REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2004

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 2003-04 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 2003-04 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 70 Public Sector Undertakings (PSUs) comprising 67 Government companies and three Statutory corporations. Of these, there were only 32 working Government companies. The remaining 35 were non-working Government companies as against 34 non-working Government companies as on 31 March 2003. All the three Statutory corporations were working corporations. In addition, there were three companies (one working and two non-working) under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2004.

(Paragraphs 1.1 and 1.36)

The total investment in working PSUs increased from Rs.12,178.55 crore as on 31 March 2003 to Rs.12,294.34 crore as on 31 March 2004. The total investment in non-working PSUs decreased from Rs.216.86 crore in 2002-03 to Rs.122.61 crore in 2003-04.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.591.45 crore in 2002-03 to Rs.125.75 crore in 2003-04. The State Government guaranteed loans aggregating Rs.2,172.54 crore during 2003-04. As on 31 March 2004, guarantees of Rs.3,046.11 crore were outstanding.

(Paragraph 1.6)

Only six working Government companies, one Statutory corporation and two non-working Government companies finalised their accounts for the year 2003-04 by September 2004. The accounts of 25 working Government companies and two Statutory corporations were in arrears for periods ranging from one to six years as on 30 September 2004. The accounts of 33 non-working Government companies were in arrears for periods ranging from one to 33 years as on 30 September 2004.

(Paragraphs 1.7 and 1.21)

According to latest finalised accounts, 14 working PSUs (12 Government companies and two Statutory corporations) earned aggregate profit of Rs.167.65 crore. Against this, 17 working PSUs (16 Government companies and one Statutory corporation) incurred aggregate loss of Rs.675.84 crore as per the latest finalised accounts. Of the loss incurring working Government companies, eight companies had accumulated losses aggregating Rs.1,921.25 crore which exceeded their paid-up capital of Rs.513.88 crore. One loss incurring Statutory corporation had accumulated loss of Rs.223.49 crore, which exceeded the paid-up capital of Rs.136.50 crore.

(Paragraphs1.8, 1.10 and 1.12)

2. Reviews in respect of Government companies

Aspects relating to activities of the Orissa Mining Corporation Limited, Fund Management in Grid Corporation of Orissa Limited and Project Implementation of Konark Met Coke Limited were reviewed in Audit and some of the main findings are as follows:

2.1 Review on Orissa Mining Corporation Limited

Orissa Mining Corporation Limited was established in May 1956 to undertake commercial exploitation of mineral resources of the State. The Company incurred heavy losses due to delay in repair of primary crusher, under utilisation of crushers, undue concession given to raising contractors, sale of lump ore without conversion into calibrated lump ore and sale of ore below the market price in domestic as well as in export market. Some of the important points noticed in audit are given below:

The Company sustained revenue loss of Rs.75.79 crore during December 2001 to December 2003 due to injudicious decision to repair the old primary crusher instead of replacing the same.

(Paragraph 2.1.13)

Shortfall in production of Calibrated Lump Ore led to loss of revenue of Rs.45.37 crore.

(Paragraph 2.1.14)

Fixation of sale price lower than the prevalent market price resulted in revenue loss of Rs.2.15 crore.

(Paragraph 2.1.29)

The Company, at the behest of State Government, sold ore to Neelachal Ispat Nigam Limited below the market price which led to loss of revenue of Rs.11.28 crore.

(Paragraph 2.1.30)

Investment of Rs.4.26 crore without resolving the key issues for implementation of the Joint Venture project proved wasteful.

(Paragraph 2.1.36)

2.2 Review on Fund Management in Grid Corporation of Orissa Limited

The management of funds in Grid Corporation of Orissa Limited was deficient due to lack of effective control over transactions. Due to lack of control over the realisation of power dues, delay in filing tariff increase proposal before Orissa Electricity Regulatory Commission and delay in raising bills, the Company could not generate funds in time and resorted to huge borrowing of funds at higher interest for meeting capital needs. Some of the important points noticed in audit are given below:

Failure to submit tariff increase proposal in time led to revenue loss of Rs.117.55 crore to the Company.

(Paragraph 2.2.7)

The Company delayed the finalisation of accounts for the year 2000-01 which resulted in delay in raising of bills and consequential loss of interest of Rs.15.30 crore.

(Paragraph 2.2.8)

The Company accepted claim for higher tariff from National Aluminium Company Limited in violation of Orissa Electricity Regulatory Commission tariff which resulted in extra expenditure of Rs.9.76 crore.

(Paragraph 2.2.9)

Delay in swapping high cost borrowings led to additional interest burden of Rs.11.34 crore.

(Paragraphs 2.2.16 and 2.2.17)

2.3 Review on Project Implementation of Konark Met Coke Limited

Konark Met Coke Limited was established in July 1996 with the main objective to produce coal, coking coal and coke besides establishing a generation station. The project implementation of the Company moved at slow pace due to lack of adequate equity arrangements from private promoters and public. This led to revision of project implementation three times. The Company deferred the allotment of shares for more than five years to PSUs despite retaining share money of Rs.69.57 crore received from them. Some of the important points noticed in audit are given below:

Failure to define and freeze the man-month by Board of Directors, the Company incurred extra expenditure of Rs.5.97 crore towards consultancy charges. The Company also failed to raise claim for Rs.6.30 crore on account of the failure on the part of the consultant to provide the know-how.

(Paragraphs 2.3.9 and 2.3.10)

Insistence on specific automation led to procurement from a specified source at an extra expenditure of Rs.2.42 crore.

(Paragraph 2.3.17)

Company had to pay Rs.4.75 crore as penalty due to failure to determine the right time for procurement of third boiler in consultation with MECON.

(Paragraph 2.3.24)

Excess consumption of power for auxiliary purposes and non-recovery of variable cost in full in tariff led to a revenue loss of Rs.12.17 crore.

(Paragraphs 2.3.26 and 2.3.27)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Loss of revenue of Rs.35.49 crore in four cases due to incorrect classification of Scotch blended Indian Whisky, acceptance of deliberate downward revision of landing cost, undue favour to purchaser by allowing credit much in excess of the limit and incorrect fixation of contract price.

  (Paragraphs 3.1, 3.2, 3.9 and 3.13)

- Extra avoidable expenses amounting to Rs.11.86 crore in nine cases due to defective agreement, failure to obtain Sales Tax exemption certificate, failure to revise the sale price, failure to clear imported consignments under Duty Entitlement Pass Book, placement of supply order for oversize coke, supply of captive power to colony instead of plant, undue favour to supplier by allowing unilateral alternation of the quality specifications, delay in filing refund claims and failure to avail the interest rebate in PFC loans.

  (Paragraphs 3.4, 3.5, 3.6, 3.7, 3.10, 3.11, 3.12, 3.17 and 3.20)

- Unproductive expenditure/loss of interest of Rs.2.32 crore in three cases due to idle retention of funds, injudicious investment of surplus funds and injudicious decision to construct multi-storeyed corporate office building.

  (Paragraphs 3.3, 3.14 and 3.15)

- Unproductive expenditure of Rs.0.88 crore in two cases due to failure to terminate the contract even after unfavourable test report and injudicious decision for renewal of insurance policies.

  (Paragraphs 3.16 and 3.18)

- Doubtful recovery of Rs.3.94 crore in two cases due to extension of loans in violation of provision of the scheme.

  (Paragraphs 3.8 and 3.21)

- In one case, Generation loss of Rs.1.66 crore on account of indecisiveness of the Management.

(Paragraph 3.19)

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

Collection of Excise/Sales Tax at lower rate by **Orissa State Beverages Corporation Limited** on account of incorrect classification of Scotch blended Indian Whisky led to loss of Rs.31.50 crore to State exchequer.

(Paragraph 3.1)

Acceptance of downward revision of landing cost by **Orissa State Beverages Corporation Limited** contrary to Clause 1.2 A (1) of the Agreement resulted in loss of revenue of Rs.1.98 crore to State Government.

(Paragraph 3.2)

Failure to revise sale price deprived the **Neelachal Ispat Nigam Limited** of earning revenue of Rs.1.60 crore.

(Paragraph 3.6)

Placement of supply order for oversize coke by **IDCOL Kalinga Iron Works Limited** led to avoidable expenditure of Rs.0.79 crore.

(Paragraph 3.10)

Grant of loans in violation of the terms of the guidelines and sanction orders coupled with disbursement against inadequate security and lack of proper follow up by **Orissa State Financial Corporation** led to recovery of Rs.2.94 crore being doubtful.

(Paragraph 3.21)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 67* Government companies (32 working companies and 35** non-working companies) and three working Statutory corporations as against 67 companies (33 working companies and 34 non-working companies) and three working Statutory corporations as on 31 March 2003 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

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

The State Government had formed Orissa State Electricity Regulatory Commission and audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003***.

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* During 2003-04, one company (IDCOL Cement Limited) was privatised and gone out of the purview of Sections 617/619 of the Companies Act, 1956 and a new company viz., Orissa Power Transmission Corporation Limited was incorporated in March 2004.

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

*** Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003.

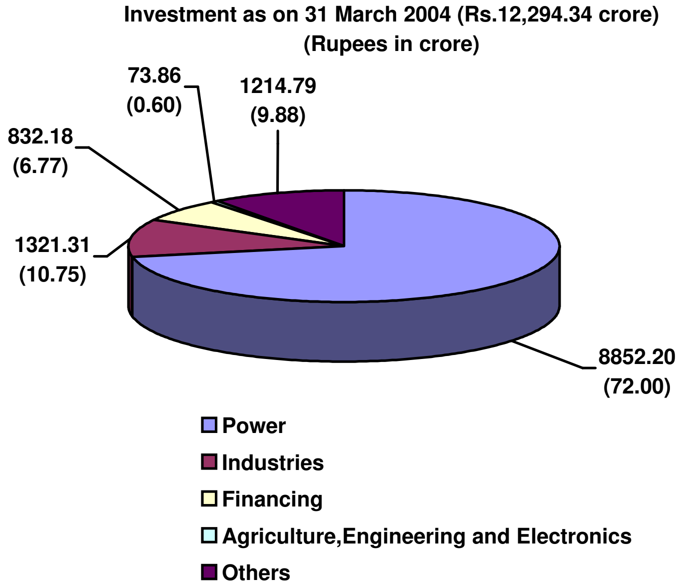
Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2004, the total investment in 35 working PSUs (32 Government companies and three Statutory corporations) was Rs.12,294.34 crore* (equity Rs.2,149.94 crore, long-term loans** Rs.10,093.14 crore and share application money Rs.51.26*** crore) as against 36 working PSUs (33 Government companies and three Statutory corporations) with a total investment of 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 on 31 March 2003. 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 2004 and 31 March 2003 are indicated below in the pie charts:



(Figures in brackets indicate percentage)

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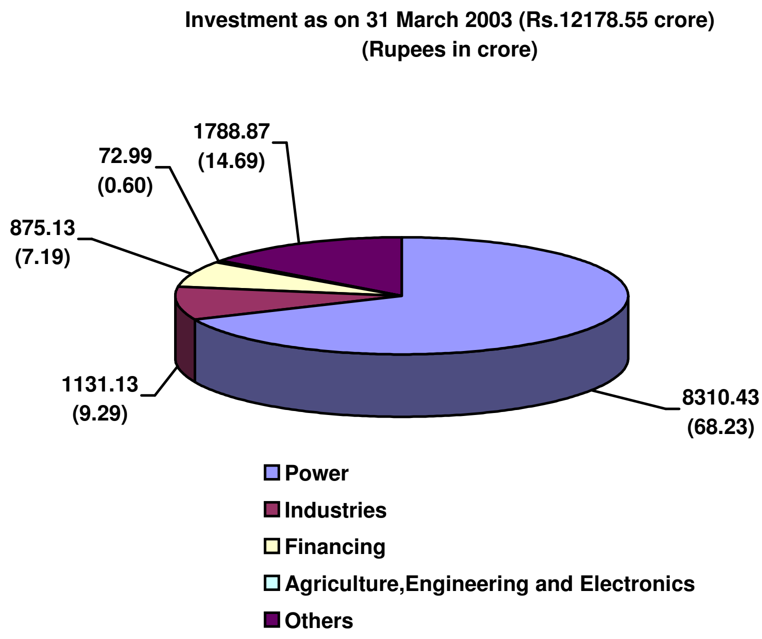
* State Government's investment was Rs.6,114.41 crore (others:Rs.6,179.93 crore). Figure as per Finance Accounts, 2003-04 is Rs.3,417.78 crore. The difference, which is under reconciliation is mainly due to non-accountal of equity and long-term loans invested in Power Sector Companies by virtue of transfer of Assets and Liabilities of erstwhile OSEB in April 1996 and disinvestment of shares in February 1999.

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

*** Neelachal Ispat Nigam Limited (Sl.No.A.5 of Annexure-1).



(Figures in brackets indicate percentage)

Working Government companies

1.4. Total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2002-03	33	2,133.00	58.00	9,056.78	11,247.78
2003-04	32	1,922.36	51.26	9,444.20	11,417.82

There was increase in investment during the year mainly due to increase in loan in Power Sector (Grid Corporation of Orissa Limited:Rs.615.06 crore*).

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 2004, the total investment in working Government companies comprised 17.29 per cent of equity capital and 82.71 per cent of loans as compared to 19.48 per cent and 80.52 per cent respectively as on 31 March 2003.

* Loans outstanding were Rs.4,729.96 crore as on 31 March 2003 and Rs.5,345.02 crore as on 31 March 2004.

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation*	136.41	54.26	136.41	38.23
Orissa State Financial Corporation**	87.57	621.87	87.57	588.46
Orissa State Warehousing Corporation	3.60	22.25	3.60	22.25
Total	**227.58**	**698.38**	**227.58**	**648.94**

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 2004, the total investment in working Statutory corporations comprised 25.96 per cent of equity capital and 74.04 per cent of loans as compared to 24.58 per cent and 75.42 per cent respectively as on 31 March 2003.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into 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 14 working Government companies and three working Statutory corporations for the three years up to 31 March 2004 are given below:

(Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	1	10.00	--	--	4	22.77	-	-	-	-	-	-
Loans given from budget	--	--	1	0.81	2	438.00	1	0.25	1	53.45	1	13.65
Grant	1	0.20	--	--	3	34.05	1	6.00	2	23.11	1	1.50
Subsidy towards												

* Figures for 2002-03 and 2003-04 are provisional.
** Figures for 2003-04 are provisional.

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(i) Projects/ Programmes/ Schemes	--	--	--	--	--	--	--	--	--	--	--	--
(ii) Other subsidy	3	55.98	2	1.80	3	88.38	2	2.00	4	32.17	2	1.87
Total outgo	3*	66.18	2*	2.61	10	583.20	3*	8.25	6*	108.73	3*	17.02

In the last three years, the Government guarantee issued on loans to working PSUs has increased from Rs.423.45 crore in 2001-02 to Rs.816.89 crore in 2002-03 and further increased to Rs.2,172.54 crore in 2003-04. There was no case of conversion of loan to equity and waiver of dues in 2003-04.

During the year 2003-04, the Government had guaranteed loans aggregating Rs.2,177.04 crore obtained by seven working Government companies (Rs.2,172.54 crore) and one non-working company (Rs.4.49 crore). At the end of the year, guarantees of Rs.3,046.11 crore against seven working Government companies (Rs.2,677.44 crore), two working Statutory corporations (Rs.368.60 crore) and one non-working Government company (Rs.0.07 crore) were outstanding. The guarantee commission paid or payable to Government by six working companies (Rs.36.10 crore), one non-working company (Rs.0.08 crore) and two Statutory corporations (Rs.5.48 crore) during 2003-04 was Rs.41.66 crore.

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 six working Government companies (APICOL, NINL, IDCOL Software, OPGC, OHPC and IDCOL Ferrochrome)** have finalised their accounts for the year 2003-04 between October 2003 to September 2004. Only one Statutory corporation (OSWC) finalised the accounts for the year 2003-04 during the above period. During this period, 24 working Government companies finalised 37 accounts for previous years and one working Government company (IDCOL Cement Limited) subsequently privatised, had finalised its accounts for the year 2002-03. Similarly, during this period, three Statutory corporations finalised six accounts for previous years.

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* Actual number of companies/corporations which received equity/loan/grants/subsidy from State Government during the respective years.

** Sl Nos A-4,5,9,16,17 and 31 of Annexure 2.

The accounts of 25* working Government companies and two Statutory corporations were in arrears for periods ranging from one year to six years as on 30 September 2004 as shown in the following table:

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.	2	--	1998-99 to 2003-04	6	A-1,32	--
2.	2	--	1999-2000 to 2003-04	5	A-8,14	--
3.	3	1	2000-01 to 2003-04	4	A-7, 21, 24	B-1
4.	9	--	2001-02 to 2003-04	3	A-2,3,13,15,25,26,27, 28,29	--
5.	3	--	2002-03 to 2003-04	2	A-10,12,23	--
6.	6	1	2003-04	1	A-6,11,18,20, 22, 30,	B-2

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 30 working Government companies and three working Statutory corporations, 16 companies and one corporation had incurred an aggregate loss of Rs.664.45 crore and Rs.11.39 crore respectively; 12 companies and two corporations had earned an aggregate profit of Rs.166.03 crore and Rs.1.62 crore respectively. Two companies (Sl.Nos.A-4 and 14) were functioning on "no profit no loss" and two companies (Sl. No. A-19** and 32) had not finalised their first accounts (September 2004).

* Excluding Orissa Power Transmission Corporation Limited (Sl.No.A-19 of Annexure-2), which was incorporated in March 2004.
** Accounts are not due.

Working Government companies

Profit earning working companies and dividend

1.9 The five* working Government companies (Sl. Nos. A-5,9,16,17 and 31 of **Annexure-2**) which finalised their accounts for 2003-04 by 30 September 2004, have earned profit of Rs.144.63 crore during the year.

Similarly out of 23** working Government companies which finalised their accounts for previous years by 30 September 2004, seven companies earned an aggregate profit of Rs.21.40 crore out of which five 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 2004, only one company i.e., Orissa Power Generation Corporation Limited declared interim dividend of Rs.61.28 crore for the year 2003-04.

Loss incurring working Government companies

1.10 Of the 16 loss incurring working Government companies, eight*** companies had accumulated losses aggregating Rs.1,921.25 crore, which exceeded their aggregate paid-up capital of Rs.513.88 crore. Despite poor performance and complete erosion of paid-up capital, the State Government had provided financial support of Rs.76.35 crore to one (Grid Corporation of Orissa Limited) of these eight companies, by way of loan (Rs.53.44 crore) and grants (Rs.22.91 crore) during the year 2003-04.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 Only one Statutory corporation i.e, Orissa State Warehousing Corporation (OSWC) which finalised its accounts for 2003-04 and earned profit of Rs.32.54 lakh had declared dividend of Rs.6.53 lakh for the year 2003-04. The Corporation also earned profit successively for two or more years.

Similarly, one Statutory corporation (Orissa State Financial Corporation) which finalised its accounts for previous year by 30 September 2004 earned

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* Excluding APICOL (Sl.No.A-4) which was functioning on 'No profit no loss'.
** Excluding one company (Sl.No.A-14) which was functioning on 'No profit no loss' and two companies (Sl.No.A-19 and A-32) which had not finalised their first accounts.
*** Sl.Nos.A-1,8,10,13,18,25,26 and 30.

profit of Rs.1.30 crore and the Corporation earned the profit for two or more successive years.

Loss incurring Statutory corporations

1.12 Orissa State Road Transport Corporation which had finalised its accounts for previous years by 30 September 2004 had incurred an aggregate loss of Rs.11.39 crore and had accumulated loss of Rs.223.49 crore which exceeded its paid-up capital of Rs.136.50 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, as against a loss of 66 paise per kilometer in 2001-02, a profit of 14 paise per kilometer was registered in 2002-03. This profit, however, turned into a loss of 66 paise per kilometer in 2003-04 mainly due to reduction in fleet size, effective kilometers operated and increase in average operating expenditure per kilometer. In respect of Orissa State Warehousing Corporation, profit per tonne continued to show a reducing trend from Rs.12.84 in 2001-02 to Rs.3.78 in 2002-03 and to Re.0.88 in 2003-04 due to lower percentage of capacity utilisation and reduction of average revenue per tonne in 2003-04.

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 30[*] working companies (up to 30 September 2004), the capital employed[**] worked out to Rs.7662.66 crore and total return[***] thereon amounted to Rs.108.37 crore which was 1.41 per cent as compared to total return of Rs.6184.22 crore in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to 30 September 2004) worked out to Rs.775.68 crore and Rs.9.61 crore respectively against the total return of (-)Rs.72.19 crore in the previous year (accounts finalised up to September 2003).

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[*] Two companies at Sl.Nos A-19 and 32 had not finalised their first accounts.
[**] 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).
[***] 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.

Reforms in Power Sector

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

1.15 In pursuance to Chief Ministers' 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 implementation of reforms programme in power sector with identified milestones.

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

Sl. No.	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2004)	Remarks
	Commitments made by the State Government			
1.	100 per cent electrification of all villages	March 2007	81 per cent	No work was taken up in 2001-02, 2002-03 and 2003-04.
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 2003-04 were not furnished by the Government though called for (September 2004).
3.	100 per cent metering of all distribution feeders	December 2002	20 per cent	--
4.	100 per cent metering of all consumers	December 2002	84 per cent	**--**
5.	Agreement for securitising the outstanding dues of CPSUs	July 2002	Executed on 20 March 2003	--
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	Being 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 104(2) of the Electricity Act, 2003**.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working Government companies

1.17 As on 31 March 2004, the total investment in 35 non-working Government companies was Rs.122.61 crore (equity Rs.64.78 crore including share application money Rs.23.96 crore and long-term loans Rs.57.83 crore) as against the total investment of Rs.216.86 crore (equity Rs.64.44 crore including share application money Rs.23.96 crore and long-term loans Rs.152.42 crore) as on 31 March 2003.

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

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)	Closed***	22	36.75	38.76
(ii)	Under liquidation****	13	28.03	19.07
	Total	**35**	**64.78**	**57.83**

Sector wise investment in non-working Government companies

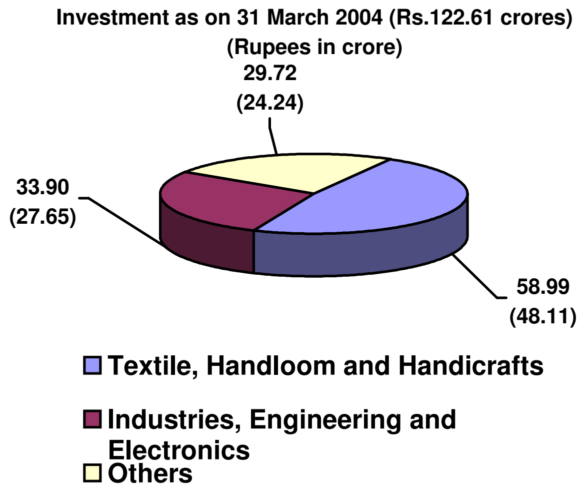
1.18 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 2003 are indicated below in the pie charts:

* Since replaced with Section 82(1) of the Electricity Act, 2003.

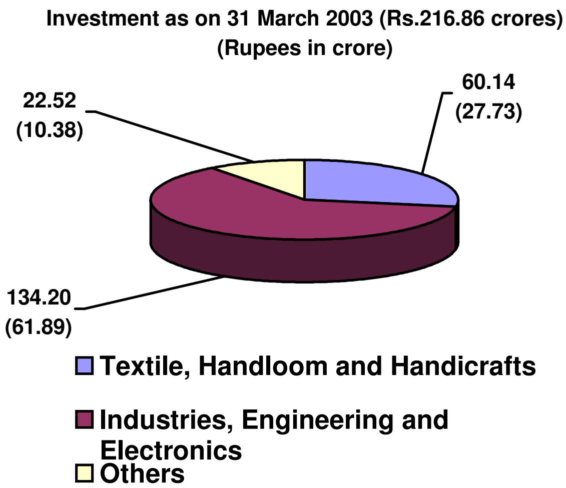
** Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003

*** Companies at Sl Nos.C-1,2,3,8,9,10,11,15,17,19,20,22,23,24,25,26,27,31,32,33, 34 and 35 of Annexure-2

**** Companies at Sl Nos.C-4,5,6,7,12,13,14,16,18,21,28,29 and 30 of Annexure-2



(Figures in brackets indicate percentage)



(Figures in brackets indicate percentage)

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

1.19 During the year 2003-04 State Government has written off loan of Rs.5.05 crore and waived penal interest of Rs.16.95 crore for ABS Spinning Orissa Limited (**Annexure-3**).

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 2003-04 are given below:

(Rupees in crore)

Year	Number of PSUs (Government companies)	Total establishment expenditure	Sources of financing			
			Disposal of investment/assets	Government by way of		Others
				Loans	Grants	
2001-02	4	0.19	0.11	--	0.04	0.04

Year	Number of PSUs (Government companies)	Total establishment expenditure	Sources of financing			
			Disposal of investment/assets	Government by way of		Others
				Loans	Grants	
2002-03	3	0.14	--	--	0.11	0.03
2003-04	3*	0.62	0.25	--	--	0.37
Total	**--**	**0.95**	**0.36**	**--**	**0.15**	**0.44**

Finalisation of accounts by non-working PSUs

1.21 The accounts of 33 non-working companies were in arrears for periods ranging from one year to 33 years as could be noticed from **Annexure-2**. During the period October 2003 to September 2004, two non-working Government companies (Sl. No.C-1 and C-3 of Annexure) finalised their accounts for the year 2003-04. During this period three non-working Government companies (Sl.Nos.C-14, 16 and 34 of Annexure) finalised two accounts each for previous years and two non-working Government companies (Sl.No. C-11 and 18 of Annexure) finalised three accounts each for previous years.

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 35 non-working companies, information regarding net worth**, cash loss and accumulated loss in respect of 14*** companies was not available. The net worth of remaining 21 non-working companies against their paid up capital of Rs.47.31 crore was (-)Rs.199.15 crore. These**** companies suffered cash loss of Rs.87.39 crore and their accumulated loss worked out to Rs.299.94 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:

* Out of 35 non-working companies, six companies furnished the information out of which establishment expenditure in case of three companies were 'Nil'.

** Net worth represents paid-up capital plus free reserves less intangible assets.

*** Fourteen companies (at Sl.Nos.C-4,5,6,7,9,12,13,17,19,26,28,29,30 and 32 of Annexure-2) are defunct/closed since long and their accounts are not available.

