.45 crore between February 1994 and April 1999 from the Government of Orissa to extend venture capital assistance for promotion of electronics industries. The Nodal Organisation Level Committee recommended (14 November 1996) for sanction of Rs.88.59 lakh in respect of five units[*] in the form of loan on production of collateral security. This was also approved (18 December 1996) by the State Level Committee. The Company disbursed Rs.74.65 lakh between January 1998 and March 1999 to four out of the five units in the form of loan against collateral security of share certificates (Rs.72.70 lakh) and land (Rs.1.50 lakh).

The following points were observed in Audit:

- An amount of Rs.25 lakh was sanctioned (December 1996) to Radiant Telesystems Limited (RTL) towards venture capital assistance, although the unit was not eligible for that assistance since the entrepreneur had not contributed 15 per cent of the approved project cost towards equity, as per the requirement of Orissa Venture Capital Assistance Rules approved by Government.

[*] NBC Ishwar (India) Private Limited (Rs.25 lakh), Radiant Telesystems Limited (Rs.25 lakh), Krish Electronics Private Limited (Rs.15.75 lakh), Nissan Electronics and Services Private Limited (Rs.13.94 lakh) and OMTEK Electronics Private Limited (Rs.8.90 lakh).

Failure to invoke personal guarantees led to doubtful recovery of Rs.1.09 crore.

- Even though the repayment period was over in respect of RTL and OMTEK, no steps were taken to invoke the personal guarantees of entrepreneurs as no list of properties had been obtained while executing personal guarantees. The Company could not recover any amount from any of the four companies, which stood at Rs.1.09 crore (including interest and penal interest of Rs.44.19 lakh) as on 31 March 2003.

- As per the balance sheet/performance status report as on 2000, 2001 and 2002 of the four companies, the net worth of three companies (viz. Omtek Electronics Private Limited, Krish Electronics Private Limited and NBC Ishwar (India) Private Limited) was substantially eroded due to continuous losses while the net worth of the other company (Radiant Telesystems Limited) was negative. The recovery of Rs.1.09 crore (principal: Rs.64.46 lakh and interest: Rs.44.19 lakh) thus became doubtful and it vitiated the very purpose of recycling the funds.

Management accepted the facts and stated (August 2003) that due to poor performance, the venture capital assisted companies defaulted in repayment of principal and interest.

Electronics Test and Development Centre

2.3.15 Electronics Test and Development Centre (ETDC), Bhubaneswar, one of the laboratories set up under standardisation, testing and quality certification (STQC) programme of Department of Electronics, Government of India for achievement of STQC's objectives of improving quality of Indian electronics products to enhance their acceptability in the domestic and international markets was operating as a division of the Company since 1981. The establishment expenses of the division was being met out of the revenue generated by the division and grants received from the State Government. During the years from 1998-1999 to 2001-2002, a sum of Rs.54.10 lakh was provided by the Government of Orissa as grants to ETDC.

It was observed that during 1998-2002, ETDC earned Rs.27.71 lakh as against an expenditure of Rs.82.67 lakh resulting in a deficit of Rs.54.96 lakh. Even after adjustment of grant of Rs.54.10 lakh received from the Government, there was a net deficit of Rs.0.86 lakh. To increase the revenue of ETDC, a proposal for starting Department of Electronics Accredited Computer Course (DOEACC) training in ETDC division was approved (December 1997) by the Board of Directors. The proposal aimed at starting 'O' level course in the first year followed by 'A' level course in the second year. An estimated capital investment of Rs.5.50 lakh in Phase-I for 'O' level course and Rs.9 lakh in Phase-II for 'A' level course was projected. The number of students to be trained was anticipated at 50 in the first year and 100 each year thereafter with an anticipated profit of Rs.1.59 lakh in first year and Rs.5.08 lakh each year thereafter. The Company invested (June 1998) Rs.4.29 lakh to implement DOEACC programme. The advertisements were made only in January and July 2000. The training course could not be started due to poor response to the advertisements.

Audit observed that:

- Though the DOEACC scheme was available since 1991, the Company attempted to implement the scheme only in 1997 whereby it failed to avail the advantage of a booming market for IT education.

- Even though the proposal was approved by the Board of Directors in December 1997 and required infrastructure was created by June 1998, the advertisements inviting applications from students for the training course were made only in January 2000 i.e, after a gap of two years.

Thus, due to inordinate delay in initiating the proposal for DOEACC scheme and its actual implementation, the Company lost an opportunity of being recognised as an accredited institute to conduct DOEACC scheme and to enhance the revenue of ETDC.

Setting up of Indian Institute of Information Technology (IIIT)

2.3.16 The Company submitted (March 1997) a proposal to the State Government for setting up of a specialised institute for higher learning in information technology viz. Indian Institute of Information Technology (IIIT), involving a long term five year plan for creation of a campus in about 100 acres of land and a short term plan with a one-time grant of Rs.1.50 crore and 50,000 sq. ft. of Toshali plaza building at a subsidised rent for six months. This proposal aimed at starting the institute by September 1997. As per Information Technology Policy of Orissa 1998, IIIT was to be funded by the State Government, Central Government, foreign foundations, IT industry, non-resident indians and others.

Wasteful expenditure of Rs.1.01 crore was incurred as setting up of Indian Institute of Information Technology project became uncertain.

Due to delay in finalisation of the modality of the funding, the State Government directed the Company only in May 2001 to submit the detailed project report. The Company submitted (September 2001) the report to Government wherein the project cost of Rs.38 crore was to be funded by the Company and State Government (Rs.10 crore) and Central Government/ industry (Rs.28 crore). The Company also received Rs.1.56 crore from the Government between December 1998 and April 1999 as grants. The Company spent Rs.1.01 crore up to 31 March 2002 for implementation of IIIT out of the grant leaving an unspent balance of Rs.55.46 lakh. The expenditure made out of the grants was mainly towards salary and allowances of the Company’s regular employees, travelling expenses and other administrative/establishment expenses without creation of any tangible asset/facility for IIIT.

In the meeting held on 11 March 2002 under the chairmanship of the Chief Secretary, it was decided to provide one of the IDCO towers for IIIT Project as Government of Orissa’s share. No further progress in setting up of IIIT was made.

Audit scrutiny revealed that:

- Though the modality of funding provided a wider option, the Company/Government kept on changing the options and constituted various committees to decide upon the modality and the Company could not take steps to start the institute as proposed;

- As six IIIT institutes at Bangalore, Hyderabad, Allahabad, Gwalior, Thiruvanthapuram and Kolkata had come up, non-establishment of the proposed project of IIIT at Bhubaneswar was a major set back to the IT sector in the State of Orissa and a failure of the Company/ Government to achieve an important measure under IT Policy; and

- Since the setting up of the project seems uncertain the expenditure of Rs.1.01 crore made on this project has not provided any returns.

Setting up of Orissa Centre for IBM Software (OCIS)

2.3.17 The Board of Directors of the Company approved (February 1997) the proposal to set up a high quality training centre on self sustaining basis at Bhubaneswar for high-end software training as a joint effort of IBM and the Government of Orissa at an estimated project cost of Rs.1.50 crore (excluding the cost of land and building). This proposal was also approved (December 1997) by the Project Approval Committee of the State. An agreement was signed by the Company on 7 January 1998 with IBM Global Service India Private Limited (IBMGS), Bangalore for an initial period of three years. As per this agreement, a sum of Rs.16 lakh was paid (3 February 1998) by the Company to IBMGS towards instructor training and support fees (Rs.10 lakh) and courseware development fees (Rs.6 lakh). A recurring courseware fee (royalty) was also agreed to be paid at the rate of 25 per cent of gross revenue. The agreement with IBMGS was renewed (June 2001) for a period of three years on payment of Rs.4 lakh towards one time non-refundable facility fee.

For the training centre, the land, building and other assets like computer and its accessories, furniture, etc. valued at Rs.1.68 crore were purchased. On the request of the Company (September 1998), the Government provided Rs.1 crore in the form of equity capital in two phases (Rs.70 lakh in January 1999 and Rs.30 lakh in March 1999) for the training centre. The training centre became operational with effect from August 1998.

Audit scrutiny revealed that:

- Out of the three main courses (viz. IBM Main Frame, Application Developer Course and Power User Course), the Power User Course was not conducted at all. The percentage of actual student strength in the other two courses in comparison to the projection for four years ranged between 41 per cent and 0.50 per cent.

- The receipt towards course fees was Rs.75.30 lakh in 1998-99, Rs.46.62 lakh in 1999-2000, Rs.23.16 lakh in 2000-01 and Rs.10.65

lakh in 2001-02 against the projected income of Rs.1.96 crore, Rs.2.82 crore, Rs.3.44 crore and Rs.3.44 crore, respectively.

- The training centre earned profit of Rs.13.46 lakh in 1998-99 and incurred losses of Rs.13.25 lakh in 1999-2000, Rs.38.19 lakh in 2000-01 and Rs.15.95 lakh in 2001-02 against the projected cash profit of Rs.64.90 lakh, Rs.1.08 crore, Rs.1.31crore and Rs.1.21 crore, respectively.

2.3.18 While putting up proposal for introduction of MCA course at the training centre before the Board of Directors (70th meeting held on 30 December 1999), the decline in the performance of the IBM training centre was attributed to courses being expensive and opening of many training centres in Bhubaneswar and other parts of the State. Audit observed that poor performance was also attributable to:

- commencement of training in IBM Main Frame course for Y2K compliance as late as in August 1998, which left a short period of one year to cross the Y2K deadline; and

- non-availability of satellite earth station facilities with effect from October 1999.

Delay in starting of the training programme led to loss of Rs.0.81 crore.

Management stated (August 2003) that OCIS had earned Rs.1.11 crore towards tuition fees after meeting royalty and stipend. The reply is not tenable as OCIS incurred a net loss of Rs.80.72 lakh though it was set up to run on self-sustaining basis.

Utilisation of borrowings

2.3.19 The Company proposed (March 1998) to raise funds of Rs.20 crore through issue of bonds with Government guarantee for implementation of three projects*. The Government of Orissa, while extending guarantee stipulated (January 2000) that the servicing of bonds would be treated as equity and loans (50:50) at the rate of interest of 12.50 per cent per annum on the loan amount and investment of bond proceeds should require prior approval of the Government. The Company raised bonds of Rs.20 crore between 15 March 2000 and 10 April 2000 at an interest rate of 13.50 per cent per annum with the approval of the State Government. The bonds were to be redeemed at the end of the 7th year from the deemed date of allotment (16 April 2000).

*(i) Establishment of Indian Institute of Information Technology (IIIT) - Rs.10 crore,
(ii) Construction of a multi-storeyed building for housing software units - Rs.7 crore, and
(iii) Contribution to SIDBI Venture Capital funds - Rs.2.50 crore.

Scrutiny in Audit revealed that:

- The proposal of the Company for implementation of these projects was not duly appraised with reference to the preparedness of the field for investment, availability of alternatives and sustainability of the projects with Government backing. This was evident from the fact that only after raising the funds, a series of meetings were held at various Government levels to decide upon the modalities for utilisation of the funds. Further, for setting up of IIIT, the preliminary works of seeking clearance from the Government of India, preparing detail project report and identifying the source of balance funds (Rs.28 crore) for the project were not done before going in for borrowings. The proposal for Venture Capital Fund was not considered since Venture Capital Fund of Rs.10 crore (The Orissa Venture Capital Fund) was kept unspent with IPICOL and Rs.69.85 lakh with the Company since 1999.

- Pending utilisation of funds in the proposed projects, the Company kept the entire bond proceeds of Rs.20 crore in fixed deposits with banks at the rate of interest ranging from 10.25 to 10.75 per cent per annum and received Rs.4.44 crore towards interest during the period March 2000 to April 2002. But the Company incurred an expenditure of Rs.5.52 crore towards interest on bonds for the corresponding period over and above the expenses of Rs.41.06 lakh incurred towards cost of raising the bonds. As a result, the Company sustained a loss of Rs.1.49 crore being the differential amount of interest earned on short term deposits (STDs) and the interest and other expenses paid.

- The Company, in pursuance of the direction of the Government (April 2002), prematurely retired the entire principal amount of Rs.20 crore alongwith the interest thereon between April 2002 and April 2003.

Investment of bond money in Short Term Deposits led to loss of Rs.1.49 crore.

Thus, raising of funds through bonds and subsequent premature redemption of bonds without utilising the money in the intended projects, rendered the entire exercise futile and resulted in a loss of Rs.1.49 crore to the Company/ Government.

Management stated (August 2003) that the transaction cost of raising and redeeming the bonds might not be treated as waste, as the implementation of those projects had been shifted to a future date. The reply is not tenable as no asset or facility had been created so far (August 2003) for utilising them in future.

Utilisation of grants-in-aid

2.3.20 The Company received revenue grants of Rs.3.78 crore and capital grants of Rs.3.01 crore during 1998-2003. Out of capital grants of Rs.3.80 crore received (including opening balance of 1998-99), utilisation certificates against grants for IIIT and IT, hardware park and financial incentive (venture capital) for Rs.1.49 crore, Rs.79.14 lakh and Rs.69.85 lakh respectively had not been furnished (June 2003) though due by 30 June 1999. Out of Rs.3.80 crore received for the above three projects, the Company spent only Rs.1.99 crore leaving an unspent balance of Rs.1.81 crore as on 31 March 2003. Against the unspent capital grants, the Company had only Rs.1.50 crore as cash and bank balance including short-term deposits as on 31 March 2003. This indicated that the Company had diverted a sum of Rs.30.82 lakh for other purposes in violation of the sanction orders. The Audit findings on utilisation of grants are discussed in the succeeding paragraphs.

Wasteful expenditure out of Government grants

2.3.21 The Company proposed (December 1994) to develop an area of Bhubaneswar as an integrated industrial complex with an attached township and world class communication facilities to attract international investment in electronics hardware and software. During December 1994, the proposal was discussed with a team from AGIO Group of Companies, Singapore who did not agree to invest in Bhubaneswar in the absence of an international airport and container handling facilities. However, the Company continued to incur an expenditure of Rs.23.79 lakh up to 1998-99 towards printing of booklets, travelling expenses, advertisement, etc. The entire expenditure was adjusted (during 1998-99) against the grants received from the Government of Orissa. Thus, pursuing the project, in spite of reluctance of the foreign investors to invest in the project resulted in wasteful expenditure of Rs.23.79 lakh.

Management accepted the above facts and stated (August 2003) that the expenditure could not yield any tangible result.

Guarantee and guarantee commission

2.3.22 The Company had been extending corporate guarantees to its subsidiary companies/assisted units. As per the provisional accounts for 1998-99, the Company had extended corporate guarantees for Rs.26.22 crore. The relevant files containing execution of guarantees, present status of guarantees, details of counter guarantees etc. could not be made available to Audit though called for (December 2002).

Extension of guarantees for Rs.26.22 crore to the subsidiaries/assisted units without charging guarantee fee led to loss of revenue of Rs.0.66 crore

As per Section 370 of the Companies Act, 1956, approval of the State Government (Administrative Ministry/Department concerned) was to be obtained before giving any guarantee. The Company did not obtain approval from the Government of Orissa for extending guarantees, which violated the provisions of Section 370 of the Companies Act. Further, while Government of Orissa charges guarantee fees at the rate of 0.50 per cent per annum for extending guarantees to the State public sector enterprises, no guarantee fee had been recovered by the Company. Thus, the Company lost the opportunity of earning potential revenue of Rs.65.55 lakh for the last five years up to 2001-02.

Management stated (August 2003) that Section 370 of the Companies Act was not applicable at that time when the guarantees were given and the Company was not aware of the provision under which the guarantee fee was chargeable.

The reply is not tenable in view of the fact that Section 370 was applicable from 20 February 1978 to 30 October 1998 when guarantees were extended by the Company. Further, the Board of Directors of the Company had taken a decision in their 52nd meeting dated 12 December 1994 to charge guarantee commission at State Government rates which had not been implemented.

Assets utilisation

Idle retention of land

2.3.23 For construction of corporate office building, the Company took over (October 1990) possession of land measuring 1.08 acre in Nayapalli on lease for a period of 90 years from the Government at a cost of Rs.19.93 lakh. Offers were invited from builders only in September 1995, after a lapse of five years, for construction of office-cum-shopping complex. The Board in their 55th meeting held on 26 September 1995, while approving the parameters for selection of builders, had constituted a screening committee to evaluate the bids received and select the builder. The matter was not pursued thereafter. Again the Board in their 64th meeting held on 9 December 1997 approved construction of a multistorey building on this land for housing software units. No action had so far been taken by the Company (August 2003). Idle retention of land led to blocking of funds of Rs.19.93 lakh since October 1990.

Management stated (August 2003) that the vacant land would be utilised in future in accordance with the policy decision of Government.

Manpower

2.3.24 Despite the dwindling activities over the years, the management had not assessed the manpower requirement so as to identify the surplus manpower. Even though Public Enterprises Department circulated the model voluntary retirement scheme (VRS) in September 2001, the Board of Directors decided only in June 2002 to implement the VRS to reduce the manpower and directed to identify the surplus employees in the Company. Accordingly, 46 employees were identified (January 2003) as surplus and the matter was discussed (January 2003) by the Board who unanimously viewed that down-sizing of the manpower was inevitable in view of considerable reduction in the business activity of the Company and directed to invite applications from the intending employees to opt for voluntary retirement. Applications were called for from the employees in February 2003. Thus, there was a delay of 15 months (October 2001 to December 2002) in taking action to implement VRS. Idle wages on this account worked out to Rs.60.09 lakh (calculated on the basis of average emoluments for 2001-02).

Internal audit and internal control

Internal audit

2.3.25 The Company did not have internal audit wing. It had also not framed audit manual and accounts manual. The internal audit of the Company was done by outside firms of Chartered Accountants and completed only up to 2001-02. The internal audit reports (IARs) were not made available to Audit, though called for (August 2003). It was noticed that the IARs were never placed before the Board of Directors.

Internal control

2.3.26 As per Section 292A (effective from 13 December 2000) of the Companies Act, 1956 every public company having paid up capital of not less than five crores of rupees shall constitute a committee of the Board known as Audit Committee. The Company did not constitute an Audit Committee so far (August 2003) and thus did not comply with the provisions of the Companies Act. This indicated lack of seriousness on the part of the management to improve the quality of financial accounting and internal control system in the Company.

The above matters were reported to Government (May 2003) and also discussed in ARCPSE (July 2003); their replies had not been received (October 2003).

Conclusion

The Company which was incorporated with the main objective to promote electronics industries in the State failed to effectively pursue the main objectives. During the period under review, only one unit could be promoted in the joint venture which also was performing badly. The Company failed to implement the venture capital assistance scheme successfully. Though the Company pursued its ancillary objective of providing IT education, the IT training programme conducted had not yielded the desired results nor was it commercially viable. Working capital requirements were mainly met out of State Government grants. The Government may formulate appropriate policy and guidelines for the Company to reorient its activities or consider closure of the Company.

Chapter-III

Miscellaneous Topics of Interest relating to Government companies and Statutory corporations

Government companies

Konark Met Coke Limited

3.1 Loss on unplanned import of three mill fans and auxiliary fans

Failure to ensure timely clearance despite availability of funds for the purpose led to a loss of Rs.40.17 lakh

On the recommendation (October 1998) of MECON (Techno-Economic Consultant of the Project) and Tender Negotiation Committee (April 1999), letter of award (LOA) was placed (April 1999) on M/s JSC Energomachexport, a Russian firm, for manufacture, assembly and delivery of three mill fans and auxiliary fans for the Coke Oven Complex of the Company at FOB price US$ 6,43,095, in addition to supervision fees for erection and commissioning at US$ 61,200. The total contract price amounted to US$ 7,04,295. The purchase order was placed in March 2000.

As per the purchase order, the consignment was to be delivered within 10 months from the date of opening (May 2000) of letter of credit (LC) (March 2001) and 100 per cent FOB price to be paid through irrevocable LC at sight.

The consignment was shipped on 2 March 2001 and on arrival (March 2001) at Mumbai port was put to bonded warehouse initially for one month on the ground of non-availability of required funds to pay customs duty of Rs.1.59 crore*.

Audit observed that in April 2001, the Company instead of making payment of customs duty for clearing the materials, made a TDR investment of Rs.1.50 crore. The materials were ultimately kept in the warehouse for one year till April 2002 despite availability of Rs.2 crore by way of TDR investment. Consequently, the Company suffered a loss of Rs.40.17 lakh by way of (a) penal interest of Rs.38.06 lakh reckoned @ 24 per cent per annum on unpaid customs duty with effect from 1 June 2001, and (b) warehousing charges of Rs.2.11 lakh. The equipment also could not be tested since they were lying at

* Customs duty calculated on basic value of Rs.2.80 crore at exchange rate 1 US$=Rs.46.85 in March 2001.

the Company's project site (May 2002). Meanwhile, the warranty period which was valid for 24 months from the date of shipment had also elapsed by 1 March 2003.

Thus, unplanned import of three high value mill fans and auxiliary fans in March 2001 and failure to ensure timely payment of customs duty and clearance till April 2002 from Mumbai port led to a loss of Rs.40.17 lakh to the Company.

The management/Government stated (August/September 2003) that due to reappraisal of the project in April 2001, the funding by FIs/banks was kept on hold and urgent site requirement like labour payment and contractor's running account bills were met out of available funds. The reply is not tenable since the Company had surplus funds available in TDR which could have been utilised for payment of custom duty etc.

Orissa Rural Housing and Development Corporation Limited

3.2 Doubtful recovery of term deposit

Investment in term deposit in violation of the guidelines of Government/ Board led to doubtful recovery of Rs.59.19 lakh

The Board of Directors of the Company decided (November 1997) to adopt the guidelines issued (November 1996) by Public Enterprises Department of Government of Orissa for investment of surplus funds and directed to evolve a comprehensive policy and constitute a sub-committee to take decisions for investment of surplus funds. The Board's directions for constitution of a sub-committee and formulation of a comprehensive policy were not carried out.

On the request (September 2000) of the President, Bhubaneswar Small Traders' Co-operative Credit Society Limited, Bhubaneswar (BSTCCS), the Company deposited (September 2000) Rs.1 crore with BSTCCS at an interest rate of 13 per cent per annum for six months without approval of the Board. BSTCCS was registered in March 2000 and its paid up share capital was Rs.12.30 lakh against an authorised share capital of Rs.1.60 crore at the time of investment. As per guidelines, investment in term deposits was to be made only with a scheduled commercial bank having net worth of Rs.100 crore. Thus, BSTCCS did not fulfill the prescribed norms.

On maturity of the deposit (20 April 2001), BSTCCS refunded (April 2001) only Rs.50 lakh along with interest of Rs.6.50 lakh and requested for retaining the balance amount of Rs.50 lakh as term deposit for another one year at an interest rate of 10.50 per cent per annum. The Company accepted (April 2001) the proposal in violation of the prescribed guidelines debarring such renewals after maturity. On maturity, the Company asked (April 2002) BSTCCS to refund the deposit amount of Rs.50 lakh along with interest. BSTCCS did not refund the money and requested for further renewal.

The Company issued (May 2002) legal notice to BSTCCS and lodged (August 2002) FIR. The Company simultaneously requested the Registrar, Co-operative Societies (June 2002) and the State Government (August 2002) to intervene in the matter but it was unable to receive the funds so far (February 2003). Meanwhile, the Board of Directors directed (July 2002) that responsibility be fixed within 15 days, on the officials who made such deposit leading to loss to the Company and to file a criminal case against BSTCCS. The compliance to the Board's directions was however, not found on record.

Thus, investments made by the Executive Director (Finance) of the Company in violation of the guidelines of Government/Board led to doubtful recovery of Rs.59.19 lakh including interest of Rs.9.19 lakh as of January 2003.

The matter was reported to Management/Government (February 2003); their replies had not been received (October 2003).

Orissa Mining Corporation Limited

3.3 Loss due to injudicious decision

Loss of Rs.79.16 lakh due to failure to obtain bank guarantee (Rs.38.26 lakh) compounded by injudicious decision for fresh tendering despite adverse market conditions (Rs.40.90 lakh)

The Company executed (September 2000) an agreement with Visa Comtrade AG (VISA) and Glencore International AG, Switzerland (GLENCORE) for export of 30,000 MT chrome concentrate at US$ 62 per DMT* by November 2000. Both the parties declined to take the delivery due to adverse market conditions. The Company could not penalise the parties since no penal clause/financial instruments for non-performance of the contractual obligation were included in the agreements. Again, in December 2000, the Company entered into a fresh agreement with VISA for export of 30,000 MT at US$ 60 per DMT by March 2001 including a clause for submission of bank guarantee (BG) in US dollars for 5 per cent of the FOB value of 30,000 MT towards non-performance of contractual obligation. VISA lifted 9,460 MT in December 2000 and 15,300 MT in January 2001 and did not submit the BG. Meanwhile, on 19 December 2000 the Company again offered an additional 30,000 MT to VISA at the same rate without insisting on submission of BG for the first contract. VISA agreed to lift the additional quantity at a discount of US$ 1.50 per DMT for first 10,000 MT, US$ 3 per DMT for next 10,000 MT and US$ 4 per DMT for the balance 10,000 MT on the ground of depressed market condition and low price realisation in the Chinese market. The Price Committee of the Company headed by the Managing Director recommended (January 2001) the discounted rate in view of depressed market condition and recommended against going for fresh tendering. However, the Board of Directors of the Company decided (February 2001) to go for fresh

* Dry Metric Tonne

tenders. Through the tender process the Company allotted 35,000 MT at US$ 52.50 per DMT in favour of VISA (20,000 MT) and GLENCORE (15,000 MT).

Audit scrutiny revealed that the General Manager (S&M) of the Company failed to include the penal clause in the 1st agreement (September 2000) and also failed to collect the BG for Rs.38.26 lakh from the buyer even though a clause was provided in the subsequent agreement (December 2000). The Company thereby sustained a loss of Rs.38.26 lakh. Further, not withstanding the glut in the market and the declining price trend, the Board's decision for fresh tender lacked commercial prudence. This resulted in loss of Rs.40.90 lakh being the differential value of sales at discounted rates (US$ 56 to 58.50) and tendered rates (US$ 52.50).

The Government stated (June 2003) that BG for the balance quantity could not be enforced as VISA insisted that they would have lifted the entire quantity had the Company given time up to March 2001. Fresh tendering was made to get a competitive price for export sales by giving opportunity to all the mineral traders.

The reply is not tenable as VISA had agreed to the BG clause in the formal agreement. Obtaining and invocation of the BG in the event of non-performance of contracts by VISA was the responsibility of the General Manager (S&M) of the Company. The decision of the Board for fresh tendering overruling the MD's assessment of depressed market conditions was detrimental to the interest of the Company.

Thus, due to non-enforcement of the BG clause of the agreement and decision of Board of Directors for fresh tendering instead of accepting the discounted rates, the Company sustained loss of Rs.79.16 lakh.

3.4 Injudicious investment

Investment of surplus funds without adhering to Public Enterprises Department guidelines resulted in loss of Rs.38.81 lakh

The guidelines for investment of surplus funds by Public Sector Undertakings (PSUs) issued (November 1996) by the Public Enterprises (PE) Department, Government of Orissa, which inter alia stipulate that (i) the guidelines should be placed before the next meeting of the Board of Directors of the Company to evolve a suitable procedure to cover investment of surplus funds, (ii) investment decision should be based on sound commercial judgement, and (iii) decisions for investing surplus funds for more than one year should be taken by the Board of Directors and up to one year, by the officers delegated by the Board viz. Managing Director, Head of Finance Department with proper system of reporting to the Board in the next meeting.

Audit scrutiny revealed that the Company in violation of the above guidelines invested amounts ranging from Rs.5 lakh to Rs.2 crore in 37 term deposits

(TDs) aggregating Rs.19.59 crore between May 1998 and June 2000 at interest rates ranging between 8 and 11.50 per cent per annum, for periods ranging from one to four years (including renewal of 24 TDs (Rs.12.09 crore) for a period of one to two years).

It was noticed in audit that out of 37 TDs, investment in 29 TDs (Rs.14.99 crore), corresponding to eight TDs (Rs.4.60 crore) of the same time and period, were made at lower rates of interest ranging from 0.5 to 2 per cent which resulted in loss of interest of Rs.17.32 lakh. Further, out of the 24 renewed TDs, 18 TDs which were invested at interest rates of 9 to 11.5 per cent were renewed at interest rates lower by 1 to 3 per cent. It may be mentioned that the Company was availing Packing Credit (PC) loan up to Rs.6.20 crore to meet its working capital requirement at interest rate of 10 per cent per annum. Hence, piece meal renewal of the TDs invested at higher rates than the PC loan interest and also poor cash management resulted in further loss of interest of Rs.21.49 lakh.

The Company stated (July 2003) that since sales realisation fluctuate from month to month and year to year depending on the trend of both internal and external market, investment was being made to earn some interest on short-term investment basis, as current account will not fetch any interest.

The reply is not tenable since the surplus funds were not invested on the basis of sound commercial judgment.

Thus, flouting of the PE Department guidelines coupled with poor cash management, the Company sustained a loss of Rs.38.81 lakh.

The matter was reported to Government (May 2003); their reply had not been received (October 2003).

IDCOL Cement Limited

3.5 Loss due to non-invocation of bank guarantee

Failure to invoke bank guarantee in time resulted in loss of Rs.16.50 lakh compounded by extra expenditure of Rs.8 lakh

The Company (erstwhile Hira Cement Works, a unit of IDCOL) awarded (July 1992) a contract to Flakt India Limited (later renamed as Alsthom Power India Limited), Kolkata (API) for supply of pollution control equipment at Rs.4.05 crore. An agreement was executed in October 1992. In accordance with the agreement terms, API furnished bank guarantees (BGs) for Rs.24.74 lakh towards timely supply of drawings, data and equipment and for Rs.16.50 lakh towards performance guarantee (PG). The supply was to be completed by July 1993.

Audit scrutiny revealed that though the supply was completed in June 1994 and equipment commissioned in February 1995, no performance test (scheduled to be conducted by August 1995) was conducted. The performance of the said equipment was also not satisfactory and the Company spent more than Rs.8 lakh as of January 2003 for improving the performance. The Company, however, did not invoke the BG for Rs.16.50 lakh meant for performance guarantee test and instead settled for extended validity of the BG, the last extension being up to 31 December 2001. On 7 December 2001, the Company requested API for extending the validity period of BG up to 31 March 2002 and issued (19 December 2001) the letter of invocation of BG through the zonal office of the Company at Kolkata. The zonal office, Kolkata was directed to hand over the letter to the bank and collect the amount, if extension of BG is not received on or before 29 December 2001. Even though API did not extend the BG, the Zonal Manager, Kolkata failed to deliver the invocation letter to bank and lodged the claim only on 1 January 2002. Sr. DM (F) also did not ensure the collection of BG amount by Zonal Manager.

While confirming the fact, the Government stated (June 2003) that there was no lapse on the part of the Sr. DM (F) and that the matter was under investigation and the outcome would be intimated to audit.

Government may ensure completion of investigation in time and fixation of responsibility before the persons involved leave the organisation or superannuate.

Industrial Development Corporation of Orissa Limited

3.6 Loss due to poor management of sales

The Company failed to realise sales value of Rs.12.62 lakh due to adoption of injudicious sales procedure by Senior Sales Manager (Commercial) and General Manager (FCP)

Haryana Steel and Alloys Limited, Sonipat (HSAL) placed (March 2000) a purchase order with Ferro Chrome Plant (FCP), J.K. Road, Jajpur, Orissa erstwhile unit of IDCOL, for supply of 100 MT of “High Carbon Ferro Chrome (HCFC) slag touch” valued at Rs.19.90 lakh by 30 April 2000 against letter of credit (LC). On 27 March 2000 LC was opened by another firm Rustagi Impex (P) Limited, New Delhi (RIL) on behalf of HSAL through Karnataka Bank Limited, Overseas branch, New Delhi (K-Bank) for an amount of Rs.24.05 lakh valid up to 30 May 2000.

Against the despatch of 75 MT of HCFC slag touch, up to 15 April 2000, FCP raised bills amounting to Rs.17.47 lakh and negotiated the documents (April 2000) through State Bank of India (SBI), J.K. Road for onward transmission to K-Bank, New Delhi through SBI, New Delhi for collection. The documents were, however, returned by K-Bank (June 2000) to SBI, New Delhi with the remarks that "the documents were discrepant and hence not acceptable to K-

Bank and the applicant (RIL)", without clearly specifying the nature of discrepancies. After correcting the existing lapses in the documents, the documents were resubmitted by IDCOL to SBI, J.K. Road (June 2000) to negotiate on collection basis as the date of LC had expired (30 May 2000). The documents sent by SBI, New Delhi (July 2000) were again returned by K-Bank (19 July 2000) with the remarks that the LC terms were not fully complied with i.e. (i) full description of goods not given in the invoice, (ii) documents not presented within 30 days from the date of bill of exchange and (iii) consignment note stipulated shipment from J.K. Road to Murthal (Sonipat) instead of shipment from Jajpur (Orissa) to Murthal (Sonipat).

As FCP could not negotiate the LC, the matter was taken up (January 2002) with HSAL wherein it was agreed that HSAL would pay Rs.1.00 lakh per month to FCP from January 2002. HSAL paid only Rs.4.85 lakh as of December 2002 and did not make any further payment as per agreement, for reasons not on record. Thus, the dues of Rs.12.62 lakh remained unrealised (May 2003).

In this connection Audit observations are as follows:

- HSAL had earlier defaulted in payment of Rs.18.42 lakh against supplies made by FCP (Rs.62.51 lakh) in April and May 1997 against post-dated cheques (PDC) which were eventually dishonoured and FCP sustained loss of Rs.18.42 lakh since the claim was time barred.

- The Company had supplied material against LC, it did not insist for LC from HSAL (the customer) but accepted the arranged LC from a firm with whom FCP did not have any business transaction, even the issuing bank was not a nationalised bank. Further, the documents i.e. consignment note, invoice, etc. were not prepared according to the terms of LC which left scope to the issuing bank to raise objections and refuse payment.

- Even though the terms of LC provided for negotiation with any bank in India, FCP negotiated the documents with the issuing bank (K-Bank) in a circuitous route through SBI, J.K. Road, SBI, New Delhi and its residential representative (RR) at New Delhi instead of presenting directly to K-Bank through SBI, J.K. Road (Advisory Bank) which resulted in delay in negotiating the claim leading to expiry of the validity period of LC (30 May 2000). No steps were taken to get suitable extension in validity period of LC.

- As per terms of LC, the goods were to be consigned in the name of the issuing bank (K-Bank) and the delivery of the goods taken after retirement of the documents from the Bank. This was not complied with by the transporter who delivered the goods directly to HSAL.

- The Company has not initiated any legal action for collection of outstanding dues of Rs.12.62 lakh (May 2003).

The Government stated (February 2003) that "HSAL have paid Rs.4.85 lakh leaving a balance of Rs.12.62 lakh and at this stage, it will not be proper to initiate legal action for the outstanding which may stall the process of collection". The reply is not tenable as nothing has been received from HSAL towards the outstanding dues till October 2003. The Company should have taken action to recover its dues as per the terms of agreement.

Thus, due to injudicious sales management, the Company suffered loss of Rs.12.62 lakh.

IDCOL Software Limited

3.7 Imprudent decision

Improper assessment of demand for training courses led to blockage of funds of Rs.49.35 lakh with consequential loss of Rs.41.79 lakh in training activity

The Company was incorporated on 26 November 1998 as a subsidiary of Industrial Development Corporation of Orissa Limited (IDCOL) with the main objective of imparting training programme in software technology. IDCOL entered into (October 1998) a Memorandum of Understanding (MoU) with Microsoft Corporation (India) Private Limited, New Delhi for providing access to training and transfer of skills in Microsoft technology. The Company invested (April 1999) Rs.49.35 lakh in creation of infrastructure for the training and engaged two Microsoft professors on contract basis for 40 days during April and May 1999 at the rate of US$ 600 per day. The Company started (May 1999) two courses viz. Microsoft Certified System Engineer Development (MCSE) and Microsoft Certified Solution Development (MCSD) of one month duration each at a course fee of Rs.21,500 and Rs.20,000 respectively.

It was observed in audit that as against an envisaged capacity of 384 students in a year, only 32 students were admitted for MCSE (18) and MCSD (14) courses which was further reduced to three students in 2000-01. Even for the Modular Course,[#] there were only 17 students in 1999-2000 and 16 students in 2000-01. The Company did not conduct any training course during 2001-02. However, some short-term courses were conducted during 2002-03 on which the Company also sustained a loss of Rs.5.31 lakh.

The management stated (April 2002) that the reason for not continuing the courses was lack of demand.

Thus, due to improper assessment of the demand for these courses, infrastructure viz. data processing equipment including computers and peripherals and furniture and fixtures valued at Rs.49.35 lakh was not utilised

[#] Selected papers out of five in MCSE and four in MCSD.

effectively for the purpose envisaged. Besides, the Company sustained losses on the training activities since beginning and such losses stood at Rs.41.79 lakh as of March 2003. Further, the fast obsolescence in the IT segment may render utilisation of hardware remote.

The Company/Government also stated (July/August 2003) that before introduction of the course, a market study was conducted based on the demand of such courses in other metropolitan cities outside Orissa and that the course fee fixed by the Company for such high end training courses was on the higher side considering that there was no guarantee of a suitable job after completion of the training and the reasons for not continuing the courses was want of demand.

Thus, it is evident that the market study made by the Company was defective in as much as the situation in Bhubaneswar is different from the Metros, a fact confirmed by the management's own reply.

Orissa Hydro Power Corporation Limited

3.8 Extra expenditure

Rejection of responsive lowest bid led to extra expenditure of Rs.1.24 crore

In response to tenders invited (May 1998) for "construction of balance portion of silt check dam from RL 626 M to 640M and excavation of link cut near Kokelpadar" of Upper Indravati Hydro Electric Project (UIHEP) by the Executive Engineer (EE), Tail Race Division, Mukhiguda, eight bids were received (June 1998). The bids were evaluated as per post-qualification criteria stipulated in the bid documents by the Chief Engineer and Project Administrator, UIHEP, Khatiguda (CE). The first and second lowest bidders were considered as non-responsive as they did not satisfy the post-qualification criteria. Although the third lowest bid of Rs.9.91 crore was found to be responsive, the CE did not recommend the same treating the rates as unworkable even though it was only 0.14 per cent higher than the estimated cost. The fourth lowest bid of Rs.11.15 crore (12.65 per cent excess over the estimated cost put to tender) was recommended (September 1998) to Water Resources Department for approval by Government. The Tender Committee (TC) Meeting held in October 1998 recommended that both the responsive bidders be asked to submit their willingness for completion of major quantities of work by June 1999. Both the bidders furnished (October 1998) work programme to complete the work by June 1999. While the CE reiterated his recommendation for award of work to the fourth lowest bidder, he rejected the bid of third lowest on the ground that the work programme was unrealistic as the tenderer had not taken into account any 'mobilisation period' in his work programme. Accordingly tender in favour of fourth lowest bidder recommended (November 1998) by Tender Committee was approved (December 1998) by Government for Rs.11.15 crore.

Scrutiny of records revealed that agreement executed in December 1998 with the contractor stipulated the work to be completed by December 2000. The Contractor could not complete the work within stipulated time and completed the work in June 2002. Thus, rejection of a responsive lowest bid resulted in extra expenditure of Rs.1.24 crore. Further, undue favour was extended to the fourth lowest bidder in the form of extra payment and extension of time limit.

The management stated (June 2003) that third lowest bid was also put up before TC and Government and hence the loss due to rejection of the third lowest bid at the level of CE may not be correct.

The reply is not tenable in view of the fact that the TC had directed the CE in the first instance to obtain the willingness of the third and fourth lowest bidder to complete the work in time. The CE had once again rejected the offer of the third lowest bidder on the grounds that the work programme submitted by him did not take into account mobilisation period.

Thus, recommendation of CE resulted in undue favour to fourth lowest bidder for which the Company sustained loss of Rs.1.24 crore.

The matter was reported to the Government (January 2003); their reply had not been received (October 2003).

3.9 Injudicious decision

Despite prior knowledge of lack of the assured availability of water and without sorting out protracted land acquisition problems, award of consultancy contract for updation of detailed project report led to wasteful expenditure of Rs.1.40 crore

The State Government entrusted (1991) Water and Power Consultancy Service (India) Limited (WAPCOS), a Government of India undertaking, to prepare a Detailed Project Report (DPR) for the additional Power Generation Scheme at Hirakud-B Hydro Electric Project. WAPCOS submitted the DPR in 1994. The Government submitted (June 1994) the DPR to the Central Electricity Authority (CEA) for techno-economic clearance (TEC). The CEA declined (June 1996) to accord TEC based on the observation of the Hydrology Directorate of Central Water Commission (CWC) that the water availability as well as water inflow at Hirakud reservoir would be reduced due to the upstream irrigation projects under construction in upstream locations in Madhya Pradesh/Chhatisgarh. The CEA also advised (June 1996) the Government not to make any investment decision without establishing a right on long term water availability for the project through execution of water sharing agreement with upstream states viz. Madhya Pradesh/ Chhatisgarh. However, in a meeting held in October 1997 chaired by the Chief Secretary, it was decided that the Company would take up the project and no inter-State agreement was necessary since the project was to utilise downstream discharge water from Hirakud dam. It was also decided to assign the work of updation of the DPR to WAPCOS.

The Company executed (April 1998) agreements with WAPCOS for updation of DPR of Hirakud-B at a cost of Rs.1.40 crore. The DPR[#] was submitted by WAPCOS in February 2002 who were paid Rs.1.40 crore between July 1998 and July 2002.

Audit scrutiny revealed (December 2002) that:

- The CEA, as early as in June 1996, had expressed the opinion that there was no scope for taking up Hirakud-B project in view of water problem;

- In the minutes of the meeting[*] of October 1997 it was recorded that CEA had scrutinised the DPR and no inter-state agreement was necessary. This was contrary to the facts, since the CEA had categorically advised the Government not to go ahead without clear assurance of availability of water;

- Although the Company was fully aware of the fact that the implementation of Hirakud-B project was not possible due to problems in acquisition of land, cutting of right dyke and other problems of construction since December 1996, these aspects were not brought out in meeting of October 1997 where the CMD and two directors of the Company were present.

- Despite the above, the top management of the Company gave the 'go ahead' for taking up the work of updation of DPR of an unviable project whereby the Company incurred wasteful expenditure of Rs.1.40 crore.

Management stated (December 2002) that as per the DPR, the project may be viable in future. The reply is not tenable as the updation of DPR of Hirakud-B project was taken up without an assured availability of water, sorting out the problems of land acquisition, cutting of right dyke and other problems and had also not been submitted to CEA for approval. Further, even though DPRs for three hydro electric projects were prepared by Government in June 1994, other two projects viz. Chipilima-B and Syndol complex were transferred (July 2002) by Government to National Hydro Power Corporation Limited leaving aside Hirakud-B which confirms the unviability of the Hirakud-B project.

The above matter was reported to the Government (July 2003); their replies had not been received (October 2003).

[#] The estimated cost of the project as per revised DPR was Rs.954.79 crore.

[*] Principal Secretary, Energy, Advisor (Power), CMD, Director (Finance) and Director (Operation), OHPC Limited were also present in the said meeting.

Orissa Power Generation Corporation Limited

3.10 Non-realisation of cost of land from AES

Disregard of instructions of Government for land valuation and adoption of lower rates resulted in undue benefit of Rs.79.41 lakh to AES compounded by loss of interest of Rs.95.61 lakh due to failure to recover Rs.2.22 crore for over 3½ years

Energy Department, Government of Orissa constituted (March 1997) a Task Force for expeditious transfer of land for Ib Thermal Power Station (ITPS) project. The Task Force decided between April 1997 and January 1999 that land required for the project would be first recorded in the name of the Company and the Company would relinquish the land required by AES[1] for units-5 and 6 for subsequent transfer to AES after payment of cost of land to the Company.

It was observed in audit that land measuring 173.85 acres (Government land 69.38 acres and acquired private land: 104.47 acres) was transferred (April 1999) to AES before receiving compensation from AES. The Company belatedly claimed (October 1999) Rs.2.22 crore only (Rs.1.21 crore towards land[*] and Rs.1.21 crore for rehabilitation cost etc.) from AES, without stipulating the time limit for payment as well as penalty for delayed payment. The amount claimed has not yet been realised and the Company was resorting to borrowings. The loss of interest on unrealised claims worked out to Rs.95.61 lakh (@ 12 per cent per annum from November 1999 to May 2003).

Further, due to adoption of differential rates for the valuation of Government land and adjacent private land transferred to AES, the company sustained a loss of Rs.79.41 lakh (excluding the cost of houses, rehabilitation cost and compensation to land oustees of Rs.77.59 lakh).

The Company/ Government stated (June/August 2003) that there was provision to charge compensation and service securities paid to the land oustees and that the value of land was taken on book value and not market value as decided by the Board.

The reply is not tenable since the instructions of Task Force were not adhered to by the Company and different yardsticks for valuation of Government land and private land were adopted by the Board, to the detriment of the Company's interests. The matter merits investigation.

[1] An American Company

[*] Government land :- 69.38 acre (Rs. 1.04 crore @ Rs.1.50 lakh per acre) and acquired land :- 104.47 acre (Rs.0.17 crore @ Rs.16,358/- per acre)

3.11 Extra expenditure

Use of light diesel oil instead of stipulated fuel-mix led to extra expenditure of Rs.6.35 crore

Desein Private Limited, New Delhi, the consultant for the Ib Thermal Power Station (ITPS) of the Company suggested (April 1994) for use of fuel-mix of heavy fuel oil (HFO) and light diesel oil (LDO) for normal running of the units. As per the industry practice, on an average, the fuel-mix of HFO and LDO is 90:10. The Company has, however, been using only LDO to run the units.

Under the Power Purchase Agreement (PPA), Grid Corporation of Orissa Limited (GRIDCO) was reimbursing the fuel cost to the Company up to 1997-98 on actual usage basis. In January 1998, GRIDCO insisted on use of HFO and LDO in 90:10 and the Company also agreed to adopt the fuel-mix from 1998-99 onwards.

Audit scrutiny revealed that the Company did not adopt the fuel-mix for running its units and used 22,147 KL of LDO valued at Rs.30.18 crore during 1998-2003. Based on the fuel-mix of 90:10, the requirement of fuel for the said five years worked out to 19,932 KL HFO and 2,215 KL LDO with a fuel bill of Rs.23.83 crore. The Company incurred an extra expenditure of Rs.6.35 crore between 1998-99 and 2002-03 by using a costlier fuel.

In reply, the management/Government stated (June/August 2003) that the Company has accepted the 90:10 ratio of HFO and LDO and no dispute exist on the above issue. The heat rate of LDO and HFO being different, the Company has consumed less LDO and there is a net saving in oil consumption.

The reply is not correct as GRIDCO is reimbursing the Company only at the rate of 90:10 of HFO:LDO and had the Company used HFO, they would not have suffered the substantial loss of Rs.6.35 crore, particularly, since the Company had agreed to the fuel-mix as early as January 1998.