**** Except New Mayurbhanj Textiles Limited (Sl. No.C-20 of Annexure-2) which had accumulated profit.

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Year 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)*	2002-03	--	--	--
2	Orissa State Road Transport Corporation (OSRTC)	1995-96	1996-1997 1997-1998 1998-1999 1999-2000	09 January 2004 13 February 2004 23 July 2004 10 August 2004	--
3	Orissa State Financial Corporation (OSFC)	SARs for the years 1997-98, 1998-99 and 1999-2000 were placed in the Orissa Legislative Assembly on 23 July 2004 as per commitment by Government/Corporation in the meeting of the Committee on papers laid on the table held on 14 August 2003. SARs for 2000-01 and 2001-02 were placed along with Annual Reports of the Corporation for the years 2001-02 and 2002-03 respectively. SAR for the year 2002-03 issued on 13 April 2004 was yet to be placed.			

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Restructuring Programme of Government of Orissa

1.24 The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed in October 1995 on 36 Public Sector Enterprises (PSEs) and Co-operative Enterprises for disinvestment/ privatisation/ restructuring/ liquidation. The private investors, however, did not show much of interest and little progress was made on reforms. As per the record notes 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 bound reform programme for disinvestment and restructuring of certain State level Public Sector Enterprises. A task force on Public Enterprises Reform was constituted on 10 October 2000 for framing clear policy frame work on Public Enterprises Reform. In accordance with the recommendations of the task force the Government of Orissa and the Department of Expenditure, Ministry of Finance, Government of India have signed a Memorandum of Understanding on 11 October 2001 to achieve fiscal sustainability on the medium term in accordance with the Orissa medium term fiscal reform programme for 2001-05 which included Public Sector Restructuring Programme.

* Supplementary Audit of accounts for the year 2003-04 was in progress as on 30 September 2004. The SAR was issued to Government on 20 October 2004.

The present status of the Reform Programme in respect of the Public Sector Enterprises (September 2004) 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 Mills Limited" on 22 March 2002. Unit Trust of India appointed as the advisor to undertake the disinvestment. Negotiations with the highest bidder was done and decision awaited.
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999	Winding up order issued by BIFR on 29 October 1999 and the decision was 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 was in progress. In respect of IFCAL qualified interested parties have been shortlisted. Further process has not yet started.
IDCOL Cement Limited	Revival/ Closure	31 March 2000	Transfer of ownership to ACC Limited with effect from 23 December 2003.
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 was awaited.
Orissa State Road Transport Corporation	Formal closure of the Corporation and restructuring by transfer of assets	Not fixed.	Restructuring plan approved by State Government. Action initiated on the restructuring plan. VSS Scheme was in operation to get rid of the surplus staff.
Hirakud Industrial Works Limited	Disinvestment up to 74 per cent or more	2002-05	Public and Co-operative Enterprises has recommended for approval of Cabinet Committee on disinvestment.
Kalinga Studios Limited	Privatisation	2002-05	Asset valuation with title scrutiny of title completed
Orissa Lift Irrigation Corporation Limited	Restructuring	2002-05	Restructuring plan approved by Government. VR financial assistance provided for 5,452 employees by the State Government. A total 8,675 Pani Panchayats have been formed and 6,867 Lift Irrigation points have been handed over to Pani Panchayats.
Orissa State Financial Corporation	Restructuring	2002-05	UTI Bank Limited has been selected as consultant for restructuring of Corporation.

It would be observed from the above that except in case of IDCOL Cement Limited none of the milestones have been achieved till date (September 2004).

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

1.25 During the period from October 2003 to September 2004, the audit of accounts of 36 Government companies (25 working and 11 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	10	1	11.98	2.02
(ii) Decrease in loss	3	--	35.85	--
(iii)Decrease in profit	5	2	2.30	6.01
(iv) Non-disclosure of material facts	1	--	0.10	--

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/ Statutory corporations

Grid Corporation of Orissa Limited (2002-03)

1.26 Overstatement of loss for the year by Rs.66.17 crore due to non-accountal of cash incentive received on bonds issued to NTPC.

Industrial Development Corporation of Orissa Limited (2002-03)

1.27 Understatement of loss by Rs.22.41 crore due to accounting of (i) corporate charges on the subsidiaries as Miscellaneous receipts without any agreement/Memorandum of Understanding (Rs.21.96 crore) and (ii) inclusion of profit margin on export sales of chrome ore in April 2003 (Rs.0.45 crore)

Orissa Small Industries Corporation Limited (2001-02)

1.28 Non provision of doubtful debt resulted in understatement of cumulative loss by Rs.1.15 crore.

Orissa Mining Corporation Limited (2001-02)

1.29 Understatement of loss by Rs.0.82 crore due to non writing-off the capital expenditure incurred in a Joint Venture Company, decided to be wound up.

Orissa Construction Corporation Limited (2001-02)

1.30 Understatement of cumulative loss by Rs.0.68 crore due to non-provision of interest on the outstanding EPF dues not deposited with the RPF Commissioner.

IDCOL Kalinga Iron Works Limited (2002-03)

1.31 Non-provision of interest payable to the supplier of coke due to delay in retirement of documents beyond 60 days of Bill of Lading resulted in understatement of loss for the year by Rs.0.56 crore.

Orissa State Financial Corporation (2002-03)

1.32 Overstatement of profit for the year by Rs.3.35 crore due to (i) short provision for non-performing asset in respect of 20 cases where industrial or collateral security was not available (Rs.2.98 crore) (ii) short provision for non-performing assets against the loan disbursed on 'No Lien' Account in respect of one case where neither assets were created nor any collateral security was obtained (Rs.0.37 crore).

Recoveries at the instance of audit

1.33 Test check of records of Power Sector Companies and other PSUs conducted during 2002-04 disclosed incorrect application of tariff/short levy of Excise Duty/non-availing of Industrial Policy Resolution benefits/extension of credit beyond limit aggregating Rs.47.03 crore in four cases. In three cases, the companies accepted the observations which had been pointed out by audit and in one case, Rs.30 lakh relating to extension of credit beyond limit was recovered at the instance of audit.

Internal audit/internal control

1.34 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the 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 comprising of the position in respect of 12 companies. It would be noticed from the Annexure that the comments in respect of these companies were of the following nature.

- Internal Audit System was not commensurate with the size and nature of business of Government companies.
- Audit Committee was not set up by five companies.
- The internal audit done by 10 companies was not satisfactory.

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

1.35 During October 2003 to September 2004, the Committee on Public Undertakings (COPU) held eight meetings and discussed two reviews and five paragraphs of the Audit Reports (Commercial) for the years 1993-2002. The position of Audit Reports (Commercial) pending in COPU for discussion as on 30 September 2004 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 reviews paragraphs on which ATNs outstanding	
	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	4	24	1	18	1	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	17	--	8	--	--
2000-01	3	22	3	18	--	4	--	--
2001-02	3	14	2	14	1	--	--	--
2002-03	3	21	3	21	--	--	--	--
TOTAL	**32**	**206**	**21**	**141**	**4**	**31**	**6**	**24**

619–B Companies

1.36 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. S.N. Corporation Limited and Konark Met Coke Limited have finalised their accounts for the year 2003-04 during the period between October 2003 and September 2004. **Annexure-8** 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.

CHAPTER-II

Reviews relating to Government companies

2.1 Review on the working of **Orissa Mining Corporation Limited**

2.2 Review on **Fund Management in Grid Corporation of Orissa Limited**

2.3 Review on **Project Implementation of Konark Met Coke Limited**

2.1 REVIEW ON THE WORKING OF ORISSA MINING CORPORATION LIMITED

Highlights

The Orissa Mining Corporation Limited was established in May 1956 as a wholly owned Government company for commercial exploitation of mineral resources.

(Paragraph 2.1.1)

Injudicious decision to repair the old primary crusher instead of replacing the same led to revenue loss of Rs.75.79 crore during December 2001 to December 2003.

(Paragraph 2.1.13)

Shortfall in production of Calibrated Lump Ore (CLO) led to loss of revenue of Rs.45.37 crore.

(Paragraph 2.1.14)

The Company fixed the sale price lower than the prevalent market price resulting in revenue loss of Rs.2.15 crore.

(Paragraph 2.1.29)

The Company, at the behest of State Government, sold ore to Neelachal Ispat Nigam Limited below the market price which led to loss of revenue of Rs.11.28 crore.

(Paragraph 2.1.30)

Export of iron ore fines at lower price resulted in loss of Rs.3.83 crore.

(Paragraph 2.1.33)

Investment of Rs.4.26 crore without resolving the key issues for implementation of the Joint Venture project proved wasteful.

(Paragraph 2.1.36)

The process of computerisation started during 1992-93, could not be completed till date rendering the expenditure of Rs.0.48 crore unfruitful.

(Paragraph 2.1.38)

Introduction

2.1.1 Orissa Mining Corporation Limited with its Head Office at Bhubaneswar was incorporated as a wholly owned Government company on 16 May 1956 with the main objective of commercial exploitation of mineral resources. The State Government had leased out total mineral resources of 41,098 ha of iron ore, 7,129 ha of manganese ore and 7,563 ha of chrome ore, out of which, 9,662 ha of iron ore (23.51 per cent), 1,821 ha of manganese ore (25.54 per cent) and 5,835 ha of chrome ore (77.15 per cent) were leased to the Company. The leases were initially granted for 20 years and renewed for another 20 years thereafter.

Scope of audit

Extent of coverage

2.1.2 The marketing operations of the Company were reviewed and commented upon in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 (Commercial) - Government of Orissa. The report is yet to be discussed in COPU (September 2004).

The present review covers the overall activities of the Company for the five years ending 31 March 2004. The records of the Head office at Bhubaneswar and all the five zonal offices situated at Barbil, Gandhamardan, J.K.Road, Daitari and Rayagada, one shipment office at Paradeep Port were test checked in audit and the results thereof are discussed in succeeding paragraphs.

Audit Review Committee for State Public Sector Enterprises (ARCPSE)

2.1.3 The draft comprehensive appraisal was discussed by the ARCPSE in their meeting held on 13 July 2004. The State Government was represented by Additional Secretary, Steel and Mines Department, Government of Orissa and the Company was represented by its Managing Director.

Organisational set up

2.1.4 The Management of the Company is vested in a Board of Directors consisting of 12 Directors including one part time Chairman as on 31 March 2004. The Managing Director is the Chief Executive of the Company, assisted by three General Managers (GMs) and two Deputy General

Managers. There was no regular GM (Sale & Marketing) and GM (Finance) from January 1998 and August 2003 respectively and their jobs were managed by other GMs of the Company.

Capital structure and borrowings

2.1.5 The paid-up capital of the Company as on 31 March 2004 was Rs.31.45 crore consisting of 31,45,480 equity shares of Rs.100 each wholly contributed by the State Government. As on 31 March 2003, the borrowings of the Company stood at Rs.50.39 crore comprising loans from State Government (Rs.24.18 crore) and banks (Rs.26.21 crore) taken for advance to the employees and packing credit loans. The Company defaulted in repayment of loans to State Government (repaid the loan in March 2004) despite availability of fund in Short Term Deposits and incurred additional liability of Rs.2.09 crore as penal interest for the period from March 1994 to March 2004.

Financial position and Working results

2.1.6 The accounts of the Company were finalised up to the year 2002-03. The financial position and the working results of the Company for five years ending March 2003 are given in **Annexure-9.**

The Company had accumulated profit of Rs.66.68 crore as on 31 March 1998. Thereafter, the Company continuously sustained losses (Rs.42.87 crore) for four years up to 2001-02. After setting off these losses, the accumulated profit came down to Rs.23.81 crore as on 31 March 2002. Losses during four years up to 2001-02 were mainly attributed by the Company to lack of demand for iron ore and manganese ore by steel plants due to global recession in steel industry, reduction in chrome ore price in domestic and export market and lease of chrome ore mines by State Government to permanent customers of the Company coupled with high cost of production.

Audit observed that certain irregularities further contributed towards avoidable losses to the Company which are discussed in the succeeding paragraphs:

- Non-levy of penalty on raising contractors for short production of ore (Paragraph No 2.1.11);
- Sale of lump ore without conversion into Calibrated Lump Ore (CLO) (Paragraph No 2.1.12);
- Delay in repair of primary crusher at Daitari (Paragraph No 2.1.13);
- Shortfall in production (Paragraph No 2.1.14);
- Undue concessions given to contractors (Paragraph Nos. 2.1.15 and 2.1.17 to 2.1.20);

- Sale of ore below market price in export sales as well as to domestic buyers (Paragraph Nos.2.1.29, 2.1.30 and 2.1.33).

Activities of the Company

2.1.7 The activities of the Company were mainly to explore and develop mining leases and to raise, assemble and transport different minerals for the purpose of sale or export.

Mining Leases

2.1.8 The Company had 38 mining leases covering 18,977 ha as on 31 March 2004. This includes one mine covering 1,012 ha on agency basis on which the Company undertakes mining work on behalf of the State Government as their agent by paying agency fee in addition to royalty. The Company operated 28 leases and 10 leases were not operated as geological investigation was not complete.

Company had taken substantial mining areas on lease but it had exploited only 10 per cent of the reserve.

As per the geological reports of the Company, the total reserve of ore was 4,380.63 lakh MT of iron ore, 96.14 lakh MT of manganese ore, 361.41 lakh MT of chrome ore and 146.48 lakh MT of other minerals (lime stone and china clay). The Company extracted iron ore of 362.72 lakh MT (8 per cent), manganese ore 34.62 lakh MT (36 per cent), chrome ore 99.94 lakh MT (28 per cent) and other minerals 2.34 lakh MT (2 per cent) at the end of March 2004. The Company had taken substantial mining areas on lease but it had exploited only 10 per cent of the reserve. Out of 28 operating leases (22 mines), six leases operated earlier were not operated during last five years due to lack of forest clearance and unviable mining. The Company operated 22 leases (19 mines) during the last five years ended 31 March 2004.

The mine-wise profitability is given in **Annexure-10** which shows that in respect of 18 mines, the Company suffered loss of Rs.82.83 crore during the four years up to 2002-03. Out of 18 mines, 10 mines suffered losses continuously for four years ending 31 March 2003. The reasons for such losses were never analysed by the Management. Audit, however, observed that the reasons for continuous losses were due to low production of ore, non-production of chrome ore in Sukarangi mine, high incidence of establishment expenses and reduction in export sales.

Forest clearance

2.1.9 In order to undertake mining activities, approval for the Forest Diversion Proposal (FDP) is to be obtained from Government of India (GoI).

Audit scrutiny revealed that the Company has its own geological wing to look after forest clearance. In spite of this, the Company engaged two private agencies to obtain FDP clearance from GoI for 23 leases and paid Rs.54.84 lakh between November 1995 and March 2004. In terms of the work orders, the work was to be completed within six months i.e., between March 1996 and June 1998. The Agents, however, obtained clearance from GoI (between March 1999 and December 2003) in four cases only. The Company could not take any action against the agencies in the absence of any penal provision in the work orders.

Failure to obtain approval for Forest Diversion Proposal led to payment of agency commission of Rs.1.63 crore.

Due to non-approval of FDP, the Forest Department did not allow the mining work at Gandhamardan Block-B. Nishikhal mine was also closed. Besides, the Company took up mining work of the SGBK mine on agency basis for which the Company paid agency commission of Rs.1.63 crore between April 2001 and March 2004.

The Management stated (May 2004) that the preparation of FDP was a time-consuming process and required participation and co-operation of various Government authorities. The reply is not acceptable as engagement of private agency for forest clearance lacked justification in view of the fact that the Company has its own geological wing for such jobs.

Raising of ore

2.1.10 The main minerals raised by the Company are iron, manganese and chrome. Production targets are fixed considering the demand in the market. The targets of production/sale and the actual production/sale for the five years up to 2003-04 are given in **Annexure-11.**

It would be observed from the annexure that production of iron ore and manganese ore in all the five years was less than the targets. As a result, there was short production of 54.81 lakh MT of iron ore and 3.37 lakh MT of manganese ore. The percentage of production to target in respect of iron ore ranged between 52 and 73 per cent and for manganese ore between 29 and 72 per cent.

The Management stated (May 2004) that the shortfall in production was due to market condition. The reply is not tenable in view of the fact that there was heavy demand for iron ore in 2001-02 and thereafter. Even though the Company had increased the production targets, it was unable to supply ore to the buyers due to low production. The production of chrome ore ranged only between 22 and 45 per cent of the State's production, though 77 per cent of the chromite leases of the State were held by the Company.

Non-levy of penalty for short production

Failure of the Company to levy penalty of Rs.3.04 crore as per the agreements.

2.1.11 The Company raises ore mainly through raising contractors. The agreements executed with the contractors stipulate penalty for short production. Audit scrutiny revealed that even though the contractors did not raise the quantity as per the agreements, the Company failed to levy penalty of Rs.3.04 crore from five contractors as per details indicated in the **Annexure-12**.

Further, due to shortfall in production of 5.36 lakh MT by these five contractors, the Company suffered a loss of revenue of Rs.21.99 crore.

The Management stated (May 2004) that:

- in respect of R.C. Maharana and Adhunik Steels Limited (Sl.No.1 and 3 of Annexure-12), final bills of the contractors have not been finalised and the aspect of penalty would be examined by the Company;

- in respect of Jyoti Construction (Sl.No.2 of Annexure-12), penalty and cost of materials would be recovered from the final bills of the contractor;

- in respect of K.D. Sharma and EPI Limited (Sl.No.4 and 5 of Annexure-12), the process of advance planning for retendering was initiated without any malafide intention.

The replies are not tenable as:

- the short production in respect of Sl. No.1, 2 and 3 was on account of the fault of the contractor and penalty should have been recovered from the bills received once the shortfall is detected so as to discourage the short production;

- in respect of Sl.No.4 and 5, Company made delay in handing over the working site and notice for retendering was issued prior to issue of the show cause notice to the contractor for their failure.

Loss on sale of lump ore

2.1.12 The Company engaged (July 2003) Orissa Stevedores Limited for raising and processing of iron ore at BPJ mines initially for a period of three years from 01 July 2003 by fixing yearly targets. As per the contract, the contractor was to install a crusher within three months and raise and process three lakh MT of iron ore in the first year @ Rs.298 per MT for 5-18 mm size and @ Rs.120 per MT for lump ore.

Sale of lump ore without crushing led to loss of Rs.9.65 crore.

The Contractor did not install the crusher till date (February 2004). Instead of producing calibrated lump ore (CLO), the contractor raised 1,78,130 MT of lump ore. Sale of CLO fetches more price than lump ore. Thus, due to sale of lump ore (1,78,130 MT) without crushing, the Company sustained loss of Rs.9.65 crore between July 2003 and February 2004. The Company did not impose any penalty on the contractor.

The Management stated (May 2004) that if lump ore would not have been sold, the processing yard would have been totally jammed. The reply is not tenable as jamming could have been avoided by sending 50 per cent of production for crushing at designated crushers in terms of agreement.

Crushing operation

Improper handling of Primary Crusher at Daitari

2.1.13 The Ore Handling Plant (OHP) at Daitari comprises two primary crushers known as 'A' line and 'B' line crushers and two secondary crushers with a capacity to crush 800 MT per hour. The Company, in July 1995, noticed the need for replacement/ overhauling of both the primary crushers which was, however, not carried out. Primary crusher 'A' broke down in January 1997 which was repaired in August 1997 at a cost of Rs.33.27 lakh by McNally Bharat Engineering Private Limited (MBE) who had the original drawings for the crusher. While commissioning, MBE recommended (August 1997) procurement of some spares including the thrust roller bearing which was most critical and vital component of the crusher to meet the eventuality of breakdown.

The proposal (May 1998) for such procurement was, however, not acted upon for reasons not available on record. The 'A' line primary crusher was dismantled again in April 2000 due to failure of the thrust roller bearing. The Company, however, placed (June 2001) work order for repairing of the crusher and supply of spares excluding the bearing.

MBE did not attend to the work even after receiving payment of Rs.35 lakh. In the meanwhile, the 'B' line crusher also developed defects and was dismantled in November 2001 due to failure of bearing. The Company was managing production by feeding friable ore* from selective benches bypassing the primary crusher unit. The Company was also unable to meet its target production due to breakdown of primary crushers.

In August 2002, MBE suggested that the thrust roller bearing being very old was not easily available and offered for replacement of the crusher at Rs.80 lakh. The offer of MBE to replace the crusher was not considered for reasons not on record. Instead, the Company placed (October 2002) order for procurement of the bearing on MBE. The crusher was made operational without replacement of the bearing as late as January 2004.

Failure to replace the primary crusher led to revenue loss of Rs.75.79 crore.

The Company had, thus, failed to replace the crusher which was vital for the proper functioning of the OHP and it was necessitated as early as July 1995. Such failure resulted in short production of 12.73 lakh MT** between December 2001 and December 2003 leading to revenue loss of Rs.75.79 crore to the Company.

Management stated (May 2004) that despite sincere effort, old spares were not available. Reply is not tenable as the decision of the Management for repair of the equipment instead of its replacement was not prudent in view of the fact that the need for its replacement was considered as early as in July 1995.

* comparatively soft ore which is easily crushable.

** shortfall has been arrived at based on the sales targets for Daitari unit for the period reported.

Other crushers

2.1.14 To meet the growing demand for CLO, the Company installed two crushers at Khandbandh (40 TPH) and BPJ mines (75 TPH) between April 1984 and October 1998 and engaged two more private crushers at SGBK and Dubna mines in September 1999 and May 2002 respectively.

In terms of the agreements, the processing contractors at BPJ and Khandbandh mines were to produce CLO by lifting ore from the mines and in case of SGBK and Dubna, the Company was to supply lump ore to the processing contractors.

In this regard the following deserve mention:

Shortfall in production of CLO led to revenue loss of Rs.45.37 crore.

- The Company suffered a loss of Rs.39.31 crore due to shortfall in production of 8,92,582 MT in BPJ and Khandbandh crushers.

  In the SGBK mine, production was stopped between July 2003 and November 2003 due to non supply of ore to the contractor which resulted in production loss of 75,000 MT valued at Rs.6.06 crore.

Sale of lump ore instead of supplying to processing contractor led to loss of Rs.12.46 crore.

- The Company further suffered a loss of Rs.12.46 crore due to sale of lump ore without supplying to the processing contractor at SGBK and Dubna mines.

- The percentage of recovery of CLO in case of BPJ crusher was between 66 and 68 as against stipulation of 75 per cent during the period between April 1999 and August 2002 resulting in short recovery of 8,766 MT valued at Rs.33.46 lakh.

- The crusher contractor was paid Rs.30.41 lakh towards transportation of 71,571 MT ore in Khandbandh mine though he had not transported the same from mines to crusher which was done by the raising contractor.

The Management stated (May 2004) that in respect of Khandbandh, the shortfall in production was due to deficiency of the crusher and scope of transportation was not included in the work order awarded to the raising contractor and in respect of Dubna, the Management stated that the Company could not supply ore to crusher due to forest problems.

The reply is not tenable since the departmental crusher was handed over to the crushing contractor after spending Rs.4.41 lakh towards repair of the crusher. As per the contract, the raising contractor was also required to transport the ore. Further, the Company could have transported lump ore to crusher in the same manner in which the ore was sold to the buyers.

Outsourcing of Operation, Repair and Maintenance of Long Distance Belt Conveyor

2.1.15 The Company was operating its Long Distance Belt Conveyor (LDBC) of OHP at Daitari departmentally. For achieving the production target of one million tonne per year, the Company awarded (May 2001) the work of operation and maintenance of LDBC @ Rs.34.20 lakh per annum with required stores and spares for five years to Spark India Private Limited. The contract was to be renewed after the end of each year on the basis of performance of the contractor.

Poor maintenance of LDBC led to revenue loss of Rs.2.21 crore on account of short production of iron ore.

The engagement of proper manpower was the responsibility of the contractor. The contractor commenced the work in July 2001 and failed to engage skilled manpower and to mobilise sufficient tools which led to poor maintenance from the beginning. In September 2001, the plant could produce only 13,700 MT against a target of 50,000 MT. Consequently, the Company suffered a revenue loss of Rs.2.21 crore on account of short production of 36,300 MT. In spite of serious shortcomings in the performance, the contractor was continued up to March 2003. Maintenance was thereafter done departmentally.

It was revealed in audit that the Company had incurred an expenditure of Rs.3.51 lakh per month by outsourcing during the period July 2001 to March 2003. During the subsequent period from April to December 2003, when the work was managed departmentally, the average monthly expenditure was only Rs.1.26 lakh. Thus, by outsourcing, avoidable expenditure of Rs.47.25[*] lakh was incurred.

The Management stated (May 2004) that annual maintenance of LDBC involves hazardous/critical nature of work and also demands expertise and experienced crew, which the Company was unable to provide out of its existing manpower. The reply is not tenable as the Company has been carrying out maintenance of LDBC departmentally from March 2003 with the existing manpower at a much lower cost.

Avoidable expenditure on account of non-operation of 100 TPH tertiary crusher

2.1.16 In order to meet the growing demand for calibrated ore (CLO), Daitari unit installed one 100 Tonnes per Hour (TPH) tertiary[**] crusher in the washing plant in December 2000.

Audit observed that though the 100 TPH tertiary crusher was capable of handling the entire production of lump, it was not operated to the level of installed capacity, for which reasons were not available on record. As a result, 1,54,587 MT of lump ore was crushed between March 2001 and November 2003 in the 50 TPH crusher being operated by contractors. The Company thereby incurred avoidable expenditure of Rs.40.97 lakh towards conversion charges @ Rs.26.50 per MT.

The Management stated (May 2004) that the lump ore generation was very

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[*] (Rs.3.51 lakh - Rs.1.26 lakh) x 21 months

[**] Tertiary crusher is a part of washing plant which recycles the lump ores, not crushed in the process, back to the process for crushing.

minor in quantity and was bypassed without feeding to tertiary crusher. The reply is not tenable as quantity crushed i.e. 1,54,587 MT was significant.

Extra expenditure in maintenance of Dumpers at Daitari

2.1.17 In Daitari Iron Ore mechanised mine, the repair and maintenance of mining equipment, dumpers, etc. was being done departmentally. In order to achieve the target of one million tonne production, the Company decided (December 2000) to entrust repair work of equipment to contractor. In April 2001, the Company engaged New India Supply Agencies, Bhubaneswar for the repair and maintenance job of 10 dumpers at a cost of Rs.34.80 lakh for one shift. In terms of Clause 5 of the work order, rate was to be increased with increase in plant operation hours. Even if the fleet strength were reduced on account of major breakdown, the rate would not be decreased. This clause was against the interest of the Company since the Company was well aware of the fact that there were only seven dumpers in working condition.

Company suffered loss of Rs.1.05 crore in the maintenance of dumpers.

Scrutiny of records revealed that the Company sustained a loss of Rs.1.05 crore due to extra payments towards non-operational dumpers, wrong calculation of availability percentage and non-analysis of related cost-benefits which are discussed in succeeding paragraphs.

2.1.18 During December 2001 and June 2002, the contractor undertook repair and maintenance of only seven dumpers as three were non-operational. The extra payment on account of three non-operational dumpers amounted to Rs.25.83 lakh.