3.12 Loss due to negligence

Loss of Rs.24.73 lakh due to non-disposal of surplus cables at highest bid offer compounded by failure to renew insurance cover

Mention was made in Paragraph No.4A.1.A of the CAG's Audit Report-1997 (Commercial) regarding purchase of cables valued Rs.11.06 crore in excess of requirements resulting in locking up of funds. The Committee on Public Undertakings (COPU) in its Third Report (12th Assembly) stated (March 2001) that "the Committee expressed its displeasure over the failure of OPGC to dispose of the surplus cables to other Government undertakings working in the same field. The Committee found the Company authorities guilty of overlooking the recommendations of the consultant and directed that the

Officers responsible for this act of commission should be summoned for departmental action". The recommendation of the COPU was yet to be acted upon (August 2003) by the Company.

The Company floated tenders in February 2000, May/July 2000 and May 2001 for disposal of the cables in which the highest offers received were Rs.4.34 crore, Rs.4.60 crore (revised) and Rs.1.23 crore respectively. Though the Company was aware of the fact that there was glut in the cable market and the cables were procured between 1991 and 1994, it did not dispose of the cables at Rs.4.60 crore in May/July 2000 on the ground of the offer being below the book value of Rs.8.14 crore. Despite decrease in the realisable value of cable stored in the open, no technical evaluation of the same was carried out so as to adjust its book value accordingly. Owing to non-fixation of upset price based on quality of cables and prevailing market prices and also injudicious comparison of offers with the book value, the Company lost the opportunity of disposing of the cables at Rs.4.60 crore in July 2000. Surplus cables pending disposal remained in the open yard of the plant and the stock was insured against fire for Rs.10 crore on annual basis at a premium of Rs.1.80 lakh since 1996-97.

In response to the renewal notice (March 2000) from insurance company, the Manager (Finance) of the Company proposed (March 2000) to reduce the cover to six months instead of one year on the ground that disposal of cables was being planned. The proposal was approved (March 2000) by the Managing Director (MD) of the Company and accordingly the policy was renewed for six months up to 30 September 2000. Though the cables were not disposed of by September 2000, the Manager (Finance) failed to get the policy renewed after September 2000.

On 11 March 2001, a fire broke out in the open yard and 4237.5 metres of cable valued at Rs.65.29 lakh were stated to have been burnt/damaged. The Company appointed a registered surveyor-cum-loss assessor of General Insurance Corporation of India to assess the actual loss. The loss was assessed (January 2002) at Rs.24.73 lakh (market price of the affected cables: Rs.39.87 lakh minus salvaged: Rs.15.14 lakh).

Scrutiny in audit revealed that as per the terms of insurance policy, the policy could have been terminated before time at 'short period rate' in case of disposal of the cables. Further, although there was no certainty of disposal of the cables the MD had decided to go for a short period policy. This was borne out from the fact that the Company even after a lapse of 30 months (September 2002) of the decision to dispose of this surplus has not been able to dispose of even the salvaged material valued at Rs.15.14 lakh.

The Board of Directors of the Company directed (May 2001) the MD to submit a detailed report to the Board to fix responsibility and take action against the employees responsible for the loss. However, based on the note of the MD (March 2002) which stated that fixing responsibility for an action done unintentionally would demoralise the employees, the Board decided to merely warn the officials for their failure to keep the insurance policy in force.

The injudicious decision of the Board (February 2001) in non-disposal of cables at highest bid received in July 2000 and subsequent failure of the Manager (Finance) to keep the insurance cover in force resulted in loss of materials worth Rs.24.73 lakh. The loss, if compounded with delay in liquidation of the surplus material would be more, which for want of adequate data is not quantifiable in audit.

The management stated (November 2002) that a Committee has been formed to look into the matter of disposal of surplus and salvaged cables. It did not offer any reply to the above losses.

The above matter was reported to the Government (February 2003); their replies had not been received (October 2003).

3.13 Loss of interest on investment

Investment of surplus funds by Managing Director/ Director (Finance) not in line with decision of the Board resulted in loss of Rs.32.45 lakh

The Board of Directors of the Company approved (July 2000) the list of 11 banks (eight nationalised and three private scheduled banks) as per guidelines of Public Enterprises (PE) Department, Government of Orissa (issued in November 1996) for investment of surplus funds of the Company. It was also decided that the investments should be made depending upon the highest rate of interest offered by the banks in the panel.

Scrutiny in audit revealed that though nine other banks had qualified for empanelment as per the norms of PE Department, they were not included in the list. Subsequently, in March 2002, six out of these nine banks were added to the list. Reasons for non-inclusion of remaining three banks (Federal Bank, Karnataka Bank and Centurion Bank) were not on record. Further, between July 2001 and January 2002, the Company invested amounts ranging from Rs.1 crore to Rs.13.50 crore on 21 occasions, aggregating Rs.133.50 crore in nine nationalised banks (Rs.96 crore) and four private scheduled banks (Rs.37.50 crore) at interest rates ranging between 5 and 9.25 per cent per annum while other banks already in the panel or otherwise eligible to be empanelled were offering higher rate of interest (ranging between 7.25 and 9.50 per cent per annum). As per decision of the Board, Managing Director and Director (Finance) were to examine all the offers received and recommend additions/deletions in the panel which was not carried out. Since the Company had not fixed any ceiling for investment of maximum funds in a bank, the funds could have been invested in the bank offering higher rates. Thus, the Company suffered loss of Rs.18.57 lakh due to investments at lower rates even though higher rates were offered by banks already on the panel.

Further, exclusion of three other eligible banks offering higher rates defeated the main objective of obtaining higher rates of interest leading to a loss of Rs.13.88 lakh to the Company.

The management stated (August 2003) that the rule of "highest interest rate" and empanelment of banks have been followed taking into consideration the exposure limits internally decided for safety of funds. The reply is not tenable as the Company has not fixed any ceiling for investment of funds. The banks had been empanelled considering the norms fixed by the Government for the safety of funds.

The above matter was reported to Government (January 2003); their replies had not been received (October 2003).

GRID CORPORATION OF ORISSA LIMITED

3.14 Loss due to negligence

Failure to ensure adequate insurance coverage of materials issued to the contractor and to enforce the contract conditions resulted in loss of Rs.44.60 lakh.

Work order for survey and erection of 12 kilometer of 220 KV DC LILO line between Meramundali Sub-station and BTTLC line was placed (April 1995) with Utkal Galvanizers Limited (Contractor) by the Chief Engineer (Transmission Project) at an estimated cost of Rs.2.65 crore in accordance with the terms and conditions of the rate contract. The work, which was to be completed by June 1995, was started only in December 1995. In February 2001, the contractor, after completing the erection of 54 out of 56 towers and stringing of 20 out of 29 stretches, intimated its inability to complete the balance work on the grounds of unavoidable circumstances.

Scrutiny revealed that when the work was in progress, line materials such as conductors, tower members and insulators were stolen/damaged in large quantities between November 1999 and December 2000. The cost of the materials stolen/damaged was assessed by the Company at Rs.53.46 lakh including Rs.1.58 lakh towards the cost of stringing of stolen portion. The work remained incomplete till date (May 2003).

It was observed in audit that neither the contractor arranged insurance cover nor the Company insisted for the same till June 2000. As per the terms of the contract, the contractor was to arrange insurance coverage at his cost for the materials of the Company under his custody against all risks (such as damage and theft of materials) from the time of taking delivery of the materials till handing over of completed works. The insurance charges were to be reimbursed to the contractor on production of documentary evidence. In June 2000, the contractor had arranged insurance coverage for Rs.10 lakh only for the period June to December 2000 at a premium of Rs.4,411. The Executive Engineer, EHT Construction Division, Angul directed the contractor in January 2001 to take insurance cover for Rs.3.71 crore being the value of materials issued without mentioning the loss of material (Rs.53.46 lakh) which had already occurred. Such a notice after 12 months of occurrence of the loss did not serve any useful purpose.

Further, as per the terms of the contract, the materials lost or damaged were to be replaced free of cost by the contractor without waiting for settlement of claims by the insurance company and also an undertaking was to be obtained from the contractor that he would make good any loss or damage to material in his custody. The Chief Engineer (Transmission Project), having stipulated such clauses in the contract failed to enforce the same even after three years of occurrence of loss.

The Board of Directors of the Company decided (February 2003) to short-close the work and take up the balance work including repair/restoration of the theft portion at the rate contract by supplying materials. It was also decided to recover the cost of the stolen/damaged materials from the pending bills of the contractor. Due to negligence on the part of the Executive Engineer and the Chief Engineer in enforcing the conditions of the contract, the Company had suffered a loss of Rs.44.60 lakh, even after adjusting Rs.8.86 lakh from the pending bills of the contractor. The matter merits investigation.

The management accepted the above facts and stated (August 2003) that the theft materials were not replaced and the recovery status could be known after completion of the work.

The matter were reported to the Government (May 2003); their replies had not yet been received (October 2003).

3.15 Extra expenditure due to imprudent decision

Failure to place composite orders for supply and erection of towers led to loss of Rs.1.09 crore

The Chief Engineer, Transmission Project (CETP) placed between March 1998 and May 2000 separate orders for supply of tower materials (without including the clause for non-payment of ED) and erection of towers. The Company paid Rs.8 crore for cost of tower materials and Rs.4.51 crore for erection charges, as detailed in the table below:

(In Rupees)

Particulars	Angul	Balasore	Berhampur	Total
Value of tower material	36834136	8448692	21109728	66392556
Excise duty	5893462	1345555	3377554	10616571
OST	1709103	275687	979490	2964280
Total	**44436701**	**10069934**	**25466772**	**79973407**
Erection charges	14620121	4774499	24050948	43445568
WCT on erection charges	550777	191278	962161	1704216
Total	**15170898**	**4965777**	**25013109**	**45149784**

Particulars	Angul	Balasore	Berhampur	Total
Value of material and erection	51454257	13223191	45160676	109838124
WCT on total cost	2058170	528928	1806427	4393525

It would be observed from the above table that the Company paid Rs.1.36 crore towards excise duty (ED) and Orissa Sales Tax (OST) on procurement of tower materials and also paid Rs.17.04 lakh towards Works Contract Tax (WCT) on erection charges as the supply and erection orders were placed separately. As Chapter-73, Tariff Heading-7308.50 contains an entry "all goods fabricated at site of work for use in construction work at such site" shall attract 'Nil' rate of duty and also in terms of Section 2 (JJ) of Sales Tax Act, works contract includes both the supply as well as erection and attracts only WCT @ 4 per cent of the value of the contract, the Company should have placed indivisible work orders for both supply and erection whereby only Rs.43.94 lakh would have been paid towards WCT @ 4 per cent on Rs.10.98 crore (the total cost of supplies and erection) instead of Rs.1.53 crore paid towards ED (Rs.1.06 crore), ST (Rs.29.64 lakh) and WCT (Rs.17.04 lakh).

Thus, failure on the part of the CETP to prudently work out the financial implications of various options before placement of order resulted in extra expenditure of Rs.1.09 crore.

The matter was reported to the Government (September 2003); their reply had not been received (October 2003).

3.16 Loss due to injudicious settlement of claim

Injudicious decision of Director (Commercial) in accepting the EREB tariff resulted in avoidable loss of Rs.12.97 crore

As per decision of Eastern Region Electricity Board (EREB) (April 1991), surplus power of eastern region was exported to Assam State Electricity Board (ASEB) with effect from 1 April 1991. National Thermal Power Corporation Limited (NTPC), the supplier of power, was to book such sale of power to Orissa State Electricity Board (OSEB)/GRIDCO as deemed drawal by them. Accordingly, OSEB/GRIDCO would make payment against NTPC's bills and raise bills on ASEB for such supply. ASEB, however, failed to pay the dues regularly and the total outstanding against ASEB stood at Rs.42.89 crore as of May 1996.

In June 1996, GRIDCO requested EREB not to book such drawal of power against its account from June 1996 and deal directly with ASEB. However, EREB booked 13,58,54,208 kWh power valued at Rs.32.30 crore as deemed drawal for the period June 1996 to February 1997 against the Company. The Company after initial refusal, accepted (September 2000) the booking of power as deemed drawal and paid Rs.60.11 crore {(energy charges (EC): Rs.32.30 crore and delayed payment surcharge (DPS): Rs.27.81 crore)}. The payment was made to NTPC at higher tariff before claiming recovery from

ASEB (September 2000) contrary to the decision taken in the 80th EREB meeting (20 September 1995) not to impose financial loss to contributory constituents on account of export at a cheaper rate from their surrender share of Central Power Station.

The Company's claim for Rs.60.11 crore (November 2000) was not accepted by ASEB on the ground that the bill was not in accordance with the tariff fixed by EREB. ASEB asked the Company (December 2000) to revise the bills. The claim towards DPS up to October 2000 was also not accepted by ASEB as the Company had submitted the bill only in November 2000. Despite non-acceptance of claim by ASEB, the Director(Commercial) agreed for EREB tariff in EREB meeting held in April 2002 and Company's claim was revised from Rs.32.50 crore to Rs.26.36 crore towards EC. Correspondingly DPS was also reduced to Rs.24.23 crore from Rs.27.81 crore. As a result, the Company sustained a loss of Rs.9.52 crore as of October 2000 (EC: Rs.5.94 crore and DPS: Rs.3.58 crore). Besides, the Company also sustained a loss of Rs.3.45 crore up to March 2003 @ Rs.11.89 lakh per month towards DPS on reduction of EC due to non-clearance of arrears by ASEB.

Thus, injudicious decision of Director (Commercial), GRIDCO in accepting the stand of ASEB resulted in avoidable loss of Rs.12.97 crore to the Company.

The management/Government stated (August/September 2003) that the issue was raised in EREB meetings many times and EREB advised to bill ASEB @194 paise/kWh for deemed drawal by ASEB. The reply is not tenable because the Director (Commercial) of the Company agreed to the EREB tariff in EREB meeting held in April 2002 and payments were also released to NTPC before claiming recovery from ASEB.

3.17 Loss due to procurement of high-cost power

Director (Commercial)'s failure to take timely decision put the Company to a loss of Rs.1.54 crore

The Company draws power from Central Power Sector Undertakings through Eastern Region Electricity Board (EREB). The EREB allocated 10 MW power from Rangit Hydro Electric Project (RHEP) of National Hydroelectric Power Corporation Limited (NHPC), commissioned in February 2000, in favour of the Company on recommendation of Central Electricity Authority (CEA) in April 2000. The Central Electricity Regulatory Commission (CERC) approved (May 2000) the provisional tariff of Rs.4.51 per unit for February and March 2000 and Rs.2.11 per unit from April 2000 to March 2001 considering the petition filed (January 2000) by NHPC. The Director (Commercial) of the Company had also received the copy of the petition in February 2000. The Company drew power from RHEP from February to July 2000. In August 2000 only, the Company requested EREB not to book RHEP power to GRIDCO account considering the high cost of power of RHEP, which was also approved by EREB.

Audit scrutiny revealed that though the Director (Commercial) of the Company had received the copy of the petition filed by NHPC for fixation of tariff as early as 4 February 2000, he did not file a counter to the petition nor was present at the hearing on 27 April 2000 for which the hearing was adjourned to 10 May 2000. On 10 May 2000, the advocate appearing on behalf of GRIDCO prayed for an adjournment on the ground that the petition was not received by GRIDCO. The CERC took a very serious view of the misrepresentation of the facts before the Commission through the Counsel and decided to proceed with the hearing and approved the provisional tariff at the rate applied for in the petition.

Since the fact of RHEP power being costlier than the NTPC power was known to the Company in February 2000 itself and sufficient NTPC power was available at cheaper rates ranging between Rs.1.91 and Rs.2.00 per unit, the Company should not have drawn RHEP power.

Thus, negligence of the Director (Commercial) to file the counter timely compounded by failure to surrender the allotted power in February 2000 led to loss of Rs.1.54 crore to the Company towards payment at higher rate.

The management stated (August 2003) that purchase of power from RHEP was in pursuance to the decision taken in EREB forum and was binding on all the constituents of EREB. The reply is not tenable as the Director (Commercial) could have taken steps to surrender RHEP power in February 2000 itself as the RHEP power was costlier than the NTPC power and sufficient NTPC power was available.

The above matter was reported to Government (July 2003); their reply had not been received (October 2003).

Orissa State Civil Supplies Corporation Limited

3.18 Extension of undue benefit

Extension of undue benefit to the contractor without the knowledge of the Board led to loss of Rs.52.12 lakh

With a view to strengthen the infrastructure of public distribution system (PDS), the Company took up (January 2000) construction of 96 godowns under centrally sponsored scheme. The Company engaged Orissa Industrial Infrastructure Development Corporation (IDCO) (an autonomous body of Government of Orissa) to prepare the project estimates. IDCO estimated the project cost at Rs.18.87 crore inclusive of 10 per cent towards drawing, designs and construction charges. Based on this estimation, work order was placed (February 2000) with IDCO for Rs.18.87 crore. While executing agreement with IDCO, Managing Director of the company included (February 2001) additional five per cent towards drawing and design charges, reasons for which were not on record. As against the scheduled date of completion of the project by May 2002, only 36 godowns were completed as of 30 June 2003.

Scrutiny revealed that due to inclusion of additional five per cent towards drawing and design charges over and above 10 per cent included in the estimate by IDCO, the Company made excess payment of Rs.52.12 lakh for the completed works and the probable outgo on the remaining works would be Rs.24.84 lakh.

The Government stated (May 2003) that the decision for payment of additional five per cent towards planning/estimating/designing was taken by Chairman-cum-Managing Director (CMD) in anticipation of approval of Board/Government.

The reply is not tenable as the Board had already approved (February 2000) payment of only 10 per cent towards service charges. Hence, the additional five per cent was paid in violation of the decision of the Board which resulted in a loss of Rs.52.12 lakh.

3.19 Indecisiveness of the management

Delay in seeking approval of the Board compounded with further delay in inviting tenders even after approval of the Board led to loss of Rs.12.63 lakh.

The District Manager (DM) of the Company of Bolangir District lifted 2,026.19 quintal of wheat at the rate of Rs.765 per quintal between October 1999 and March 2000 for distribution under public distribution system (PDS). The consumer price of wheat was Rs.765 per quintal up to 15 January 2000 and increased to Rs.780 up to March 2000 and ranged between Rs.995 and Rs.920 thereafter. Since wheat was available at Rs.800 per quintal (November 2000) in the open market, the said stock could not be disposed of through PDS. Only after six months, the DM, Bolangir referred the matter to General Manager (PDS), seeking permission for disposal of the stock at the old rate of Rs.765 per quintal. Thereafter, despite pursuance by the DM, the proposal before the Board was submitted through Managing Director only in June 2001, after a lapse of another seven months. The Board decided (June 2001) to dispose of the stock through open tender to avoid damage and further deterioration in quality and directed that the loss, if any, suffered by the Company on disposal through open tender would be recovered from the persons responsible. Though the decision of the Board was intimated to the DM on 17 July 2001, the DM invited tenders on 31 January 2002 (further delay of six months) and only 937.93 quintal out of 2,026.19 quintal could be disposed of at the rate of Rs.306 per quintal.

Scrutiny in audit revealed (October 2002) that the entire stock was of inferior quality and as per report (February 2002) of the Manager (PDS) the stock was not fit for human consumption. Besides, there were shortages of 502.71

quintal in four godowns of the division. The management had not yet investigated the causes for shortages (January 2003).

In reply, the DM, Bolangir stated that the balance of 585.55 quintal at Patnagarh NAC was stated to have been misappropriated by the Marketing Inspector and Assistant Civil Supply Officer, Patnagarh. The Company had not taken any departmental action on the erring officials nor reported the matter to Government (January 2003).

Thus, there was delay in seeking the approval of the Board for disposal of stock (six months) compounded by further delay in inviting tender for disposal after approval of the Board (another six months) by the DM. All these led to deterioration of quality, shortages in godowns and misappropriation of stock by which the Company suffered a loss of Rs.12.63 lakh. Responsibility has not been fixed for causing delay in approval/disposal of the foodgrains.

The matter was reported to management/Government (February 2003); their replies had not been received (October 2003).

Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL)

3.20 Loss on joint venture investments and failure to disinvest

Failure to take decision in time, extension of undue favour to the private promoters and lack of timely action in the matters of disinvestment led to a loss of Rs.22.21 crore

In pursuance of its primary objective of promoting large and medium scale industries, the Company enters into joint venture/ assisted sector agreements with other promoters and participates in the equity for establishment of new industrial units as well as for expansion, diversification and modernisation of existing units. Disinvestment of shares held by the Company either through buy back by other promoters or in the open market within the stipulated period provided for in the joint venture/ assisted sector agreement is essential to plough back funds for bringing up new units. With the discontinuance of equity support from the Government of Orissa (July 1992), timely disinvestment of the Company's equity to generate funds is imperative for carrying out of the Company's objectives and for its very survival.

Mention was made in Paragraph 2A.4 and 2A.8 of the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1995 about deficiencies in the agreements, non-disinvestment of shares after those became due and absence of policy to make timely disinvestment.

The Company invested Rs.52.95 crore in 117 units as of 31 March 1995 and Rs.7.33 crore thereafter in seven more units till 31 March 2003. The Company disinvested fully in 20 units (investment Rs.5.85 crore) and partly in three units (investment Rs.4.58 crore) as of March 2003. Disinvestments in respect of the balance 101 units although overdue, were pending. On the grounds of diminution in the value of equity shares, particularly due to depressed market condition and sickness of the units, investment of Rs.4.36 crore was written off and a provision of Rs.18.21 crore and Rs.4.12 crore were made till 31 March 2002 against quoted and unquoted equity shares respectively, reducing thereby the value of investment to Rs.23.16 crore. Failure in disinvestment of shares has adversely affected the resources position of the Company, which defeated the basic objective of investment for plough back of funds for new units.

A Disinvestment Committee constituted by the Board of Directors of the Company is functioning since February 1993 to examine all such disinvestment proposals. The Committee never held any meeting after July 1999 and decisions were taken by the Board. However, no mechanism has been developed by the Company to watch the movement of share prices to propose as to the timing of the disposal of shares in open market or to pursue with the other promoters to buy back shares when those became due as per the terms of joint venture/assisted sector agreements. Meanwhile, the Board of Directors of the Company approved (April 2002) the formation of another committee for framing out the strategy for disinvestment. Though the said committee was formed (June 2002) and its first meeting was held in June 2002 itself, no strategy has, however, been framed till date (June 2003).

Committee on Public Undertakings (COPU) in their 2nd Report (Twelfth Assembly) had recommended (August 2000) that, (i) the Company should take timely decision in case of disinvestment, (ii) as the purpose of the Company was to promote entrepreneurship, disinvestment of funds should be made in time for recycling the funds in other ventures, (iii) the Company authorities should make efforts to convince their authorities in Administrative Departments to catch up with the fact of changing market conditions, (iv) it should try to take every opportunity of profit by negotiating with the private promoter, and (v) the delay in decision making and not adhering to the original agreement should not be a ground for sustaining loss. Action on the recommendations of COPU was not taken (September 2003).

A test check of the cases of investment in the equity in the joint venture units by the Company revealed that due to not taking decisions in time, extension of undue favour to the private promoters and lack of timely action in the matters of disinvestment, the Company had suffered a loss of Rs.22.21 crore and blocking of investment of Rs 37.09 crore. Three illustrative cases are discussed below and other significant cases given in the **Annexure-25**.

Kalinga Hospital Limited (KHL)

Kalinga Hospital Limited was promoted by Hospital Corporation of Orissa Limited (HCO), USA and its associates for setting up a multi-speciality hospital at Chandrasekharpur, Bhubaneswar. As per the recommendation of the State Level Nodal Committee and approval of the Project Approval Committee, the Company invested Rs.2.00 crore in the equity share capital of KHL between April 1997 and April 1998. The Government provided Rs.1

crore as equity to the Company and the balance Rs.1 crore was arranged by the Company through loans. The accumulated loss of KHL as on 31 March 2002 stood at Rs.1.13 crore.

The Company is holding the entire investment without receiving any dividend till date.

Audit observed as under:

- The investment of Rs.2.00 crore in equity capital of KHL was not based on a sound investment decision. The Company was not associated with the appraisal of the proposal.

- The condition of pledging the shares of the promoters as a safeguard to the interest of the Company against its equity participation was waived in case of KHL on the recommendation of the State Level Nodal Committee.

- The equity participation agreement provided for buy back of shares by the promoters within a period of four years from the date of agreement i.e. by 9 September 2001 and guarantee/indemnity deed was executed with the promoters. No effective steps were taken either to insist the promoters to buy back the shares or to sell the shares in open market at the cost and risk of the promoters.

- The proposal for disinvestment was not put up to the Disinvestment Committee (June 2003).

Thus, the investment in KHL which has yielded no return so far and subsequent failure to effect buy back with minimum return @ 20 per cent per annum have resulted in blockage of funds of Rs.2 crore.

Sun Granite Exports Limited (SGEL)

The Company had invested Rs 50 lakh between April and May 1995 in Sun Granite Exports Limited (SGEL). The promoters offered (June 1999) to buy back 1,66,700 equity shares as per the Equity Support Agreement (1/3 shares in the first quarter of the fourth year) and Company disinvested (September 1999) the shares at a consideration of Rs.33.52[#] lakh as the shares of SGEL were not quoted in stock exchange during three months preceding the date of offer for buy back and as the shares in question had not been purchased in the stipulated period of first quarter of fourth year i.e. April-June 1998.

The balance one-third shares (1,66,666 numbers) due for buy back by the promoters in April-June 1999 have not yet been purchased by the promoters. As per terms of the agreement, the Company was free to dispose of the shares from July 1999. The Company has not taken steps to dispose of the total

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[#] Computed on the basis of nominal value of shares plus a return of 18 per cent per annum from the date of investment till 31 August 1999 shares of nominal value of Rs.33.33 lakh even when the market price of shares of SGEL ranged between Rs.37.70 and Rs.18.00 in 2001-02.

Safa Marine Industries Limited (SMIL)

The Company had invested Rs.25 lakh in the unit in May 1996. The equity support agreement provided buy back of shares within a period of two years of commercial production i.e. by 10 February 1999. The private promoter first offered (June 1999) to buy back the entire shares worth Rs.25.00 lakh at a simple rate of return of 10 per cent per annum (instead of 18.50 per cent as agreed upon) with a repayment period of at least 90 days. This was to be placed for deliberation at the 12th Disinvestment Committee Meeting, scheduled to be held in July 1999 but never held subsequently, for reasons not on record. Later in July 2002, following further deterioration in the financial condition of SMIL, the promoter offered to buy back the share at par i.e. Rs.10 without any return. However, the matter has so far neither been deliberated by the Disinvestment Committee nor placed before any of the Company's Board meetings. It was also observed that Rs.30 lakh worth of shares of SMIL pledged by the promoter has not so far been transferred in favour of the Company (August 2003).

Thus, failure to disinvest in terms of agreement, the very objective to plough back funds worth Rs.80.65 lakh (including accrued return of Rs.55.65 lakh @ 18.50 per cent per annum up to March 2003) was defeated, despite the constitution of Disinvestment Committee since February 1993.

The above matters were reported to the Management/Government (July 2003); their replies had not been received (October 2003).

Statutory corporations

Orissa State Warehousing Corporation

3.21 Loss due to negligence

Delay in handing over the completed godowns coupled with faulty selection of locations within municipal limits led to loss of Rs.2.26 crore

Under the Gramin Bhandaran Yojana (GBY), of Government of India, Food Corporation of India (FCI) commissioned the Corporation as a nodal agency for construction of two lakh MT capacity godowns at 17 identified sites for exclusive use of FCI on seven years guaranteed reservation basis. As per the conditions of agreement, the godowns were to be completed within a period of six months. The Project Approval Committee of Government of Orissa approved (6 May 2002) construction of godowns at the estimated cost of Rs.27.13 crore, to be completed by the end of September 2002.

Audit scrutiny revealed (April 2003) that against the schedule target of September 2002, the Corporation completed godowns with storage capacity of 1,93,000 MT between November 2002 and February 2003. These godowns were, however, not handed over to FCI to avail the benefit of guaranteed reservation[2]. The Corporation, therefore, sustained a loss of potential revenue of Rs.1.64 crore from storage charges up to March 2003 (at the rate of Rs.29.50 per MT per month). As the godowns were constructed by availing a loan of Rs.24 crore from Allahabad Bank at an interest rate of 10.90 per cent per annum, the Corporation also paid Rs.1.16 crore towards interest up to March 2003 which could have been off set by the revenue earned.

Further, GBY envisaged a subsidy of 25 per cent of the project cost from NABARD if the godowns are constructed outside the municipal limits. It was observed that two location (Junagarh and Rayagada) selected by FCI on the basis of Company's proposal, for construction of godowns were within the municipal limits. As a result, the subsidy of Rs.61.88 lakh (Rs.37.50 lakh for Junagarh and Rs.24.38 for Rayagada) was disallowed by NABARD.

The management stated (June 2003) that FCI would not take over the godowns without a joint inspection and satisfying that the godowns were complete in all respects. Further, the disallowance of subsidy by NABARD was not correct in view of the fact that NABARD had interpreted municipal corporation areas as municipalities and has been requested to reconsider the case as there were only two municipal corporations in the State.

The reply is not tenable as the Corporation should have arranged for joint inspection soon after completion of godowns. Further, the arguments that municipal limits and municipal corporations are different is a very narrow interpretation of the guidelines of GBY.

Thus, negligence in handing over of the completed godowns coupled with faulty selection of locations within municipal limits led to loss of Rs.2.26 crore.

The matter was reported to the Government (June 2003); their reply had not yet been received (October 2003).

[2] Guaranteed reservations: minimum occupation of godowns as guaranteed by FCI.

General

Follow-up action on Audit Reports

3.22 Outstanding Action Taken Notes

The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Orissa issued instructions (December 1993) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 1993-94, 1994-95, 1995-96, 1996-97, 1998-99, 1999-2000, 2000-01 and 2001-02 were presented to the State Legislature in September 1995, March 1996, March 1997, July 1998, July 2000, August 2001, March 2002 and March 2003 respectively, 10 out of 17 departments which were commented upon did not submit explanatory notes on 43 out of 214 paragraphs/reviews as on September 2003, as indicated below.

Year of the Audit Report (Commercial)	Total Paragraphs/ Reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
1993-94	28	3
1994-95	24	3
1995-96	23	2
1996-97	27	3
1997-98	15	Nil
1998-99	26	11
1999-2000	29	6
2000-01	25	5
2001-02	17	10
Total	**214**	**43**

Department-wise analysis is given in **Annexure-26**. Departments largely responsible for non-submission of explanatory notes were Energy, Industries, Science and Technology and Forest and Environment Departments. Government did not respond to even reviews highlighting important issues like system failures, mis-management, non-adherence to extant provisions and poor implementation of Power Sector Reconstruction Project. Absence of replies hampered the work of the COPU.

3.23 Outstanding Compliance to Reports of Committee on Public Undertakings (COPU)

Replies to 223 paragraphs pertaining to 43 Reports of the COPU presented to the State Legislature between April 1991 and March 2003 had not been received as on September 2003 as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received
1991-92	2	1
1993-94	2	1
1995-96	2	8
1997-98	1	2
1999-2000	12	72
2000-01	12	93
2001-02	5	26
2002-03	7	20
Total	**43**	**223**

The replies to 223 paragraphs were required to be furnished within 6 months from the presentation of the Reports. This has resulted in non-compliance of the observations made by COPU.

3.24 Action taken on persistent irregularities in Audit Reports

With a view to assist and facilitate discussion of the paras of persistent nature by the State COPU, an exercise has been carried out to verify the extent of corrective action taken by the concerned auditee organisation and results thereof are indicated in **Annexures-27 (A)** and **(B)**.

Government companies

The irregularities of undue favours extended to loanee units by way of extending loans without adequate security and in violation of extant guidelines amounting to Rs.2.48 crore (Orissa Small Industries Corporation Limited), procurement of excess quantities of cables and failure in disposal amounting to Rs.5.54 crore (Orissa Power Generation Corporation Limited), failure to ensure proper loading of wagons amounting to Rs.0.16 crore (Orissa Mining Corporation Limited) and failure to effect disinvestment/buy-back of shares in time amounting to Rs.2.42 crore (Industrial Promotion and Investment Corporation of Orissa Limited) noticed in Audit and were included in the Reports of the Comptroller and Auditor General of India for the years 1994-95 to 2002-03 (Commercial) - Government of Orissa. Actions taken by the companies/State Government on the irregularities as scrutinised (July 2003) in Audit revealed that the actions were belated and inadequate as per details in **Annexure-27 (A)** and that the irregularities were persisting.

Statutory corporations

The irregularities of various nature having financial implication of Rs.2.19 crore (Orissa State Financial Corporation) and Rs.0.80 crore (Orissa State Warehousing Corporation) were included in the Reports of the Comptroller and Auditor General of India for the years 1996-97, 1998-99 & 1999-2000 and 1993-94 & 2001-02 (Commercial) - Government of Orissa respectively. Scrutiny in Audit revealed that the irregularities were persisting and the corporations had not taken corrective action due to lack of seriousness on their part as detailed in **Annexure-27 (B)**.

The matters were reported to the Government (September 2003); their replies had not yet been received (October 2003).

Bhubaneswar
The

(M. Naveen Kumar)
Accountant General (Audit)-II
Orissa

Countersigned

New Delhi
The

(Vijayendra N. Kaul)
Comptroller and Auditor General of India

GLOSSARY

Words	Stand for
ABS	Aska Baripada Sonepur
AGM	Assistant General Manager
API	Alsthom Power India Limited
AR	Audit Report
ARCPSE	Audit Review Committees for State Public Sector Enterprises
ASD	Additional Security Deposit
ASEB	Assam State Electricity Board
ASP	Average Sale Price
ATN	Action Taken Note
BG	Bank Guarantee
BILT	Ballarpur Industries Limited
BIS	Bureau of Indian Standards
BSTCCS	Bhubaneswar Small Traders' Co-operative Credit Society Limited
CA	Chartered Accountant
CAG	Comptroller and Auditor General of India
CCF	Chief Conservator of Forest
CE	Chief Engineer
CEA	Central Electricity Authority
CENVAT	Central Value Added Tax
CERC	Central Electricity Regulatory Commission
CESCO	Central Electricity Supply Company Limited
CETP	Chief Engineer, Transmission Project
CMD	Chairman cum Managing Director
COPU	Committee on Public Undertakings
CPF	Contributory Provident Fund
CPSU	Central Power Sector Unit
CRS	Compulsory Retirement Scheme
CS	Commercial-States
CSU	Central Sector Undertaking
Cum	Cubic Metre
CWC	Central Warehousing Corporation

Words	Stand for
CWC	Central Water Commission
DFID	Department for International Development
DFO	Divisional Forest Officer
DGM	Deputy General Manager
DI	Disintegrated
DM	Divisional Manager
DM	District Manager
DMT	Dry Metric Tonne
DPR	Detailed Project Report
DPS	Delayed Payment Surcharge
DRDA	District Rural Development Agency
Dy.DMs	Deputy Managers
EC	Empowered Committee
EC	Energy Charge
ECBDL	East Coast Breweries and Distilleries Limited
ED	Excise Duty
EHT	Extra High Tension
EO	Enquiry Officer
EREB	Eastern Region Electricity Board
F&A	Finance and Accounts
FCI	Food Corporation of India
FCP	Ferro Chrome Plant
FI	Financial Institution
FOB	Free on Board
GBY	Gramin Bhandaran Yojana
GESW	General Engineering and Scientific Works
GoI	Government of India
GRIDCO	Grid Corporation of Orissa Limited
HCFC	High Carbon Ferro Chrome
HFO	Heavy Fuel Oil
HMO	Hanuman Minor Oil Limited
HSAL	Haryana Steel and Alloys Limited
HT	High Tension

Words	Stand for
HVF	Hanuman Vitamin Foods Limited
ID Card	Identity Card
IDCO	Orissa Industrial Infrastructure Development Corporation
IDCOL	Industrial Development Corporation of Orissa Limited
IISCO	Indian Iron and Steel Company Limited
IPCL	Indian Petrochemical Corporation Limited
IPICOL	Industrial Promotion and Investment Corporation of Orissa Limited
IPR	Industrial Policy Resolution
ITPS	Ib Thermal Power Station
K.S. Refractories Limited	Kanti Sharma Refractories Limited
KDB	Kerala Dinesh Bidi Workers' Central Co-operative Society Limited
KHL	Kalinga Hospital Limited
KL	Kendu Leaf
KLCC	Kendu Leaf Co-ordination Committee
KLMC	Kendu Leaf Marketing Cell
KVA	Kilo Volt Ampere
kWh	Kilo Watt Hour
LC	Letter of Credit
LDO	Light Diesel Oil
LOA	Letter of Award
MCL	Mahanadi Coal Fields Limited
MCSD	Microsoft Certified Solution Development
MCSE	Microsoft Certified System Engineer Development
MD	Managing Director
MECON	Mechanical and Engineering Consultant
MHR	Medium Hard Rock
MM	Margin Money
MMTC	Minerals and Metal Trading Corporation Limited
MOE	MP Oil Extraction Limited
MOU	Memorandum of Understanding
MPR	Monthly Progress Report

Words	Stand for
MRB	Money Receipt Books
MT	Metric Tonne
N.I.	Negotiable Instrument
NABARD	National Bank for Agriculture and Rural Development
NAC	Notified Area Council
NGT	New Gen Technologies Private Limited
NH-5	National Highway-5
NHPC	National Hydroelectric Power Corporation Limited
NINL	Neelachal Ispat Nigam Limited
NMR	Nominal Muster Roll
NPCC	National Projects Construction Corporation Limited
NTPC	National Thermal Power Corporation Limited
OAIC	Orissa Agro Industries Corporation Limited
OCB	Orissa Composite Board
OERC	Orissa Electricity Regulatory Commission
OFC	Orissa Forest Corporation Limited
OFDC	Orissa Forest Development Corporation
OHPC	Orissa Hydro Power Corporation Limited
OPDC	Orissa Plantation Development Corporation Limited
OPDR	Orissa Public Deposit Recovery
OPWD	Orissa Public Works Department
ORITCO	Orissa Industrial and Technical Consultancy Organisation
OSFC	Orissa State Financial Corporation
OSIC	Orissa Small Industries Corporation Limited
OSRTC	Orissa State Road Transport Corporation
OST	Orissa Sales Tax
OSWC	Orissa State Warehousing Corporation
OTEW	Orissa Timber and Engineering Works Limited
OTS	One Time Settlement
PC	Packing Credit
PDC	Post Dated Cheques
PDS	Public Distribution System
PE	Pyramid Engineers

Words	Stand for
PE	Public Enterprises
PG	Performance Guarantee
PMT	Per Metric Tonne
PPA	Power Purchase Agreement
PPT	Paradeep Port Trust
PSU	Public Sector Undertaking
Qtls	Quintals
RA	Running Account
RHEP	Rangit Hydro Electric Project
RIL	Rustagi Impex (P) Limited
RINL	Rashtriya Ispat Nigam Limited
RMCS	Raw Material Credit Scheme
RMD	Raw Material Depot
RMP	Raw Material Procurer
ROC	Registrar of Companies
S&M	Sales and Marketing
SAIL	Steel Authority of India Limited
SAR	Separate Audit Report
SBI	State Bank of India
SD	Security Deposit
SDM	Sub-Divisional Manager
SERC	State Electricity Regulatory Commission
SFDC	Similipahar Forest Development Corporation Limited
SGEL	Sun Granite Exports Limited
SMIL	Safa Marine Industries Limited
Sr. DM (F)	Senior Deputy Manager (Finance)
SSI	Small Scale Industries
SSIC	Small Scale Industries Corporation
SU	Sale Unit
TC	Tender Committee
TCS	Tata Consultancy Service
TD	Term Deposit
TDCC	Tribal Development Co-operative Corporation

Words	Stand for
TDR	Term Deposit Receipt
TISCO	Tata Iron and Steel Company Limited
UIHEP	Upper Indravati Hydo Electric Project
US	United States
USA	United States of America
VISA	Visa Comtrade AG
VRS	Voluntary Retirement Scheme
WAPCOS	Water and Power Consultancy Service (India) Limited
WCT	Works Contract Tax

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 2003 in respect of Government companies and Statutory corporations

(Referred to in Paragraphs 1.4, 1.5 and 1.6)

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and Name of the company	Paid-up capital as at the end of the current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans* outstanding at the close of 2002-03			Debt equity ratio for 2002-03 (Previous years) 4(f)/3(e)
		State Govern-ment	Central Govern-ment	Holding companies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	**WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED												
1.	Orissa Agro Industries Corporation Limited	609.28	105.27	--	0.60	715.15	--	--	--	1535.82	250.00	1785.82	2.5:1 (2.15:1)
2.	Orissa State Seeds Corporation Limited	211.00	--	--	47.60	258.60	--	--	--	--	--	--	-- (--)
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***	***--***	***--***	***--***	***1535.82***	***250.00***	***1785.82***	***1.44:1 (1.24:1)***
	INDUSTRY												
5.	Neelachal Ispat Nigam Limited	25.38	--	--	22305.51	22330.89	328.37	--	--	--	90782.01	90782.01	4.07:1 (3.58:1)
	Sector wise total	*25.38*	--	--	*22305.51*	*22330.89*	328.37	--	--	--	*90782.01*	*90782.01*	*4.07:1 (3.58:1)*
	ENGINEERING												
6.	Hirakud Industrial Works Limited (Subsidiary of Sl. No.22 of working Company)	--	--	690.01	--	690.01	--	--	--	--	1019.55	1019.55	1.48:1 (0.90:1)
	Sector wise total	--	--	*690.01*	--	*690.01*	--	--	--	--	*1019.55*	*1019.55*	*1.48:1 (0.90:1)*
	ELECTRONICS												
7.	Orissa State Electronics Development Corporation Limited	2003.50	--	--	--	2003.50	--	--	--	--	100.00	100.00	0.05:1 (0.91:1)
8.	ELMARC LIMITED(Subsidiary of Sl No.7)	-	-	101.57	-	101.57	--	-	--	-	260.00	260.00	2.56:1 (1.98:1)
9.	IDCOL Software Limited (Subsidiary of Sl. No. 22 of WC)	--	--	60.05	40.02	100.07	--	--	--	--	--	--	-- (--)
	Sector wise total	***2003.50***	***--***	***161.62***	***40.02***	***2205.14***	--	***--***	***--***	***--***	***360.00***	***360.00***	***0..16:1 (0.07:1)***

(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)
	FOREST												
10.	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	--	--	3554.58	3554.58	27.77:1 (29.56:1)
	Sector wise total	***128.00***	***--***	***--***	***--***	***128.00***	***--***	***--***	***--***	***--***	*3554.58*	*3554.58*	*27.77:1 (29.56:1)*
	MINING												
11.	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--	--	2418.00	--	2418.00	0.77:1 (0.77:1)
	Sector wise total	***3145.48***	***--***	***--***	***--***	***3145.48***	***--***	***--***	***--***	***2418.00***	***--***	***2418.00***	***0.77:1 (0.77:1)***
	CONSTRUCTION												
12.	Orissa Construction Corporation Limited	1150.00	--	--	--	1150.00	--	--	--	--	--	--	-- (--)
13.	Orissa Bridge and Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***1650.00***	***--***	***--***	***--***	***1650.00***	***---***	***--***	***--***	***--***	***--***	***--***	***-- (--)***
	PUBLIC DISTRIBUTION												
14.	Orissa State Civil Supplies Corporation Limited	978.32	--	--	--	978.32	--	--	--	488.23	--	488.23	0.50:1 (0.57:1)
	Sector wise total	***978.32***	***--***	***--***	***--***	***978.32***	***--***	***--***	***--***	***488.23***	***--***	***488.23***	***0.50:1 (0.57:1)***
	CEMENT												
15.	IDCOL Cement Limited (Subsidiary of the Company at Sl. No.22 of WC)	--	--	23000.00	3500.00	26500.00	--	--	-	--	--	--	-- (1.49:1)
	Sector wise total	***--***	***--***	***23000.00***	***3500.00***	***26500.00***	***--***	***--***	***--***	***--***	***--***	***--***	***-- (1.49:1)***
	TOURISM												
16.	Orissa Tourism Development Corporation Limited	962.16	--	--	--	962.16		--	--	--	--	--	--
	Sector wise total	***962.16***	***--***	***--***	***--***	***962.16***		***--***	***--***	***--***	***--***	***--***	***--***
	POWER												
17.	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.65	49021.74	--	--	--	18223.16	600.80	18823.96	0.38:1 (0.49:1)
18.	Orissa Hydro Power Corporation Limited	32080.09	--	--	--	32080.09	--	--	--	208619.74	272.16	208891.90	6.51:1 (5.57:1)
19.	Grid Corporation of Orissa Limited	49228.89	--	--	--	49228.89	544.68	43775.78	63067.01	4727.57	468268.83	472996.40	9.61:1 (0.91:1)
	Sector wise total	***106310.07***	***--***	***--***	***24020.65***	***130330.72***	***544.68***	***43775.78***	***63067.01***	***231570.47***	***469141.79***	***700712.26***	***5.38:1 (1.9:1)***

(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)
	FINANCING												
20.	Industrial Promotion and Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	--	25.00		1558.74	6215.69	7774.43	0.94:1 (0.95:1)
	Sector wise total	***8314.29***	***--***	***--***	***--***	***8314.29***	***--***	***25.00***		***1558.74***	***6215.69***	***7774.43***	***0.94:1 (0.95:1)***
	MISCELLANEOUS												
21.	Orissa State Police Housing and Welfare Corporation Limited	563.01	--	--	--	563.01	--	--	--	--	--	--	-- (--)
22.	Industrial Development Corporation of Orissa Limited	5711.79	--	--	--	5711.79	--	--	--	4467.59	26374.64	30842.23	5.40:1 (4.78:1)
23.	Orissa Small Industries Corporation Limited	965.86	--	--	--	965.86	--		100.00	173.00	173.60	346.60	0.36:1 (0.38:1)
24.	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	--	--	132.78	--	132.78	0.25:1 (0.21:1)
25.	Kalinga Studios Limited (Subsidiary of Sl. No. 24 of WC)	--	--	174.50	--	174.50	---	--		--	10.64	10.64	0.06:1 (0.19:1)
26.	Konark Jute Limited (Subsidiary of Sl. No. 22 of WC)	--	--	413.00	180.99	593.99	--	--	--	876.80	43.49	920.29	1.55:1 (--)
27.	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	--	--	359.27	359.27	0.05:1 (0.05:1)
28.	Orissa Rural Housing and Development Corporation Limited	3340.00	--	--	--	3340.00	1400.00	--	–	--	54639.84	54639.84	16.36:1 (21.04:1)
29	Orissa Beverages Corporation Limited	100.00	--	--	--	100.00	--	--	–	100.00	--	100.00	1:1 (--)
30.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 22 of WC)	--	10.00	--	10.00	20.00	--	--	–	--	7247.43	7247.43	362.37:1 (--)
31.	IDCOL Ferro Chrome Alloys Limited (Subsidiary of Sl. No. 22 of WC)	--	--	10.00	--	10.00	--	--	–	--	1871.36	1871.36	187.1:1 (--)
32.	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 22 of WC)	--	--	5.00	--	5.00	--	--	–	--	--	--	-- (--)
33	Orissa Pisciculture Development Corporation Limited	1129.06	--	--	--	1129.06	3.62	--	--	290.65	22.15	312.80	0.28:1 (--)
	Sector wise total	***19823.02***	***10.00***	***602.50***	***190.99***	***20626.51***	***1403.62***	***--***	***100.00***	***6040.82***	***90742.42***	***96783.74***	***4.69:1 (3.86:1)***
	TOTAL (A) WORKING GOVERNMENT COMPANIES	**144425.54**	**115.27**	**24454.13**	**50105.37**	**21910031**	**2276.67**	**43800.78**	**63167.01**	**243612.08**	**662066.04**	**905678.12**	**4.13:1 (2.05:1)**
B.	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT												
1.	Orissa State Road Transport Corporation	12048.00	1592.00	--	1.00	13641.00	--	--	--	3763.00	1663.00	5426.00	0.40:1 (0.54:1)
	Sector wise total	**12048.00**	**1592.00**	**--**	**1.00**	**13641.00**	**--**	**--**	**--**	**3763.00**	**1663.00**	**5426.00**	***0.40:1 (0.54:1)***
	FINANCING												
2.	Orissa State Financial Corporation	4852.50	--	--	3904.81	8757.31	--	25.00	--	2598.20	60069.39	62667.59	7.16:1 (7.51:1)