Management stated (May 2004) that the contractor had to be paid the fixed cost of maintenance as per the contract because of the force majure provision. The reply is not tenable because this could have been avoided by making the agreement for seven available dumpers only.

2.1.19 While calculating availability of hours, the dumpers under breakdown were taken as 100 per cent available. Due to such wrong calculation, the Company paid an excess amount of Rs.6.01 lakh to the contractor. No responsibility for giving such wrong certificate had been fixed by the Company.

2.1.20 In October 2002, while reviewing the performance of the contractor, Management observed that despite the fact that the availability hours did not improve and remained almost the same as under departmental maintenance, the contractor was being paid Rs.4.25 lakh as per agreement while his actual expenditure per month was only Rs.1.82 lakh. It was, thus, evident that due to lack of proper cost benefit analysis before engaging the contractor, monthly rate was fixed at higher side. Despite knowing such higher rate, the agreement was not terminated which resulted in extra expenditure of Rs.72.90 lakh from July 2001 to December 2003 without any additional benefit.

Idle investment in procurement of dumpers

Procurement of new dumpers without requirement led to unfruitful investment of Rs.1.41 crore.

2.1.21 Daitari unit of the Company had seven working dumpers. During the period from June 2001 to June 2002, the dumpers were utilised for 10,953 hours as against 31,688 hours available (35 per cent of the available hours). The Company purchased two dumpers in March 2002 at a cost of Rs.1.41 crore, when the unit was unable to utilise the existing dumpers. The new dumpers were put to use in July 2002. During the period from July 2002 to October 2003 the dumpers were utilised for 16,544 hours as against the available 59,072 hours (28 per cent of the available hours). Thus, procurement of new dumpers without requirement was not justified leading to unfruitful investment of Rs.1.41 crore.

The Management stated (May 2004) that in anticipation of the repair of primary crusher, the procurement was done.

The reply is not tenable as the Company was fully aware of difficulty in repairing the old primary crusher. Since the existing dumpers were not being fully utilised, the procurement of additional dumpers was not justified.

Non realisation of cost for missing trips of fines/CLO

2.1.22 In order to meet the increasing demand of iron ore for export as well as sale to Neelachal Ispat Nigam Limited (NINL), the Company engaged (September 2001) B.D. Mohta, a raising contractor for raising of four lakh MT of iron ore at Daitari on open tender basis. In terms of the contract, the contractor was to raise iron ore, screen in the Dry Screening Plant and then transport the ore to Baliparbat stockyard/Daitari Railway siding. Payment to the contractor was to be made fortnightly on the basis of certificate given by the Mines Manager regarding actual transport and weighment of ore.

Scrutiny of Vehicle Movement Register maintained at Daitari main gate and payment particulars revealed that there was discrepancy between the number of loaded vehicles (trips) despatched from the mines as per the challans recorded at the main gate and the trips weighed and received at Baliparbat. The scrutiny of records for the fortnight period between 1 February 2003 and 15 February 2003, 1 April to 15 April and 1 June to 15 June revealed that 2,236 trips (fines-1,518 CLO-718) despatched from the mines passed through the main gate and were entered in the vehicle movement register. As against this, only 1,287 trips of fines and 526 trips of CLO were weighed at the weigh bridge as per the weighment records. Audit observed that 231 trips of fines and 192 trips of CLO valued at Rs.70.88 lakh were not reconciled.

The Management stated (May 2004) that the space available at DSP for storage of finished products was limited; consequently, the CLO and fines evacuated from hilltop were stacked at Baliparbat and were not being weighed whenever weighbridge remained under breakdown. After repairing of the weighbridge the said stacked materials were weighed and transported to different destinations.

The reply is not tenable as the weigh bridge was under breakdown only for five days. Further, the accounts of unweighed stock and its disposal were not shown to audit.

Transportation of Ore

2.1.23 The following irregularities in transportation were observed in audit.

Extra expenditure due to adoption of costlier route for transportation of iron ore

2.1.24 The Company awarded (September 2001) all the activities of raising, screening and transportation of ore to a single firm B.D. Mohta. As per the agreement, the ore raised at Daitari iron ore mine was to be transported to Baliparbat for weighment. The same was either to be unloaded there or to be transported direct to the OMC Railway Siding at Daitari without unloading. Due to failure to issue clear instructions 4.72 lakh MT of ore, which was to be transported directly to Daitari Railway Siding (DRS) after weighment, was erroneously unloaded at Baliparbat. Subsequently, it had to be re-transported (between October 2001 and September 2003) to DRS incurring an additional expenditure of Rs.49.14 lakh. No responsibility has been fixed on the Mines Manager.

The Management stated (May 2004) that synchronisation of transportation of ore from the mine with transportation by railway was not always possible and the space at DRS was also limited. The reply is not tenable since the DRS is for exclusive use of the Company. There being no other user of the siding, transportation from mine could have been synchronised with transportation by railway keeping in view the limited space.

Loss in transportation of chrome from Kaliapani to Paradeep port

2.1.25 The Company awarded (May 2001) the work of transportation of chrome ore from Kaliapani to Paradeep Port to Ballabh Carrying Corporation. As per Clause 9 (c) of the agreement, penalty at double the rate of sale price for weight loss above 0.5 per cent (allowed) was to be levied on the contractor.

Audit scrutiny revealed that the weight loss during July and August 2001 ranged between 3 and 13 per cent. While forwarding the bills of the transporter for July and August 2001 to Head Office for payment, the Manager (Mines) intimated (October 2001) that there was shortage in weighment at Paradeep and the transporter had also delivered inferior grade materials at Paradeep than what was loaded at the mine end on two occasions (19 and 29 July 2001). Though delivery of inferior grade of ore was a serious matter this was neither investigated nor any penalty was levied on the contractor.

The Management stated (May 2004) that the Purchase Contract Committee (PCC) allowed weight loss up to 0.76 per cent against permissible limit of 0.5 per cent considering field report and ground realities. The reply is not tenable as the weight loss, ranged between 3 and 13 per cent. The acceptance of weight loss and quality loss by the PCC without analysing the same on case-to-case basis was detrimental to the interest of the Company which led to undue benefit of Rs.12.84 lakh to the contractor.

Sales

2.1.26 The Marketing Department of the Company is being headed by the Deputy General Manager (Geology) who is assisted by one Manager and two Deputy Managers. The post of General Manager (Sales and Marketing) has been lying vacant since January 1998. All sales and transportation contracts are finalised at head office.

Marketing Policy

2.1.27 In respect of domestic sales, the price was fixed quarterly for different grades of ore by the Board of Directors on the recommendation of the Sales Committee. Further, as per the sales policy of the Company, domestic sales of chrome ore are made to the buyers for their own consumption and not for trading. No such policy was adopted for other minerals.

Domestic sales are made on ex-mine basis. The Regional Offices are responsible for execution of sales contracts, raising of bills and realisation of sale proceeds in respect of domestic sales through their unit offices situated at the mines. All export sales are looked after by head office. Execution of export sales is effected through the shipment office at Paradeep port. Most of the operations are undertaken through contractors. The selling prices of these ores are fixed by a committee formed by the Company.

For iron ore (+64 per cent Ferrous), manganese (+46 per cent Manganese) and chrome ore, which are canalised items, the Company has not obtained the export license and exports these minerals through MMTC. Export of other grades of iron ore mainly fines, manganese ore and chrome concentrate was being done by the Company itself on open tender basis.

Sale price of different ores are regulated according to the ore content (grade) which is analysed by private analyst (except Daitari mines where the Company has its own laboratory) at the mine head before despatch to customers or transported to stock yard of the Company. When ore is sold from the stock yard it is again analysed by private analysts, acceptable to the Company and the buyer.

Sales performance

2.1.28 The mineral wise production and sales for five years up to 2003-04 is given in the **Annexure-13**. It would be seen from the Annexure that:

- during the years 2002-04, domestic sales of iron ore and chrome ore increased and export sale decreased compared to the year 2001-02 when the export price was on increasing trend;

- the sale of chrome ore was below its production in all the five years ranging between 69.76 per cent (2001-02) to 92.33 per cent (2003-04) of production resulting in accumulation of stock;

- the percentage of sales to total stock in respect of iron ore ranged between 38.08 and 78.78 per cent, manganese ore ranged between 40.39 and 54.49 per cent and chrome ore ranged between 38.62 and 60.48 per cent. This has resulted in accumulation of stock of 3.23 months' sales of iron ore, 10.12 months sales of manganese ore and 7.84 months sales of chrome ore as on 31 March 2004.

Domestic Sales

Fixation of sale price below the prevailing market price

Fixation of sales price lower than the prevalent market price led to loss of Rs.2.15 crore.

2.1.29 The sale price of ore was fixed on quarterly basis by the Board of Directors on the recommendations of the Sales Committee. Test check of records revealed that the Regional Office, Barbil, collected the price list of other local private producers in Barbil sector on two occasions i.e. in August 2002 for iron ore and in December 2002 for manganese ore and communicated the same to the Sales and Marketing wing of the Company for fixation of sale price. The sale price fixed by the Company was, however, lower than the lowest market price prevailing in the Barbil sector. As a result, the Company sustained a loss of Rs.2.15 crore between August 2002 and December 2002.

The Management stated (May 2004) that the private agencies normally fix their market price higher than OMC price so that OMC will fix the price at their level. Subsequently, they give credit facility, other discounts in various ways which OMC, being a Government concern, can not facilitate. The game played by private producers was, therefore, carefully examined by OMC and decision taken in such a way that the product moves safely at the real prevailing market price instead of published price of private producers.

The reply is not tenable as the Company did not increase the prices even though the Committee during the survey in the field had recommended (August 2002) increase in price considering the market condition. Further, there was heavy demand in 2002-03 and the Company was unable to supply due to low production. Thus, the fixation of lower price by the Company was not justified.

Loss in sale of Iron ore

2.1.30 Daitari unit of the Company has been supplying iron ore to Neelachal Ispat Nigam Limited (NINL) since June 2001. The Company supplied Calibrated lump ore (CLO) @ Rs.310 per MT for the period from June 2001 to August 2002, @ Rs.341 per MT from September 2002 to March 2003 and @ Rs.419 per MT from April 2003 to March 2004 as against the market price ranging between Rs.364 and Rs.656 during the said period. Similarly, in respect of iron ore fines, the rate was fixed at Rs.273 per MT from April 2003 as against the market price of Rs.320. These rates were fixed under the instructions (April 2001) of the State Government.

Sale of ore to NINL below the market price led to loss of Rs.11.28 crore.

Audit scrutiny revealed that the price fixed for NINL was far below the average market price and even below the average cost of production (Rs.396) (September 2001 to March 2003). Since the Company was incurring losses continuously from 1998-99, the decision to sell at concessional rates was against the interest of the Company. The Company, thus, sustained a loss of Rs.11.28 crore in the sale of ore to NINL during 2001-04 (up to December 2003).

Irregular payment of cash discount

2.1.31 Scrutiny of records of J.K.Road unit revealed (March 2004) that the Company was allowing cash discount and volume discount on sale of chrome ore to domestic buyers. Volume discount was allowed for lifting more than a targeted quantity of ore within a stipulated period, whereas cash discount was allowed for paying the price in advance. It was noticed that cash discount was calculated on the gross sale value before volume discount instead of calculating after volume discount. As a result, there was a loss of Rs.17.35 lakh during the years 2001-03.

The Management stated (May 2004) that the Company extended cash discount on the published sales price of chrome ore. The reply is not correct as the Company had directed (March 2001) the unit office to extend cash discount after volume discount. The action of the Management, as such, was not in the interest of the Company. The Company also allowed cash discount on net sale price instead of published sale price during 2003-04.

Export Sales

2.1.32 The Company makes export sales on tender basis. It was observed in audit that in export sales, the Company did not refer to prevailing international prices. Further, export of iron ore was reduced from 20 per cent of the total export of the State in 2001-02 to 10 per cent in 2002-03 and further reduced to seven per cent in 2003-04. Similarly, though 77 per cent of chromite leases of the State were held by the Company, export of chrome ore ranged between 28 and 51 per cent during the five years ending March 2004.

Irregularities noticed in the export sales are discussed in succeeding paragraphs.

Export of iron ore fines at lower price resulted in loss of Rs.3.83 crore.

2.1.33 Test check of records revealed that in respect of four shipments (2,20,653 MT), out of eight shipment between December 2002 to January 2004, the tender prices were below the price at which other exporters exported during the same period. Due to export of 2,20,653 MT of iron ore fines at lower price, the Company sustained a loss of Rs.3.83 crore.

The Management stated (May 2004) that the producers who were exporting iron ore fines at higher price must have better quality. The reply is not tenable in view of the fact that the comparison has been made between the Company's rates and rates of other exporters calculated on pro rata basis within the range of same grade.

2.1.34 Despite substantial increase in average export price of iron ore from Rs.540 per DMT in 2001-02 to Rs.625 per DMT in 2002-03 and Rs.1,698 per DMT in 2003-04, export of iron ore by the Company was decreased to 4.64 lakh MT in 2002-03 and further decreased to 4.49 lakh MT in 2003-04 from 6.99 lakh MT in 2001-02. Considering the minimum export of iron ore at 6.99 MT per year, the shortfall in export for the years 2002-03 and 2003-04 worked out to 4.85 lakh MT. Similarly, export of chrome ore/concentrate was also decreased in 2002-04 by 2.90 lakh MT.

Management stated (August 2004) that export of iron ore was decreased due to plot constraints at Paradeep and supply of ore to NINL. The reply is not tenable as the Company exported 6.99 lakh MT in 2001-02 with the same plot at Paradeep and only a small quantity of iron ore fines was supplied to NINL from December 2003 only.

Investment in Joint Venture

2.1.35 The Company has not laid down any policy for investment in Joint Venture. It had, however, signed seven agreements with private parties from time to time for different mining activities as a measure of expansion and diversification, of which, in two cases, the Company had invested funds in equity while other five cases were still in the process of finalisation of the project. The Company had also invested funds in a Public Sector Undertaking viz. Konark Met Coke Limited. The irregularities in investment of funds in the following two cases are discussed below.

Wasteful investment in RIOTINTO Minerals Development Limited

2.1.36 With a view to meet the iron ore requirements of new steel plants set up in the State and to export surplus quantities, the Company signed (February 1995) a joint venture agreement (JVA) with RIOTINTO (RT), UK to set up an integrated iron ore project of 15 million TPA at an estimated cost of $800 to $900 million. The project involved mining lease of Gandhamardan and Malangtuli mines, dedicated rail link to Paradeep Port and development of Paradeep Port.

In terms of the JVA, a Joint Venture Company was incorporated on 18 September 1995 as RIOTINTO Orissa Mining Private Limited (RTOM). During the phase-I of the work, the Company invested (August 1998) Rs.98 lakh. Subsequently, the Company invested Rs.3.28 crore between November 1998 and January 2001 without approval of the Board. The project could not be implemented because of non-finalisation of the key issues (clearance of Malangtuli mining lease, clearance of rail and port development projects and direct export of iron ore) with the Government of India, though these were known to the Company from the beginning (1994) i.e. prior to entering the JVA. During the period 1995-2003, no tangible efforts were made to implement the project or to rescind the JVA.

Investment of Rs.4.26 crore without resolving the key issues for implementation of the Joint Venture project proved wasteful.

As per the decision of the Board, the status of the JVA was referred (August 2003) to the Solicitor General of India who opined (November 2002) that the JVA having not been formally extended, stood terminated. Meanwhile, the Board of Directors had written off (June 2004) Rs.0.82 crore out of Rs.4.26 crore invested in the project.

Management stated (August 2004) that assets of Rs.1.97 crore created out of such investment were in possession of the Company which could not be called as wasteful. The reply is not tenable as the project has been finally shelved. The investment of Rs.4.26 crore, thus, proved wasteful.

Investment in Konark Met Coke Limited (KMCL)

2.1.37 At the instance of the State Government, the Board of the Company approved (November 1997) the investment of Rs.12.50 crore in KMCL. Department of Steel & Mines asked (February 1999) the Company to execute agreement with KMCL. In response, the Company observed that investment of Rs.12.50 crore was not prudent considering the bad financial condition of the Company. In view of the financial inability of the Company, State Government decided (January 1999 and November 2000) that MMTC would provide additional business (export of ore) to the Company to enable it to invest in KMCL. The Company released (June 1999 to May 2002) Rs.16.25 crore (Rs.11.92 crore in cash and the balance by conversion of receivables from NINL).

Injudicious investment of Rs.16.25 crore without availing the agreed consideration led to loss of interest of Rs.3.78 crore.

Audit observed that even as of July 2004, MMTC had not provided additional business to the Company in terms of the assurance given to the State Government. The investment of Rs.16.25 crore, without assured commitment from MMTC was, thus, not prudent. This resulted in consequential loss of interest of Rs.3.78 crore at the borrowing rate of 12 per cent on the cash investment up to March 2004.

Management stated (May 2004) that the investment was made as per the direction of the State Government. The fact remains that the considerations on which investment was made, were not complied with, making the investment unfruitful.

Computerisation

2.1.38 Computerisation of various activities of the Company started during 1992-93. The process could not be completed till date (July 2004). The following irregularities were observed in audit:

The Company assigned (February 1993) the work of computerisation to Orissa

Computer Application Centre (OCAC) at a cost of Rs.11.60 lakh. OCAC left the work incomplete and was paid Rs.5 lakh.

In September 2000, the Company noticed that the computers procured during 1992-94 were malfunctioning. The Company procured computers valued at Rs.30.82 lakh between June 1999 and September 2002 for Head Office as well as unit offices to connect all the zones and mines through a Wide Area Network (WAN).

Process of computerisation started during 1992-93, could not be completed till date rendering the expenditure of Rs.0.48 crore unfruitful.

Subsequently, in March 2002 the Company observed that the system of stand alone PCs without integration leads to duplication, inconsistency and delay in generation of information and decided to adopt the concept of Enterprise Resource Planning (ERP) as computerised solution for business management. The Company engaged Dr. K. Sunder, Associate Professor of Indian Institute of Management, Bangalore as the ERP consultant at a fee of Rs.7.42 lakh. The ERP was to be implemented in two phases i.e. first phase by March 2003 and second phase by January 2004 at an estimated cost of Rs.95.40 lakh. The Company paid Rs.12.35 lakh (including TA, DA, etc.) up to March 2003 to the consultant. After expiry of deadline for the first phase (March 2003) the consultant opined (September 2002) that top management was not interested in implementation which was causing delay.

The indecisiveness of the Management, thus, led to failure of computerisation process till date (July 2004) and rendering the expenditure of Rs.48.17 lakh unfruitful.

Internal Audit and Internal Control

Internal Audit

2.1.39 The Internal Audit Wing of the Company is headed by the General Manager (Finance). There were only two assistants in Internal Audit Wing as on 31 March 2004 against the sanctioned strength of six assistants. The main function of the Wing was to conduct internal audit of field offices and Head Office. Internal audit after January 2003 was not conducted. In spite of adverse comments made by the Statutory Auditors in their report on accounts repeatedly up to 2001-03, the Company had not strengthened the Internal Audit Wing. The Board of Directors, however, decided (26 June 2004) to outsource the Internal Audit work to Chartered Accountants firms.

Internal Control

2.1.40 One of the essential features of internal control is ensuring the accuracy and completeness of accounting records and timely preparation of reliable financial information. For this purpose and for systematic and methodical functioning of any organisation, well laid out procedures duly codified in a manual are very essential.

The cases noticed in audit where the Company sustained losses due to deficiencies in internal control system are contained in **Annexure-14**. Few are illustrated below:

- lack of effective physical verification of ore stock over the years, resulted in missing of 1,45,871 MT of lump ore valued at Rs.13.65 crore (Sl.No.1 of Annexure-14);

- despite theft of iron ore valued at Rs.4.71 crore by the contractors, neither FIR was lodged nor penalty imposed (Sl.No.2 of Annexure-14);

- the departmental production of 1.80 lakh MT was recorded as 1.27 lakh MT leading to loss of Rs.8.26 crore due to shortage (Sl.No.3 of Annexure-14);

- lack of supervision of the work of the contractor led to theft of 34.45 MT of tin ore valued at Rs.1.75 crore (Sl.No.5 of Annexure-14).

Other topics of interest

Under utilisation of Tippers

2.1.41 For removal of over burden/ore, the Kaliapani unit of Chrome Zone had seven Tippers between 2000-01 and 2002-03. In addition 13 tippers were brought to Kaliapani unit from other units during 2003-04. As against 94,300 hours available for operation during the years from 2000-01 to 2003-04, the vehicles were utilised only for 14,868 hours resulting in under utilisation of 79,432 hours.

Under utilisation of own tippers led to hiring of tippers with avoidable payment of Rs.1.70 crore.

Although the Company's own tippers were being under utilised, the Company had taken tippers on hire for 73,382 hours resulting in avoidable payment of Rs.1.70 crore to private agencies in the Chrome Zone.

The Management stated (May 2004) that departmental tippers being old were idle due to non-availability of spares, non-availability of heavy vehicle drivers. The reply is not tenable as these problems could have been easily sorted out and few tippers could have been diverted to other mines of chrome zone.

Excess payment towards Sales Tax

2.1.42 Daitari unit of the Company procured POL from IOC, on production of Form-IV for availing concessional Sales Tax. Sales Tax on POL was reduced from 20 per cent to four per cent with effect from 1 March 2002 against production of Form-IV. Despite reduction in Sales Tax to four per cent, Sales Tax @ 20 per cent amounting to Rs.26.98 lakh excess was paid to the agency for the period from 1 March 2002 to 6 October 2003 against the purchase of POL from IOC. When this was pointed out by Senior Manager, Daitari and Manager, Kaliapani, IOC stated (November 2003) that the amount would be repaid/adjusted in future consignment in case the Sales Tax authority agreed to refund the same. The formal acceptance of refund of excess payment was yet to be received. Similarly, Kaliapani unit paid a sum of Rs.23.87 lakh between March 2002 and April 2003 towards higher Sales Tax due to non-submission of Form IV. The Company had not fixed responsibility for such excess payment.

The Management stated (May 2004) that IOC had erroneously charged 20 per cent Sales Tax as against four per cent actually chargeable. The reply is not acceptable as the unit did not submit Form IV to avail concessional Sales Tax.

Avoidable extra expenditure towards payment of energy bills at Daitari

2.1.43 The Daitari Unit of the Company executed an Agreement with the erstwhile Orissa State Electricity Board (now Grid Corporation of Orissa Limited) for a contract demand of 2000 KVA for its Ore Handling Plant and Colony. GRIDCO allowed maximum 10 per cent of the total consumption towards colony consumption at domestic tariff as the contract was a composite one and no separate contract for domestic consumption was made.

Failure to execute separate agreement for energy consumption in colony resulted in extra expenditure of Rs.1.34 crore.

Audit scrutiny revealed that during the period from 1994-95 to 2003-04 (up to December 2003), the actual colony consumption as per meter reading ranged between 22 and 55 per cent of the total consumption. No separate agreement for colony was made till date (July 2004). By not entering into a separate agreement, the Company incurred an extra expenditure of Rs.1.34 crore.

The Management stated (May 2004) that NESCO (the distribution company) had issued permission for bulk domestic power supply in July 2002 and the execution of agreement was delayed due to non-separation of commercial load. The fact remains that extra expenditure could have been avoided by entering into separate agreements with separation of commercial and domestic load.

The above matters were reported to Government (May 2004) and also discussed in ARCPSE (July 2004); their replies had not been received (September 2004).

Conclusion

The Company was established in May 1956 to undertake exploring, exploitation and marketing of minerals in the domestic and export market. Though the Company had taken substantial mining areas on lease, it had exploited only 10 per cent of the reserve.

The Company incurred heavy losses due to delay in repair of primary crusher at Daitari, under utilisation of crushers, undue concessions given to raising contractors, non-levy of penalty on raising contractors for short production of ore, sale of lump ore without conversion into CLO, export

of ore below other exporters' price and sale of ore to domestic buyers below market price.

To overcome the above weaknesses, the Company should take steps for (i) closely monitoring the production of ore by contractors, (ii) proper fixation of rates in the contracts, (iii) grade/moisture analysis of its products departmentally, (iv) avoidance of selling of ore to the traders and (v) export sale to the buyers directly without routing through MMTC.

2.2 REVIEW ON FUND MANAGEMENT IN GRID CORPORATION OF ORISSA LIMITED

Highlights

The Company failed to submit tariff increase proposal in time which led to revenue loss of Rs.117.55 crore.

(Paragraph 2.2.7)

Failure to finalise the accounts for the year 2000-01 delayed the submission of bills with consequential loss of interest of Rs.15.30 crore.

(Paragraph 2.2.8)

The Company accepted claim for higher tariff from NALCO in violation of OERC tariff which resulted in extra expenditure of Rs.9.76 crore.

(Paragraph 2.2.9)

Due to acceptance of fall back arrangement for liquidation of dues, the Company had to bear interest burden of Rs.166.56 crore.

(Paragraph 2.2.12)

Charging of higher rate of interest by Government of Orissa led to extra financial burden of Rs.19.37 crore.

(Paragraph 2.2.15)

Delay in swapping high cost borrowings led to additional interest burden of Rs.11.34 crore.

(Paragraphs 2.2.16 and 2.2.17)

Refund of Rs.0.57 crore to United Commercial Bank without any conclusive assertion lacked justification.

(Paragraph 2.2.21)

Introduction

2.2.1 Management of funds involves projections for inflow/outflow of cash, financial requirement and strict cash control of an organisation. Efficient fund management provides for establishing a sound system of cash and credit control, which serves as a tool for decision making for investment of surplus funds and optimum utilisation of available resources and borrowings at the most favourable terms.

In pursuance to Power Sector Reforms, Grid Corporation of Orissa Limited (GRIDCO) and Orissa Hydro Power Corporation Limited (OHPC) were incorporated as wholly owned Government companies in April 1995 for transmission and distribution of power and generation of hydro power respectively. The assets and liabilities of erstwhile Orissa State Electricity Board were initially transferred to these two companies in April 1996. The State Government after consultation with GRIDCO, transferred (November 1998) the distribution activities of GRIDCO to four* distribution companies (hereto referred as DISTCOs). The DISTCOs were privatised in April and September 1999.

Organisational set up

2.2.2 The Management of GRIDCO is vested in a Board of Directors consisting of nine Directors including a full time Chairman-cum-Managing Director (CMD). The CMD is the Chief Executive of the Company. The Finance and Accounts Wing of the Company is headed by Director (Finance). The Company has 60 accounting units. The Assistant Manager/Junior Manager (Accounts) of the units are primarily responsible for maintenance of accounts and control over expenditure at unit level.

Scope of audit

Extent of coverage

2.2.3 Execution of funded projects by GRIDCO and outstanding dues against GRIDCO was reviewed and commented upon in the Report of the Comptroller and Auditor General of India for the year 1998-99 (Commercial), Government of Orissa. Tariff, billing and revenue collection of GRIDCO was reviewed and commented upon in the Report of the Comptroller and Auditor General of India for the year 1999-2000 (Commercial), Government of Orissa. Above Reports had not been discussed by the COPU so far (September 2004).

The present review covers deficiencies and lapses in revenue receipts, its

* Central Electricity Supply Company Limited (CESCO), Northern Electricity Supply Company Limited (NESCO), Southern Electricity Supply Company Limited (SOUTHCO) and Western Electricity Supply Company Limited (WESCO).

appropriation for meeting various items of expenditure, borrowings from financial institutions, repayment of loan and payment of interest, raising of funds through placement/issue of bonds and investment of funds by GRIDCO during 1999-2004.

Audit Review Committee for State Public Sector Enterprises (ARCPSE)

2.2.4 The draft review on the fund management in Grid Corporation of Orissa Limited (GRIDCO) was discussed by ARCPSE in their meeting held on 15 July 2004. The State Government was represented by Joint Secretary, Energy Department, Government of Orissa and the Company was represented by Chairman-cum-Managing Director of the Company.

Sources and Utilisation of Funds

2.2.5 The details of sources and utilisation of funds of the Company during 1999-2000 to 2003-04 are tabulated below:

(Rupees in crore)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04 (Provisional)	Total
Sources						
Paid up capital	29.91	0.31	2.88	1.94	--	35.04
Reserves and Surplus	78.99	9.54	161.26	51.07	37.03	337.89
Borrowings	192.52	474.34	873.48	841.11	371.68	2753.13
Funds from Operation	88.76	--	163.49	--	462.22	714.47
Decrease in working capital	124.17	--	--	--	--	124.17
Total	**514.35**	**484.19**	**1201.11**	**894.12**	**870.93**	**3964.70**
Utilisation			-	-	-	
Gross Block	111.79	115.48	83.75	132.17	52.00	495.19
Work in Progress	151.36	159.37	73.17	36.56	119.66	540.12
Investment	251.20	(-)65.91	21.03	79.05	18.81	304.18
Deficit in revenue	--	8.83	--	508.18	--	517.01
Increase in working capital	--	266.42	1023.16	138.16	680.46	2108.20
Total	**514.35**	**484.19**	**1201.11**	**894.12**	**870.93**	**3964.70**

It would be observed from the table that there was substantial increase in the working capital during previous four years ending March 2004. This was mainly due to locking up of substantial funds in sundry debtors as a result of non-realisation of receivables from the DISTCOs/Government resulting in the resource gap. Due to insufficient generation of funds from internal sources, the Company had to resort to borrowings to meet the gap. The borrowings, which constituted 69.44 per cent of the total funds raised during the years, were main source of funding. The major factors responsible for low generation of funds from internal sources and increased dependence on borrowings and related deficiencies are discussed in the succeeding paragraphs.

Sale of power

2.2.6 The Company, between May and September 1999, executed agreements with four DISTCOs for supply of power in bulk at the rates approved by Orissa Electricity Regulatory Commission (OERC).

The details of power sold and their collection for the years 1999-2000 to 2003-04 are given in **Annexure-15** which indicates that the percentage of collection to current dues was ranging between 69.83 and 95.06. The percentage of collection against total outstanding declined from 60.62 in 1999-2000 to 52.68 in 2003-04 leading to accumulation of arrears against DISTCOs from Rs.580.75 crore in 1999-2000 to Rs.1334.35 crore (provisional) in 2003-04.The collections made during the years were even below the current bills of the respective year.

Even though a Committee[*] was constituted (4 May 2000) by the Board of Directors of the Company to review the collection of dues and to ensure full payment by DISTCOs as per the terms of agreement on regular basis, there was no improvement in the collection of dues from DISTCOs as the Committee was non-functional due to vacant post of Director (Commercial) from March 2000.

Management, while confirming the fact, stated (July 2004) that the monthly Bulk Supply Tariff (BST) dues of the Company were being collected through LC regularly from February 2004 and position has improved over the years. The contention of the Management is not acceptable as the percentage of collection to total outstanding declined from 60.62 in 1999-2000 to 52.68 in 2003-04.

Loss due to delay in submission of tariff increase proposal

Failure to submit tariff increase proposal in time led to revenue loss of Rs.117.55 crore.

2.2.7 Mention was made in paragraph 2B.4(c) of Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial) regarding loss of revenue due to delay in submission of tariff increase proposal for the year 1998-99 under section 114(1) of OERC (Conduct of Business) Act, 1996. The Report had not yet been discussed in COPU. Further, it was revealed that the Company failed to submit tariff increase proposal for the years 1999-2000 and 2000-01 in complete shape within the stipulated dates (December 1998 and December 1999). As a result, OERC issued tariff notification after a delay of 10 months i.e. on 30 December 1999 and 19 January 2001 effective from 1 February 2000 and 1 February 2001 for the

[*] Members: Director (Finance), Director (Commercial), Company Secretary and Superintendent Engineer (Power Purchase)

year 1999-2000 and 2000-01 respectively. The delay of 10 months in implementation of revised tariff resulted in loss of revenue of Rs.117.55 crore.

Management stated (July 2004) that Bulk Supply Tariff and revised Revenue Requirement application for 1999-2000 and 2000-01 were made in line with the provision of the Act and the past losses were likely to be adjusted in tariff of subsequent years. The reply is not tenable as loss on account of delay in filing tariff increase proposal was never submitted to OERC to pass through in the subsequent years' tariff.

Delay in raising bills on DISTCOs

2.2.8 As per OERC order (19 January 2001), the expenditure on excess drawal of power over the allotment was to be reimbursed by DISTCOs to the Company. The Company was to raise bills for the excess drawal at purchase cost (including transmission charges and transmission losses) supported by Auditor's certificate.

Failure to finalise accounts in time led to delay in raising bills with consequential loss of interest of Rs.15.30 crore.

During the year 2000-01, DISTCOs drew 269.690 MU of power in excess of the allotment. The Company purchased the excess power of 269.690 MU at a cost of Rs.58.84 crore from NTPC. The Company raised provisional bills only for Rs.23.07 crore in April 2001 and another provisional bill for Rs.33.87 crore in July 2001. The final bill for the balance dues of Rs.1.90 crore was raised without Auditor's certificate in August 2003. The Auditor's certificate was submitted only in October 2003 due to delay in finalisation of accounts for the year 2000-01 by 24 months (October 2001 to September 2003).

Thus, due to delay in finalisation of accounts for the year 2000-01 the Company failed to bill and realise the dues of Rs.58.84 crore in October 2001 leading to loss of interest of Rs.15.30 crore between October 2001 and September 2003.

Management accepted (July 2004) the fact.

Additional burden due to acceptance of retrospective enhancement of cost of power

2.2.9 National Aluminium Company Limited (NALCO) injects power from its Captive Power Plant (CPP) at Angul to State grid for wheeling the same to its unit at Damanjodi through the Company's transmission line. Out of gross injection after considering the consumption including transmission loss for Damanjodi, the balance was to be taken as consumption by the Company.

On the basis of the application of the Company, OERC approved (January 2001 and April 2002) the procurement cost of power from NALCO CPP at 93.76 paise per unit for 2001-03 and 96.63 paise per unit for the year 2003-04.

Acceptance of higher tariff in violation of OERC tariff led to extra expenditure of Rs.9.76 crore.

Audit scrutiny revealed that the Company consumed 342.117 MU of NALCO power during 2001-02. The Company accepted (July 2002) the claim of NALCO at the rate of 96.63 paise per unit instead of Rs.93.76 paise with effect from 1 February 2001 with a suggestion that excess expenditure could be included in the next tariff as past period adjustment. This was, however, not done. Acceptance of higher rate by the Company violating the tariff fixed by OERC resulted in extra expenditure of Rs.9.76 crore.

Management stated (July 2004) that the claim of NALCO @ 96.63 paise per unit with effect from 1 February 2001 was as per the provision of Minutes of Meeting (MOM) dated 1 June 1994 between erstwhile OSEB and NALCO. The reply is not tenable in view of the fact that OERC was formed in the year 1995 and has not recognised the transactions reflected in the MOM.

Sundry Debtors

2.2.10 Due to non-realisation of revenue from sale of power and wheeling charges in full, the sundry debtors of the Company increased from Rs.964.07 crore in 1999-2000 to Rs.1930.85 crore (provisional) in 2003-04. Non-realisation of revenue from sale of power to DISTCOs had been discussed in paragraph-2.2.6 supra.

The party-wise position of sundry debtors as on 31 March 2004 is given below:

(Rupees in crore)

Sl. No.	Consumers' Category	2003-04 *(Provisional)*
1.	CESCO	655.51
2.	NESCO	300.27
3.	WESCO	249.58
4.	SOUTHCO	128.99
	Sale to DISTCOs	**1334.35**
	Wheeling & Other charges	273.96
	Power Trading	99.56
	Provision for bad debts	(26.81)
	Government Departments & others	249.79
	Total	**1930.85**

The Company had not maintained party-wise and age-wise details of bills raised and adjustment of collection there against. In the absence of such records, the exact reasons for accumulation of arrears could not be ascertained in audit. The increasing trend of arrears was indicative of inefficient debt management and might increase the chances of further doubtful debt in future.

Instances of non-realisation of wheeling charges are discussed in the succeeding paragraphs.

Non-realisation of arrear dues from Gujarat State Electricity Board

2.2.11 Gujarat State Electricity Board (GSEB) was availing NTPC power by wheeling through Company's transmission line. The Company was raising bill on Madhya Pradesh State Electricity Board (MPSEB), the nodal agency, for realisation of wheeling charges. As GSEB defaulted in payment of wheeling charges, MPSEB did not agree (October 1998) to act as nodal agency. Subsequently, the Company agreed (December 1998) in the Central Electricity Authority meeting to raise bills directly to GSEB but failed to execute an agreement with GSEB in this regard. The Company raised the bills for the period from May 1998 to November 1999 @ 17.5 paise per Kwh which was paid by GSEB. The bills for December 1999 to March 2004 for Rs.29.77 crore raised at the above rate were not accepted by GSEB on the plea that CERC had allowed 10 paise per Kwh to MPSEB and accordingly their bills should also be revised at 10 paise. The dues of Rs.29.77 crore were not yet realised (March 2004). The Company was unable to enforce any legal action in the absence of agreement with GSEB.

In absence of agreement, the Company failed to realise the dues of Rs.29.77 crore.

Management stated (July 2004) that as per Open Access Order (6 May 2004) of CERC there was indication that wheeling charges would vary from 2 to 6 paise per unit. As such, the claim @ 17.5 paise per unit by the Company might not stand. The reply is not acceptable as the Open Access Order came into force in May 2004 and was not applicable for the prior periods. In the absence of an agreement, the Company has lost the opportunity to enforce the claim by legal action.

Undue benefit to DISTCOs under fall back arrangement of bond towards NTPC dues

2.2.12 The Company held (October 2000) a joint meeting with NTPC and three DISTCOs (WESCO, NESCO and SOUTHCO) to liquidate NTPC dues towards purchase of power. As per decision, DISTCOs were to issue bonds in favour of the Company and the Company was to re-assign the said bonds to NTPC to liquidate outstanding dues as a fall back arrangement.

The DISTCOs issued (October 2000) bonds for Rs.400 crore (WESCO:Rs.103 crore, NESCO: Rs.167 crore and SOUTHCO: Rs.130 crore) in favour of the Company and the Company re-assigned the same to NTPC. The Bond carried interest @ 12.50 per cent per annum payable half yearly to be redeemed fully at the end of the seventh year. The DISTCOs were free to exercise call option at any time to redeem the bond by giving two months' advance notice. Further, DISTCOs were to service these bonds and in case of default, NTPC was holding the first charge on receivables of the Company in payment of interest and redemption of bonds.

Due to acceptance of fall back arrangement for liquidation of dues, the Company had to bear interest burden of Rs.166.56 crore.

Audit scrutiny revealed that after re-assignment of the bonds to NTPC, DISTCOs had paid only Rs.8.44 crore (NESCO: Rs.0.50 crore, SOUTHCO: Rs.0.50 crore and WESCO: Rs.7.44 crore) between April 2001 and March 2004. NTPC claimed (March 2003) Rs.118.58 crore on the Company towards interest on bonds. Since DISTCOs did not pay interest dues of Rs.166.56 crore up to March 2004, NTPC had referred (June 2004) the matter to the State Government, whereby the Company was liable to bear the entire burden of interest and repayment of bond amount as per the fall back arrangement.

Management stated (July 2004) that as per OERC order (September 2003) three distribution companies have started servicing bonds partly which has reached a level of Rs.4 crore per month at present.

The reply is not correct. NTPC had referred the matter to the State Government in June 2004 since the average collection from DISTCOs between January 2004 and March 2004 was only Rs.2 crore against the outstanding of Rs.166.56 crore.

Recovery of loan dues from DISTCOs

2.2.13 The Company transferred (November 1998) the distribution activities to its subsidiary companies (CESCO, WESCO, NESCO, and SOUTHCO). As per clause 7 of the transfer notification, 1998, separate loan agreements were signed on 28 October 1999 with SOUTHCO for Rs.105.66 crore, WESCO for Rs.116.96 crore, NESCO for Rs.104.84 crore and on 18 September 1999 with CESCO for Rs.164.65 crore (as provisional amount), subject to changes based on audited accounts of DISTCOs for the year 1998-99.

In accordance with the loan agreements, DISTCOs were to pay the agreed amount towards loan instalment together with interest @ 13.837 per cent per annum plus interest tax at the prevailing rate. Non payment of instalments on due date attracted penal interest @ 17.837 per cent per annum.

The loan amount to DISTCOs as on the date of their privatisation was determined at Rs.622.40 crore after finalisation of accounts (1998-99). The original loan agreements were executed with DISTCOs for Rs.492.11 crore. The loan amounts in the agreement were not revised even though the total loan to DISTCOs stood at Rs.1011.16 crore up to March 2004.

The Company failed to levy penal interest of Rs.179.06 crore as per the loan agreement with DISTCOs.

Audit observed that DISTCOs defaulted in repayment of instalments of loan dues to the Company. The outstanding amount of interest was Rs.509.74 crore as on 31 March 2004. The penal interest of Rs.179.06* crore on outstanding principal amount up to March 2004 was not levied by the Company.

Management stated (July 2004) that penal interest was accounted for on cash

* In the absence of details of instalment dues, the penal interest has been worked out on loan outstanding at the end of previous year.

basis as per accounting policy of the Company and the provision for penal interest would give a misleading picture of the financial position. The reply is not acceptable as the Company should have claimed the penal interest from DISTCOs as per the terms of the loan agreement.

Borrowings

2.2.14 The borrowings (including interest) of the Company increased from Rs.2777.57 crore in 1999-2000 to Rs.5338 crore in 2003-04 mainly due to securitisation of dues of NTPC and increase in loans of REC, PFC, IBRD, etc as detailed in **Annexure-16**.

Irregularities noticed in borrowings are discussed in the succeeding paragraphs.

Additional interest burden due to higher rate of interest charged by Government of Orissa on IBRD Loan

2.2.15 The World Bank releases IBRD loans through Government of India (GoI) and Government of Orissa (GoO) to the Company. Besides, GoI releases direct payment to suppliers for World Bank funded projects by way of deemed loans to the Company.

The Company received Rs.615.16 crore up to January 2004 as IBRD loans comprising Rs.532.53 crore routed through GoO and Rs.82.63 crore by way of deemed loans. As per GoO notification (29 January 2003) Rs.430.61 crore (70 per cent of the total receipt) was treated as loan and Rs.184.55 crore (30 per cent) as grant.

Charging of higher rate of interest by Government of Orissa led to extra financial burden of Rs.19.37 crore.

Audit scrutiny revealed that GoI released funds to GoO at interest rates ranging between 10.5 and 13 per cent per annum and GoO released the same loan to the Company at interest rates of 13 to 13.5 per cent per annum. The higher interest charged by GoO resulted in extra financial burden of Rs.19.37 crore to the Company up to March 2004. The levy of higher rate of interest by Government of Orissa was detrimental to the growth of the Company.

Management while confirming the fact stated (July 2004) that they had approached the Government in August 2003 for reduction in rate of interest and the approval was awaited.

Delay in swapping high cost loans

2.2.16 State Government approved (19 November 2001) guarantee for Rs.1000 crore to the Company for availing loans from open market carrying lower interest for swapping high cost loans. The guarantee order envisaged repayment of Bond Series I/98 (Rs.110 crore at 15 per cent interest), PFC loan (Rs.600 crore at 16.05 per cent interest) and REC loan (Rs.290 crore at 12.5 to15 per cent interest).

Out of loans of Rs.300 crore (carrying 10 to 11.25 per cent interest per annum) sanctioned by banks between December 2002 to December 2003, the Company drew Rs.263.13 crore and swapped out power purchase dues of Rs.45 crore and bonds of Rs.218.13 crore. The Company's loans against high cost bonds Series I and II were Rs.149.43 crore as on 31 March 2004. The Company had neither drawn the sanctioned loan of Rs.36.87 crore up to February 2004 nor availed of any fresh loans to swap high cost borrowings of Rs.149.43 crore even though sufficient Government guarantee was available. As a result, the Company had to bear additional interest burden of Rs.7.65 crore per annum on Rs.149.43 crore. Even if the undrawn loan of Rs.36.87 crore been utilised in swapping, interest payment of Rs.0.94 crore could have been avoided.

Delay in swapping high cost borrowings led to additional interest burden of Rs.0.94 crore.

Management stated (July 2004) that the entire amount of Rs.300 crore had been utilised and the Company had not borne any additional interest burden. The reply is not tenable as the Company had not drawn the sanctioned loan of Rs.36.87 crore up to February 2004 nor arranged fresh loan to swap the high cost borrowing of Rs.149.43 crore.

Loss due to delay in swapping of State Government dues

2.2.17 The State Government constituted (May 2001) a Committee of Independent Experts to review the Power Sector Reform in the State. Based on the recommendation of the Committee, the State Government decided (29 January 2003), inter alia, for swapping of Government dues against the Company and vice-versa.

In pursuance to notification, the Company arrived at Rs.93.09 crore (provisional) as receivable from State Government after adjusting Government dues including the loan of Rs.120 crore carrying 13 per cent interest per annum. The Company forwarded (October 2003) the proposal to the State Government to notify the adjustment based on the provisional figure. Neither the Government had issued necessary adjustment notification nor the Company had pursued the matter with the State Government till date (June 2004). The delay in implementation of swapping proposal resulted in interest burden of Rs.10.40 crore (November 2003 to June 2004) to the Company on the loan of Rs.120 crore.

Delay in swapping State Government's loan resulted in additional interest burden of Rs.10.40 crore.

The Management stated (July 2004) that Government order to this effect was awaited. The fact, however, remains that there was no follow up action by the Management for early swapping of loan to avoid payment of interest.

Avoidable payment of syndication fees

2.2.18 As per the decision of the Bond Committee, the Company engaged (6 April 2002) Centrum Finance Limited, Mumbai (CFL) as Merchant Banker for syndication of loan of Rs.100 crore at a fee of 0.5 per cent of the amount mobilised.

The CFL was to complete the process of syndication within 90 days from the date of order. CFL failed to mobilise the loan within the stipulated period (3 August 2002). No further extension for mobilisation of fund was allowed. CFL could arrange loan of Rs.100 crore from Union Bank of India (UBI) only on 11 December 2002. The Company paid Rs.27.50 lakh in February 2003 and Rs.22.50 lakh in April 2003 towards syndication fees to CFL in respect of loans received in December 2002 and January/ March 2003 from UBI. Due to failure of CFL in mobilisation of loan within stipulated period, the proposal for redemption of Bond of Rs.50 crore against UBI and Rs.5 crore against Syndicate Bank could not be made on 20 October 2002. This led to extra burden of interest of Rs.28.82 lakh paid to the bond holders from 20 October 2002 to the date of arrangement of loan (11 December 2002).

Avoidable payment of syndication fees of Rs.0.50 crore.

It would be pertinent to mention here that the Company was having business relation with UBI and it could have arranged the loan directly from UBI as a loan of Rs.100 crore was arranged (December 2002) from Allahabad Bank without engaging Merchant Banker. Further, these loans were fully backed by State Government guarantee. The payment of Rs.50 lakh towards syndication fee to CFL was avoidable.

Management stated (July 2004) that despite Government guarantee no financial institution would lend without satisfying the financial viability of the Company. As such engagement of Merchant Banker was necessary.

The reply is not tenable as major part of the Company’s business was being transacted by UBI who was well aware of the financial stability of the Company and direct dealing rather than through a broker was preferable.

Utilisation of funds

Penal interest on PFC loans

2.2.19 The Company was repaying the Equated Monthly Instalment (EMI) of PFC loans through cheque/demand draft drawn on UBI, Lajpat Nagar, New Delhi. PFC complained (December 2000 and January 2001) that the EMI was not credited to their account on the same day of remittance and requested to make future remittance by Demand Draft (DD) or Telegraphic Transfer (TT) through State Bank of India (SBI), Main Branch, New Delhi. Despite the request of PFC, the Company continued to remit EMI through Union Bank of India till March 2002 though the Company was having bank account in SBI, Bhubaneswar. The EMIs were not received in time as UBI delayed in crediting the EMI to PFC accounts ranging between one and 10 days and the

Company had paid interest and penal interest of Rs.27.09 lakh for the period April 2000 to March 2002.

Management, while confirming the fact stated (July 2004) that it was not practicable to remit the funds as per requirement of PFC. Reply is not acceptable in view of the fact that the Company was having account in SBI, Bhubaneswar and EMI to PFC could have been remitted therefrom to avoid delays.

Cash and bank balance

Avoidable payment of interest on cash credit account

2.2.20 The Company availed (1999-2000) cash credit facility up to Rs.7.40 crore from State Bank of India, Bhubaneswar for meeting its working capital requirements. The rate of interest ranged between 13 and 15 per cent per annum during 2000-04. The Company paid Rs.2.85 crore towards interest on cash credit during the years 2000-04 (up to December 2003).

Analysis of current accounts maintained in 11 banks revealed that during 2000-2004 (up to December 2003) the consolidated minimum and maximum balance in a month was ranging between Rs.17.26 lakh (August 2000) and Rs.239.49 crore (August 2003) respectively as shown below.

Year	***Minimum Balance***	***Maximum Balance***
	(Rupees in crore)	
2000-01	0.17 (August 2000)	26.63 (February 2001)
2001-02	0.84 (September 2001)	60.16 (April 2001)
2002-03	0.75 (October 2002)	58.66 (April 2002)
2003-04 (December 2003)	0.93 (May 2003)	239.49 (August 2003)

The Company could have reduced the cash credit loans by utilising at least the minimum balance and avoided the payment of interest of Rs.37.74 lakh on cash credit loan for the period 2000-04 (up to December 2003).

Management stated (July 2004) that the balance taken in audit was as per bank pass book on a particular date and the maximum balance pointed out by Audit was different from the balance as per cash book. The reply is not tenable as Audit had taken the minimum balance available with bank through out a particular year which has no relevance to actual cash balance in the cash book.

Irregular refund

2.2.21 United Commercial Bank, Bhubaneswar informed (January 2000) the Company that Rs.62.90 lakh was wrongly credited to erstwhile OSEB cash credit account on 6 December 1982 instead of Rs.6.29 lakh received through telegraphic transfer from Rajgangpur Branch. The Bank also requested the Company to return the excess credit of Rs.56.61 lakh after lapse of 17 years.

The Board of Directors approved (29 January 2003) the refund of excess credit of Rs.56.61 lakh to United Commercial Bank. The amount was paid on 31 March 2003 on an undertaking for refund of the same if it was found wrong.

Refund of Rs.0.57 crore to bank without any conclusive assertion lacked justification.

Audit scrutiny revealed that this claim was not known at the time of transfer of assets and liabilities as on 1 April 1996. The Executive Engineer, Rajgangpur could not furnish the required details for verification as they were old and not available. The fact of excess credit of Rs.56.61 lakh was, thus, not established. The refund of Rs.56.61 lakh to the bank without conclusive assertion in support of the excess credit was not prudent and lacked justification.

Management stated (July 2004) that it was prudently decided to refund the excess credit to OSEB account. The reply is not tenable as the Company refunded the amount without establishing the excess credit. Moreover, the claim pertained to the year 1982.

Non-realisation of cash from DISTCOs

Dues of Rs.12.05 crore from DISTCOs were blocked up since March 1999.

2.2.22 The notification on transfer of assets and liabilities of GRIDCO to DISTCOs was based on provisional balance sheet as at 31 March 1999. As per transfer notification (25 November 1998), the cash and bank balances as on 31 March 1999 as per audited accounts were to be adjusted by injection or withdrawal of funds by the Company to match with the balances stated in the provisional balance sheet of the DISTCOs. In the audited balance sheet of the DISTCOs as on 31 March 1999, the cash and bank balances were Rs.56.42 crore as against Rs.44.37 crore shown in the provisional balance sheet. As per provisions of the notification, DISTCOs were to pay Rs.12.05 crore to the Company in cash which was yet to be recovered (June 2004).

The Management while accepting the facts (July 2004) stated that the amount receivable from DISTCOs were categorised as “loans and advances” and there was no loss of interest as such. Reply is not acceptable as the Company had not taken any tangible efforts to collect the dues of Rs.12.05 crore since 1999-2000.

The above matters were reported to Government (June 2004) and also discussed in ARCPSE (July 2004); their replies had not been received (September 2004).

Conclusion

Due to lack of control over the realisation of power dues, delay in filing tariff increase proposal before OERC and delay in raising bills, the Company could not generate funds in time and resorted to huge borrowing of funds at higher interest for meeting capital needs. Further, in spite of availability of Government guarantee, delay in swapping high cost borrowings by availing of loans at lower rate and payment of penal interest for the default in repayment of loan dues, the Company burdened itself with additional interest liability.

The Company should make concerted efforts to examine and improve the existing system of recovery of its mounting dues from DISTCOs in order to minimise the borrowings and also evolve better mechanism ensuring economy, efficiency and effectiveness in funds management.

2.3 REVIEW ON PROJECT IMPLEMENTATION OF KONARK MET COKE LIMITED

Highlights

Konark Met Coke Limited was established in July 1996 with the main objective to produce coal, coking coal and coke besides establishing a generation station. The Company deferred the allotment of shares for more than five years to PSUs despite retaining share money of Rs.69.57 crore received from them. The accounts for first five years ending 31 March 2001 remained out of the purview of Section 619 of the Companies Act despite being a Government Company.

(Paragraph 2.3.1)

The commissioning date of the project was revised three times and the project was delayed by 32 months as on 30 April 2004 with cost overrun of Rs.213 crore.