	Sector wise total	***4852.50***	***--***	***--***	***3904.81***	***8757.31***	***--***	***25.00***	***--***	***2598.20***	***60069.39***	***62667.59***	***7.16:1 (7.51:1)***
(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)**
	CO-OPERATION												
3.	Orissa State Warehousing Corporation	180.00	-	-	180.00	360.00	--	-	-	-	2225.00	2225.00	6.18:1 (--)
	Sector wise total	***180.00***	***-***	***-***	***180.00***	***360.00***	***--***	***-***	***-***	***-***	***2225.00***	***2225.00***	***6.18:1 (--)***
	TOTAL (B) ALL STATUTORY CORPORATION	**17080.50**	**1592.00**	**--**	**4085.81**	**22758.31**	**--**	**25.00**	**–**	**6361.20**	**63957.32**	**70318.52**	**3.09:1 (3.23:1)**
	TOTAL (A) + (B)	**161506.04**	**1707.27**	**24454.13**	**54191.18**	**241858.62**	**2276.67**	**43825.78**	**63167.01**	**249973.28**	**126023.36**	**975996.64**	**4.03:1 (2.17:1)**
C.	**NON WORKING GOVERNMENT COMPANIES**												
	INDUSTRY												
1.	ORICHEM Limited (Subsidiary of Sl.No.22 of Working Company)	--	--	229.12	47.53	276.65	--	--	--	242.85	473.36	716.21	2.59:1 (0.34:1)
2.	Konark Detergent and Soaps Limited (Subsidiary of the Company at Sl.No.23 of working Company)	--	--	9.32	--	9.32	--	--	--	--	--	--	-- (--)
3.	Kalinga Steel (I) Limited (Subsidiary of Sl.No.20 of working Company)	--	--	0.08	--	0.08	--	--	--	--	--	--	-- (--)
	Sector wise total	***--***	***--***	***238.52***	***47.53***	***286.05***	***--***	***--***	***--***	***242.85***	***473.36***	***716.21***	***2.50:1 (0.33:1)***
	ENGINEERING												
4.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968 under voluntary liquidation since 30 August 1976)	4.34	--	--	0.20	4.54	--	--	--	--	--	--	-- (--)
5.	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	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 March 1976)	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.22 of WC)	--	--	12.28	--	12.28	--	--	--	--	--	--	-- (--)
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.22 of WC)	--	--	193.15	--	193.15	--	928.55	--	--	10514.48	10514.48	54.44:1 (15.97:1)
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl. No.23 of WC)	--	--	30.00	--	30.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***110.07***	***--***	***235.43***	***1.74***	***347.24***	***--***	***928.55***	***--***	***--***	***10514.48***	***10514.48***	***30.28:1 (8.89:1)***

(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												
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		--	--	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***	***--***	***--***	***--***	***641.08***	***-***	***641.08***	***0.70:1 (0.70:1)***
	TEXTILES												
19.	Mayurbhanja Textiles Limited	3.79	--	--	--	3.79	--	--	--	--	--	--	-- (--)
20.	New Mayurbhanja Textiles Limited	17.22	--	--	--	17.22	--	0.75	--	--	--	--	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)
22.	Orissa State Textile Corporation Limited	452.92	--	--	--	452.92	--	--	--	162.00	--	162.00	0.36:1 (0.36:1)
23.	ABS Spinning Mills Limited	--	--	300.00	--	300.00					563.93	563.93	1.88:1 (2.40:1)
	Sector wise total	***2578.21***	***--***	***303.21***	***362.74***	***3244.16***	***--***	***0.75***	***--***	***1630.14***	***563.93***	***2194.07***	***0.68:1 (0.72:1)***
	HANDLOOM AND HANDICRAFTS												
24.	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)***
	MISCELLANEOUS												
25.	Orissa State Commercial Transport Corporation Limited	234.00	--	--	376.00	610.00	--	--		49.63	754.34	803.97	1.32:1 (1.29:1)
26.	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	-- (--)

(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)
27.	Orissa State Export Development Corporation Limited	4.00	--	--	--	4.00	--	--	--	--	--	--	-- (--)
28.	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	0.53	--	--	0.08	0.61	--	--	--	--	--	--	-- (--)
29.	Orissa Boat Builders Limited (Company since 1987 decided to put under liquidation)	4.72	--	--	0.51	5.23	--	--	--	--	--	--	-- (--)
30.	Orissa Board Mills Limited (closed; decided for liquidation)	3.67	--	--	0.41	4.08	--	--	--	--	--	--	-- (--)
31.	Orissa State Leather Corporation Limited	396.63	--	--	28.41	425.04	--	--	--	37.00	--	37.00	0.09:1 (0.09:1)
32.	Orissa Leather Industries Limited (Subsidiary of Sl.No.33 of NWC)	--	--	64.99	0.01	65.00	--	--	--	176.96	--	176.96	2.72:1 (2.72:1)
33.	Kanti Sharma Refractories Limited (Subsidiary of Sl. No. 23 of WC)	--	--	85.00	--	85.00	--	--	--	--	--	--	-- (0.78:1)
34.	Orissa Timber and Engineering Works Limited (Subsidiary of Sl.No.23 of WC)	--	--	0.05	--	0.05	--	--	--	--	--	--	-- (--)
	Sector wise total	***678.55***	***--***	***150.04***	***405.42***	***1234.01***	***--***	***--***	***--***	***263.59***	***754.34***	***1017.93***	***0.82:1 (0.73:1))***
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES	**4341.80**	**--**	**1230.35**	**872.00**	**6444.15**	**--**	**929.30**	**--**	**2935.74**	**12306.11**	**15241.85**	**2.37:1 (1.00:1)**
	GRAND TOTAL (A)+(B)+(C)	**165847.84**	**1707.27**	**25684.48**	**55063.18**	**248302.77**	**2276.67**	**44755.08**	**63167.01**	**252909.02**	**738329.47**	**991238.49**	**3.99:1 (2.13:1)**

Note: Except in respect of Sl. No.A-4, 5,9,17,18 and C-1 and 3, which finalised the accounts for 2002-03, figures are provisional and as given by the companies/corporations

* Loans outstanding at the close of 2002-03 represent long-term loans only.

\# Includes share application money Rs.8196.44 lakh (Sl. No.A-5 - Rs.5800.44 lakh and S. No.C-21 - Rs.2396.00 lakh)

$ Orissa Maritime and Chilka Area Development Corporation Ltd and Orissa Fishseed Development Corporation merged to form the new company

ANNEXURE-2

Summarised financial results of Government companies and Statutory Corporations for the latest year for which accounts were finalised
(Referred to Paragraphs 1.7, 1.8, 1.14, 1.21 and 1.22)

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of the company	Name of the Department	Date of incor-poration	Period of accounts	Year in which accounts finalised	Net Profit / Loss (-)	Net impact of audit com-ments	Paid-up capital	Accumu-lated Profit/ Loss (-)	Capital employed (A)	Total Return on capital employ-ed	Percen-tage of total return on capital employed	Arrears of accou-nts in terms of years	Turn over	Man-power
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	**WORKING GOVERNMENT COMPANIES**														
	AGRICULTURE AND ALLIED														
1.	Orissa Agro Industries Corporation Limited	Agriculture	20 December 1961	1994-95 1995-96	2003-04 2003-04	(-)360.72 (-)374.78	--	486.05 659.75	(-)2145.54 (-)2520.32	444.45 494.99	(-)189.25 (-)187.82	-	7	5388	584
2.	Orissa State Seeds Corporation Limited	Agriculture	24 February 1978	1999-00	2003-04	476.17	--	258.60	386.32	2876.84	561.25	19.51	3	3213	194
3.	Orissa State Cashew Development Corporation Limited	Agriculture	06 April 1979	1999-00	2002-03	107.03	--	155.04	452.50	601.51	107.03	17.79	3	623	762
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	Agriculture	01 March 1996	2002-03	2003-04	No profit and no loss		110.00	--	124.57	--	--	--	--	11
	Sector wise total					***208.42***	**--**	***1183.39***	***(-)1681.88***	***4097.91***	***480.46***	***11.72***			
	INDUSTRY														
5.	Neelachal Ispat Nigam Limited	Steel and Mines	27 March 1982	2002-03	2003-04	Commercial production not yet started		22330.89	--	99454.36	--	--	--	29728	716
	Sector wise total						**--**	***22330.89***	**--**	***99454.36***	**--**	**--**			
	ENGINEERING														
6.	Hirakud Industrial Works Limited (Subsidiary of Sl.No.22 of WC)	Industry	18 January 1993	2001-02	2003-04	(-)182.46	Increase in loss.2.55	490.01	(-)342.45	1211.60	(-)102.47	--	1	1351	409
	Sector wise total					***(-)182.46***	**--**	***490.01***	**(-)342.45**	**1211.60**	**(-)102.47**	**--**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS														
7.	Orissa State Electronics Development Corporation Limited	Information Technology	30 September 1981	1996-97 1997-98	2002-03 2003-04	14.46 1.47	Increase in profit 2.65 .	1813.50 1813.50	(-)211.46 (-)210.00	578.65 573.78	14.46 1.47	2.50 0.26	5	---	93
8.	ELMARC LIMITED (Subsidiary of Sl.No.7)	Science and Technology	23 January 1990	1997-98	2003-04	(-)57.54	-	101.57	(-)187.90	(-)35.18	(-)40.92	-	5	34.67	25
9.	IDCOL Software Limited (Subsidiary of Company at Sl. No. 22 of WC)	Industry	26 November 1998	2001-02 2002-03	2002 –03 2003-04	(-)36.88 5.62	-	100.07 100.07	(-)65.88 (-)60.26	28.92 37.17	(-)36.88 5.62	-- 15.12	--	60	7
	Sector wise total					***(-)50.45***	**--**	***2015.14***	*(-)458.16*	*575.77*	*(-)33.83*	**--**			
	FOREST														
10.	Orissa Forest Development Corporation Limited	Forest and Environment	28 September 1962	1997-98 1998-99	2003-04 2003-04	(-)664.69 (-)760.36	Increase in loss 307.88.	128.00 128.00	(-)3331.36 (-)4293.27	(-)1165.61 (-)2002.64	(-)599.63 (-)678.68	--	4	22198	4944
	Sector wise total					***(-)760.36***	**--**	***128.00***	***(-)4293.27***	(-)2002.64	***(-)678.68***				
	MINING														
11.	Orissa Mining Corporation Limited	Steel and Mines	16 May 1956	1999-00 2000-01	2002-03 2003-04	(-)1885.56 (-)801.31	Increase in loss 39.31.	3145.48 3145.48	3581.18 2780.50	12601.16 12630.33	(-)1833.63 (-)648.96		2	20000	5575
	Sector wise total					***(-)801.31***	**--**	***3145.48***	***2780.50***	***12630.33***	***(-)648.96***				
	CONSTRUCTION														
12.	Orissa Construction Corporation Limited	Water Resources	22 May 1962	2000-01	2003-04	11.97	Decrease in profit-165.66.	1150.00	151.22	3902.29	81.29	2.08	2	2211	1276
13.	Orissa Bridge and Construction Corporation Limited	Works	01 January 1983	1998-99 1999-00	2003-04 2003-04	(-)41.73 (-)45.48	Increase in loss 6.95.	500.00 500.00	(-)606.63 (-)664.01	379.08 322.71	(-)40.06 (-)43.93		3	1087	540
	Sector wise total					***(-)33.51***	**--**	***1650.00***	***(-)512.79***	***4225.00***	***37.36***	***0.88***			
	PUBLIC DISTRIBUTION														
14.	Orissa State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	03 Septem-ber 1980	1996-97	2003-04	No profit no loss.	Increase in loss 131.10.[@]	978.32	--	1392.87	--	-	6	34055	1409
	Sector wise total						**--**	***978.32***	**--**	1392.87	--	**--**	**--**		
	CEMENT														
15.	IDCOL Cement Limited (Subsidiary of Sl.No.22 of WC)	Industries	26 February 1993	2001-02	2002-03	(-)7851.25	Increase in loss 431.10	12500.00	(-)12364.02	13678.52	(-)3251.16	--	1	16282	883
	Sector wise total					***(-)7851.25***	**--**	***12500.00***	(-)12364.02	13678.52	(-)3251.16	**--**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	TOURISM														
16.	Orissa Tourism Development Corporation Limited	Tourism	03 September 1979	1996-97 1997-98 1998-99	2002-03 2003-04 2003-04	5.82 10.15 (-)4.49	Decrease in profit 0.12.	922.16 922.16 922.16	(-)527.69 (-)514.77 (-)509.60	401.96 425.39 420.23	8.59 10.23 (-)4.32	2.14 2.40	4	578.87	498
	Sector wise total					***(-)4.49***		***922.16***	***(-)509.60***	***420.23***	***(-)4.32***				
	POWER														
17.	Orissa Power Generation Corporation Limited	Energy	14 November 1984	2001-02 2002-03	2003-04 2003-04	12210.92 19863.80	Decrease in profit 164.55	49021.74 49021.74	18519.66 19709.98	78501.78 76896.79	16229.86 23556.88	20.67 30.63	--	38354	655
18.	Orissa Hydro Power Corporation Limited	Energy	21 April 1995	2001-02 2002-03	2003-04 2003-04	(-)316.67 (-)4179.80	Increase in loss 1542.00.	32080.09 32080.09	22262.21 17998.30	234766.39 258195.42	4147.73 46.88	1.57 0.02	--	17054	3328
19.	Grid Corporation of Orissa Limited	Energy	20 November 1995	1999-00 2000-01	2002-03 2003-04	(-)3055.98 (-)8524.00	Increase in loss18883.00	48684.21 48684.21	(-)117900.10 (-)126424.10	126200.14 68948.33	--- ---	--- --	2	166234	5436
	Sector wise total					***7160.00***	***--***	***129786.04***	***(-)88715.82***	***404040.54***	***23603.76***	***5.84***			
	FINANCING														
20.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	2001-02	2002-03	(-)1673.41	Increase in loss 5797.00	8314.29	(-)5693.22	10757.97	(-)797.11	--	1	---	138
	Sector wise total					***(-)1673.41***	***--***	***8314.29***	***(-)5693.22***	***10757.97***	***(-)797.11***	***--***			
	MISCELLANEOUS														
21.	Orissa State Police Housing and Welfare Corporation Limited	Home	24 May 1980	1994-95 1995-96 1996-97	2002-03 2003-04 2003-04	6.46 24.92 4.30	Decrease in profit 8.84.	563.01 563.01 563.01	(-)128.79 (-)103.82 (-)49.57	725.78 1971.93 836.57	6.46 24.92 4.30	0.89 1.26 0.51	6	---	210
22.	Industrial Development Corporation of Orissa Limited	Industries	29 March 1962	2001-02	2003-04	4501.06	Decrease in profit 4648.00	5711.79	(-)112.76	25177.96	7242.31	28.76	1	---	120
23.	Orissa Small Industries Corporation Limited	Industries	03 April 1972	1999-00 2000-01	2002-03 2003-04	(-)135.74 (-)271.03	Increase in loss 18.00	965.86 965.86	(-)87.49 (-)383.16	5502.26 4901.55	4929.39 310.20	89.59 6.32	2	5507	251
24.	Orissa Film Development Corporation Limited	Industries	22 April 1976	1998-99	2003-04	4.66	Decrease in profit.2.21	540.05	24.81	599.50	4.66	0.78	4	36	25
25.	Kalinga Studios Limited(subsidiary of company at Sl. No. 24 of WC)	Industries	20 July 1980.	1998-99	2002-03	(-)12.09	--	129.50	(-)172.41	100.86	(-)10.71	--	4	--	48
26	Konark Jute Limited (subsidiary of Company at Sl. No 22 of WC)	Industries	27 January 1975	1997-98	2003-04	(-)18.23	--	594.00	(-)1071.44	804.21	33.56	4.17	5	---	---
27.	Orissa Lift Irrigation Corporation Limited	Water Resources	1 October 1973	1998-99 1999-00	2002-03 2003-04	(-)24.69 38.10	Increase in loss 158.75	7473.25 7473.25	(-)416.34 (-)440.31	25990.08 26920.47	4.32 87.85	0.02 0.03	3	---	8331
28.	Orissa Rural Housing and Development Corporation Limited	Housing and Urban Development	19 August 1994	1999-00	2003-04	121.43	--	775.00	195.00	8391.10	1270.10	15.14	3	--	183
29	Orissa Beverages Corporation Limited	Excise	16 November 2000	2000-01	2003-04	9.94		0.0007	9.94	207.01	10.16	4.91	2	34972	43

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
30	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 22 of WC)	Industries	26 March 1999	2000-01 2001-02	2002-03 2002-03	Commercial production not started	--	0.07 0.07	--	0.03 0.03	--	--	1	110	2074
31	IDCOL Ferro Chrome Alloys Limited (Subsidiary of Sl. No. 22 of WC)	Industries	26 March 1999	2000-01 2001-02	2002-03 2002-03	Commercial production not started	--	0.07 0.07	--	0.04 0.04	--	--	1	4672	486
32	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 22 of WC)	Industries	22 March 2002	1st account due.				0.50					1		
33	Orissa Pisciculture Development Corporation Limited	Fisheries and Animal Resources Development	5 May 1998	First accounts not yet finalised									5	2640	285
	Sector wise total					***4378.14***	**--**	***16753.10***	***(-)2049.90***	***67939.30***	***8952.43***	***13.18***			
	TOTAL (A) WORKING GOVERNMENT COMPANIES					**389.32**	**--**	**200196.82**	**(-)113840.61**	**618421.76**	**27557.48**	**4.46**			
B.	**WORKING STATUTORY CORPORATION**														
	TRANSPORT														
1.	Orissa State Road Transport Corporation.	Commerce and Transport	15 May 1974	1994-95 1995-96	2002-03 2003-04	(-)12650.39 (-)13874.35	Increase in loss 56..70	11193.48 11588.48	(-)15433.00 (-)16683.00	(-)898.00 (-)1334.00	(-)12600.97 (-)13806.65	--	7	3273	1602
	Sector wise total					***(-)13874.35***	**--**	***11588.48***	***(-)16683.00***	***(-)1334.00***	***(-)13806.65***				
	FINANCING														
2.	Orissa State Financial Corporation	Industries	20 March 1956	2001-02	2002-03	198.71	Non disclosure 54.22	8757.31	(-)37237.48	69911.00	6244.26	8.93	1	5805	931
	Sector wise total					***198.71***	**-**	***8757.31***	***(-)37237.48***	***69911.00***	***6244.26***	***8.93***			
	CO-OPERATION														
3.	Orissa State Warehousing Corporation.	Co-operation	21 March 1958	2001-02	2003-04	343.16	Non disclosure 68.07	360.00	1.10	1834.80	343.16	18.70	1	1574	453
	Sector wise total					***343.16***	**-**	***360.00***	***1.10***	***1834.80***	***343.16***	***18.70***			
	TOTAL (B) STATUTORY CORPORATION					**(-)13332.48**	**--**	**20705.79**	**(-)53919.38**	**70411.80**	**(-)7219.23**	**--**			
	TOTAL OF (A) + (B)					**(-)12943.16**	**--**	**220902.61**	**(-)167759.99**	**688833.56**	**20338.25**	**2.95**	**--**		
C.	**NON WORKING GOVERNMENT COMPANIES**														
	INDUSTRY														
1.	ORICHEM Limited (Subsidiary of Sl.No.22 of WC)	Industry	29 July 1974	2001-02 2002-03	2002-03 2003-04	(-)118.64 (-)96.69	--	276.65 276.65	(-)1601.14 (-)1697.83	43..03 (-)50.82	(-)38.74 (-)34.34		1	--	
2.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.23 of WC)	Industry	29 August 1978	1981-82	1996-97	(-)0.60	--	5.79	(-)0.96	5.09	(-)0.60	--	21	--	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
3.	Kalinga Steel (India) Limited (Subsidiary of Sl.No.20 of WC)	Industries	09 January 1991	2001-02 2002-03	2002-03 2003-04	Commercial production not started	---	0.08 0.08	--	582.92 582.92	--	--	--	--	
	Sector wise total					***(-)97.29***	**--**	***282.52***	***(-)1698.79***	***537.19***	***(-)34.94***	**--**	**--**		
	ENGINEERING														
4.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968; under voluntary liquidation since 30 August 1976)	Industries	31 March 1958	1966-67	1973-74	(-)0.46	--	4.54	--	4.72	(-)0.34	--	36		
5.	Gajapati Steel Industries Limited (Company closed since 1969-70; under voluntary liquidation since 01 March 1974)	Industries	15 February 1959	1968-69	1974-75	(-)0.44	--	3.99	--	2.25	(-)0.42	--	34		
6.	Premiere Bolts and Nuts Limited (Company closed)	Industries	4 August 1959	1966	1973-74	(-)0.27	--	2.27	--	0.44	(-)0.27	--	36		
7.	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09 March 1976)	Industries	22 September 1960	1972-73	1975-76	(-)0.36	--	4.20	--	3.08	(-)0.07	--	30		
8.	Orissa Instruments Company Limited	Industries	14 March 1961	1987-88	2000-01	(-)6.22	--	8.79	(-)0.79	35.80	(-)3.74	--	15	--	
9.	Hira Steel and Alloys Limited (Subsidiary of Sl.No.22 of WC)	Industries	23 August 1974	1975-76	1976-77	Commercial production not started	--	12.28	--	27.39	1.57	5.73	27		
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl.No.22 of WC)	Industries	26 March 1993	2001-02	2002-03	(-)3175.30		193.16	(-)16305.71	1400.00	(-)265.94	--	1	---	35
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl.No.23 of WC)	Industries	11 January 1994	1st	Account	not	yet	received.					9		
	Sector wise total					***(-)3183.05***	**--**	***229.23***	***(-)16306.50***	***1473.68***	***(-)269.21***	**--**			
	ELECTRONICS														
12.	Manufacture Electro Limited (Assets have been sold)	Industries	24 September 1959	1965-66	1982-83	(-)0.08	--	0.45	--	--	(-)0.08	--	37		
13.	Modern Electronics Ltd. (Under liquidation)	Industries	22 March 1960	1965-66	1982-83	0.23	--	4.37	--	2.77	0.26	9.39	37		
14.	IPITRON Times Limited (Subsidiary of Sl.No.7 of WC)	Science and Technology	11 December 1981	1991-92	1997-98	(-)68.50	--	80.83	(-)225.77	350.28	(-)11.75	--	11	---	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
15.	Konark Television Limited (Defunct since 1999-2000)	Science and Technology	26 June 1982	1991-92	1998-99	(-)94.96	--	120.00	(-)603.52	600.04	46.15	7.69	11	---	
16.	ELCOSMOS Electronics Limited (Subsidiary of Sl.No.7 of WC)	Science and Technology	12 January 1987	1991-92	1996-97	(-)77.27	--	174.91	(-)140.48	340.15	(-)26.18	--	11	---	
17.	ELCOPHONES Limited (Subsidiary of Sl.No.7 of WC)	Science and Technology	10 December 1987	1st	account	not	yet	received.					16		
18.	ELCO Communication and Systems Limited (Subsidiary of Sl.No.7 of WC)	Science and Technology	8 March 1989	1990-91	2003-04	Commercial production not started	--	0.007	--	84.93	--	--	12		
	Sector wise total					***(-)240.58***	***--***	***380.57***	***(-)969.77***	***1378.17***	***8.40***	***0.61***			
	TEXTILE														
19.	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	(-)0.82	--	3.79	--	(-)0.62	(-)0.71	--	32		
20.	New Mayurbhanj Textiles Limited	Industries	1988	1981-82	2000-01	2.57	--	1.50	(-) 2.21	4.66	2.58	55.36	21	--	1
21.	Orissa Textile Mills Limited (Defunct since 2000-01)	Textile and Handlooms	25 January 1946	1997-98	1998-99	(-)1023.74	--	2470.24	(-)5340.61	516.81	(-)766.10	--	5	---	
22.	Orissa State Textile Corporation Limited	Textile and Handlooms	10 September 1981	1992-93	1998-99	(-)341.37	--	260.00	(-)1286.08	(-)543.66	--	--	10	---	--
23.	ABS Spinning Orissa Limited (Subsidiary of Sl.No.22 of WC)	Industry	1 April 1990	1994-95	2000-01	(-)723.29	--	300.00	(-)3635.48	(-)211.34	(-)333.24	--	8	---	266
	Sector wise total					***(-)2086.65***	***--***	***3035.53***	***(-)10264.38***	***(-)234.15***	***(-)1097.47***	***--***	***--***		
	HANDLOOM														
24.	Orissa Handloom Development Corporation Limited (Defunct since 1997-98)	Industries	01 February 1977	1996-97	2003-04	(-)79.02	--	353.37	(-)1215.09	255.77	(-)29.59	--	6	--	247
	Sector wise total					***(-)79.02***	***--***	***353.37***	***(-)1215.09***	***255.77***	***(-)29.59***	***--***			
	MISCELLANEOUS														
25.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	7 January 1964	1993-94	2003-04	(-)269.00		234.00	(-)1863.50	152.82	(-)259.62	--	9	--	15
26.	Orissa Fisheries Development Corporation Limited	Fisheries and Animal Resources Development	8 August 1962	1982-83	1983-84	(-)3.75	--	35.00	--	19.78	(-)2.53	--	19		
27.	Orissa State Export Development Corporation Limited	Handicraft and Cottage Industries	27 July 1990	1990-91	1995-96	--	--	0.85	--	(-)0.06	--	--	11	--.	
28.	Eastern Aquatic Products Limited	Industries	06 May 1959	1972-73	1975-76	--	--	0.60	--	0.31		--	30		
29.	Orissa Boat Builders Limited (Company closed since 1987)	Industries	18 March 1958	1970-71	1977-78	(-)0.32	--	5.23	--	1.30	(-)0.30	--	32		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
30.	Orissa Board Mills Limited (Closed. Decided for liquidation)	Industries	04 April 1960	1967-68	1976-77	(-)1.04	--	4.08	--	4.69	(-)0.53	--	35		
31.	Orissa State Leather Corporation Limited (Closed under ID Act w.e.f 18 June 1998)	Industries	19 April 1976	1987-88	1997-98	(-)22.18	--	216.68	(-)212.94	161.41	(-)18.85	--	15	---	
32.	Orissa Leather Industries Limited (subsidiary of Company at Sl.No.33 of NWC)	Industries	26 July 1986	1991-92	1995-96	--	--	65.00	--	192.02	--	--	11		
33.	Kanti Sharma Refractories Limited (subsidiary of company at Sl.No.23 of WC) (Closed under ID Act w.e.f 5 December 1998)	Industries	11 January 1994	1st	Account	not	yet	received.				--	9		
34.	Orissa Timber and Engineering Works Limited (subsidiary of company at Sl. No. 23 of WC) (Closed since July 2000)	Industries	11 January 1994.	1994-95	2001-02	(-)0.08	--	0.05	(-)0.08		(-)0.08	--	8	--	---
	Sector wise total					***(-)296.37***	**--**	***561.49***	***(-)2076.52***	***532.27***	***(-)281.91***	**--**			
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES					**(-)5982.96**	**--**	**4842.71**	**(-)32531.05**	**3942.93**	**(-)1704.72**	**--**			
	TOTAL OF (A) + (B) + (C)					**(-)18926.12**	**--**	**225745.32**	**(-)200291.04**	**692776.49**	**18633.53**	**2.69**			