(Paragraphs 2.3.6 and 2.3.7)

Failure to define and freeze the man-month by BoD, the Company incurred extra expenditure of Rs.5.97 crore. The Company also failed to raise claim for Rs.6.30 crore due to the failure on the part of the consultant to provide the know-how.

(Paragraphs 2.3.9 and 2.3.10)

Insistence on specific automation led to procurement from a specified source at an extra expenditure of Rs.2.42 crore.

(Paragraph 2.3.17)

Failure to determine the right time for procurement of third boiler in consultation with MECON, resulted in payment of penalty of Rs.4.75 crore.

(Paragraph 2.3.24)

Excess consumption of power for auxiliary purposes and non-recovery of variable cost in full in tariff led to a revenue loss of Rs.12.17 crore.

(Paragraphs 2.3.26 and 2.3.27)

The Company incurred an avoidable expenditure of Rs.0.45 crore towards excess consumption of liquefied petroleum gas due to early heating up of the battery contrary to the advice of MECON.

(Paragraph 2.3.28)

Introduction

2.3.1 Konark Met Coke Limited (KMCL) was established in July 1996 by carving out of Neelachal Ispat Nigam Limited (NINL) as a separate company under the same management. The main objectives of the Company are to produce coal, coking coal, coke and its by-products besides establishing a generation station in the nature of a captive power plant for own and NINL requirement at 8.11 lakh tonnes per annum. Based on demand of NINL and other neighbouring industries and on a market survey conducted by Metallurgical & Engineering Consultants (India) Limited (MECON), the capacity of coke oven plant was fixed. Coke was mainly to be sold to NINL (6.01 lakh tonnes) and surplus be sold to other neighbouring industries (2.10 lakh tonnes). A captive power plant (CPP) of 62.5 MW was also to be set-up at Duburi. The various aspects of project implementation is the subject matter of this review.

The Company deferred the allotment of shares for more than five years to PSUs despite retaining share money of Rs.69.57 crore received from them.

While approving the capital base, the Board (September 1996) envisaged that Rs.136 crore would be from private sector while Rs.54 crore from public sector undertakings. The Company, however, did not enter into shareholders agreement with the private sector promoters. Even as of July 1997, based on MMTC's contribution of Rs.3.10 crore towards the equity of the Company, it was clearly a Government Company. Despite retaining Rs.69.57 crore of share amount belonging to other PSUs, the Board deferred the various proposals for allotment of shares to the PSUs. The Company consciously continued to defer the allotment of shares in respect of share amounts received even after June 2001. Out of Rs.69.57 crore of share money only Rs.6.20 crore (8.9 per cent) were allotted to four PSUs* and one private firm and Rs.63.37 crore** of share money remained unallotted as on 30 June 2001.

Despite being a Government Company, the accounts for first five years ending 31 March 2001 remained out of the purview of Section 619 of the Companies Act.

Consequently, despite being a Government Company ab initio, the Accounts for the first five years from 1996-97 to 2000-01 remained out of the purview of Section 619 of the Companies Act, 1956.

Organisational set up

2.3.2 The Company is managed by a Board of Directors consisting of

* IPICOL-Rs.1.50 crore , OMC-Rs.1.50 crore, MMTC-Rs.1.50 crore, BHEL-Rs.1 crore and BECO-Rs.0.70 crore.

** MMTC-Rs.47.38 crore IPICOL-Rs.7.24 crore, OMC-Rs.4.75 crore and BHEL-Rs.4.00 crore.

10 Directors as on 31 March 2004. The Company has no whole time Managing Director. The Managing Director of NINL is the Director-in-Charge (DIC) of the Company who looks after the day-to-day affairs of the Company. The Director (Finance) of NINL is also the Director (Finance) of the Company. The DIC is assisted by one Joint Managing Director. Project Implementation Review Committee was set up (June 1998) to monitor the project implementation. MECON is solely responsible for project implementation and monitoring under the consultancy agreement.

Scope of audit

Extent of coverage

2.3.3 The review covers the project implementation with reference to:

- agreements made with various financial institutions for term loans;
- system followed for awarding contracts for civil work/supply of plant and machinery including erection, supervision, commissioning and training;
- procedure adopted for purchase of project materials;
- implementation of the project work at various stages vis-à-vis achievement;
- analysis of time and cost overrun and the over all impact on project cost; and
- performance of various plants commissioned from September 1996 to March 2004.

Out of 119 packages*, 89 packages were reviewed in audit and the results emanating therefrom are discussed in the succeeding paragraphs.

Audit Review Committee for State Public Sector Enterprises (ARCPSE)

2.3.4 The draft review on Project Implementation of Konark Met Coke Limited was discussed in the ARCPSE meeting held on 27 July 2004. The State Government was represented by Additional Secretary, Steel and Mines Department, Government of Orissa and the Company was represented by Director-in-Charge of the Company.

Capital Structure and Borrowings

2.3.5 The paid up capital of the Company as on 31 March 2004 stood at Rs.132.71 crore contributed by Mineral and Metals Trading Corporation Limited (Rs.48.88 crore), National Mineral Development Corporation Limited (Rs.49 crore), Bharat Heavy Electrical Limited (Rs.5 crore), Industrial

* Individual contracts executed by the Company

Promotion and Investment Corporation of Orissa Limited (Rs.12.88 crore), Orissa Mining Corporation Limited (Rs.16.25 crore) and Bhilai Engineering Corporation Limited* (Rs.0.70 crore). The means of finance and actual financial closure achieved by March 2004 are given in **Annexure-17**.

The Company was yet to tap the equity of Rs.79.30 crore, from its suppliers and public as envisaged in April 2001.

The Company availed term loans of Rs.282.56 crore as on 31 March 2004 against Rs.372.15 crore sanctioned. The banks did not release loan amount after March 2003 due to delay in completion of the project and failure to comply with the pre-disbursement condition of maintenance of debt equity ratio.

Project appraisal and implementation

Project appraisal by IDBI

Delay in commissioning the project led to cost overrun of Rs.213 crore.

2.3.6 The Industrial Development Bank of India (IDBI), being the lead financial institution, approved (September 1996) the estimated cost of the project at Rs.480 crore. As per appraisal, the project was to be completed within 30 months by April 1999. The IDBI revised (April 2001) the date of completion to October 2001 with revision of project cost to Rs.665 crore. The Company rescheduled (July 2002) the commissioning date to March 2003 and revised (September 2003) the project cost to Rs.693 crore resulting in cost overrun by Rs.213 crore. Details indicating the project cost break-up, estimates, reasons for cost overrun are indicated in **Annexure-18**. It would be seen therefrom that increase in cost was mainly due to additional machinery (Rs.123.90 crore), foreign exchange fluctuation (Rs.25.50 crore), improvements to shop electrical to suit automation of Coke Dry Cooling Plant (CDCP) (Rs.11.20 crore) and interest during construction (Rs.73.40 crore). The project was yet to be completed (April 2004).

With a view to reduce the requirement of equity funds, the IDBI revised (April 2001) the debt equity ratio from 1.5:1 to 2.2: 1. As on 31 March 2004 the debt equity ratio, as per drawal and as per tie up, stood at 2.8:1 and 3.5:1 respectively which was mainly due to equity gap of Rs.81.30 crore. The Company failed to raise equity from public.

Project implementation

The commissioning date of the project was revised three times and the project was delayed by 32 months as on 30 April 2004.

2.3.7 The original scheduled date of commissioning the project was April 1999. The Company revised the scheduled date three times (August 2001, October 2001 and March 2003). The project was yet to be commissioned (April 2004) and the overall delay caused to the project worked out to 32 months.

The main reasons for delay were attributable to:

* A private company

- delay of nine months in acquisition of land;
- inability of the Company to achieve financial closure;
- delay in finalisation of tenders and issue of drawings by MECON (Paragraph 2.3.9);
- improper selection of contractors by the Company leading to frequent offloading of work and retendering (Paragraph 2.3.12);
- delay in handing over of front and inadequate site mobilisation by civil contractors and delay in fixing rates for laterite cuttings;
- delayed supply of materials by supply-cum-erection contractors and
- funds constraints faced by the Company.

Consultancy contract

2.3.8 Based on the recommendation (July 1997) of Board of Directors (BoD), the Company entered into a contract (May 1998) with MECON as consultant for the establishment and commissioning of a coke oven battery and a captive power plant. Under the consultancy contract, MECON is solely responsible for project implementation and monitoring. The following short comings were noticed in the consultancy contract.

Avoidable extra expenditure

2.3.9 MECON undertook the consultancy work at a negotiated fee of Rs.18 crore based on 950 man-months for site services at the rate of Rs.43,300 per man-month. The contract was effective from 1 January 1997 with a validity period of 52 months (April 2001) inclusive of 12 months for post commissioning services. As per the contract, the Power Plant and Coke Oven Plant were to be commissioned by May 1999 and November 1999 respectively. The project was mainly delayed due to delay in release of drawings and finalisation of tenders for certain packages by MECON. As per the provisions of contract, the consultancy service was extended (November 2002) up to December 2003 at a negotiated rate of Rs.57,000 per man-month as against the original rate of Rs.43,300 per man-month.

The contract did not spell out the definition of man-month. In August 1998, MECON clarified that the man-month was taken at 19.8 mandays per month excluding holidays and earned leave. Different view points remained between MECON and the Company which were finally settled in April 2004, when MECON agreed to 24 mandays per month.

Due to not defining the mandays per month by BoD, the Company incurred extra expenditure of Rs.1.28 crore.

Audit scrutiny revealed that MECON had actually engaged only 807 man-months (at 19 mandays per month) against 950 man-months provided in the contract for the period up to April 2001. Based on 24 mandays per month, the actual utilisation up to April 2001 worked out to 639 man-months leading to excess payment of Rs.72.80 lakh for 168 man-months (807-639 man-months). Further, the savings in man-months worked out to 113 man-months which could have been adjusted against the extra man-months for extended period of contract and extra expenditure to the extent of Rs.49.02 lakh[*] could have been avoided. Due to not defining the mandays per month, the Company, thus, incurred extra expenditure of Rs.1.28 crore (including Service Tax of Rs.6.18 lakh).

Further, as the contract was extended up to December 2003, the Company incurred extra expenditure of Rs.2.52 crore (including Service Tax) between May 2001 and December 2003 for 418.9 man-months at the rate of Rs.57,000 per man-month. The Company instead of entering into a fresh contract, extended the validity and terms of the contract beyond December 2003 and agreed to bear 345.83 man-months for the period from January 2004 to June 2005 at Rs.60,000 per man-month. This would entail an extra expenditure of Rs.2.17 crore (including Service Tax) between January 2004 and June 2005.

Failure of the BoD in freezing the man-month claim led to extra expenditure of Rs.4.69 crore between May 2001 and June 2005.

Audit observed that while finalising the contract, the Company did not consider the terms under which MECON was executing similar consultancy works for others. Bokaro Steel Plant had not paid any extra man-months to MECON for delay in execution of contract[**]. The failure of the BoD in freezing the man-month claim, as fixed, led to extra expenditure of Rs.3.42 crore (including Service Tax) between May 2001 and July 2004. The extra expenditure on this account for the periods between August 2004 and June 2005 worked out Rs.1.27 crore (including Service Tax).

Management stated (July 2004) that the project was delayed due to funds constraints and extensions of consultancy which became necessary for reasons largely not attributable to the consultant. The savings in man-month were considered on overall basis taking the extra man-month deployed in NINL project.

The reply is not acceptable as the Company did not analyse the reasons for delay attributable to the consultant before taking decision on extension of man-months for completion of the balance work. Further, the savings in man-month considered on overall basis, is not correct as the extra man-month claim was disallowed (July 2003) by NINL as it related to deployment of non-technical personnel by MECON.

[*] Savings in man-months contracted (950) vis-à-vis actuals (807) = 143 man-months which is equivalent to 113 man-months on the basis of 24 mandays per month.
[**] Paragraph 4.6.3 of Audit Report No. 6 of 2004 of Union Government (Commercial).

Extra expenditure on consultancy

2.3.10 Clauses 3.1.3, 4.1.2. (x) and 7.2.8 of the contract (May 1998) envisaged that MECON was to provide automation facility to Coke Dry Cooling Plant (CDCP) as at Visakhapatnam Steel Plant (VSP). In the event of providing new features of CDCP as at Rahe Steel Plant, Finland, there would be no additional cost. In November 1998, MECON stated that they were unable to supply the know-how and related engineering services for automation of CDCP as per Rahe design. MECON also informed (November 1998) that they had not undertaken such kind of automation of CDCP either at VSP or elsewhere and any attempt in this regard would be their first attempt. They also expressed inability to make large investment to procure the know-how from Rahe Plant. The Committee of Directors, however, procured (January 1999) the Rahe Plant know-how from Rautaruukki, Finland (RROY) at a cost of Rs.7.80 crore. As per the above mentioned clauses, the Company was to recover Rs.7.80 crore from MECON. The Company had claimed (January 1999) Rs.1.50 crore on adhoc basis from MECON. The reasons for such adhoc claim were not on record. The Company, thus, failed to raise claim for the balance amount of Rs.6.30 crore due to the failure on the part of MECON to provide the know-how (June 2004).

The Company failed to claim Rs.6.30 crore due to the failure on the part of the consultant to provide the know-how.

The Company stated (July 2004) that the Committee of Directors decided that an amount of Rs.1.50 crore was reasonable to claim from MECON. The reply is not acceptable as MECON failed to provide the required technology for CDCP. Besides, Director in Charge also reported (August 2003) to MECON that the deduction of Rs.1.50 crore was only a nominal amount.

Deficiencies in project monitoring services

2.3.11 MECON in their monthly monitoring reports did not highlight the reasons for slippage in the programme by 32 months. Further it had also not identified the agency* responsible for the slippage. As a result neither the Company nor MECON placed on record the agency responsible for the delay. Under the contract, the Company was yet (June 2004) to levy liquidated damages of Rs.36 lakh against MECON for the overall slippage in the commissioning of the Project.

Management stated (July 2004) that the identification of agencies responsible for delay shall be reviewed at the time of finalisation of contract. The reply is not acceptable as the Company should have insisted upon MECON to furnish on monthly/ quarterly basis the reasons for slippage for each package and also the agencies responsible for such slippage.

* MECON/Contractor/Company

Civil works

Incorrect selection of contractor

2.3.12 MECON suggested (April 1997) 10 contractors for execution of civil works of the Project. The BoD while approving (May 1997) the list had deleted Rashtriya Pariyojna Nirman Nigam Limited {later known as National Projects Construction Limited, (NPCC)} and included three other contractors. Accordingly, MECON issued (May 1997) tender enquiry to 12 contractors. Subsequently, on a representation from NPCC, tender was also issued (May 1997) to them. Tenders were opened in July 1997. In response to Company's enquiry, MECON had informed (September 1997) the Company that the performance of NPCC in execution of a similar Coke Oven Plant at Vizag Steel Plant (VSP) was not satisfactory. Its general philosophy was dependence on sub-contractors and daily wage personnel, offloading practically the entire job. Despite being aware of the technical deficiencies of NPCC, the Committee of Directors (COD) awarded (October 1997) the work to NPCC at Rs.22.85 crore being the lowest bidder.

The Company is yet to recover Rs.1.31 crore towards risk and cost in respect of offloaded works.

As against the scheduled date of completion of civil works for Battery Proper (July 1998) and Captive Power Plant (CPP) (February 1999) no work was started in CPP, in wagon tippler and Coke Dry Cool Plant for the Battery Proper (September 1998). In other segments the progress was only up to 35 per cent. Due to delayed execution of work, the Company offloaded about 64 per cent of works in Battery Proper between January 1999 and May 2001 to various contractors at risk and cost of NPCC. The risk and cost recoverable from NPCC worked out to Rs.1.31 crore which has not been recovered so far (July 2004).

Under the contract, NPCC was permitted to offload the works through a tendering process by advertising in newspaper. On the contrary, after a lapse of 12 months, NPCC offloaded (October 1998) the entire civil works of power plant valued at Rs.3.98 crore to Mukund Engineering Limited (MEL) through a Memorandum of Understanding between NPCC and MEL.

Despite the fact that NPCC did not possess any of required qualifications, the injudicious selection of contractor by the Company led to delay in completion of the project.

The Company stated (July 2004) that the work was awarded to NPCC with corporate guarantee and undertaking to the effect that there shall be no cost and time overrun and the risk and cost in offloading would be worked out after the completion of the entire scope of work under NPCC.

The reply is not acceptable, as the report of MECON on the performance of NPCC was an indicative of incapability of the contractor in completion of the project in time. Further, the corporate guarantee and undertakings did not help in timely completion of the project.

Undue favour to contractor

The Company suffered interest loss of Rs.0.98 crore in extending advances beyond the scope of contract.

2.3.13 Despite extending mobilisation advance of Rs.1.90 crore between March 1998 and August 1998, NPCC did not show progress in work as per schedule due to the financial and managerial inability of NPCC to mobilise the required resources. At the request of NPCC and on the recommendation of the Director in Charge and Executive Director (Project) of the Company, the Company also paid interest free advances of Rs.1.19 crore, between June 1998 and March 2000, to meet their working capital requirement though it was not stipulated in the agreement. The Director-in-Charge/ Executive Director also recommended to defer the recovery of advances from their running bills. As a result the Company did not recover the advances from the running bills and sustained an interest loss of Rs.98.01 lakh at 15.33 per cent per annum between June 1998 and April 2004.

The Company while accepting the facts stated (July 2004) that it had adequate bank guarantee to recover mobilisation advances. The reply is not acceptable as the Company did not hold any security for recovery of other advances.

Procurement policy

2.3.14 The Board of Directors approved a procurement policy in July 1997 and also constituted (July 1997) a Committee of three Directors (COD). For speedy finalisation of tenders, the Board delegated the financial powers to Director in Charge (Contract up to Rs.5 crore) and Committee of Directors (COD) (Contracts above 5 crore and up to Rs.50 crore). Irregularities noticed in Audit are discussed in succeeding paragraphs.

Plant and Machinery

Coke oven plant

Import of coke oven gas exhauster without arranging funds for Customs Duty

2.3.15 The Company placed (June 2000) purchase order on FTF ‘DALTURBO’ Khabarovsk, a Russian firm, for supply of two Coke Oven Gas Exhausters with motors at FOB price of US$ 8,17,800. As per the purchase order, materials were to be delivered within 12 months from the date of opening of irrecoverable Letter of Credit (LC) at sight. The required LC was opened in August 2000 (when exchange rate was US$1 = Rs.45.05), with a validity period of 12 months (August 2001), which was later extended up to November 2001.

The consignment arrived at Mumbai in March 2001. The consignment was kept in bonded warehouse till July 2002 due to non-payment of Customs Duty of Rs.2.16 crore even though Rs.59.68 crore was available as undrawn Rupee

Term Loan* (RTL) from eight banks as of March 2001. Under the warehouse provisions of the Customs Act, the Company could store in bonded warehouse at free of interest for 90 days (up to June 2001). Even though sufficient time was available to draw RTL, the Company failed to draw the available RTL. The materials were kept in the warehouse for more than one year up to July 2002 leading to payment of avoidable interest of Rs.17.13 lakh at 8.67 per cent, being the differential interest on unpaid Customs Duty (at 24 per cent) and RTL and warehousing charges of Rs.1.99 lakh. The Company incurred additional expenditure of Rs.19.05 lakh towards exchange variation from the date of opening of LC till remittance (March 2001-November 2001). Besides, the warranty period of 24 months from the date of shipment was over by February 2003. The Company as such sustained loss of Rs.38.17 lakh.

The Company stated (July 2004) that due to delay in execution of the project the banks and financial institutions did not release the balance loan even though sanctions existed.

The reply is not acceptable as the banks and financial institutions had stopped disbursing loans against sanctions after March 2003 only. The equipment, however, arrived much before March 2003 and the Company failed to draw the required funds.

Failure to avail concessional Customs Duty

Failure to apply for concessional duty led to extra expenditure of Rs.0.33 crore.

2.3.16 As per Chapter 98 of Customs Manual, the Company was eligible for concessional custom duty (25 per cent) on import of “industrial plants” under Projects Imports Regulations 1986 (PI). The General Manager (Commercial) (GMC) was to apply through its administrative department (Steels and Mines) for concessional duty. The failure to apply for such concessional duty led to payment of Customs Duty of Rs.3.07 crore at normal rate (30 per cent) on import of Mill Fans, Auxiliary Fans, Exhauster and Hydraulic Controllers between June and July 2002 instead of Rs.2.74 crore at concessional rate. As a result, the Company incurred extra expenditure of Rs.32.55 lakh.

The Company accepted (July 2004) that they had released the material at 30 per cent Customs Duty prevailing at that time.

Extra expenditure due to specific source purchase

2.3.17 The Company invited (January 1998) offers through international competitive bidding process (ICB) for supply and erection of Coke Dry Cooling Plant (CDCP) with improved features and automation conforming to Vizag Steel Plant (VSP).

While opening the bids (March 1998), the tender evaluation committee (TEC) observed that the offer of Rautaruukki Finland (RROY) was as per technical specification (TS) and the offer of Tyazh Prom (India) New Delhi (TPI), though conforming to TS, lacked in full automation. The offer of TPI and

* At an average borrowing rate of 15.33 per cent per annum.

RROY was Rs.98.82 crore and Rs.224.12 crore respectively. The Committee of Directors decided (March 1998) to consider the price of TPI as a reference price even though it lacked in full automation. The Committee of Directors reduced (July 1998) the scope of work to supply of four equipments (out of seven for CDCP), automation and instrumentation and asked both the parties to quote their offer by inducting indigenous collaboration for equipment in place of imported equipment. As a result RROY entered (August 1998) into a cooperation agreement with Bhilai Engineering Corporation Limited (BECO) for the supply of equipments. RROY retained itself the provision of automation and related instrumentation. In August 1998, RROY and TPI offered their rates for the revised scope of work at Rs.64.22 crore (with full automation) and Rs.45.71 crore (without automation) respectively. On negotiation, RROY and TPI finally offered their rates for full automation at Rs.50.24 crore and Rs.47.82 crore respectively. The Company placed (January 1999) order with RROY at Rs.50.24 crore of which the cost of indigenous supply of four machineries by Bhilai Engineering Corporation Limited works out to Rs.26.70 crore. The Company procured other three equipments[*] indigenously.

Scrutiny in audit revealed that:

- since the scope of work was reduced considerably, the Company should have gone for fresh tender for the automation and instrumentation as the mechanical part of the contract was indigenously available;

- as per procurement policy of the Company, the contract above Rs.50 crore required the approval of the Board of Directors which was not complied with;

- while the tender document specified equipment similar to VSP, insisting for automation conforming to RROY plant led to procurement at very high cost from specified source vitiating the tender process; and

- though TPI agreed (November 1998) to provide full automation at Rs.47.82 crore and their rates being taken as reference price all along, the action of COD in not considering their rates was not in order.

Insisting on specific automation led to procurement from a specified source at an extra expenditure of Rs.2.42 crore.

The Company's failure to retender for revised scope of work and awarding the work to RROY at higher rate led to extra expenditure of Rs.2.42 crore.

Management stated (July 2004) that there would not have been any better response even if a fresh tender was floated.

The reply is not acceptable as the Company should have issued fresh tender for automation and instrumentation when all the equipments were indigenously available in order to obtain competitive rates.

[*] Waste heat recovery boiler, Dust transportation system and Dust pneumatic transport system.

Failure to place order at lowest offer

2.3.18 The Company invited (February 1997) limited tenders for design, manufacture, supply, erection, testing, commissioning of coke pusher car, charging car and door extractor. Out of five bids received, the offer of Heavy Engineering Corporation Limited (HEC) was lowest one for coal charging car (Rs.7.81 crore) and door extractor (Rs.5.90 crore) and Bhilai Engineering Corporation Limited (BECO) was lowest one for coke pusher car (Rs.18.95 crore). Tender Evaluation Committee (TEC) called for (February 1998) revised offer from these two bidders, as these rates were higher than the estimated cost (Rs.27 crore).

In the revised offer (April 1998), HEC became lowest one for all the equipments. On the recommendation of COD, the Company placed order (August 1998) for door extractor at Rs.5 crore on HEC and negotiated with BECO to match the price of Rs.24 crore for pusher car and charging car offered by HEC in April 1998. The Company after negotiation placed (August 1998) order for pusher car and charging car at Rs.23.55 crore on BECO.

Audit scrutiny revealed that:

- BECO had never manufactured/supplied pusher car while HEC had already supplied to Bhilai Steel Plant and they were also considered as experts in the field;

Company incurred an extra expenditure of Rs.1.80 crore by not considering HEC offer.

- HEC also agreed to indemnify the Company against any risk arising out of design and technological issues by providing bank guarantee (BG) for Rs.1.20 crore. HEC confirmed that the design offered was developed in house by them. Further, in June 1998, HEC further reduced their price from Rs.24 crore to Rs.21.75 crore, which was not considered.

The Company, thus, incurred an extra expenditure of Rs.1.80 crore by not considering HEC offer.

The Company stated (July 2004) that HEC failed to provide any acceptable clarification with regard to the threat by Schalke in regard to use of their technical know-how and as such the offer of HEC was not considered. The reply is not acceptable as HEC clarified that the technology was developed in house and also offered bank guarantee of Rs.1.20 crore to cover risk of technology.

Extra expenditure due to failure to retender

2.3.19 Tender call notice was issued (November 1998) to the approved vendors for the dust free coke discharge system and no response was received. The Company retendered in November 1999 and the work was awarded (December 2000) to Andrew Yule and Company Limited (AYCL) being lowest one at Rs.1.24 crore. The work was to be completed by October 2001. AYCL did not commence the work till September 2001 and asked for the payment through Letter of Credit. The Company did not agree to this and negotiated (October 2001) with second lowest bidder.

As the negotiation failed, the Director-in-Charge decided (April 2002) to reduce the scope of work and awarded (August 2002) the work to AYCL at a negotiated cost of Rs.68.37 lakh at 50 per cent higher than their original rate. Besides, the Company decided to make full payment on the ground that without financial support AYCL would not be able to execute the work. It is pertinent to mention here that, another work (supply of Dust Extraction System) was also awarded (August 2000) to AYCL at a cost of Rs.1.98 crore to be completed by May 2001. AYCL failed to execute even that work up to February 2004. The Company reduced (February 2004) the scope of work by reducing the cost to Rs.72.15 lakh which was also higher by 21 per cent of their original rate.

Audit observed that the Company had awarded the work to AYCL by reducing the scope without going for retender. Further, the Director-in-Charge allowed higher rates for reduced work by which AYCL was extended undue benefit of Rs.48.16 lakh in both the work, which was also an extra expenditure to the Company.

The Management stated (July 2004) that the revised scope of work was awarded to AYCL in August 2002 against their quoted price of November 2000. The reply is not acceptable as AYCL was awarded the work at 50 per cent higher than the price quoted in November 2000.