(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).

@ Loss is compensated by Government (Company at Sl No.A-14).

$ The two merged companies of Orissa Pisciculture Development Corporation Ltd. finalised their three accounts of pre merger period by September 2003.

ANNEXURE-3

Statement showing grants/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 2003
(Referred to in Paragraph 1.6)

(Figures in Columns 3(a) to 7 are Rupees in lakh)

		Grants/Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year⊗					Waiver of dues during the year					
Sl. No.	**Name of the Public Sector Undertaking**	**Central Govern-ment**	**State Govern-ment**	**Others**	**Total**	**Cash credit from banks**	**Loans from other sources**	**Letters of credit opened by bank in respect of imports**	**Payment of obligation under agreements with foreign consultants or contracts**	**Total**	**Loans repay-ment written off**	**Interest waived**	**Penal interest waived**	**Total**	**Loans on which morato-rium allowed**	**Loans conve-rted into equity during the year**
(1)	**(2)**	**3(a)**	**3(b)**	**3(c)**	**3(d)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**4(e)**	**5(a)**	**5(b)**	**5(c)**	**5(d)**	**(6)**	**(7)**
A.	**WORKING GOVERNMENT COMPANIES**															
1.	Orissa Lift Irrigation Corporation Limited	--	3100.00	-	3100.00	--	--	--	--	--	--	--	--	--	--	--
2.	Orissa Rural Housing and Development Corporation Limited	--	--	--	--	--	-- (58537.25)	--	--	-- (58537.25)	--	--	--	--	--	--
3	Orissa Film Development Corporation Limited	--	53.00#		53.00#											
4	Orissa Agro Industries Corporation Limited	--	--	--	--	150.00	--	--	--	150.00	--	--	--	--	--	--
5	Orissa State Civil Supplies Corporation Limited	--	5726.60	--	5726.60	--	--	--	--	--	--	--	--	--	--	--
6.	Orissa Small Industries Corporation Limited	--	--	--	--	--	-- (3050.00)	--	--	-- (3050.00)	--	--	--	--	--	--
7	Orissa State Seeds Corporation Limited.	--	11.60	--	11.60	--	--	--	--	--	--	--	--	--	--	--
8	Agricultural Promotion and Investment Corporation of Orissa Limited		20.00#		20.00#											
9	Grid Corporation of Orissa Limited	--	3332.48#	--	3332.48#	--	47500.00 (292448.67)	--	--	47500.00 (292448.67)	--	--	--	--	--	40000.00
10.	Industrial Development Corporation of Orissa Limited	--	--	--	--	--	(24741.00)	--	--	(24741.00)	--	--	--	--	--	--
11.	Orissa Construction Corporation Limited	--	--	--	--	81.83 (700.00)	--	--	--	81.83 (700.00)	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
12.	Orissa State Electronics Development Corporation Limited	--	--	--	--	--	-- (2000.00)	--	--	-- (2000.00)	--	--	--	--	--	--
13.	Orissa Power Generation Corporation Limited	--	--	--	--	--	5597.00 (18224.00)	--	--	5597.00 (18224.00)	--	--	--	--	--	--
14.	Orissa Hydro Power Corporation Limited	--	--	--	--	--	28360.30	--	--	28360.30	--	--	--	--	--	--
15.	ELMARC Limited	--	--	--	--	--	(250.00)	--	--	(250.00)	--	--	--	--	--	--
16.	Orissa Forest Development Corporation Limited	--	--	--	--	(500.00)	--	--	--	(500.00)	--	--	--	--	--	--
Total (A) Working Government Companies		**--**	**8838.20 3405.48#**	**---**	**8838.20 3405.48#**	**231.83 (1200.00)**	**81457.30 (399250.92)**	**--**	**--**	**81689.13 (400450.92)**	**--**	**--**	**--**	**--**	**--**	**40000.00**
B.	**WORKING STATUTORY CORPORATIONS**															
1.	Orissa State Financial Corporation	--	40.00	--	40.00	--	(37565.25)	--	--	(37565.25)	--	--	--	--	--	--
2	Orissa State Warehousing Corporation	--	600.00#		600.00#											
3.	Orissa State Road Transport Corporation	--	160.00	--	160.00	--	(1122.00)	--	--	(1122.00))	--	--	--	--	--	--
Total (B) Working Statutory Corporations		**--**	**200.00 600.00#**	**--**	**200.00 600.00#**	--	**-- (38687.25)**	**--**	**--**	**-- (38687.25)**	**--**	**--**	**--**	**--**	**--**	**--**
	TOTAL (A) + (B)	**--**	**9098.20 4005.48#**	**---**	**9098.20 4005.48#**	**231.83 (1200.00)**	**81457.30 (437938.17)**	**--**	**--**	**81689.13 (439138.17)**	**--**		**--**		**--**	**--**
C.	**NON WORKING GOVERNMENT COMPANIES**															
1.	ABS Spinning Orissa Limited	--	--	--	--	7.64 (144.55)		--	--	7.64 (144.55)	110.12	--	--	110.12--	--	--
Total (C) Non Working Government Companies		**--**	**--**	**--**	**--**	**7.64 (144.55)**	**--**	**--**	**--**	**7.64 (144.55)**	**110.12**	**--**	**--**	**110.12**	**--**	**--**
TOTAL (A)+(B)+(C)		**---**	**9038.20 4005.48#**	**--**	**9038.20 4005.48#**	**239.47 (1344.55)**	**81457.30 (437938.17)**	**--**	**--**	**81696.77 (439282.72)**	**110.12**	**--**	**--**	**110.12**	**--**	**40000.00**

⊗ Figures in brackets indicate guarantee outstanding at the end of the year.

#.Grants received during the year.

ANNEXURE-4

Statement showing financial position of Statutory corporations
(Referred to in Paragraph 1.8)

(Rupees in crore)

1. ORISSA STATE ROAD TRANSPORT CORPORATION			
Particulars	**2000-01**	**2001-02**	**2002-03**
A. LIABILITIES		**(Provisional)**	
Capital (including loan capital and equity capital)	136.41	136.41	136.41
Borrowings (Government)	21.49	23.02	37.63
(Others)	45.70	48.10	16.63
Funds[$]	0.89	0.89	0.89
Trade dues and other current liabilities (including provisions)	91.49	95.84	94.34
Total (A)	**295.98**	**304.26**	**285.90**
B. ASSETS			
Gross Block	60.57	63.74	67.27
Less : Depreciation	48.78	51.15	53.10
Net fixed assets	11.79	12.59	14.17
Capital works-in-progress (including cost of chassis)	--	--	-
Investment	3.57	5.54	5.04
Current assets, loans and advances	16.19	16.18	16.19
Accumulated losses	264.43	269.95	250.50
Total (B)	**295.98**	**304.26**	**285.90**
C. CAPITAL EMPLOYED[Ψ]	**(-)63.51**	**(-)67.07**	**(-)63.98**

2. ORISSA STATE FINANCIAL CORPORATION			
Particulars	**2000-01**	**2001-02**	**2002-03**
A. LIABILITIES			**(Provisional)**
Paid-up capital	87.57	87.57	87.57
Reserve fund and other reserves and surplus	1.37	1.37	1.37
Borrowings:			
(i) Bonds and debentures	354.76	349.96	334.66
(ii) Fixed Deposits	4.81	7.54	7.89
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	260.20	283.30	279.56
(iv) Reserve Bank of India	--	7.85	-
(v) Loans in lieu of share capital:			
(a) State Government	6.23	6.23	6.23
(b) Industrial Development Bank of India	6.22	6.22	6.22
(vi) Others (including State Government)	13.78	14.08	14.22
Other liabilities and provisions	321.29	309.78	328.40
Total (A)	**1056.23**	**1073.90**	**1066.12**
B. ASSETS			
Cash and Bank balance	20.19	16.56	22.75
Investments	1.55	0.74	0.33

[$] Excluding depreciation funds
[Ψ] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital

Particulars	2000-01	2001-02	2002-03 (Provisional)
Loans and Advances	601.40	631.31	617.60
Net fixed assets	4.93	4.59	4.18
Other assets	53.80	48.32	51.67
Miscellaneous expenditure (Loss)	374.36	372.38	369.59
Total (B)	**1056.23**	**1073.90**	**1066.12**
C. CAPITAL EMPLOYED[ϖ]	**646.19**	**699.11**	**699.29**

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**2000-01**	**2001-02**	**2002-03**
A. LIABILITIES			**(Provisional)**
Paid-up capital	3.40	3.60	3.60
Reserves and surplus	8.27	11.93	12.74
Borrowings	--	--	22.25
Trade dues and other current liabilities (including provisions)	18.05	18.23	24.24
Total (A)	**29.72**	**33.76**	**62.83**
B. ASSETS			
Gross Block	9.53	12.56	36.83
Less : Depreciation	2.54	2.80	3.06
Net fixed assets	6.99	9.76	33.77
Capital works-in-progress	0.66	0.24	1.80
current assets, loans and advances	22.07	23.76	27.26
Total (B)	**29.72**	**33.76**	**62.83**
C. CAPITAL EMPLOYED[ψ]	**11.67**	**18.34**	**16.36**

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).

ψ Capital employed represents net fixed assets (including capital work-in-progress) plus working capital

ANNEXURE-5

Statement showing working results of Statutory corporations
(Referred to in Paragraph 1.8)

(Rupees in crore)

1.	**ORISSA STATE ROAD TRANSPORT CORPORATION**			
	Particulars	**2000-01**	**2001-02**	**2002-03**
OPERATING				**(Provisional)**
a)	Revenue	25.92	27.23	28.64
b)	Expenditure	33.73	29.00	28.27
c)	Surplus / Deficit (-)	(-)7.81	(-)1.77	0.37
NON-OPERATING				
a)	Revenue	3.87	4.02	4.09
b)	Expenditure	7.40	7.77	3.48
c)	Surplus / Deficit (-)	(-)3.53	(-)3.75	0.61
TOTAL				
a)	Revenue	29.79	31.25	32.73
b)	Expenditure	41.13	36.77	31.75
c)	Surplus / Deficit (-)	(-)11.34	(-)5.52	0.98
Interest on capital and loans		5.02	5.39	1.53
Total return on Capital employed*		**(-)6.32**	**(-)0.13**	**2.51**
Percentage of return on Capital employed		--	--	

2.	**ORISSA STATE FINANCIAL Corporation**			
	Particulars	**2000-01**	**2001-02**	**2002-03**
1.	**INCOME**			**(Provisional)**
(a)	Interest on Loans	55.88	68.34	50.04
(b)	Other income	15.72	8.18	1.13
TOTAL - 1		**71.60**	**76.52**	**51.17**
2.	**EXPENSES**			
(a)	Interest on long-term and short-term loans	54.00	60.46	16.43
(b)	Provision for non-performing assets	--	--	-
(c)	Other expenses	15.74	14.08	31.96
TOTAL - 2		**69.74**	**74.54**	**48.39**
3.	Profit before tax (1-2)	1.86	1.98	2.78
4.	Provision for tax	--	--	-
5.	Profit (+) / Loss (-) after tax	1.86	1.98	2.78
6.	Other appropriations	--	--	
7.	Amount available for dividend	--	--	
8.	Dividend	--	--	
9.	**Total return on Capital employed***	**55.86**	**62.44**	**19.21**
10.	Percentage of return on Capital employed	8.64	8.93	2.75

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**2000-01**	**2001-02**	**2002-03**
1. INCOME			**(Provisional)**
Warehousing Charges	14.86	15.66	15.50
Other income	0.12	0.30	0.23
TOTAL - 1	**14.98**	**15.96**	**15.73**
2. EXPENSES			
(a) Establishment charges	3.92	4.47	4.32
(b) Other expenses	8.71	7.91	9.58
TOTAL - 2	**12.63**	**12.38**	**13.90**
3. Profit / Loss (-) before tax	2.35	3.58	1.83
4. Provision for tax	0.09	0.15	0.73
5. Prior period adjustment	(-)0.02	--	0.02
6. Profit / Loss (-) after tax	2.24	3.43	1.12
7. Other appropriations	2.07	2.55	0.83
8. Amount available for dividend	0.17	0.42	0.29
9. Dividend for the year	0.11	0.60	0.29
10. Total return on Capital employed*	**2.24**	**3.43**	**1.12**
11. Percentage of return on Capital employed	19.19	18.70	6.84

* 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 1.13)

1. ORISSA STATE ROAD TRANSPORT CORPORATION			
Particulars	**2000-01**	**2001-02**	**2002-03**
		(Provisional)	
Average number of vehicles held	383	297	267
Average number of vehicles on road	254	251	241
Percentage of utilisation of vehicles	66	85	90
Number of employees	3492	2419	1602
Employee vehicle ratio	13.75:1	9.64:1	6.65:1
Number of routes operated at the end of the year	158	120	127
Route Kilometres	45220	39340	42398
Kilometres operated (in lakh)			
(a) Gross	286.99	272.82	269.28
(b) Effective	281.94	268.79	266.09
(c) Dead	5.05	4.03	3.19
Percentage of dead kilometres to gross kilometres	1.76	1.48	1.18
Average kilometres covered per bus per day	304	293	302
Average operating revenue per kilometre (Paise)	919	1012	1077
Increase in operating revenue per kilometre (Paise) over previous year's income (per cent)	11.12	10.11	6.42
Average operating expenditure per kilometre (Paise)	1196	1078	1063
Increase in operating expenditure per kilometre (Paise) over previous year's expenditure (per cent)	(-)11.27	(-)9.87	(-)1.39
Loss per kilometre (Paise)	(-)277	(-)66	14
Number of operating depots	38	30	14
Average number of break downs per lakh kilometre	0.45	0.46	0.41
Average number of accidents per lakh kilometre	0.15	0.15	0.14
Passenger kilometres operated (in crore)	92.56	87.73	88.13
Occupancy ratio (percentage)	67	68	69
Kilometres obtained per litre of :			
(a) Diesel Oil	NA	NA	NA
(b) Engine Oil	NA	NA	NA

(Rupees in crore)

2. ORISSA STATE FINANCIAL CORPORATION						
Particulars	**2000-01**		**2001-02**		**2002-03(Provisional)**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Application pending at the beginning of the year	124	22.28	90	38.21	69	14.81
Application received	1332	161.06	1040	107.57	229	20.99
Total	**1456**	**183.34**	**1130**	**145.78**	**298**	**35.80**
Application sanctioned	12.27	131.41	1021	122.31	180	15.25
Application cancelled/withdrawn/ rejected/reduced	139	13.72	39	8.06	86	14.90
Application pending at the close of the year	90	38.21	70	15.41	32	5.65
Loans disbursed	996	115.00	1000	95.19	345	29.06

Particulars	2000-01		2001-02		2002-03	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Loan outstanding at the close of the year	17519	613.63	19371	630.61	19764	617.60
Amount overdue for recovery at the close of the year						
(a) Principal	NA	290.98	NA	273.52	0	294.86
(b) Interest	NA	463.23	NA	534.08	0	640.98
Total		**754.21**		**807.60**		**935.84**
Amount involved in recovery certificate cases	--	--	--	--		
Total		**754.21**		**807.60**		**935.84**
Percentage of default to total loans outstanding		47.41		43.37		43.37

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**2000-01**	**2001-02**	**2002-03**
			(Provisional)
Number of stations covered	58	53	51
Storage capacity created up to the end of the year (tonne in lakh)			
(a) Owned	1.64	1.76	1.85
(b) Hired	1.02	0.87	0.17
Total	**2.66**	**2.63**	**2.02**
Average capacity utilised during the year (in lakh tonne)	2.49	2.64	2.46
Percentage of utilisation	94	100	89
Average revenue per tonne per year (Rupees)	50.11	50.39	53.28
Average expenses per metric tonne per year (Rupees)	42.61	37.55	49.50
Profit / Loss (-) per MT (Rupees)	7.50	12.84	3.78

ANNEXURE-7

Statement showing the comments made by the Statutory Auditors on internal audit/internal control systems.

(Referred to in Paragraph 1.31)

Sl. No.	Name of the Company	Year of Accounts	Supplementary Report under section 619(3)(a)
1.	Orissa Agro Industries Corporation Limited.	1994-95	The internal audit is not commensurate with the size and nature of its business. The audit committee though formed but has not functioned as yet.
2.	ELMARC	1997-98	The reports of the internal auditors were made available to us for only 6 months of this financial year. The Company does not have any Audit Committee.
3.	Hirakud Industrial Works Limited.	2001-02	No Internal Audit has been done and There is no Audit Committee.
4.	Orissa Mining Corporation Limited.	2000-01	The Company is having an internal audit wing. Neither any Internal Audit report is made available to us nor is any supporting available of carrying out Internal audit.
5.	Orissa Construction Corporation Limited	2000-01	The Internal Audit is not adequate enough to cover the tracking of all advanced, Reconciliation of quantitative details , carrying out physical verification of assets and stores, discrepancy in stores, etc. The Company does not have any audit committee of the Board of Directors.
6.	Orissa Bridge and Construction Corporation Limited.	1998-99	The internal audit done by the Corporation is not satisfactory and the reports are not cover the area prescribed for the purpose. There is no Audit Committee of the Board of Directors.
7.	Orissa Tourism Development Corporation Limited.	1997-98	The Company has not internal audit wing of its own but arrangement has been made by engaging Chartered Accountants.
8.	Industrial Development Corporation of Orissa Limited.	2001-02	Present system of Internal Audit is quite insufficient. There is no audit Committee of the Board of Directors.
9.	Orissa Police Housing and Welfare Corporation Limited	1996-97	The Company does not have adequate system of internal audit. The Company does not have audit committee.
10.	Orissa Lift Irrigation Corporation Limited.	1998-99	The Company does not have a suitable Internal audit system looking at its size and volume of works and there no audit committee of the Board of Directors.
11.	Konark Jute Limited	1997-98	The Internal Audit System is not adequate and there is no Audit Committee.
12.	ORICHEM Limited	2001-02	The Internal Auditor not been appointed for the Company. The Company has not constituted Audit Committee.
13	IDCOL Piping and Engineering Works Limited	2001-02	No Internal Audit System is prevailing in the Company. The Company has no Audit Committee of Board of Directors
14.	OMCAD Limited.	1997-98	The Company has no audit committee.
15.	Orissa State Handloom Development Corporation Limited	1996-97	Internal audit not conducted. There is no Audit Committee.