Advance to contractors

2.3.20 The Company is extending unsecured advances in the form of cash and materials. The deficiencies in the system of cash advances and material control are discussed below:

Release of interest free advances to contractor beyond the scope of contractual terms

2.3.21 HEC requested (August 2003) the Company to issue required pipes on chargeable basis at purchase cost. The Company accordingly placed order (August 2003) on India Seamless Metal Tubes Limited (ISMT) for supply of pipes at Rs.1.08 crore being 39 per cent of value of works entrusted to HEC and advanced Rs.1.08 crore to ISMT against proforma invoice on various dates. As per terms of the work order, the payment was to be made against receipt and acceptance of materials by HEC. ISMT supplied entire materials directly to HEC. The Company had also advanced Rs.43.34 lakh to the other sub-contractors of HEC in March 2004. HEC supplied the equipment in April 2004.

Audit observed that the supply of material to the contractors was against the terms of supply-cum-erection contract. The unintended benefit was extended to the contractor by way of supplying material worth Rs.1.08 crore. The loss of interest worked out to Rs.10.85 lakh for the period between November 2003 and April 2004.

The Company stated (July 2004) that advance beyond contractual terms have become necessary in the interest of execution and completion of works. The reply is not acceptable as payment of interest free advances beyond contractual terms was not in the interest of the Company.

2.3.22 The Company granted unsecured advances of Rs.32.58 crore to various contractors/suppliers during 2003-04 of which Rs.7.22 crore was outstanding as on 31 March 2004. Of these Rs.2.23 crore was outstanding against two contractors*.

Audit observed that at the request of these contractors, the Company on the grounds of interest of the project advanced to contractors and to their sub-contractors though not covered within the scope of the agreement. The Company also recommended not to recover the advances from the running bills of the contract and to adjust against the retention money.

Audit further observed that though the procedure was in deviation of the contractual terms it was not brought to the notice of the Board. The Company, thus, sustained loss of interest of Rs.27.36 lakh on such advances up to March 2004.

Power plant

Creation of excess capacity

2.3.23 Considering the requirement of power at 80.32 MW comprising 10 MW for Coke oven plant, 8 MW for power plant, 46.76 MW for iron and steel plant up to billet production (phase-I) of NINL and 15.56 MW for wire rod production (phase II) of NINL, the Company placed order (July 1998) on Bharat Heavy Electricals Limited (BHEL) for setting up of the Captive Power Plant (CPP) of 62.5 MW capacity at Rs.168 crore (excluding Phase-III). The purchase order for Phase-III was yet to be placed (June 2004).

The Phase-I and II of the plant was to be set up as under:

Phase	Equipment	Cost (Rs. in crore)	Contractual Completion Date
Phase - I	First steam generator with two boilers - 19.5 MW	101.19	January 2000
Phase-II	Second steam generator and gas turbine generator - 43 MW	66.81	April 2000
TOTAL		**168.00**	

As on 31 July 2003, the Company paid Rs.102.83 crore. The Phase-I of the CPP was operational from April 2002. Phase-II was yet to be commissioned (May 2004). NINL had also entered into an agreement (May 2000) with Grid Corporation of Orissa (GRIDCO) to draw power to the extent of 10 MW.

* Fenner India and OTTO India

Creation of excess capacity in advance led to blocking up of funds and avoidable payment of interest of Rs.0.88 crore.

Scrutiny in audit revealed that since the Company was well aware that the steel rolling mill of NINL would be commissioned after 2007 and the demand for 15.56 MW was not of immediate concern, it could have deferred the placement of order for second steam generator valued at Rs.11.63 crore of which Rs.8.10 crore was paid as on 30 April 2004. Audit further observed that even though the Company assessed the surplus power generation at 25 MW on commissioning of Phase-II, it had not yet tied up a power purchase agreement for sale of such surplus power as GRIDCO and Northern Electrical Supply Company of Orissa expressed their inability to procure power from the Company.

The Company, thus, invested Rs.8.10 crore in creation of excess capacity under Phase II far in advance resulting in unnecessary blockage of funds and avoidable payment of interest of Rs.88.09 lakh (up to April 2004).

The Management stated (July 2004) that surplus power now available was not a long term situation. The surplus power was arising due to delay in establishing steel making units. The reply is not convincing as the Company should have deferred the placement of order for second steam generator considering the delay in establishment of steel making units.

Payment of penalty

Failure of the Board of Directors to ensure the right time for procurement of third boiler led to payment of penalty of Rs.4.75 crore

2.3.24 As per the work order placed on BHEL in July 1998, the Company was to pay Rs.4.75 crore as penalty if the order for third boiler was not placed within April 2000 for Phase-III. The Company did not seek the advice of the consultant to spell out the right time for such capacity addition and also failed to place order within April 2000. In September 2003, the Company agreed to pay Rs.4.75 crore as penalty to BHEL. Moreover, the third boiler was required after installation of second boiler which was scheduled to be commissioned by January 2000. As the Company failed to ensure the right time for procurement of third boiler in consultation with MECON, the Company had to pay Rs.4.75 crore as penalty.

The Management while confirming the facts stated (July 2004) that it had received offers at cheaper rate than the rates quoted by BHEL earlier. The reply is not convincing as the Company could have avoided the penalty besides availing the cheaper rate had it not committed to place order for third boiler with BHEL.

Performance of plants

2.3.25 The Power Plant, Nitrogen Gas Plant, Liquefied Petroleum Gas plant and De Mineral Water Plant were commissioned as on 31 March 2004. Heating up of the chimney and coke oven battery was started in December 2003. Irregularities noticed in audit are discussed in succeeding paragraphs.

Power plant

Low capacity utilisation and higher auxiliary consumption

2.3.26 The percentages of plant availability, plant load factor and capacity utilisation in respect of steam generator-I and II and steam turbine generator-I are given in the following table:

(in per cent)

Plant	2002-03			2003-04 (Up to December 2003)		
	Plant Availability	Plant Load Factor	Capacity Utilisation	Plant Availability	Plant Load Factor	Capacity Utilisation
Steam Generator - I	75.82	82.66	109.03	91.32	80.85	88.53
Steam Generator- II	41.72	39.05	93.61	90.12	73.04	81.04
Steam Turbine Generator - I	84.84	42.31	49.87	87.80	63.83	72.70

The above fact established that the plant was put on partial load. Reasons for low capacity utilisation had not been analysed by the Company. Further, the Company neither maintained the planned or forced outages nor formulated any operational norms.

Excess auxiliary consumption of power led to loss of revenue of Rs.8.53 crore.

The auxiliary consumption of the power plant worked out to 35.36 per cent and 22.80 per cent for 2002-03 and 2003-04 respectively as against eight per cent fixed by Government of India. The auxiliary consumption as per design parameters worked out to only 4110 KW for gas turbine and heat recovery steam generator (16.1 per cent) which was also not in tune with GoI norm of one per cent. The Company had not analysed the reasons for such high consumption of power for auxiliary purposes. The excess consumption of power for auxiliary purposes worked out to 30591 Mwh[*] during 2002-04 (up to December 2003). The high rate of consumption resulted in loss of revenue of Rs.8.53 crore (30591 Mwh X Rs.2.79 per Kwh).

The Management stated (July 2004) that the capacity utilisation depends on availability of Blast Furnace Gas and LDO. The fact remains that the Company had not made a critical analysis of plant outages.

Loss in sale of power to Grid Corporation of Orissa Limited (GRIDCO)

2.3.27 Due to delay in commissioning of steel making unit by NINL, the Company approached Orissa Electricity Regulatory Commission (OERC) to sell its surplus power to GRIDCO. OERC permitted the Company to sell its power to GRIDCO. Accordingly the Company, while quoting (August 2002) the rates to GRIDCO, mentioned the variable and fixed cost per Kwh of power produced as Rs.1.62[**] and Rs.0.92 respectively. Based on the above GRIDCO fixed (January 2003) the purchase rate at 0.96 per Kwh. On this account the

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[*] 1000 kilo watt hour is equal to one mega watt hour (Mwh).

[**] Blast Furnace Gas-89 paise, LDO-37 paise, other expenses like water, chemical and operation and maintenance cost-36 paise.

revenue foregone by the Company worked out to Rs.3.64 crore on 55195 Mwh of power sold to GRIDCO during 2002-04 as the Company could not recover even the variable cost by Rs.0.66 per Kwh.

The Management stated (August 2004) that had the power not been generated and sold to GRIDCO, the loss would have been more on account of non-utilisation of internally generated gas.

Due to erroneous quotation of variable cost the Company had foregone revenue of Rs.3.64 crore.

The reply is not tenable as the Company did not internally generate gas as its project was yet to be completed. During 2002-04, the Company procured gas from NINL and Light Diesel Oil (LDO) from Indian Oil Corporation Limited for the production of power. The variable cost per Kwh of power produced worked out to Rs.1.62. The fact remained that the Company sustained loss of Rs.3.64 crore on sale of 55,195 Mwh of power.

Coke oven battery

Excess consumption of LPG

2.3.28 As per recommendation of MECON, the battery of the plant requires 85 days to heat up to $1{,}050^0$ C. On 85th day coking coal is to be charged and under firing commenced for production of coke. MECON intimated (15 December 2003) the Company that a large number of equipments were pending for erection/testing to take up battery heating. Contrary to the advice of MECON, the Director-in-Charge decided (26 December 2003) to take up heating the battery from 28 December 2003. Accordingly, the battery was lighted up on 28 December 2003.

Pending commissioning of major works, the Company decided to keep the heat on hold between 80^0 C and 97^0 C from 1 February 2004 to 15 April 2004.

Due to heating up of battery much in advance , the Company incurred an avoidable expenditure of Rs.0.45 crore.

Audit scrutiny revealed that due to keeping the heat on hold, the Company consumed 566.34 MT of Liquefied Petroleum Gas (LPG) for reaching the heat of 140^0 C (as on 15 April 2004) as against 380 MT required. Due to heating up the battery much in advance without readiness, the Company, thus, incurred an avoidable expenditure of Rs.45.16 lakh towards excess consumption of 186.34 MT of LPG.

The Management stated (July 2004) that the battery was kept on hold from 1 February 2004 to 1 April 2004 to dry out excess moisture in the bricks due to super cyclone. The reply is not acceptable as the Management had kept the heat on hold due to pending commissioning of major works.

Flaring of coke oven gas

2.3.29 The Company decided (May 2004) to commission the multi fuel gas turbo generator of power plant with LDO as against coke oven gas envisaged. The decision was taken due to delay in installation of gas cleaning plant to clean the coke oven gas received from battery. The supply and commissioning of the gas cleaning plant (GCP) was scheduled to be completed by September 2004 and the coke oven plant by July 2004.

Audit scrutiny revealed that the available gas from battery per day, after meeting the under firing requirement of battery, worked out to 3.51 lakh Nm^{3*}. As the gas turbine in power plant was not ready to use this gas till September 2004, the gas generated at 3.51 lakh Nm^3 per day had to be flared up in air. Non-readiness of GCP and synchronising with the lighting up of the battery would lead to a loss of Rs.4.84 crore between July 2004 and September 2004 (till the readiness of GCP). Further, the cost of power produced would be costlier due to use of costlier fuel (LDO). Till the commissioning of GCP, the investment of Rs.17.60 crore in gas turbine and waste heat recovery boiler under Phase - II of power plant would render idle.

Untimely decision to light up the battery would lead to a loss of Rs.4.84 crore between July 2004 and September 2004.

The Management stated (July 2004) that the untimely light up of battery would lead to a loss is not correct as the coke oven gas available would be limited as it takes time to stabilize and gas was being supplied to NINL.

The reply is not tenable as the surplus gas generated and flared up mentioned in the paragraph was only considering 66 per cent of production capacity during stabilization period and also after meeting the under fire requirement of battery and sales to NINL. It is pertinent to note that the present capacity utilisation within 15 days of commissioning (7 July 2004) was 50 per cent.

Other topic of interest

Avoidable payment of interest

2.3.30 In terms of the agreements, loans were to be disbursed by the banks in lump sum or in agreed instalments so as to conform to the phasing of the capital expenditure. In the latter case, the Company was to send schedule of disbursement programme to the banks.

Scrutiny of the records revealed that the Company had drawn the sanctioned loan without projecting the disbursement programme and restricting its drawal of loan to actual requirement. The capital budgeting was also not done on quarterly basis based on the actual progress of work. As a result, the surplus funds drawn were deposited in short-term deposits with banks carrying interest ranging between 4 per cent and 7.25 per cent per annum. The Company deposited Rs.152.54 crore in short-term deposits between 1999-2000 and 2002-03 varying from 15 to 770 days and earned Rs.0.61 crore as interest on such deposits. The Company paid Rs.0.23 crore as interest tax on the interest earned. On other hand, the Company paid Rs.1.85 crore towards interest on loan for similar amount during the same period. Thus, the Company incurred an avoidable expenditure of Rs.1.47 crore due to drawal of loans much in advance of its requirement.

Company incurred an avoidable expenditure of Rs.1.47 crore due to drawal of loans much in advance of its requirement.

The Company stated (July 2004) that requisitions were sent to banks for quarterly drawal of loans while the expenditure was incurred on day to day basis. The drawal of the same in lump sum necessitated for keeping the amount in short term deposits.

* NM^3 means natural cubic meter.

The reply is not acceptable as the Company could have matched the schedule of disbursement programme with the phasing of capital expenditure in terms of the agreement.

Extra expenditure on issue of bonds

2.3.31 The Company awarded (May 2002) the work of raising bonds of Rs.40 crore to Allianz Securities (AS), New Delhi, at 10.15 per cent coupon rate through private placement to bridge the financial gap of the project. AS could, however, raise only Rs.8.60 crore up to September 2002. The Company again assigned (February 2003) the raising of bonds to ICICI Securities at a coupon rate of 8.75 per cent with arranger fee of 0.25 per cent. This issue also did not materialise due to non-furnishing of corporate guarantee by MMTC. The corporate guarantee by MMTC was kept reserve for obtaining a loan from Power Finance Corporation (PFC). PFC, however, did not accept (April 2003) the corporate guarantee and as such the PFC loan could not be availed of. The Company again awarded (May 2003) the raising of bonds to AS at a coupon rate of 10 per cent and arranger fee of 0.95 per cent. The Company could arrange Rs.24 crore as on 31 May 2003.

Audit scrutiny revealed that the Company did not raise the funds through ICICI by extending corporate guarantee from MMTC even after PFC's refusal and raised through AS at higher rate of interest by 1.25 per cent per annum and also higher arranger fees by Rs.16 lakh. As a result, the Company incurred avoidable expenditure of Rs.30 lakh towards interest for 2003-04 besides extra expenditure of Rs.16 lakh towards arranger fee.

Management stated (July 2004) that non-availability of corporate guarantee from MMTC for raising bonds through ICICI Security Limited was not an issue. Further, it stated that as ICICI could not mobilise required funds by 2 April 2003 the mandate was cancelled and funds were arranged through AS.

The reply is not acceptable as the mandate given to ICICI was cancelled as corporate guarantee was not made available to them.

The above matters were reported to the Government (June 2004) and also discussed in ARCPSE (July 2004); their replies had not been received (September 2004).

Conclusion

The project implementation of the Company moved at slow pace due to lack of adequate equity arrangements from private promoters and public. This led to revision of project implementation three times (June 2000, April 2001 and July 2002). Improper selection of contractors leading to frequent offloading of work and retendering, delay in issue of drawings by MECON and delay in handing over of front by civil contractors to erection contractors resulted in time overrun of 32 months as on 30 April 2004 and cost overrun of Rs.213 crore. The project is still incomplete (April 2004). The project suffered losses due to untimely lighting up of battery, non-readiness of GCP synchronised to lighting up of battery and creation of excess capacity far in advance.

Chapter-III

Transaction Audit Observations

Government companies

Orissa State Beverages Corporation Limited

3.1 Short realisation of Excise Duty/Sales Tax

Collection of Excise/Sales Tax at lower rate on account of incorrect classification of Scotch blended Indian Whisky led to loss of Rs.31.50 crore to State exchequer.

By an amendment of the Bihar and Orissa Excise Act, 1915 the wholesale trade of India Made Foreign Liquor (IMFL) in the State of Orissa was entrusted to Orissa State Beverages Corporation Limited with a view to check the evasion of Excise Duty and Sales Tax. The Company set up (November 2000) with the aim of checking evasion of Excise Duty was, therefore, responsible for implementing the Excise Policy formulated by the State Government each year.

The Company is required to collect Excise Duty from the manufacturers and deposit the same with the Excise Department of the State and obtain transport passes for removal of IMFL from the factory of the manufacturers to the Company's depots for sale.

The Excise Policy for the years 2001-02 and 2002-03 prescribed the rate of Excise Duty at Rs.200 per LPL* on Whisky, Rum, Brandy and Vodka made from imported base.

Scrutiny in audit revealed (January 2004) that between 2001 and 2003, the Company collected Excise Duty at the rates ranging between Rs.90 and Rs.120 per LPL instead of Rs.200 applicable to the India made Whisky made from imported base (i.e., by blending with Scotch). As a result, there were short realisation of Excise Duty of Rs.11.18 crore in 2001-02 and Rs.14.64 crore in 2002-03. The Company had also not collected Sales Tax of Rs.5.68 crore (including surcharge) on the Excise Duty of Rs.25.82 crore.

Failure of the Company to collect Excise Duty at the prescribed rate led to loss of revenue of Rs.31.50 crore (Excise Duty:Rs.25.82 crore and Sales Tax:Rs.5.68 crore) to the State Government.

* London Proof Litre

The Government stated (July 2004) “Scotch is a Whisky and because it is made in Scotland, it is called Scotch”. It further stated that unless it was established and proved that India made Whisky was made from imported base, Excise Duty @ Rs.200 per LPL could not be charged.

The reply is not tenable as scrutiny of the labels of 16 brands of India made Whisky* as well as statement furnished by the Company clearly indicated “blended with finest imported Scotch”/ “blended with aged Scotch”/ “a superior blend of premium Scotch”, etc. The loss of revenue pointed out in the paragraph related only to blended Indian Whisky made from imported base (Scotch). Thus, non-classification of these brands under the higher slab of duty resulted in loss of revenue of Rs.31.50 crore, besides failure to implement the Excise Policy as formulated by the State Government.

3.2 Loss of revenue due to revision of landing cost

Acceptance of downward revision of landing cost by the Company contrary to Clause 1.2 A (1) of the Agreement resulted in loss of revenue of Rs.1.98 crore.

The Excise Policy of the State Government for the year 2002-03 prescribed Excise Duty at Rs.120 per LPL on ‘Premium India Made Whisky’ having landing cost of Rs.800 or more per case and at Rs.92 per LPL having landing cost less than Rs.800 per case. The import fee (a component of the landing cost) was revised from Rs.8 to Rs.10 per LPL with effect from 1 April 2002.

Scrutiny of records in audit revealed (January 2004) that in the case of Imperial Blue Superior Grain Whisky (180 ml) with the increase in import fee the landing cost worked out to Rs.807.81, whereas the manufacturer (Seagram Manufacturing Limited) was allowed (April 2002) to reduce the basic price from Rs.743.01 to Rs.734.20 and thereby keeping the landing cost one rupee below the slab at Rs.799 per case. The intention to avoid duty at the higher rate was evident from the letter of the manufacturer (March 2002) to the Company that they have kept the landing cost below Rs.800 with a view to avail lower rate of Excise Duty at Rs.92 per LPL instead of Rs.120 leviable.

Thus, the increase in import fee of Rs.12.96 (from Rs.51.84 to Rs.64.80 per case of 180 ml), which was envisaged, was being blatantly offset by the Company by allowing the manufacturers to keep the landing cost within Rs.800. The Company procured 5,96,450 LPL (equivalent to 91,060 cases) of Imperial Blue Superior Grain Whisky (180 ml) from Seagram Manufacturing Limited during 2002-03 on which Excise Duty @ Rs.92 per LPL was charged instead of Rs.120 per LPL, resulting in loss of revenue of Rs.1.67 crore to the State Exchequer.

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* Royal Stag Deluxe Whisky, Blender’s Pride Whisky, Oaken Glow Whisky, Signature Whisky, 8 PM Whisky, Aristocrat Black Whisky, Bagpiper Gold Premium Whisky, Bagpiper Whisky, McDowell’s Diplomat Whisky, No.1 McDowell Whisky, Imperial Blue Whisky, McDowell’s No.1 Reserve Whisky, Black & Gold Rare Whisky, Royal Challenge Whisky, Whitehall Classic Deluxe Whisky and Royal Arms Real Whisky.

The Company also procured 1,11,647 LPL (17,049 cases) of Green Label whisky from UDV India Limited during 2002-03 who were also allowed to reduce the landing cost from Rs.801 to Rs.799 per case to offset the effect of Entry Tax over the landed cost which led to short realisation of Excise Duty amounting to Rs.31.26 lakh.

The Company stated (January 2004) that where duty was calculated on ad valorem basis, such a risk was inherent and as per agreement the suppliers were allowed to reduce the rates up to six times during the currency of the contract and the rates were deliberately allowed to be reduced to enhance their sales. The reply is not tenable as Excise Duty was not determined on ad valorem basis.

Government stated (July 2004) that the agreement allowed reduction up to six times in a year. The reply is silent regarding Clause 1.2 A (1) of the Agreement with the manufacturers which provides for "revision of prices consequent upon variations in the statutory duties and taxes". Contrary to this provision, the Company permitted the manufacturers to reduce the price despite increase in statutory duties, which was against the revenue interests of the State. Due to acceptance of deliberate downward revision of landing cost by the manufacturers contrary to the provisions of the agreement, the Company extended undue financial benefit to the suppliers and made the State Government lose the revenue of Rs.1.98 crore.

3.3 Loss of interest due to idle retention of funds

Due to parking of funds in current accounts instead of short term deposits, the Company sustained a loss of Rs.0.19 crore towards interest.

The Company was maintaining 21 bank accounts mainly in State Bank of India, IDCO Towers branch (10), Vysya bank (10) and Union Bank of India (1). After closure of the Vysya bank accounts on 5 July 2003, the Company is maintaining 11 bank accounts for its daily transactions.

Audit scrutiny revealed (December 2003) that huge balances were lying in the current accounts daily during 2002-03. Since State Bank of India offered interest on short term deposits even for seven days, the General Manager (Finance) and the CMD of the Company should have assessed the surplus funds by taking into account the average requirement of funds to invest at least for a minimum period of seven days. The funds ranging between rupees one crore and Rs.3 crore were lying for periods varying from seven to 78 days without any return in the current accounts. This resulted in loss of interest income of Rs.19.04 lakh based on the minimum rate of interest of four per cent per annum offered by SBI for seven days.

The Company and Government stated (January 2004 /July 2004) that since the suppliers very often ask for payment of dues, it was difficult on the part of the Company to ascertain the actual surplus and go in for short term deposit. The reply is not tenable as only the funds lying for more than seven days have been treated as surplus meriting investment in term deposits.

Neelachal Ispat Nigam Limited

3.4 Avoidable payment of consultancy fees

The Company paid extra consultancy fee of Rs.1.91 crore (including Service Tax) for 419.58 man-months.

The Company entered into a contract (January 1998) with MECON as its consultant for setting up of a steel plant at Duburi at a fee of Rs.36 crore, based on 2000 man-months for site services at the rate of Rs.43,300 per man-month.

Audit scrutiny revealed (July 2004) that the man-month was not defined in the contract. In August 1998, MECON clarified that the man-month was taken at 19.8 mandays per month excluding holidays and earned leave. In April 2004, MECON and the Company had finally agreed to 24 mandays per man-month effective from May 2001.

MECON had deployed 2,287 man-months (at 19 mandays per month) against 2,000 provided in the agreement for the period up to April 2001. The Company admitted 2,014 man-months and disallowed 273 man-months on the ground that they related to deployment of financial and administrative personnel. Based on 24 mandays per man-month as finally agreed, the actual man-month worked out to 1,594.42 man-months. The Company, thus, paid extra consultancy fee of Rs.1.91 crore (including Service Tax) for 419.58 man-months of work not carried out.

The above matter was reported to the Management/ Government (July 2004); their replies had not been received (September 2004).

3.5 Avoidable payment of Sales Tax

Failure of the Company to obtain Sales Tax exemption certificate in time to avail the IPR benefit resulted in avoidable payment of Rs.1.16 crore towards Sales Tax.

As per the Industrial Policy Resolution-1992 (IPR-92) of Government of Orissa (GoO), all new small industrial units including pioneer units were eligible for exemption of Sales Tax on raw materials, spare parts and finished products for a period of five years from the date of commercial production. The units are to obtain production certificate from Director of Industries, Orissa (DoI) to avail the benefit.

The Company started commercial production in December 2001 and applied (March 2002) to General Manager, District Industries Centre, Bhubaneswar, (GM, DIC) for issue of production certificate for availing IPR benefits. The application was received by the DoI in July 2002 from GM, DIC. The DoI informed (July 2002) the Company to submit the "consent to operate" certificate from Orissa State Pollution Control Board (OSPCB).

The Company applied (July 2002) for the certificate and obtained the same in January 2003. The Company could, however, obtain the production certificate from DoI in January 2003.

The Company applied (February 2003) for Sales Tax exemption to the DoI through GM, DIC who recommended the application to DoI in April 2003. The DoI issued the exemption certificate in July 2003, applicable for five years from the date of commercial production (11 December 2001).

Audit scrutiny revealed (November 2003) that the delay in submitting the application for production certificate, obtaining certificate from OSPCB and lack of follow up with DoI contributed to delay in receiving the Sales Tax exemption certificate by 1½ years. As a result, the Company failed to avail the Sales Tax exemption benefit of Rs.1.16 crore on purchase of raw material, machinery and spare parts during 2002-03.

The Government stated (June 2004) that only after receipt of production certificate, the Company could apply for exemption of Sales Tax and there was a time gap between the actual date of production and date of issue of certificate for Sales Tax exemption. The Management had stated (February 2004) that the matter was being taken up with GoO for refund of Sales Tax already paid on purchase of raw materials.

The reply is not tenable as the Sales Tax on purchase of raw materials was paid to the suppliers and the possibility of refund from GoO is remote. The Company had not yet filed refund claim before Sales Tax authority (July 2004).

The failure of the Company to obtain Sales Tax exemption certificate in time to avail the IPR benefit resulted in avoidable payment of Rs.1.16 crore towards Sales Tax.

3.6 Loss due to failure to revise sale price

Failure to revise sale price by the General Manager (Sales) deprived the Company of earning revenue of Rs.1.60 crore.

The Company entered into a contract (August 1999) with the Minerals and Metal Trading Corporation Limited (MMTC) for marketing its products. According to the contract, the Steering Committee consisting of two members each nominated by the Company and MMTC was to fix the sale price of the products from time to time. The Chairman and the convenor of the committee were the nominees of MMTC. Further, MMTC was also to conduct the transactions in a manner to take full advantages of the exemptions from the Sales Tax.