ANNEXURE-8

Statement showing the department wise outstanding Inspection Reports (IRs)
(Referred to in Paragraph 1.32)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of Outstanding Paragraphs	Year from which Paragraphs outstanding
1.	Textile	3	8	49	1991-92
2.	Forest	1	373	1860	1987-88
3.	Transport	2	138	583	1987-88
4.	Tourism	1	9	68	1988-89
5.	Energy	3	813	2247	1980-81
6.	Steel and Mines	3	17	291	1988-89
7.	Industries	27	118	788	1988-89
8.	Works	2	47	284	1990-91
9.	Home	1	6	65	1992-93
10.	Science and Technology	3	16	63	1991-92
11.	Fisheries and Animal Resources	2	12	72	1989-90
12.	Water Resources	1	175	964	1988-89
13.	Agriculture	6	27	159	1985-86
14.	Housing and Urban Development	1	3	24	1997-98
15.	Food Supplies and Consumer Welfare	1	195	929	1987-88
16.	Excise	1	1	17	2002-03
	TOTAL	**58**	**1958**	**8463**	

ANNEXURE-9

Statement showing the department-wise draft paragraphs/reviews reply to which are awaited

(Referred to in Paragraph 1.32)

Sl No.	Name of the Department.	No. of draft paragraphs	No. of reviews	Period of issues
1	Energy	7	--	December 2002 to July 2003
2	Food Supplies and Consumer Welfare	1	--	February 2003
3	Housing and Urban Development	1	--	March 2003
4	Information and Technology	--	1	May 2003
5	Steel and Mines	2	--	June 2003
6	Industry	1	1	May 2003
7	Co-operation	1	--	June 2003
8	Forest and Environment	--	1	June 2003
	Total	**13**	**3**	

ANNEXURE-10

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts
(Referred to in Paragraph 1.34)

(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			Loans			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 (100%)									0.44			(-)0.43
2.	S.N. Corporation Ltd.	Under closure	2001-02 2002-03	3.05 28.90*		3.05 28.90			27.48 1.38			30.53 30.18					(-)0.34 (-)0.20	(-)27.87 (-)28.10
3.	Konark Met Coke Ltd.	Working	2001-02 2002-03	76.58 118.72*		70.38 38.54	6.20 80.18	--	316.74 383.35	--	--	387.12 421.89	6.20 80.18	-- 26.83	3.00 24.99	3.20 55.19	-- --	-- --

Mamata Drinks and Industries Limited was privatised in September 1997. It had finalised accounts up to the year 1991-92. As on 31 March 1992 its paid up capital and accumulated profit were Rs.29 lakh and Rs.25 lakh respectively.

*Includes share application pending allotment Rs.64.53 crore (Sl No 2 Rs.26.00 and Sl No 3 Rs.38.53 crore)

ANNEXURE -11

A. Statement showing financial position of OFDC Limited
(Referred to in Paragraph 2.1.8)

(Rupees in lakh)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
	(Provisional)				
Sources of funds					
Share Capital	128.00	128.00	128.00	128.00	128.00
Reserves and Surplus	128.25	139.25	150.58	159.11	164.46
Loan Funds	2147.57	4031.13	4782.18	3808.59	3581.87
Current Liabilities and Provisions	21070.5	21021.69	22664.85	24751.17	24929.92
Total	**23474.32**	**25320.07**	**27725.61**	**28846.87**	**28804.25**
Application of Funds					
Gross Fixed Assets	853.02	847.92	845.41	843.64	834.11
Less: Depreciation	592.60	599.24	612.48	625.03	626.33
1. Net Block	260.42	248.68	232.93	218.61	207.78
2. Capital WIP	5.70	5.70	5.70	5.70	5.70
3. Investments	0.11	0.11	0.11	0.11	0.11
4. Current Assets	19196.03	20074.49	19661.95	19556.59	17764.30
5. Misc. expenditure not written off	0.50	0.50	0.50	0.50	0.50
6. Accumulated Losses	4011.56	4990.59	7824.42	9065.36	10825.86
Total	**23474.32**	**25320.07**	**27725.61**	**28846.87**	**28804.25**
Analysis of Working Results					
Debt-Equity Ratio	8.38 : 1	15.08 : 1	17.17 : 1	13.27 : 1	12.25:1
Working Capital	(1874.47)	(947.20)	(3002.90)	(5194.58)	(7165.62)
Capital Employed	(1614.05)	(698.52)	(2769.97)	(4975.97)	(6957.84)
Net Worth	(3755.81)	(4723.84)	(7546.34)	(8778.75)	(10573.40)

NB:

1. Capital employed represents net fixed assets (excluding work in progress) and working capital. Net worth represents paid up capital plus free reserves minus intangible assets.
2. Debt-Equity ratio represents loan funds to share capital and Reserves and surplus.
3. The figure of 1998-99 to 2002-03 are provisional and are based on Audited figures for 1997-98. The changes in the accounts figure for 1997-98 after their certification have not been given effect in the figure for 1998-99 to 2002-03.
4. Accordingly the accumulated loss as arrived in from 1998-99 onwards were not given effect since these Accounts were provisional.

B. Statement showing the Working Results of OFDC Limited
(Referred to in Paragraph 2.1.8)

(Rupees in lakh)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
	(Provisional)				
Income					
Sales	4828.12	4043.05	4527.03	3649.70	2464.62
Other Income	1450.47	1551.40	1811.61	1719.11	1454.77
Accretion to stock	403.14	1116.28	-	-	-
Total	**6681.73**	**6710.73**	**6338.64**	**5368.81**	**3919.39**
Expenditure	**7523.58**	**7645.11**	**9069.09**	**7671.45**	**5214.09**
Profit/Loss for the year	(841.85)	(934.38)	(2730.45)	(2302.64)	(1294.70)
Prior period adjustment	(17.39)	(33.65)	(92.05)	1070.23	(308.84)
Provision for construction of Central Godown	-	-	-	-	-
Profit/Loss after tax	(859.24)	(968.03)	(2822.50)	(1232.41)	(1803.54)
Balance brought forward	(3331.36)	(4200.38)	(5179.41)	(8013.24)	(9254.19)
Transferred to IRF (KL)	(9.78)	(11.00)	(11.33)	(8.54)	(5.35)
Investment allowance written back	-	-	-	-	-
Plantation written back	-	-	-	-	(151.62)
Balance carried forward to Balance Sheet	**(4200.38)**	**(5179.41)**	**(8013.24)**	**(9254.19)**	**(11014.70)**

NB: Figures in bracket represents minus amounts

ANNEXURE-12

Statement of operating Profit and Loss in Timber Trade of OFDC Limited

(Referred to in Paragraph 2.1.10)

Sl No	Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
		(Rupees in lakh)				
1	**INCOME**					
	Sale Including other Income	2810.81	1983.05	2022.23	2969.14	3136.91
	Common income apportioned basing upon the revenue of each trade	53.82	38.41	30.33	38.09	44.69
	Total	**2864.63**	**2021.46**	**2052.56**	**3007.23**	**3181.60**
2	**EXPENDITURE**					
	Royalty	1008.70	904.50	776.96	1147.49	711.71
	Operational expenses	510.77	387.55	464.40	435.25	278.11
	Establishment	865.66	1026.79	2031.84	2425.41	2345.93
	Admn, Selling and distribution expenses	64.7	139.03	156.22	124.17	159.47
	Overhead Expenses (apportioned basing on the turnover)	91.77	65.83	72.96	99.55	103.77
	Total	**2541.60**	**2523.70**	**3502.38**	**4231.87**	**3598.99**
	Net earning	323.03	(502.24)	(1449.82)	(1224.64)	(417.39)
	Stock adjustment	(483.65)	505.06	1231.43	(587.46)	(1383.44)
	Profit /(Loss)	**(160.62)**	**2.82**	**(218.39)**	**(1812.10)**	**(1800.83)**

ANNEXURE -13

Statement of physical target and achievement in production of round timber/fire wood of OFDC Limited
(Refereed to in paragraph 2.1.11)

Particulars	1997-98		1998-99		1999-00		2000-01		2001-02	
	Round Timber	Firewood	Round Timber	Firewood	Round Timber	Firewood	Round Timber	Firewood	Round Timber	Firewood
	(In cum)	*(In MT)*	*(In cum)*	*(In MT)*	*(In cum)*	*(In MT)*	*(In cum)*	*(In MT)*	*(In cum)*	*(In MT)*
Target										
Budget estimate	42050	46716	52000	41900	49600	35300	47790	40700	31200	15580
Revised BE	45994	25270	32967	31828	43478	29904	31404	24608	22479	19709
Percentage of RE to BE	109	54	63	76	88	85	66	60	72	126
Achievement										
As per MPR	24571	18889	25910	25198	34568	24701	23630	20489	14310	17780
Percentage of shortfall with respect to RE	47	25	21	21	20	17	25	17	36	10

BE-Budget estimate, RE-Revised budget estimate, MPR-Monthly progress report

ANNEXURE-14

Statement showing the operating Profit and Loss of Bamboo trade of OFDC Limited

(Referred to in Paragraph 2.1.14)

(Rupees in lakh)

Sl No	Particulars	1997-98	1998-99	1999-00	2000-01	2001-02
1	**INCOME**					
	Sale including other income	3176.82	2640.67	1880.15	1432.74	565.26
	Common income apportioned basing upon the revenue of each trade	60.82	51.15	28.2	18.38	8.05
	Total	**3237.64**	**2691.82**	**1908.35**	**1451.12**	**573.31**
2	**EXPENDITURE**					
	Royalty	1178.29	995.92	751.55	518.78	204.81
	Operational expenses	1280.68	1061.15	854.84	634.77	235.81
	Establishment	1030.75	817.95	261.82	69.48	25.76
	Admn., selling and distribution expenses	79.08	33.73	26.09	19.74	11.27
	Overhead expenses (apportioned basing on the turnover)	103.72	87.66	67.83	48.03	18.7
	Total	**3672.52**	**2996.41**	**1962.13**	**1290.8**	**496.35**
	Net earning	(434.88)	(304.59)	(53.78)	160.32	76.76
	Stock adjustment	933.43	(101.91)	(115.15)	(621.31)	(393.79)
	Profit /(Loss)	**498.55**	**(406.50)**	**(168.93)**	**(460.99)**	**(316.83)**

ANNEXURE-15

Statement showing the working results on marketing of KL by OFDC Limited

(Referred to in Paragraph 2.1.26)

Sl. No.	Particulars		1997-98	1998-99	1999-2000	2000-01	2001-02
			(Rupees in lakh)				
I.	**INCOME**						
	(i)	Sale including other income	762.39	1045.09	1219.68	1437.73	1001.76
	(ii)	Common income apportioned basing upon the revenue of each trade	207.58	273.41	236.96	236.61	262.23
		Total	**969.97**	**1318.50**	**1456.64**	**1674.34**	**1263.99**
II.	**EXPENDITURE**						
	(i)	Operational expenditure	431.37	605.54	726.90	915.81	264.62
	(ii)	Establishment	255.60	476.25	322.08	326.85	366.72
	(iii)	Administrative, selling and distribution expenditure	12.60	23.23	28.01	48.14	23.74
	(iv)	Overhead expenditure (apportioned based on the turnover)	353.99	468.58	565.95	618.42	608.56
		Total	**1053.56**	**1573.60**	**1642.94**	**1909.22**	**1263.64**
III.	**Profit/(Loss)**		**(83.59)**	**(255.10)**	**(186.30)**	**(234.88)**	**0.35**

ANNEXURE-16

Statement showing collection and sale of cashew nuts by OFDC Limited

(Referred to in Paragraph 2.1.34)

Particulars	**1997-98**	**1998-99**	**1999-00**	**2000-01**	**2001-02**	
	Bhubaneswar				**Bhubaneswar**	**Berhampur**
Fruiting trees	708080	682518	572133	622819	610998	385426
Collection as per norm of 2 Kg per tree (in kgs)	1416160	1365036	1144266	1245638	1221996	770852
Average collection per tree (in Kg)	0.32	0.35	0.59	0.41	0.74	0.34
Actual collection (in kgs)	229144	235777	337009	257680	452837	131878
Shortfall in collection (in kgs)	1187016	1129259	807257	987958	769159	638974
Average sale value per qtl (in Rs.)	3062.68	3230.77	2524.53	4512.8	1998.05	5958.51
Loss due to shortfall in collection (in Rs.)	36,354,502	36,483,761	20,379,445	44,584,567	15,368,181	38,073,330
Total (in Rs.)						**191,243,786**

ANNEXURE - 17

Financial Position of the Company for the five years ending 31 March 2003 of OSIC Limited

(Referred to in Paragraph 2.2.8)

(Rupees in Lakh)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
			(Provisional)		
A. LIABILITIES					
Paid up Capital	965.86	965.86	965.86	965.86	965.86
Reserve and Surplus	48.25	0	0	0	0
Borrowings					
Secured Loan	1694.51	1873.47	1380.79	2069.47	1603.58
Unsecured Loan	1064.98	2959.85	3093.83	2746.75	2753.76
Sub Total	2759.49	4833.32	4474.62	4816.22	4357.34
Trade dues and other liabilities including provision	4081.06	4127.19	4167.22	3864.01	1007.59
TOTAL	**7854.66**	**9926.37**	**9607.70**	**9646.09**	**6330.79**
B. ASSETS					
Gross Block	587.37	593.15	605.35	603.82	610.00
Less: Depreciation	273.09	298.81	320.78	339.89	361.83
Net Block	314.28	294.34	284.57	263.93	248.17
Investment	209.42	209.42	209.42	209.42	209.00
Capital Work-in-progress	0.2	0	0	0	0
Current Assets, Loans and Advances	7330.76	9335.12	8855.74	8628.77	5045.93
Accumulated Loss	0	87.49	257.97	543.97	827.69
TOTAL	**7854.66**	**9926.37**	**9607.70**	**9646.09**	**6330.79**
Debt Equity Ratio	**2.86:1**	**5:01**	**4.63:1**	**4.99:1**	**4.51:1**
Working Capital	**3249.7**	**5207.93**	**4688.52**	**4764.76**	**4038.34**
Capital Employed	**3564.18**	**5502.27**	**4973.09**	**5028.69**	**4286.51**
Net Worth	**1014.11**	**878.37**	**707.89**	**421.89**	**138.17**

Note: *I) Capital employed represents net fixed assets plus Capital work-in-progress and working capital.*

II) Working capital represents current assets less current liabilities.

III) Net worth represents paid-up capital plus reserves less intangible assets.

IV) Figures for 2000-01, 2001-2002 and 2002-03 are provisional

ANNEXURE - 18

Working results for the five years ending 31 March 2003 of OSIC Limited

(Referred to in Paragraph 2.2.8)

(Rupees in Lakh)

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
			(Provisional)		
Sales	7523.39	8291.4	9872.2	4969.71	4164.30
Income on execution of orders	1046.15	2089.13	984.41	1584.52	1342.83
Export Sales	2.52	1.42	0	0	0
Other Income	179.33	202.84	194.74	57.60	100.82
Increase/Decrease in stock	-152.43	72.84	-95.47	10.32	-83.12
Interest Income	216.16	207.66	257.48	253.8	265.81
TOTAL	**8815.12**	**10865.29**	**11213.36**	**6875.95**	**5790.64**
B.EXPENDITURE					
Purchase	6922.44	8015.78	9247.88	4452.54	3788.01
Raw material consumed	0	0	0	0	0
Expenditure on execution of orders	966.41	1917.01	908.26	1521.68	1299.79
Direct Expenses	107.7	113.32	143.49	209.98	82.64
Salary and other benefits	284.19	318.83	330.79	319.77	271.46
Administrative Expenses	128.21	132.81	139.89	67.26	35.60
Interest	408.55	506.51	579.83	566.37	574.92
Depreciation	28.07	25.72	23.64	21.88	21.94
TOTAL	**8845.57**	**11029.98**	**11373.78**	**7159.48**	**6074.36**
Profit/Loss for the year	-30.45	-164.69	-160.41	-283.53	-283.72
Debit/Credit pertaining to previous year	13.76	28.95	-0.07	-2.46	0
Profit/Loss	**-16.69**	**-135.74**	**-160.48**	**-285.99**	-283.72
Cash Loss*	**-2.38**	**-138.97**	**-136.77**	**-261.65**	**-261.78**

* *Loss for the year minus depreciation*

ANNEXURE - 19

Outstanding under RMCS sanctioned after 1993 of OSIC Limited

(Referred to in Paragraph 2.2.15)

Sl. No.	Name of the Loanee	Total loan availed (Rs.)	Total Interest charged (Rs.)	Period of availing loan	Total Amount collected (Rs)	Total outstanding together with interest (Rs.)	Outst-anding up to (Rs)	Whether case filed	General Lapses	Specific Lapses
1.	M/s Amway Enterprises	2,49,918	1,52,536	3/96	2,45,408	1,57,046	3/2003	C.C.filed in 1/2000	Non fixation of security deposit. Non lifting of material. Grant of higher credit period.	1.When the post-dated cheques issued by persons other than loanee got dishonored no suit could be filed under N. I. Act of the recovery of the dues. 2. In the absence of movable and immovable property action under OPDR Act becomes in effective as it could not be enforced.
2.	M/s Garnet Paints and Chemicals	1,49,126	3,59,774	9/95	66,200	4,42,700	3/2003	C.C. filed 3/02	Non fixation of security deposit. Non lifting of material. Grant of higher credit period.	Due to non-availability of property statement, legal suit could not be filed in time.
3.	M/s Telerina Industries	13,53,025	30,66,724	3/93 to 10/93	13,07,000	31,12,749	3/2003	C.C.No.2 /94 in June 1994	Non fixation of security deposit. Grant of higher credit period.	After filing certificate case, a sum of Rs. 5.00 lakh was collected in between July 1994 to December 2002 within 8 years. Further extension of loan to the party even after a caution received from SBI to be cautious in granting further loan to the loanee.
4.	M/s EL Bird Hatchery(P) Ltd.	19,76,445	1,57,964	1994-95 to 1995-96	20,08,323	1,26,088	3/2003	C.C.filed No N.I. Act was filed for dishonor of cheques Party requested for OTS	Non fixation of security deposit. Grant of higher credit period.	No remarks

Sl. No.	Name of the Loanee	Total loan availed (Rs.)	Total Interest charged (Rs.)	Period of availing loan	Total Amount collected (Rs)	Total outstanding together with interest (Rs.)	Outst-anding up to (Rs)	Whether case filed	General Lapses	Specific Lapses
5.	M/s Eastern Bird	7,17,500	4,29,329	7/93	8,49,563	2,97,266	3/2003	C.C.filed in 9/95 N.I.Act was filed in 8/95	Non fixation of security deposit. Non lifting of material. Grant of higher credit period.	The party agreed for adjustment under OTS due against Dual Desk Order.
6.	M/s Kesav Ceramics Ltd.	17,48,356	12,00,155	1993-94 to 1995-96	16,33,000	13,15,511	3/2003	C.C. filed 2/96	Non fixation of security deposit. Grant of higher credit period.	The party agreed for adjustment under OTS due against Dual Desk Order.
7.	M/s Utkal Electrocasting Ltd	31,34,841	1,06,20,106	5/95 to 9/95	6,35,062	1,31,19,885	3/2003	-	Non fixation of security deposit. Non lifting of material. Grant of higher credit period.	The Co. had not initiated legal action under the paripassu agreement impleading the financial institution. Rs.10 lakh received from IDC as margin money has not been adjusted on Loan A/c
8.	M/s Laxmi Ispat Udyog	28,59,802	16,31,127	95-96 and 96-97	25,85,711	19,05,218	3/2003	C.C.No. 16/2003	Non fixation of security deposit. Grant of higher credit period	Not ensuring that materials were to be brought to RMD and releasing to the party from there.
9.	Sigma Engineering Corpn.	15,55,609	14,90,581	94-95	14,80,625	15,65,565	3/2003	C.C. filed	Not reviewed	Not reviewed
10.	Mahalaxmi Alluminium Industries	5,55,382	5,06,208	93-94	5,20,226	5,41,364	3/2003	Case filed under NI Act	Non fixation of security deposit. Grant of higher credit period	Property list of the party not obtained to initiate action under OPDR
		1,43,00,004	**1,96,14,504**		**1,13,31,118**	**2,25,83,390**				

ANNEXURE - 20

Outstanding of OSIC Limited against nine plastic industries

(Referred to in Paragraph 2.2.16)

Sl. No.	Name of the Loanee	Total loan availed (Rs.)	Total Interest charged (Rs.)	Period of availing loan	Total Amount collected (Rs)	Total outstanding together with interest as on June 2003 (Rs.)	Lapses
1.	M/s Indo Plast	2,15,480	7,72,597	96-97	64,960	9,23,117	No pre sanction appraisal on financial and operational soundness of the loanee was made. The Company did not avail the opportunity extended by OSFC in recovering the dues from loan to be sanctioned to the unit by Government. Action under N.I. Act has been taken in January 2003. Cheque dishonoured in March 1996
2.	M/s Laxmi Polythene	1,23,51,360	21,43,914	95-96 to 2000-01	1,22,20,197	22,75,077	Covered in para 8.1.2.3 Cheque dishonoured in October 1996, December 1997 and January 1998
3.	M/s Orissa Polytex (P)Ltd.	1,55,33,838	34,62,197	95-96 to 98-99	1,51,86,682	38,09,353	Covered in para 8.1.2.2 Cheque dishonoured in May 1996
4.	M/s Padmini Polyfilm	12,10,729	2,81,628	95-96 to 96-97 and 00-01	13,12,776	1,79,581	Action under N.I. Act has been taken in January 2003. Cheque dishonoured in May 1995, May 1996, January 1997 and March 1997
5.	M/s Utkal Synthetic	55,44,221	8,89,792	95-96 to 96-97 and 99-00	57,87,690	6,46,323	The unit remained closed since September 1999 and prospects of recovery are remote as the Company did not have details of property of the loanee and unit.
6.	M/s Ajanta Packers	35,84,027	16,92,607	95-96 to 97-98	32,53,495	20,23,139	Case covered in para 8.1.2.1 Cheque dishonoured in January 1998 and August 1998
7.	M/s Sacket Roofing	84,68,766	10,31,144	95-96 to 98-99	87,70,008	7,29,902	The Company did not hold property details of the loanee and unit for recovery of the dues.
8.	M/s Jit Pack	45,67,502	6,70,567	95-96 to 99-00	47,38,519	4,99,550	Cheque dishonoured in April 1995
9.	M/s Jaiswal Plastic Tubes (P) Ltd.	48,89,580	5,17,841	96-97	53,21,176	86,245	Not reviewed.
	Total	**5,63,65,503**	**1,14,62,287**		**5,66,55,503**	**1,11,72,287**	

ANNEXURE-21

Target and Achievement in sales at Depots of OSIC Limited

(Referred to in Paragraph 2.2.27)

Name of the depot	1998-99			1999-2000			2000-01			2001-02			2002-03		
	Target	Achievement	% of A	Target	Achievement	% of A	Target	Achievement	% of A	Target	Achievement	% of A	Target	Achievement	% of A
	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)	(in MT)
Cuttack	1650	781	47	1200	812	68	1200	581	48	800	321	40	800	235	29
Bhubaneswar	11600	11433	99	12200	9832	81	14500	1661	11	1700	688	40	1000	943	94
Berhampur	650	1202	185	2600	3870	149	1200	589	49	800	410	51	400	174	44
Sunabeda	850	499	59	700	416	59	700	294	42	600	189	32	300	107	36
Kesinga	500	313	63	600	417	70	500	383	77	500	122	24	200	37	19
Rayagada	250	85	34	200	97	49	200	34	17	500	69	14	200	173	87
Baripada	350	226	65	350	180	51	350	165	47	400	108	27	200	41	21
Keonjhar	600	318	53	500	238	48	350	166	47	500	68	14	200	40	20
Angul	1500	1700	113	1400	1009	72	1200	1059	88	1300	525	40	800	533	67
Balasore	650	276	42	500	360	72	500	242	48	500	193	39	400	166	42
Sambalpur	800	282	35	400	163	41	200	180	90	500	101	20	200	105	53
Rourkela	1200	1770	148	2000	2440	122	2500	2164	87	2500	447	18	800	115	14
Balangir	300	176	59	300	167	56	250	163	65	400	84	21	200	44	22
TOTAL	**20900**	**19061**	**91**	**22950**	**20001**	**87**	**23650**	**7681**	**32**	**11000**	**3325**	**30**	**5700**	**2716**	**48**

ANNEXURE-22

Statement showing Financial position of OSEDC Limited

(Referred to in Paragraph 2.3.8)

(Rupees in lakh)

	1998-1999	1999-2000	2000-2001	2001-2002
	(Provisional)			
(A) Liabilities				
1. Paid-up Capital	1963.50	2003.50	2003.50	2003.50
2. Reserves and surplus (Capital Reserve)	19.02	21.58	165.44	154.47
3.Borrowings	19.69	19.69	2019.69	2019.69
4. Trade dues and other liabilities	755.96	1610.61	579.77	591.05
Total	2758.17	3655.38	4768.40	4768.71
(B) Assets				
1. Gross Block	292.06	303.49	218.77	141.22
2. Less Depreciation	95.39	121.16	131.22	91.86
3. Net Block	196.67	182.33	87.55	49.36
4. Capital Work in progress	0.65	0.65	1.05	1.15
5. Investment	1148.15	1181.81	1181.82	1181.82
6. Current assets, loans and advances.	1213.68	2116.33	3301.65	3312.53
7. Miscellaneous Expenditure	16.39	11.06	11.44	23.65
8. Accumulated loss	182.63	163.20	184.89	200.20
Total	2758.17	3655.38	4768.40	4768.71
(C) Capital Employed[1]	655.04	688.70	2810.48	2771.99
(D) Net Worth[2]	1783.50	1850.82	1972.61	1934.12

[1] Capital employed represents Net Block plus Capital Work in progress plus Working Capital.
[2] Net worth represents paid up capital plus reserves and surplus less intangible assets.