The Company started commercial production on 11 December 2001 and received the production certificate from the Director of Industries in January 2003. The Company also received (July 2003) the Sales Tax exemption certificate under Industrial Policy Resolution-1992 (IPR-92) incentive effective for five years from the date of commercial production.

Meanwhile, the Board of Directors of the Company decided (February 2003) to discontinue collection of Sales Tax from the customers and to determine the prices of the finished goods appropriately. The Company discontinued the collection of Sales Tax with effect from June 2003 and sold 74,881 MT of pig iron between June and August 2003 at the basic price.

Audit scrutiny revealed (November 2003) that:

- the Steering Committee was formed in November 2001. The minutes or decision of the Committee on the fixation of sales price were not on record;
- the General Manager (Sales) failed to increase the sale price taking the Sales Tax component appropriately as directed by the Board of Directors and also did not take up the matter with MMTC for revision of basic price. As a result, the benefit of Rs.1.60 crore towards Sales Tax exemption on the sales of 74,881 MT of pig iron during the period from June to August 2003 was foregone.

The Government stated (August 2004) that consequent to grant of IPR incentives, selling price of pig iron had been determined taking into account the benefit derived and that selling price was being fixed inclusive of Sales Tax from March 2003 onwards. The reply is not tenable as the benefit of Sales Tax exemption was wrongly passed on to the customers and the Company had taken the corrective action only after August 2003.

The Company was, thus, deprived of earning revenue of Rs.1.60 crore due to failure to raise the sale price.

3.7 Avoidable payment of Special Additional Duty

Failure of the General Manager (Commercial) to clear imported consignments under Duty Entitlement Pass Book led to loss of Rs.0.75 crore.

As per the Export Import Policy (1997-2002) of Government of India, Government provides incentives to exporters through export credits. The amount of incentives available and availed is recorded in the Duty Entitlement Pass Book (DEPB). The objective of DEPB is to neutralise the incidence of Customs Duty on the import content of the export product. The neutralisation is provided by way of grant of duty credit against the export product. The DEPB credit can be utilised for payment of Customs Duty. Clearances made against DEPB are exempted from payment of Special Additional Duty (SAD).

The Company started (June 2001) import of coke from China. The first and second consignments were received in June 2001 and October 2001 respectively. The Company cleared (June 2001 and February 2002) both the consignments on payment of five per cent Customs Duty (Rs.1.62 crore) and four per cent SAD (Rs.1.36 crore).

Audit scrutiny revealed (November 2003) that the Company did not avail the exemption of SAD for Rs.1.36 crore due to failure of the Company to procure DEPB licence for clearance of the first and second consignments under DEPB. The Company subsequently procured (February 2002) DEPB license for clearance of third consignment on payment of premium at 38 per cent of the basic Customs Duty. Considering the rate of premium at 38 per cent, the amount of premium for the clearance of first and second consignment under DEPB worked out to Rs.61.41 lakh (38 per cent of Rs.161.60 lakh). The Company has been availing DEPB benefits for the succeeding consignments.

The Government, while confirming the facts, stated (August 2004) that the loss calculated by Audit is hypothetical as there was no fixed rate of premium and it was determined by market forces. The reply is not tenable as the loss has been worked out considering the premium paid for third consignment (February 2002) as the basis as all three consignments were received between June 2001 and February 2002. Further, DEPB licence for third consignment was procured in February 2002 when second consignment was also cleared.

Due to failure of the General Manager (Commercial) in obtaining DEPB licence for clearance of first and second consignments under DEPB, the Company was, thus, put to loss of Rs.74.65 lakh (Rs.136.06 lakh minus Rs.61.41 lakh).

Industrial Promotion and Investment Corporation of Orissa Limited

3.8 Undue favour to loanee

Extension of undue favour to the unit in extending loans time and again in violation of the provision of the scheme coupled with disbursement of loans without adequate security and lack of suitable recovery measures caused a loss of rupees one crore to the Company.

The Board of Directors of the Company approved (September 1996) a scheme for providing short-term loan assistance. The objective of the scheme was to strengthen working capital of projects assisted by the Company and other industrial projects in the State. The units earning profits for preceding two years with a track record in repayment of loans were eligible for loans under the scheme. The maximum loan assistance under the scheme was Rs.60 lakh and the maximum repayment period was six months.

The Short Term Loan Committee of the Company sanctioned short term loan of Rs.60 lakh each on three occasions (August 1998, February 2000 and December 2000) to Pipili Cold Storage Private Limited at an interest rate of 18 per cent per annum repayable within six months from the date of first disbursement. The said loans were disbursed in March 1999, February 2000 and March 2001 respectively. Out of the third loan disbursement (March 2001), Rs.41.70 lakh was adjusted towards overdues of the sister units of the loanee. The unit repaid the first and second loans including interest after a delay of four months but did not repay the third loan.

In addition, the Company also disbursed (January 2000) a term loan of Rs.39 lakh to the unit under Special Cyclone Relief Package at an interest rate of 13.75 per cent per annum repayable in eight years without obtaining any additional security. The unit defaulted the payment of instalments. The outstanding dues were Rs.1.33 crore (principal: Rs.0.99 crore and interest: Rs.0.34 crore) as on 31 October 2003.

Audit scrutiny revealed (March 2003) that:

- short term loans were sanctioned though the unit had incurred losses during 1997-2001 except a nominal profit in 1998-99;
- the very objective of the scheme to provide working capital assistance was defeated;
- the Company last recovered Rs.17.20 lakh (March 2002) by way of an adjustment against the disbursement of loans to the sister unit of the primary loanee and had failed to initiate recovery action under Section 29 of SFCs Act (except issuing of demand notices) even after expiry of two years; and
- out of the total outstanding dues of Rs.1.33 crore as on 31 October 2003, Rs.1.07 crore was overdue. As the security against the loan available with the Company as on October 2003 was only Rs.32.54 lakh, the chance of recovery of the outstanding is remote.

Extension of undue favour to the unit in extending loans time and again, in violation of the provision of the scheme, coupled with disbursement of loans without adequate security and lack of suitable recovery measures caused the recovery of rupees one crore (Rs.1.33 crore-Rs.0.33 crore) to be doubtful unless urgent steps for recovery are initiated by the Company.

The above matter was reported to the Government (February 2004); their reply had not been received (September 2004).

IDCOL Ferro Chrome & Alloys Limited

3.9 Undue favour to purchaser

Undue favour to a purchaser by extending credit beyond the limit, laxity in timely action for collection of cheques on due dates and non-charging of interest on default amount led to loss of Rs.1.05 crore.

The Ferro Chrome Plant, a unit of Industrial Development Corporation of Orissa Limited (IDCOL), was incorporated as a subsidiary company of IDCOL in March 1999. The assets and liabilities of the Plant were transferred to the Company on 1 April 2002. The Company is producing different grades of High Carbon Ferro Chrome and selling it either against Letter of Credit (LC) or against Post Dated Cheques (PDC). The Company extends 45 days credit. Interest of 16 per cent per annum is added to the sales price for sales against PDC.

Audit scrutiny revealed (November 2003) that:

- though the Executive Committee of IDCOL had decided (January 1998) to sell High Carbon Ferro Chrome only against cash/LC, the Managing Director, IDCOL extended (March 1998) credit sales against PDC to Rathi Ispat Limited (RIL), Ghaziabad allowing 45 days credit and a credit limit of Rs.1.50 crore;
- the cheques were not presented in the bank on due dates in order to accommodate the specific request of RIL for deferring the presentation. As a result, the outstanding against RIL stood more than the maximum credit limit of Rs.1.50 crore between April 2000 and November 2002, which ranged up to Rs.2.25 crore;
- the Company presented (September 2002) 94 cheques of Rs.2.33 crore at a time which were dishonoured on the ground of "exceeds arrangement". In November 2002, the Company and RIL reconciled the accounts jointly and determined the outstanding dues at Rs.1.41 crore. The RIL submitted (November 2002) 56 fresh cheques for Rs.1.40 crore with the request to present the cheque for Rs.5 lakh every month from December 2002. All the cheques presented in March 2003 were dishonoured on the ground of "payment stopped by drawee". The Company filed (May 2003) a criminal case under Negotiable Instrument Act, 1881 for dishonoured cheques; and
- on a joint meeting in October 2003, RIL paid Rs.10 lakh and agreed to pay the remaining dues of Rs.1.30 crore in 20 monthly instalments with effect from November 2003 without any interest. RIL paid only Rs.20 lakh (@ Rs.5 lakh per month) till February 2004 and Rs.1.10 crore remained outstanding.

As the Company depends on cash credit at an average rate of interest of 16 per cent per annum, failure to recover the dues within 45 days and non-levy of interest on the defaulted amount resulted in loss of Rs.1.05 crore for the period April 2000 to February 2004.

Government/Management stated (June 2004) that the Managing Director, IDCOL had no role either in fixing the terms of payment or credit limit and the waiver of interest would be considered by the Board only after liquidation of principal outstanding. The reply is not tenable since the credit limit was extended up to Rs.1.50 crore under the direction of the Managing Director. Further, it is pertinent to mention that no interest was charged on credit sales to RIL from April 2000.

The Company, thus, extended undue favour to RIL by allowing credit much in excess of the limit, laxity in timely action for collection of post-dated cheques on due dates and non-charging of interest on default amount, causing a loss of Rs.1.05 crore.

IDCOL Kalinga Iron Works Limited

3.10 Loss due to placement of supply order for oversize coke

Placement of supply order for oversize coke led to avoidable expenditure of Rs.0.79 crore to the Company.

The Company had an agreement with Utkal Moulders Limited (UML), Dhanbad since 1992 for supply of hard coke of 15 mm to 70 mm after conversion of coking coal. The work orders issued from time to time stipulated for tolerance of five per cent undersize and 10 per cent oversize. In case of undersize exceeding five per cent, payment for such quantity in excess of five per cent was to be made at the rate of breeze coke* and in case of oversize exceeding 10 per cent, breaking charges at the prevailing rate was to be deducted for that quantity.

The Company had also entered (September 1993) into an agreement with UML for setting up a coke oven plant (COP) adjacent to its factory at Barbil for conversion of coking coal into coke to meet its requirement. UML, however, commissioned the COP at Barbil in December 1999 and started supply of coke from COP. Though the supply of coke from the COP started from December 1999, the General Manager had issued work order only in November 2001 with retrospective effect. The work order for supply of coke from the COP stipulated for supply of 15-150 mm with maximum limit of five per cent breeze coke.

Scrutiny of records in audit revealed (April 2003) that the Company placed (November 2001) work order for supply of 15-150 mm coke against 20-40 mm required for the furnace. As the coke supplied by UML was of higher size than the required size, the Company installed (October 2000) a

* Breeze coke is undersize coke (< 15 mm) not suitable for blast furnace.

coke cutting machine in its premises for cutting the oversize coke. UML supplied 26,382 MT coke of 15-150 mm as per the work order between October 2000 (installation of coke cutting machine) and July 2002 (up to closure of COP). While cutting the oversize (> 40 mm) coke into required size (20-40 mm), 3,162 MT of breeze coke was generated from the total supply of 26,382 MT. Considering the maximum generation of breeze in the supply at five per cent, the excess breeze coke generated in cutting was 2,001 MT. As the landing cost of coke supplied from COP was Rs.5,024 per MT and the sales price of breeze coke was only Rs.1,079 per MT, the loss on account of excess generation of breeze coke to the Company worked out to Rs.78.94 lakh.

The Government while confirming the facts stated (August 2004) that as the sizing facility was not available in coke oven plant of UML, the party agreed to supply at a lower conversion charge. The reply is not tenable as the coke cutting machine installed by the Company was supplied by UML which could have been installed in COP.

The placement of supply order for oversize coke led to an avoidable expenditure of Rs.78.94 lakh to the Company.

3.11 Avoidable payment of energy charges

Supply of CPP power to its colony instead of plant resulted in additional expenditure of Rs.0.24 crore towards energy charges.

The Company draws power from Northern Electric Supply Company Limited (NESCO) for its plant and colony. Besides, the Company generates power in its Captive Power Plant (CPP) by utilising the waste gas from the blast furnace.

The Company was drawing power from NESCO for its plant and colony under Large Industrial Tariff (LIT) up to March 1999. Meanwhile, in February 1999 the Company entered into a separate agreement with NESCO for power supply to its colony under Bulk Domestic Tariff (BDT).

Scrutiny of records in audit revealed (November 2003) that even after separate agreement for power supply to its colony under BDT, the Company continued to supply power from the CPP partly to its colony. As the LIT was higher than the BDT, the Company could have supplied the power from the CPP to its plant instead of colony.

During April 1999 to October 2003, the Company supplied 31,44,420 Kwh power to the colony from the CPP. During this period, the differential price between Large Industrial Tariff and Bulk Domestic Tariff was Re.1 per Kwh up to January 2000 and Re.0.70 thereafter. The Company could have saved Rs.23.60 lakh by utilising the above power in the plant.

The Government/Management stated (May 2004 and August 2004) that when surplus power was available from CPP after meeting the requirement of plant, the same was supplied to colony to reduce the power supply from NESCO.

The reply is not acceptable in view of the fact that the CPP power supplied to the colony was not surplus power as 13.72 crore units of power was generated in CPP against 15.60 crore units consumed in the plant.

The Company, thus, incurred an additional expenditure of Rs.23.60 lakh towards energy charges due to supply of CPP power to its colony instead of plant.

3.12 Undue favour to supplier

Undue favour was shown to a supplier by allowing unilateral alteration of the quality specifications in the Purchase Order leading to loss of Rs.0.25 crore.

The Company placed (October 2002) a purchase order (PO) with Durgapur Projects Limited (DPL) for 5,400 MT low ash metallurgical (LAM) hard coke per month at a price of Rs.5,500 per MT. As per terms of PO, the maximum moisture content in coke was fixed at six per cent.

DPL supplied 20,025.800 MT coke between October 2002 and March 2003 containing moisture between 8.12 and 15.5 per cent. The excess moisture quantity (over six per cent) worked out to 949.204 MT. Accordingly, the Senior Manager of the Company lodged (May 2003) a claim for Rs.56.86 lakh with DPL towards value of excess moisture quantity. DPL did not agree to the claim and unilaterally revised (May 2003) the stipulation from the agreed six per cent. to eight per cent moisture content with retrospective effect from June 2002. The Managing Director (MD) of the Company accepted (June 2003) the revision by DPL without registering any protest and reduced the claim to Rs.32.29 lakh.

Audit scrutiny revealed (November 2003) that although the Company had stipulated the clause in the PO for moisture content of maximum six per cent, it failed to include the penalty clause for supply of coke beyond six per cent moisture. Further, acceptance of revision of the stipulation of moisture content from six per cent to eight per cent retrospectively from June 2002 was not justified as DPL had clearly stipulated the maximum moisture content at six per cent in their sale order for the month of October 2002. The claim of the Company towards excess moisture quantity was yet to be realised (July 2004).

The Government/ Management while accepting the facts stated (June 2004) that the upward revision of moisture content with retrospective effect was accepted to keep continuity of supply and to maintain cordial business relationship with DPL.

The reply is not acceptable as the failure to include penalty clause in the purchase order led to such a helpless situation. The acceptance of revision of moisture content should have been from prospective date.

The Company, thus, extended undue favour to the supplier by allowing unilateral alteration of the quality specifications in the Purchase Order which led to loss of Rs.24.57 lakh.

Orissa Construction Corporation Limited

3.13 Loss due to incorrect fixation of contract price

Incorrect adoption of price index by the Technical Sub-committee resulted in loss of Rs.0.96 crore to the Company.

The State Government, in August 1998, had rejected the lowest offer of Rs.20.09 crore received against the work "Design, manufacture, supply, erection and commissioning of Naraj barrage gates". In May 2001, the Chief Engineer, Naraj and Chitrotpala projects, Cuttack requested the Managing Director (MD) of the Company to submit offer for the said work. The Technical Sub-committee of the Company updated the contract price of Rs.20.09 crore to Rs.21.83 crore taking into account price escalation (material, labour and POL) for the quarter ending September 1998 to June 2001 which was approved (June 2001) by the MD. Accordingly, the General Manager (Mechanical) submitted (June 2001) the offer and executed (July 2001) the agreement for execution of the work in F-2* format.

As per the agreement, the work was to be completed by 31 December 2003 and the price escalation for material component was to be regulated as per the wholesale price index (all commodities). As of May 2004, the Company executed works valued at Rs.18.32 crore (84 per cent of work) and scheduled to complete the balance work by December 2004.

Audit scrutiny revealed (March 2004) that while computing the contract price based on the escalation for material component, the Committee adopted the average price index of iron and steel for the quarter ended September 1998 and June 2001 at 132.77 and 138.54 respectively as per ICB** format while the wholesale price index (all commodities) at the corresponding dates were 140.77 and 160.30 as per the Reserve Bank of India bulletin. Therefore, the adoption of average price index of iron and steel instead of wholesale price index (all commodities) in computation of contract price led to loss of Rs.0.81 crore in the works already executed (up to May 2004) with further loss of Rs.0.15 crore on balance works.

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* It is a standard form of contract adopted for civil work contracts

** International Competitive Bidding is a standard form of terms and conditions adopted for submitting tender.

Government stated (August 2004) that the Company had requested the Government for updating the L1 rate on the basis of escalation formula in F2 contract. This was not accepted due to the fact that had the work been awarded to the earlier L1 bidder, he would have claimed the escalation as per the terms of ICB (i.e. average price index of iron and steel only). Therefore, Government suggested the Company to update the contract price as per terms of ICB.

The reply confirms that the Company sustained a loss of Rs.0.96 crore by accepting the suggestion of the Government to update the contract price as per terms of ICB.

Orissa State Civil Supplies Corporation Limited

3.14 Injudicious investment

Investment of surplus funds without adhering to Public Enterprises Department guidelines resulted in loss of Rs.0.50 crore.

The Public Enterprises (PE) Department, Government of Orissa issued (November 1996) guidelines for investment of surplus funds by Public Sector Undertakings (PSUs). The guidelines, inter alia, stipulated that the investment decision should be based on sound commercial judgement, investment may be made in any scheduled commercial banks and it was to be placed immediately in the next meeting before the Board of Directors of the Company to evolve a suitable procedure to cover investment of surplus funds.

Audit scrutiny revealed (November 2002) that in three banks viz. State Bank of India, Union Bank of India and Corporation Bank offering "at par*" facilities, the CMD invested Rs.132.90 crore in 34 term deposits between March 2001 and September 2003. The interest rates ranged between 5 and 9.25 per cent per annum for periods ranging from 15 days to one year. Audit observed that the investments were made at lower rate of interest while other scheduled banks were offering higher rate of interest ranging between 5.25 and 10.50 per cent per annum during the same period. As a result, funds of Rs.132.90 crore were invested at rates of interest which were lower by 0.25 to 1.25 per cent per annum, whereby the Company sustained loss of Rs.49.81 lakh.

Management stated (November 2002) that the Board of Director had approved (March 2001) the investment of major portion of funds in State Bank of India, Union Bank of India and Corporation Bank which were providing "at par" remittance facilities.

* Without any charges for transfer of funds and encashment of cheques.

The paragraph was discussed (March 2004) with Government/Management. Though they had stated to furnish the profitability on availing "at par" facility alongwith the reply, the same had not been received so far (July 2004).

Investment of surplus funds without adhering to PE Department guidelines, thus, resulted in loss of Rs.49.81 lakh to the Company

The matter was reported to Government (January 2004); their reply had not been received (September 2004).

Grid Corporation of Orissa Limited

3.15 Injudicious decision to construct multi-storeyed corporate office building

Injudicious decision of the Board based on a faulty proposal submitted by Director (T&D) resulted in wasteful expenditure of Rs.1.44 crore compounded by loss of Rs.0.19 crore per annum towards interest liability.

With a view to accommodate the units of the Company functioning in rented buildings in Bhubaneswar, the Board of Directors approved (May 1997) the proposal of the Director (Transmission and Distribution) for construction of a multi-storeyed corporate office complex in phases and also decided the first phase construction (nine storeyed) covering a plinth area of 65,000 square feet at a cost of Rs.3.83 crore.

The Company awarded (April 1998) the work to Orissa Industrial Infrastructure Development Corporation (IDCO), a State Government undertaking, at Rs.3.77 crore to be completed by April 2000.

Considering the poor financial position of the Company and its reduced manpower due to privatisation of distribution activities[*], the Board of Directors again decided (October 2000) to short close the work up to fourth floor and directed IDCO to complete the work by January 2001 at the revised cost of Rs.5.23 crore.

IDCO stopped the work from July 2001 for want of approval of extra items of work by the Company after half way construction of only 11 items of work out of 33 contracted. The Company had paid Rs.1.44 crore (IDCO-Rs.1.34 crore, consultant-Rs.6.40 lakh and other-Rs.3.52 lakh).

Audit scrutiny revealed (October 2002) that:

- the Company, in 1996 itself, was aware of the fact of restructuring which would reduce the manpower. The Director (T&D)'s proposal

[*] GRIDCO transferred (November 1998) the distribution activities to four DISTCOs (incorporated in November 1997). The DISTCOs were privatised in April and September 1999.

was placed before the Board of Directors only in May 1997 for construction of 49,250 sq. ft. to accommodate 18 offices functioning in rented buildings. Out of those 18 offices, only 11 offices requiring space of 29,715 sq. ft. were of the Company while seven others were of DISTCOs/private consultants. Further, out of the 11 offices, nine offices requiring 24,992 sq. ft. were later accommodated by December 2001 in the existing buildings of the Company. Only two offices were functioning in rented space of 4,723 sq. ft. at a rent of Rs.2 lakh per annum. The Company's decision for construction of huge building despite knowing the actual requirement, was totally unjustified;

- the construction done by IDCO was not usable. The chance of further construction by arranging funds of Rs.3.89 crore (minimum) was also bleak as the Company incurred heavy losses continuously with huge debts including securitisation of NTPC dues of Rs.1,102.88 crore up to September 2001.

The injudicious decision of the Board based on faulty proposal submitted by Director (T&D) resulted in wasteful expenditure of Rs.1.44 crore coupled with loss of Rs.18.66 lakh per annum being interest liability.

The above matter was reported to the Company (April 2004)/ Government (May 2004); their replies had not been received (September 2004).

Orissa Hydro Power Corporation Limited

3.16 Wasteful expenditure

Despite Board's instruction, the Company failed to terminate the contract even after unfavourable test report resulting in wasteful expenditure of Rs.0.64 crore.

With a view to overcome the problems of choking of the trash-rack of Chiplima Power House (CPH) by aquatic weeds, the Board of Directors of the Company decided (April 2002) to award the work of clearing of weeds from the ponds and power channels of CPH to Orissa Industrial Infrastructure Development Corporation (IDCO) at a cost of Rs.1.50 crore to increase the flow of water into the power generation turbine.

As per the work order issued in July 2002 the work was to be completed by December 2003. IDCO commenced (16 July 2003) the work after a delay of six months due to delay in importing weed cutting boats from Italy. The Company paid (August 2002) an interest free mobilisation advance of Rs.45 lakh to IDCO against bank guarantee for an equal amount. The Company also extended (May 2003) the contract period up to 30 April 2004 with extension of the validity of bank guarantee up to 30 June 2004. IDCO completed the cutting of weeds in an area of only 25.67 lakh square metres against 60 lakh square metres contracted till the end of March 2004 and submitted bills for Rs.64.18 lakh which were pending payment (May 2004).

Audit scrutiny revealed (April 2004) that:

- as per terms of work order, IDCO was to submit a detailed proposal for de-rooting of weeds, which was not submitted as on 31 May 2004;
- test cutting of weeds and their growth thereafter in patches conducted by the Company between June 2002 and January 2003 revealed that growth of weeds become dense after the cutting. Following the unfavourable test results, the Board of Directors decided (January 2003) to take up the matter with IDCO and terminate the contract unless the method had guaranteed benefits. In a meeting between the officials of IDCO and the Company (February 2003), IDCO was however, only asked to explore the possibility of de-rooting the weeds as per the work order; and
- the Company placed (February 2004) a work order with Metallurgical and Engineering Consultants (India) Limited, Ranchi, for providing consultancy for designing a bridge-cum-trash rack at a fee of Rs.7.55 lakh towards a permanent solution for the problems of aquatic weeds.

Since the weeds grew more densely after cutting, the Company should have terminated the contract in January 2003 itself by exploring a more permanent solution to the problem. The Company eventually terminated the contract only in April 2004 after being pointed out in audit.

The expenditure of Rs.64.18 lakh on the works executed up to March 2004 thus proved wasteful against which Rs.45 lakh had already been paid as advance.

The Management stated (April 2004) that "the de-rooting proposal to be submitted by IDCO was suggestive in nature and had nothing to do with the present contract for clearance of weeds". They further contended that the improvement in generation was attributable to clearance of weeds undertaken by IDCO. The reply is not tenable, as the Company had not taken any action on IDCO even though IDCO did not submit the de-rooting proposal, violating the terms of contract. The improvement in generation was not due to clearance of weeds but was attributable to running of an additional unit (Unit-III).

The above matter was reported to the Government (June 2004); their reply had not been received (September 2004).

3.17 Loss due to delay in filing refund claims

Failure to point out the wrong classification made by Custom Authorities followed by payment of Customs Duty without protest compounded by failure to prefer the refund claim within stipulated period resulted in loss of Rs.0.61 crore to the Company.

The Company obtained (April 1996) the necessary recommendation from the Ministry of Power for availing concessional Customs Duty on imported goods. Audit observed that while importing the spares for use in renovation and modernisation of its Hirakud Power Plant, the Company paid (April 1996) Customs Duty of Rs.1.11 crore at standard rate under different tariff headings charged by the Custom Authorities without any protest.

In August 1996, the Company filed a refund claim for Rs.12.86 lakh against four items on the ground of charging higher rates than the concessional rates applicable to power plants. Another refund claim for Rs.60.59 lakh was filed as late as August 1999 against other item.

The Deputy Commissioner, Customs rejected (August 2001) the second claim of Rs.60.59 lakh as the claim was not submitted within the prescribed period i.e., by 13 October 1996 and accepted only the first refund claim of Rs.12.86 lakh.

The Company filed (October 2001) an appeal before the Commissioner of Customs (Appeals) against the above order. The Appellate Authority rejected (January 2003) the appeal stating that the claim was clearly time barred as the refund claim was lodged well after the expiry of six months from the date of payment of duty as provided under the statute and the duty was neither paid under protest nor the original assessment was provisional.

Audit scrutiny revealed (January 2004) that though the Company was well aware of the fact that the equipment so imported was subject to concessional duty, it failed to point out the wrong classification made by the Customs at the time of assessment and paid the Customs Duty without any protest. The Company had also failed to lodge the refund claim within the statutory limit period of six months. No responsibility for these lapses was fixed by the Company.