ANNEXURE-23

Statement showing Working Results of OSEDC Limited

(Referred to in Paragraph 2.3.8)

(Rupees in lakh)

	1998-1999	1999-2000	2000-2001	2001-2002
	(Provisional)			
(1) Income				
(i). Grants.	79.00	85.00	71.69	73.71
(ii). Interest	17.88	41.00	44.09	25.01
(iii). Others[3]	84.94	56.62	33.19	20.76
Total	181.82	182.62	148.97	119.48
(2) Expenditure				
(i) Personnel Expenses	73.18	84.81	96.20	100.32
(ii) Administrative Expenses	24.83	26.06	20.41	16.55
(iii) Depreciation	22.60	25.28	18.64	6.35
(iv) Other expenses, Miscellaneous expenditure written off and adjustments	44.07	27.04	35.41	11.57
Total	164.68	163.19	170.66	134.79
Profit/(-)Loss	17.14	19.43	(-)21.69	(-)15.31

[3] Other income includes course fees, service charges, rent, etc.

ANNEXURE-24

Statement of Investments by OSEDC Limited
(Referred to in Paragraph 2.3.9)

(Rupees in lakh)

Name of the company	1998-99 As on 31.3.1999		1999-2000 As on 31.3.2000		2000-201 As on 31.3. 2001		2001-2002 As on 31.3.2002	
	Equity	Advances against equity	Equity	Advances against equity	Equity	Advances against equity	Equity	Advances against equity
(A) SUBSIDIARY:-								
Ipitron Times Ltd.	70.40	31.00	70.40	31.00	70.40	31.00	70.40	31.00
Elcosmos Electronics Ltd.	158.51	48.90	158.51	48.90	158.51	48.90	158.51	48.90
Elco Communication Ltd.	0.01	66.50	0.01	60.16	0.01	60.16	0.01	60.16
Elmarc Ltd.	101.57	1.80	101.57	1.80	101.57	1.80	101.57	1.80
Elco Phones Ltd.	0.01		0.01		0.01		0.01	
TOTAL	**330.50**	**148.20**	**330.50**	**141.86**	**330.50**	**141.86**	**330.50**	**141.86**
(B) OTHERS:-								
Magnetix India Ltd.	54.00		54.00		54.00		54.00	
Idcol Software Ltd.				40.00		40.00	40.00	
Unitel Communication Ltd.	180.69		180.69		180.69		180.69	
CITE Trust							0.01	
Indo Maxwell Ltd.	300.00		300.00		300.00		300.00	
Unitel Capacitors Ltd.	10.00		10.00		10.00		10.00	
Radiant Electronics Ltd.	11.04		11.04		11.04		11.04	
Radiant Telesystems Ltd.	40.00		40.00		40.00		40.00	
Commander Computers Ltd.		22.37		22.37		22.37		22.37
Elconment Ltd.	28.60		28.60		28.60		28.60	
Krish Electronics Ltd.	4.95		4.95		4.95		4.95	
OMTEK Electronics Ltd.	1.96		1.96		1.96		1.96	
ORTEL Communication Ltd.	5.00		5.00		5.00		5.00	
NBC ISWAR (P) Ltd.	7.00		7.00		7.00		7.00	
World Geo-Science Data Communication		3.85		3.85		3.85		3.85
TOTAL	**643.24**	**26.22**	**643.24**	**66.22**	**643.24**	**66.22**	**683.25**	**26.22**
(A) + (B)	**973.74**	**174.42**	**973.74**	**208.08**	**973.74**	**208.08**	**1013.75**	**168.08**

Equity (Rs.1013.75 lakh) + Advances against equity (Rs.168.08 lakh) as on 31.3.2002 was Rs.1181.83 lakh.

ANNEXURE-25

Statement showing case-wise analysis of loss in Joint Venture Investment by IPICOL
(Referred to in Paragraph 3.20)

Sl. No.	Name of the Investee Company	Date of Joint Venture/ Equity participation Agreement	Name of the Joint Venture	Amount disbursed/invested.		Buy-back due as per Joint Venture Agreement	Buy-back effected.	No. of shares (Face value of Rs.10 each) held after disinvestment	Existing average market price per share	Period	Existing market value of investment	Remarks
				Period	*Amount (Rs. in lakh)*				*Amount in Rs.*		*Amount (Rs. in lakh)*	
1.	J.K. Corporation Limited (Orissa Synthetics Limited)	16 July 1981 and 11 November 1986	Straw Products Ltd and its associates.	April 1984 to February 1986 March 1987 to May 1989 February 1991 to December 1991	400.00 114.00 300.00 814.00	Polyester Staple Fibre: March 1987 to March 1992 Polyester Filament Yarn: March 1992 to March 1997	No buy-back	602963	10.02	March 2003	60.42	Loss of Rs.7.52 crore due to merger on 01.02.1992 in the conversion ratio of 13.5:1 reducing thereby the IPICOL's equity holdings of Rs.8.14 crore to 60.30 lakh shares valued at Rs.62.10 lakh (market price at Rs.10.30 per share as on 31.3.2001).
2.	S.N. Corporation Limited	N.A.	NA	N.A.	326.83	--	No buy-back	-	NA	NA	-	Loss of Rs.3.26 crore due to share transfer (Rs.87.91 lakh) in favour of IDCOL in 1989 and subsequent transfer of loan (Rs.237.61 lakh) in March 2003 instead of the remote possibility of privatisation of SNCL and even without getting any commitment from IDCOL despite their contractual obligations.
3.	Western India Sugar and Chemical Limited.	28 September 1991	Western India Industries Ltd.	March 1992 to May 1992	188.66	January 1995 to January 2000	No buy-back	1886500	1.32	March 2003	24.90	Loss of Rs.1.89 crore due to failure in taking timely action for pursuing the buy-back of the shares or for disinvestment in the market.
4.	Guest Keen Williams Limited (Powmex Steels Limited)	15 January 1988 and 29 August 1989 (Supplementary)	Sri G.B.K. Rao	March 1989 to August 1990	395.00	January 1992 to January 1997	Rs.198.00 lakh for 15 lakh shares in September 1991 No further buy-back of the balance investment of Rs.245 lakh.	204166	2.03	March 2003	4.14	Loss of Rs.1.43 crore due to merger of Powmex Limited with G.K.W. Limited at a share conversion ratio 12:1 on 01.10.1995 reducing thereby the balance investment of IPICOL of Rs.245 lakh to Rs.102.08 lakh at cost (nominal value Rs.20.42 lakh).

Sl. No.	Name of the Investee Company	Date of Joint Venture/ Equity participation Agreement	Name of the Joint Venture	Amount disbursed/invested.		Buy-back due as per Joint Venture Agreement	Buy-back effected.	No. of shares (Face value of Rs.10 each) held after disinvestment	Existing average market price per share	Period	Existing market value of investment	Remarks
				Period	*Amount (Rs. in lakh)*				*Amount in Rs.*		*Amount (Rs. in lakh)*	
5.	Ponni Sugars and Chemicals Limited.	9 December 1992	Mr. S. Viswanathan and Associates	April 1993	67.50	July 1996 to July 1998 for two-third shares. No restriction for disinvestment for the balance shares.	No buy-back	675000	1.40	March 2003	9.45	Total loss of Rs.67.50 lakh of which Rs.40.50 lakh due to conversion of shares on the demerger in April 2000 plus Rs.27 lakh due to the capital taken away by PEL in addition to loss of Rs.2.32 crore on account of non-receipt of return @18%.
6.	IFGL Refractories Limited.	17 February 1992	Sri S.K. Bajuria and Associates including Indo Flogates Ltd. (IFGL)	February 1992 March 1994 (subscription to rights issue)	50.00 50.00 100.00	February 1995 to February 1997	No buy-back	350000	4.15	March 2003	14.52	Loss of Rs.63.69 lakh due to imprudent and irregular decision to go in for rights shares, failure to take timely action to effect buy-back/disinvestment and to take appropriate legal action to safeguard the interest of the Company against capital reduction and merger (IFGL) at an unreasonable ratio.
7.	Orissa Extrusions Limited	28 February 1984	Indian Aluminium Company Ltd. (INDAL)	March 1986 to March 1988 March 1991 (subscription to rights issue)	154.70 24.75 179.45	Restriction on transfer of shares up to period of five years from the date commencement of production (April 1989). Transfer of shares thereafter giving the other promoters an option for refusal or acceptance.	No buy-back	1794520	2.00	June 2000	35.89	BIFR ordered September 2002 for closure of OEL. No chances for realisation of any thing out of the sale proceeds. Loss of Rs.1.79 crore due to lack of monitoring of the affairs of OEL through nominee director, additional investment in disregard to Government guidelines and failure to take timely action to effect buy-back/disinvestment.

Sl. No.	Name of the Investee Company	Date of Joint Venture/ Equity participation Agreement	Name of the Joint Venture	Amount disbursed/invested.		Buy-back due as per Joint Venture Agreement	Buy-back effected.	No. of shares (Face value of Rs.10 each) held after disinvestment	Existing average market price per share	Period	Existing market value of investment	Remarks
				Period	*Amount (Rs. in lakh)*				*Amount in Rs.*		*Amount (Rs. in lakh)*	
8.	Orissa Lamps Limited.	29 February 1992	Sri S. Kapadia and Associates	January 1993 to August 1993	150.00	January 996 to January 1998	No buy-back	1500000	NA	NA	-	Private promoters have deserted (July 1996) the project and assets of OLL have been taken over (July 1997) by Financial Institution/Bank. Loss of Rs.1.50 crore due to investment in excess of the limit as per Government policy, improper appraisal of the project and non-taking of any timely action for buy-back disinvestment by IPICOL.
9.	Ballarpur Industries Limited.	NA	NA	1990 (merger of Sewa Paper Limited) June 1992 (Partly Convertible Debentures) May 1993 (subscription to rights shares)	114.75 34.00 <u>127.50</u> 276.25	No arrangement for buy-back	No buy-back	306000	38.42	March 2003	117.57	Non-disposal of 1 lakh shares (face value Rs.10 per share) at a price @ Rs.250 per share as offered by SBI Capital Markets (March 1993) on the ground that the shares of BILT were attractive dividend paying instruments. But the shares were not actually attractive as the effective rate of return was only 1.20% per annum. Though in reply to an audit para it was stated (August 1995) by the Management that the shares of BILT could be off-loaded at a any point of time, no steps were taken to dispose of the shares when the market price started falling. The market price of the shares of BILT stood at only Rs.47.80 per share. Imprudent decision not to dispose of shares at the appropriate time led to a loss of Rs.2.02 crore to the Company.

Sl. No.	Name of the Investee Company	Date of Joint Venture/ Equity participation Agreement	Name of the Joint Venture	Amount disbursed/invested.		Buy-back due as per Joint Venture Agreement	Buy-back effected.	No. of shares (Face value of Rs.10 each) held after disinvestment	Existing average market price per share	Period	Existing market value of investment	Remarks
				Period	*Amount (Rs. in lakh)*				*Amount in Rs.*		*Amount (Rs. in lakh)*	
10.	Orissa Sponge Iron Limited.	28 December 1977	M/s Torsteel Research Foundation In India (TRFI)	1979 to 1981 August 1994 (Conversion of unsecured loan) March 1995 (subscription to rights issue)	185.99 375.35 86.67 648.01	Seven years from the date of commercial production	Rs.1 crore for 2,66,100 shares in March 2003	2711764	10.23	20-26 May 2003	277.41	Undue favour to private promoter in violation of the Joint Sector Agreement and non-disposal of shares in the open market. Loss of Rs.1.18 crore.

Note: No disinvestment of shares held by the Company in open market.

ANNEXURE-26

Statement showing paragraphs/reviews for which explanatory notes were not received
(Referred to in Paragraph 3.22)

Sl. No.	Name of the Department	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	Total
1.	Energy	1	--	--	--	--	11	4	--	6	22
2.	Industries	1	1	--	--	--	--	1	2	2	7
3.	Science and Technology	--	1	--	3	--	--	--	--	--	4
4.	Information Technology	--	--	1	--	--	--	--	--	--	1
5.	Handloom and Textiles	1	--	1	--	--	--	--	--	--	2
6.	Home	--	1	--	--	--	--	--	--	--	1
7.	Agriculture	--	--	--	--	--	--	--	--	1	1
8.	Forest and Environment	--	--	--	--	--	--	--	2	1	3
9.	Commerce and Transport	--	--	--	--	--	--	1	--	--	1
10.	Steel and Mines	--	--	--	--	--	--	--	1	--	1
	Total	**3**	**3**	**2**	**3**	**--**	**11**	**6**	**5**	**10**	**43**

ANNEXURE-27

A. Statement showing persistent irregularities pertaining to Government Companies appeared in the Reports of CAG of India (Commercial) - Government of Orissa

(Referred to in Paragraph 3.24)

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
1.	**Orissa Small Industries Corporation Limited**					
(i)	Extension of loan without adequate security and violation of extant guidelines	1999-2000/ 4.9.1	1.04	Extension of assistance under RMCS without adequate security in contravention of guidelines.	Responsibility is required to be fixed for extending the financial assistance without adequate security	Disciplinary action has been initiated against the erring officials. Final result awaited (August 2003).
		2000-01/ 3A.2.2	0.47	Disbursement of loan to a defaulter loanee without adequate security and non-adherence to the terms of RMCS	Responsibility is required to be fixed for extending the financial assistance without adequate security in violation of the guidelines	Disciplinary action has been initiated against the erring officials. Final result awaited (August 2003).
		2001-02/ 4.5.1	0.80	Extension of financial assistance to a unit without obtaining security and without verifying the credit worthiness of the unit	Responsibility is required to be fixed for extending the financial assistance without security and failure to carry out the orders of the Managing Director of the Company.	Action has been initiated to fix responsibility and charge memos were issued and the inquiry is under process.

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
		2001-02/ 4.5.3	0.17	Extension of loan under RMCS in violation of provisions of agreements and without security	Action should have been taken against General Manager (Commercial) who released advances with total disregard to the prescribed provisions of the scheme and without security	Disciplinary action has been initiated against erring officials
	Total		**2.48**			
2.	**Orissa Power Generation Corporation Limited**					
(i)	Procurement of excess quantities of cables and failure to dispose	1996-97/ 4A.1.A	5.29	The Company procured excess quantities of cables and also failed to dispose them early resulting in blockage of capital and consequential loss of interest	The COPU expressed its displeasure over the failure of the Compay to dispose of the surplus cables and directed to take departmental actions against the officers responsible	In the Action Taken Note, the Company had stated that no individuals were responsible for such excess procurement. This has not been discussed in COPU till August 2003.
		2002-03/ 3.12	0.25	The Company neither disposed off the cables nor insured it which resulted in loss of cables due to fire.	Action should be taken against the officials who failed to insure the cables.	--
	Total		**5.54**			

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
3.	**Orissa Mining Corporation Limited**					
(i)	Failure to ensure proper loading of wagons	1994-95/ 3A.2 (iii)	0.03	Though the Public Analyst had pointed out the fact of under loading of wagons by the loading contractor, the Company did not take any remedial measures.	The COPU had recommended to improve the mode of transportation and loading to avoid loss due to under loading	Action Taken Notes awaited
		2001-02/ 4.9.1	0.13	Due to negligence of the plot officials in loading ore into wagons, the Company suffered loss.	Action should be taken against the plot officials who had failed to ensure proper loading of wagons	Compliance not received
	Total		**0.16**			
4.	**Industrial Promotion and Investment Corporation Limited**					
(i)	Failure to disinvest shares	1994-95/ 2A.4.1.1	0.26	For not selling the shares according to promotional agreement there was loss of Rs.26.25 lakh on sale of 15 lakh shares.	COPU had directed the Company to take every opportunity of profit by negotiating with the private promoters and pointed out the inefficiency of the Company to act as a promotional agency.	Action Taken Notes is yet to be received.

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
		IR No.39/2003-04, Para No.3	0.73	Failure to disinvest shares of a promotional unit as per agreement	Responsibility is required to be fixed on the officials who have not taken action for timely disinvestment of shares.	The Company is yet to improve its system of portfolio management.
(ii)	Failure to buy-back	1994-95/ 2A.4.1.5(b)	--	Failure to buy-back shares of a promotional unit as per agreement	Responsibility is required to be fixed on officials who did not act upon buy-back of shares	No action has been taken till date (August 2003)
		IR No.39/2003-04, Para No.5.4	1.43	Failure to buy-back shares of a promotional unit as per agreement resulted in loss of Rs.1.43 crore.		
	Total		**2.42**			

B. Statement showing persistent irregularities pertaining to Statutory Corporations appeared in the Report of CAG of India (Commercial)- Government of Orissa

(Referred to in Paragraph 3.24)

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
1.	**Paras relating to Orissa State Financial Corporation appeared in the Audit Reports 1996-97, 1998-99 and 1999-2000**					
(i)	Sanction of loan to defaulters	1996-97/ 3A.7.2.2	0.36	Sanction of additional loan to chronic defaulter violating COPU recommendations and subsequently canceling the loans landed the Corporation to several court cases and restrained the realisation of the dues.	Responsibility is required to be fixed on the officials who sanctioned the loan violating the recommendations of COPU.	The Corporation has been successful in recovering the entire dues by allowing mutual transfer of Rs.38.68 lakh against down payment of Rs.20 lakh.
		1998-99/ 3B.2.(ii) (b)	0.64	The Corporation extended loans to an unit not regular in repayment of earlier loans and without adequate security resulted in loss of Rs.0.64 crore.	Responsibility should be fixed on the officials who sanctioned the loans to defaulters and without adequate securities.	Discussed in COPU. ATN awaited.
		1999-2000/ 3B.6.7.2	0.18	Undue favour extended to hire purchase loanee by deviating from the extant schematic provisions	Responsibility should be fixed on the officials who sanctioned the loans to defaulters ignoring the credibility of the loanee.	The two tractors of the loanee had been seized.

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
(ii)	Sanction without pre-sanction inspection and lack of follow-up	1996-97/3A.7.2.4	0.31	The Corporation sanctioned loan without pre-sanction inspection coupled with lack of follow up action for recovery resulted in locking up of funds amounting to Rs.0.31 crore.	Responsibility is required to be fixed on officials sanctioned the loan without observing the required formalities.	The loan account has been settled at Rs.0.25 crore and NDC issued in August 2000.
		1998-99/ 3B.2 (ii) (a)	0.60	Loss of Rs.0.60 crore in extending short term working capital loans without pre-sanction inspection.	Responsibility is required to be fixed on officials sanctioned the loans violating the provisions.	ATNs to recommendations of the COPU is yet to be received.
		1999-2000/ 3B.6.7.1	0.10	Disbursement of hire purchase loan without observing the terms and conditions.	Responsibility is required to be fixed on officials sanctioned the loans violating the provisions.	The Corporation has issued notices u/s 30 of SFC Act to take over the collateral assets u/s 29 of the SFC Act, 1951.
	Total		**2.19**			
2.	**Paras relating to Orissa State Warehousing Corporation appeared in the Audit Reports 1993-94 and 2001-02**					
(i)	Under-utilisation of capacity	1993-94/ 3B.7.1	0.10	The Corporation suffered loss of Rs.0.10 crore due to under-utilisation of storage capacity of 1.84 lakh MT in its various warehouses.	The Corporation should strive to improve the occupancy.	No action taken
		2001-02/ 3.6.1.1	--	The Corporation could not utilise storage space of 6.49 lakh MT.		The vacant space position in the hired godowns is being reviewed fortnightly. Where there is no hope for getting business,

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
						godowns are being dehired to increase the occupancy.
(ii)	Meagre storage space utilisation by traders and farmers	1993-94/ 3B.7.2 2001-02/ 3.6.2	-- --	Percentage of utilisation of storage space by traders and farmers ranged between 0.95 to 3.23. The capacity utilised by farmers was only 0.39 per cent.	The Corporation should create awareness among the farmers about the scientific storage.	No steps taken.
(iii)	Unscientific storage	1993-94/ 3B.14l 2001-02/ 3.6.3	0.02 0.13	The Corporation neither maintained warehouses to make them fit for scientific storage nor stored commodities as per scientific norm. The Corporation did not take proper pre-monsoon precautions and suffered loss due to entry of rain water in warehouses.	The Corporation should maintain its warehouse scientifically and avoid over-storing.	No compliance The loss amount reduced to Rs.3.43 lakh. Insurance claim is yet to be settled and remedial measures have been taken by displaying tally cards and proving alleways in the godowns.
(iv)	Defalcation of stock	1993-94/ 3B.12	0.32	Due to lack of proper internal control and	Responsibilities are required to be fixed on	The Supdt. of Phulbani warehouse has been convicted in

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
				streamlined procedure, defalcation at two warehouses (Phulbani and Rayagada) occurred involving commodities worth Rs.0.62 crore.	concerned warehousing superintendents and the internal control should be strengthened.	the court of law. The dues will be adjusted from the CPF, gratuity, etc. In case of Rayagada warehouse, the case against the Supdt. is under trial.
		2001-02/ 3.11.1	0.15	Manipulation of stock records in two warehouses (Cuttack and Podagada) led to defalcation of stocks.	Responsibilities are required to be fixed on concerned warehousing superintendents and the internal control should be strengthened.	No steps taken.
(v)	Delay in billing	1993-94/ 3B.9	--	Due to delay in raising the bills (from 1 to 14 months) towards storage charges, handling and transportation charges, etc. the working capital of the Corporation remained blocked.	Responsibility is required to be fixed on the persons who delayed in raising the Bills and the procedure needs to be simplified.	No steps taken.
		2001-02/ 3.11.1	0.08	There was delay of raising the bills ranging between 1 and 175 months.	Responsibility is required to be fixed on the persons who delayed in raising the Bills.	No steps taken
(vi)	Poor collection of outstanding dues	1993-94/ 3B.13	--	The percentage of book debts to total income was above 100 per cent and	The performance of the recovery cell requires to be improved and the	No steps taken

Sl.No.	Gist of persistent irregularities	Year of Audit Report/ Para No.	Money Value (Rs. in crore)	Gist of audit observations	Actionable points/ Action to be taken	Details of actions taken
				despite existence of recovery cell, the recovery position was alarming and no effective steps were taken to avoid locking up of working capital.	Corporation should evolve an appropriate credit policy	
		2001-02/ 3.11.2	--	The percentage of collection to outstanding dues ranged between 46.02 to 58.17 due to poor recovery performance by the recovery cell.		No appreciable steps taken.
	Total		**0.80**			

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