Due to failure to point out the incorrect levy of Customs Duty based on wrong classification followed by payment of duty without protest compounded by failure to prefer the claim within stipulated period, the Company suffered a loss of Rs.60.59 lakh.

The above matter was reported to the Management/Government (April 2004); their replies had not been received (September 2004).

3.18 Wasteful expenditure

Injudicious decision for insurance renewal by the Director (Finance) resulted in wasteful expenditure of Rs.0.24 crore.

The Company was taking annual insurance policies for its power houses and stores at the corporate office level. These policies were being renewed once in a year. The renewals of the policies were at different dates.

On the suggestion of the Assistant General Manager (Finance), the Director (Finance) of the Company approved (March 2002) extension of the existing policies to a common date (30 August) so as to have a single date for renewal of all policies. Accordingly, all the existing annual policies (except for Balimela Project) were extended up to 30 August 2002 by taking short period policies for one to five months at a premium on short period scale ranging from 30 to 60 per cent of the annual premium. The extra cost involved in this process was Rs.23.71 lakh on account of higher rate of premium for short period policies.

Audit scrutiny revealed (April 2004) that the grounds for the synchronisation of the insurance policies to a common date were ‘proper monitoring’, ‘effective management’ and ‘favourable cash flow’. Since each power house was to be covered under a separate policy, the exorbitant cost of synchronisation of the insurance policies of different power houses to a common date outweighed the envisaged benefits accruing from common renewal dates. Monitoring was possible even without any such costly exercise. Even for purpose of easy cash flow, the expenditure on insurance, being a non-deferrable item, it was advantageous to have different dates/months for payment of insurance premia rather than having the outflow all at once.

The Company had, within two months, decided (May 2002) for taking up insurance policies at unit level. Hence, the decision of the Director (Finance) to have a common date for the existing policies by taking short period policies at an extra cost was not justified.

Management stated (August 2004) that the synchronisation of insurance policy to a common date helps the Company in assessing the services of insurance company for whole year at a time for taking appropriate decisions for awarding policy to a company. The reply is not tenable since the Company had decided for taking up insurance policies at unit level and reversed its decision within two months.

The injudicious decision of the Director (Finance) of the Company in switching over to a common insurance renewal date resulted in wasteful expenditure of Rs.23.71 lakh to the Company.

The above matter was reported to the Government (June 2004); their reply had not been received (September 2004).

3.19 Generation loss

Indecisiveness of the unit management in taking timely action for repair of the servomotor of Unit-II resulted in revenue loss of Rs.1.66 crore.

The Company is having seven generation units at Hirakud Power Systems (HPS), Burla. The period of monthly and annual maintenance of the unit is termed as ‘planned outage’ and period of shut down due to defects/break down in machineries is termed as ‘forced outage’. Any forced outage during the monsoon period (July to October) results in loss of generation of power due to spillage of water.

The SDO, Maintenance Sub-Division of the Unit-II informed (January 2003) the Manager, Maintenance Division regarding problem in servomotor cylinder of Unit-II and requested for taking up the repair of the same. The Manager, Maintenance Division proposed (7 March 2003) to the Senior General Manager, HPS to take up the repair work through a private agency during the proposed planned outage period (between 15 March 2003 and 30 April 2003).

The unit level Tender Coordination Committee approved the proposal and sought (16 April 2003) the approval from Head Office to award the work to PES Engineers Private Limited, Hyderabad (PES), a firm which was already engaged in the renovation and modernisation of the unit–III and IV, to make the unit available for operation before the onset of monsoon.

Director (Operation) of the Company approved (21 April 2003) the same with the direction to complete the work before onset of monsoon. Accordingly work order was issued (26 April 2003) to PES with the stipulation to complete the work within five weeks i.e. by 30 May 2003. PES could not, however, start the work up to 21 July 2003 as the dam top gantry crane required to start the work was out of order. The work was completed only on 2 September 2003 after a delay of three months from the scheduled date. As a result, the Unit-II remained idle especially during monsoon period (July and August 2003) and generation of 60.753 MU power was foregone which would have fetched revenue of Rs.1.66 crore.

The Management, while confirming the facts, stated (May 2004) that the repair of the dam top gantry crane was under the purview of dam authorities and it could be brought back to operational condition only on 21 July 2003. It further stated that the Company had not sustained any loss as any quantum generated over and above the approved quantum of energy would have been adjusted towards excess power procurement cost of GRIDCO for 2002-03.

The reply is not tenable as there was a delay of 2½ months in sending the proposal to Head Office and the availability of gantry crane was not ensured before placement of order on PES. Further, due to hydrology failure in 2002-03 the Company had failed to generate approved quantum, GRIDCO had to incur extra cost by procuring power from other costly sources. By operating unit-II in July and August 2003, the loss towards such extra expenditure to GRIDCO during 2002-03 could have been reduced by Rs.1.66 crore as per the Bulk Supply Tariff order of OERC for the year 2003-04.

The Company, thus, sustained a loss of Rs.1.66 crore due to indecisiveness of the unit management in taking action for repair of the servomotor of Unit-II.

The above matter was reported to the Government (May 2004); their reply had not been received (September 2004).

Grid Corporation of Orissa Limited and Orissa Hydro Power Corporation Limited

3.20 Avoidable payment of interest

Delay in finalisation of accounts by Directors (Finance) of GRIDCO and OHPC led to non-availability of interest rebate on PFC loans with consequential loss of Rs.4.55 crore to GRIDCO (Rs.2.65 crore) and OHPC (Rs.1.90 crore).

According to Section 10 (23G) of Income Tax Act, 1961, interest income of Power Finance Corporation Limited (PFC) from long term finance to any enterprise wholly engaged in generation, transmission or distribution of electricity is exempted from tax provided such enterprise has obtained the approval of Central Government through Central Board of Direct Taxes (CBDT) regarding eligibility of the project for claiming the exemption. In turn, PFC passes certain percentage of tax benefits to the enterprise in the form of lowering the rate of interest on loans.

For obtaining approval of the Central Government, the concerned enterprises were required to furnish Balance Sheets and Profit and Loss accounts for the three previous years before 31 October of the assessment year, confirmation through an affidavit that the work of developing, maintenance and operation of infrastructure facility was being carried out by separate and distinct enterprise having separate books of account and bank accounts and an undertaking that long term finance raised/to be raised was being/shall be used only for the designated purpose.

Audit scrutiny of records of GRIDCO and OHPC revealed (February and March 2004) that due to delay in finalisation of accounts and failure to maintain separate books of accounts for each project resulted in incurring of extra expenditure of Rs.4.55 crore by GRIDCO (Rs.2.65 crore) and OHPC (Rs.1.90 crore) as discussed below.

The CMD of GRIDCO applied (February 2000) to Central Board of Direct Taxes (CBDT) for approval of Central Government under Section 10(23G) of Income Tax Act, 1961 without furnishing the previous year's audited accounts (1998-99) due to delay in submission of accounts for audit. The audit of the accounts for 1998-99 could be completed only in January 2002. Further, separate books of accounts and bank accounts (project wise) had not been maintained. As a result, the Company was still (April 2004) to obtain the approval of Central Government regarding eligibility of the project for exemption. The Company, therefore, had to pay Rs.2.65 crore towards additional interest on the loans of Rs.60.12 crore availed between April 1999 and March 2003 (at two per cent for loans availed during 1999-2000 and one per cent for 2000-01 to 2002-03).

In respect of OHPC, the Central Government had approved (May 1999) three units* of the Company under Section 10 (23G) of Income Tax Act, 1961 for the assessment years 1999-2000, 2000-01 and 2001-02.

The Company availed the rebate of one per cent interest on PFC loans for the years 1999-2000 and 2000-01. The approval expired on 31 March 2001.

The Director (Finance) of OHPC applied (May 2001) for extension of approval for these units for next three assessment years without submitting certified copies of the Balance Sheets and Profit and Loss accounts for the last three years up to 1999-2000 as the accounts for the year 1999-2000 were certified by the statutory auditor only in September 2001. The Company had not yet obtained the approval and paid additional Rs.1.90 crore towards interest (at one per cent) on the loans of Rs.63.48 crore availed between July 1999 and August 2000.

Due to delay in finalisation of accounts by the Directors (Finance) of both the Companies, the opportunity for availing rebate on interest on PFC loans was lost with consequential loss of Rs.4.55 crore (GRIDCO: Rs.2.65 crore and OHPC : Rs.1.90 crore).

The above matter was reported to the Managements/Government (June 2004); their replies had not been received (September 2004).

Statutory corporation

Orissa State Financial Corporation

3.21 Grant of loans in violation of guidelines

Grant of loans in violation of the terms of the guidelines and sanction orders coupled with disbursement against inadequate security and lack of proper follow up led to recovery of Rs.2.94 crore being doubtful.

The Corporation sanctioned (April 1997) a term loan of Rs.1.50 crore to Shree Mahavir Carbon Limited (SMCL) for setting up a metallurgical coke manufacturing unit at Jagatpur which was cancelled (December 1998) as SMCL did not avail the loan. In January 1999, the Corporation sold a seized unit to SMCL at Rs.14 lakh with down payment of Rs.7 lakh treating the

* Upper Indravati Hydro Electric Project, Mukhiguda, Hirakud-II (Unit-I) and Hirakud-I (Burla-I and II).

balance Rs.7 lakh as term loan. The earlier cancelled loan of Rs.1.50 crore was revived (February 1999) and disbursed between February and October 1999. The Corporation also disbursed cyclone loan of Rs.22 lakh between December 1999 and January 2000 and funded the overdue interest of Rs.9.44 lakh up to September 1999.

SMCL started commercial production in April 2000. On the request of SMCL, a short term working capital (STWC) loan of Rs.50 lakh was sanctioned (April 2001) and disbursed (May 2001) after adjustment of Rs.10 lakh towards default dues against term loan of Rs.1.50 crore. The STWC loan was to be repaid by November 2001.

SMCL repaid only Rs.10 lakh against STWC loan as on 31 March 2002. The Corporation rephased (March 2002) the balance STWC loan of Rs.40 lakh repayable by September 2002. The Corporation failed to recover both the STWC loan and term loans. The total outstanding dues (December 2003) stood at Rs.2.94 crore (principal: Rs.2.28 crore and interest: Rs.0.66 crore) of which Rs.1.92 crore (principal Rs.1.26 crore and interest Rs.0.66 crore) was overdue for which a recall notice was issued (November 2003). No follow-up action was taken thereafter.

Scrutiny in audit revealed (December 2003) that:

- the arrangement of working capital loan by SMCL was a pre-requisite for disbursement of term loan as per terms of the sanction order. The entire loan (Rs.1.50 crore) was disbursed by October 1999 whereas working capital was arranged by the party only in July 2000 after its commercial production;
- SMCL registered continuous losses up to 2000-01 and was a defaulter of loan dues. The current ratio, return on capital employed and turnover ratio were also below the standard provided in the STWC guidelines. The STWC loan was sanctioned by the MD arbitrarily in violation of guidelines;
- the STWC loan of Rs.50 lakh was extended by MD against inadequate security of Rs.42.55 lakh as against required security of Rs.65 lakh; and
- as per latest Balance Sheet as on 31 March 2002 of SMCL, the value of fixed assets was only Rs.1.64 crore against the loan dues of Rs.2.94 crore.

While accepting the facts of relaxation of special conditions, the Management stated (June 2004) that the SBI had given assurance for providing working capital loan but subsequently backed out. Management further stated that there was surplus security. The reply is not tenable as the surplus was arrived by the Corporation without considering the outstanding interest (Rs.29.45 lakh) and the required margin (Rs.45.53 lakh) for term loan.

Extension of loan to the unit by the Managing Director in violation of the terms of the guidelines and sanction orders coupled with disbursement against inadequate security and lack of follow up action for recovery led to recovery of Rs.2.94 crore being doubtful.

The above matter was reported to the Government (April 2004); their reply had not been received (September 2004).

General

3.22 Delay in finalisation of Accounts by State PSUs

Statutory provisions for finalisation of accounts

3.22.1 According to the provisions of Section 210(3) read with Section 166 of the Companies Act, 1956, audited accounts of a company should be approved and adopted in the Annual General Meeting (AGM) of the shareholders within six months of the close of its financial year. Further, as per provisions of Section 619A(3) of the Act, ibid, the State Government should place an Annual Report on the working and affairs of each State Government company together with a copy of the Audit Report and comments there on made by the Comptroller and Auditor General of India (CAG) before the State Legislature within three months of its AGM. In case of Statutory corporations, their accounts are to be finalised, audited and presented to the State Legislature as per the provision of their respective Acts.

Management's/Government's responsibility for preparation of accounts

3.22.2 Under the provisions Section 210(1) read with Section 216 and 218 of the Company Act, 1956, the Board of Directors of a company is required to lay in every AGM an audited copy of the annual accounts i.e. balance sheet and profit and loss account for the financial year along with the Auditors' Report and other specified Annexures.

In case of Statutory corporations, the accounts are to be prepared as per provisions of the respective Acts. The Administrative Departments concerned were also required to oversee and ensure that the accounts were finalised and adopted by the PSUs within the prescribed period.

Procedure for finalisation of accounts

3.22.3 The annual accounts prepared by the Companies are approved by its Board of Directors and then audited by the Statutory Auditors appointed by the CAG. As per provisions of Section 619(4) of the Companies Act,1956, the CAG conducts supplementary audit of the accounts of the Company and such accounts along with the comments of the CAG are placed before the AGM of the Company for adoption.

Risk involved due to delay in finalisation of accounts

3.22.4 The finalised accounts of companies/corporations reflect their overall financial health and efficiency in conducting their business. In the absence of timely finalisation of accounts, Government's investment remain outside the scrutiny of the Audit/State Legislature. As a result corrective measures required, if any, cannot be taken in time. Besides, the delay also opens the system to risk of fraud and leakage of public money.

Extent of arrears

3.22.5 As on 31 March 2004, there were 67 Government companies (32 working companies and 35 non-working companies) and three Statutory corporations (all working). Out of 32 working Government companies and three Statutory corporations, only six Government companies and one Statutory corporation had finalised their accounts for the year 2003-04 as on 30 September 2004. The accounts of remaining 25* working Government companies and two Statutory corporations were in arrears for the period ranging from one to six years as on 30 September 2004.

Out of 35 non-working Government companies, only two companies had finalised their accounts for the year 2003-04 as on 30 September 2004. The accounts of remaining 33 non-working Government companies were in arrears for the period ranging from one to 33 years as on 30 September 2004. The position of arrears in accounts of these companies was not reviewed in Audit as they were defunct/under closure or liquidation.

Comparative position of clearance of arrears

3.22.6 The table given below indicates the position of number of accounts in arrear and clearance thereof (up to September in each year) during the last five years ending 2003-04.

Year	**Total number of accounts due**		**Number of accounts cleared**		**Closing balance of accounts in arrear**		**Percentage of accounts cleared to accounts due**	
	GC**	SC**	GC	SC	GC	SC	GC	SC
1999-00	114	14	20	3	94	11	18	21
2000-01	125	14	24	3	101	11	19	21
2001-02	132	14	32	4	100	10	24	29

* Excluding one Government company (Orissa Power Transmission Corporation Limited) whose first accounts not due.

** GC: Government companies, SC: Statutory corporations

Year	Total number of accounts due		Number of accounts cleared		Closing balance of accounts in arrear		Percentage of accounts cleared to accounts due	
2002-03	132	13	46	4	86	9	35	31
2003-04	116	12	43	7	73	5	37	42

The above table revealed that the percentage of clearance of arrear of accounts ranged between 18 and 37 per cent in respect of Government companies and between 21 and 42 per cent in respect of Statutory corporations. Accounts of seven companies were in arrears for more than four years.

The positions of delay in finalisation of accounts and holding of AGM along with the reasons for delay in case of nine companies test checked are detailed in **Annexure-19**. The reasons for delay in finalisation of accounts were attributed to:

- shortage of qualified staff and frequent re-organisation of divisions/Units (Orissa State Civil Supplies Corporation Limited and Orissa Lift Irrigation Corporation Limited);
- delay in certification of accounts by Statutory Auditors (Orissa State Civil Supplies Corporation Limited and Orissa Rural Housing and Development Corporation Limited);
- delays in reconciliation of inter unit accounts (Orissa Rural Housing and Development Corporation Limited);
- delay in holding AGMs after issuance of CAG comments (Orissa State Beverages Corporation Limited, Orissa Lift Irrigation Corporation Limited, Orissa State Civil Supplies Corporation Limited, Orissa Bridge and Construction Corporation Limited, Orissa State Cashew Development Corporation Limited and Orissa State Small Industries Corporation Limited); and
- lack of time bound schedule for clearance of arrear accounts (Orissa State Electronics Development Corporation Limited, Orissa Bridge and Construction Corporation Limited and Orissa State Beverages Corporation Limited).

Weakness in accounting management set up and functions

Accounting system

3.22.7 Accounting manual contains guidelines and instructions for maintenance and preparation of accounts and acts as a vital document in guiding the efforts of the organisational units towards timely preparation of accounts in a uniform reporting format.

Audit observed that, five PSUs out of nine test checked had not initiated any action for preparation of accounting manuals. Two PSUs (Orissa Small

Industries Corporation Limited and Orissa Bridge and Construction Corporation Limited) although prepared accounting manual 18 years ago but the same had not been updated thereafter.

Absence of trained staff

3.22.8 Audit observed that in two Companies (Orissa Lift Irrigation Corporation Limited and Orissa State Civil Supplies Corporation Limited) the delay in compilation of accounts were due to shortage of qualified staff. No efforts were, however, made to provide any training to overcome their deficiency.

System of supervision

3.22.9 In accounting functions, supervision of the work of maintenance of books of accounts and other related work is a necessary control mechanism to ensure timeliness and quality of the work. Three of the PSUs (Orissa State Electronics Development Corporation Limited, Orissa Bridge and Construction Corporation Limited and Orissa State Beverages Corporation Limited) out of 15 test checked in audit, had not prepared any time-schedule at various levels for timely preparation of the accounts.

Steps taken by the State Government

3.22.10 The Government exercises its control over the companies through the concerned Administrative/Finance Department. In terms of the Memorandum and Articles of Association of the Companies, the Government had the power to issue directives in the interest of companies.

Audit Committee

3.22.11 In six[*] cases out of nine companies test checked, though their paid up capital exceeded Rs.5 crore, Audit Committee as required under Section 292(A) of the Companies Act, 1956 was not formed to recommend on any matter relating to financial management and to review the financial statement. This could have helped in liquidating the arrear in accounts.

Assistance provided by audit for liquidation of arrears

3.22.12 State Government created (January 1991) the Department of Public Enterprises (PE) as the nodal Department to look into the finalisation of accounts and audit of PSUs. The Committee on Paper Laid on Table constituted in 1992 by the State Legislature, inter alia, has been examining the

[*] Orissa Lift Irrigation Corporation Limited, Orissa state Civil Supplies Corporation Limited, Orissa Small Industries Corporation Limited, Orissa Rural Housing Development Corporation Limited, Orissa State Electronics Development Corporation Limited and Orissa Bridge and Construction Corporation Limited.

reasons for the delay in presentation of Annual Reports by the defaulting PSUs and in consultation with the AG fixing the time schedules for liquidation of arrears. As a result of coordinated action by the Committee, AG and PE Department, the total accounts cleared during 2001-02, 2002-03 and 2003-04 were 34, 69 and 80 respectively (up to March of each year).

Recommendations

As updating of accounts is necessary not only for meeting the compliance of law in case of going concerns, but also for winding up in case of defunct/ closed PSUs, the following measures are recommended to update the accounts.

- PE Department should prepare company wise plan of action involving the company and the concerned Administrative Department;
- responsibility on CEOs/CFOs of the defaulted companies should be fixed;
- State Government should take up with Registrar of Companies for imposing penal provisions of the Act in the appropriate cases to act as a deterrent;
- the State Government should pursue for suitable modification/ relaxation in the Simplified Exit Scheme for closed/defunct companies as well as extension of the benefits of the scheme to non-working PSUs; and
- assistance of professional bodies for writing books of accounts for past periods may be sought, if the Management is unable to take up the work due to large scale reduction of Accounts staff due to VRS.

The above matter was reported to Government (June 2004); their reply had not been received (September 2004).

3.23 Implementation of Voluntary Retirement Scheme in State PSUs

3.23.1 The State Government constituted (October 1995) a Cabinet Sub-committee to examine the functioning of the PSUs and recommend remedial measures for improvement in their performance. The Sub-committee in its report (August 1996) observed that all public enterprises had surplus personnel since the PSUs did not follow any rational personnel policy. Each enterprise was to make an assessment of realistic needs of personnel within three months and take steps for retrenchment of surplus personnel through due process of law in accordance with the Industrial Disputes Act, 1947. The recommendations of the Sub-committee, inter alia, included downsizing the surplus personnel introducing Voluntary Retirement Scheme (VRS).

With a view to implement the recommendations of the Sub-committee, the State Government formulated (June 1998) a Model Voluntary Retirement

Scheme (MVRS) for the regular staff of State PSUs. The scheme was further extended (September 2001) for non-regular staff covering the Normal Muster Roll (NMR)/Daily Labour Roll (DLR) employees with seven years uninterrupted service. A separate scheme i.e, Voluntary Separation Scheme (VSS) was also formulated (September 2001) by the State Government to cover up the regular and non-regular staff of all sick and unviable state PSUs.

Empowered Committee

3.23.2 For effective and expeditious processing of VR applications, an Empowered Committee (EC) was constituted (September 2001) in the Public Enterprises Department. The EC was responsible for scrutinising the proposals of individual PSUs, according sanction and overall monitoring and disposal of the cases within a definite time frame.

Audit observed that no meeting of the EC was held till date (May 2004), whereby the very purpose of constitution of EC was defeated.

The Government stated (August 2004) that subsequently it was decided to obtain VR application directly from the concerned PSUs rather than routing the same through the Administrative Department to avoid delay.

Financial arrangement for MVRS

3.23.3 In order to meet out the VRS expenditure of PSUs, MVRS (June 1998) prescribed for financial assistance by the State Government and International Financial Institute like DFID, etc. The MVRS further envisaged creation of State Renewal Fund (SRF) by the State Government in 1998-99 with a corpus of about Rs.40 crore initially. Profit making PSUs were to contribute five per cent of their profit each year to supplement the corpus. The State PSUs were also allowed to implement their own VR Scheme out of their own funds.

As per agreement executed in January 1991, DFID agreed to provide 60 per cent which was later revised to 80 per cent (July 2002) on three components of VR benefits (i.e., 21 days of Ex-gratia payment for each completed year of service + Gratuity + Leave Salary as per last pay drawn). The balance was to be provided by the State Government out of SRF. Each profit making PSU was required to make a matching contribution of 50 per cent of the requirements for sanction of funds from the corpus.

Implementation of the Scheme

3.23.4 As on March 2004, 19,741 employees were retired under VRS/VSS on payment of Rs.246.85 crore. Though, in terms of the MVRS, SRF was to be created by the Finance Department, the same was not created as on 31 March 2004. In the absence of the SRF, the State Government's entire contribution of Rs.103.68 crore was met out of budgetary provisions against prescribed contribution of Rs.40 crore to SRF in terms of MVRS. Due to non-creation of SRF, the State Exchequer had, thus, to bear an extra burden of Rs.63.68 crore.

Audit scrutiny revealed the following:

Non-compliance of Cabinet Sub-committee direction

3.23.5 Though the Cabinet Sub-committee directed (August 1996) the PSUs to assess realistic needs of personnel within three months for taking steps for retrenchment of surplus personnel under Industrial Dispute Act, 1947, no PSU had complied with the directions.

Government stated (July 2004) that the State PSUs have taken recourse to retrench their workers and 1,441 employees in nine PSUs were discharged between May 1998 and July 2002 on closure. The reply is not tenable as the discharge of 1,441 employees was in the normal course of closure of few selective PSUs. The directions of the Cabinet Sub-committee, as such, remained un-implemented in majority of State PSUs.

Delay in release of DFID assistance

3.23.6 The State Government released DFID assistance to three PSUs (Orissa State Road Transport Corporation, Orissa Forest Development Corporation Limited and Industrial Development Corporation of Orissa Limited) with delays ranging between four and 12 months from the date of acceptance of VRS as against 30/60 days as per MVRS.

The Government stated (July 2004) that release of funds under the approval at different stages caused the delay.

PSU-wise test check revealed the following:

Orissa State Road Transport Corporation (OSRTC)

3.23.7 As per Para 4.1 of MVRS (June 1998), the State Government was not to provide financial assistance to meet the terminal benefits towards arrear salary/ PF dues of the retiring employees. Such expenditures were to be met by the PSU itself. An amount of Rs.15.27 crore was, however, paid for such expenditure by the State Government.

Government stated (August 2004) that the assistance was provided as a conscious decision to cover the employees under VSS.

Industrial Development Corporation of Orissa Limited (IDCOL)

3.23.8 In terms of MVRS (June 1998), PSUs introducing their own VR Scheme were to arrange funds out of their own resources. Instead, the

Company was provided Rs.26.46 crore in respect of its own VR Scheme out of joint contribution of Government of Orissa and DFID.

Government stated (August 2004) that the assistance was provided to implement the VRS with a view to facilitating expeditious rationalisation of the work force of the Company. The reply is not tenable as the Company should have adopted MVRS instead of its own VR scheme.

Orissa Lift Irrigation Corporation Limited (OLIC)

3.23.9 The Company though identified for DFID assistance was not provided any DFID assistance and the Government in PE Department spent Rs.59.05 crore out of budget in 2003-04 for 4,299 surplus staff.

Irregular Payment

3.23.10 As per Cabinet decision (September 2002) only ex gratia was to be paid to the employees on the basis of revised scale of pay notionally increased with effect from 1 January 1996. All other benefits as such, were to be worked out on the basis of last pay drawn by the employees.

In violation of the decision, 4,299 employees of the Company (OLIC) were paid Rs.5.01 crore towards gratuity and Rs.2.85 crore towards leave salary in excess due to payment on notionally revised scale instead of last pay drawn.

Government stated (August 2004) that the decision of the Cabinet was not appropriately worded and minuted, hence the gratuity and leave salary were calculated as per the notionally revised scale of pay adopting a harmonious view of the Cabinet decision with the concurrence of DFID and Finance Department. In the absence of any amendment to the minutes of decision of the Cabinet, the reply is not tenable.

Thus, lack of timely action by the PSUs in identification of surplus manpower and non-creation of corpus fund led to delay in implementation of VRS in State PSUs with consequential payment of idle wages of Rs.30.60 crore by four[*] PSUs.

3.24 Deficiencies in internal control/internal audit system of Grid Corporation of Orissa Limited and Orissa Hydro Power Corporation Limited

Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and adequate manner. A good system of internal control should comprise, inter alia, proper allocation of functional responsibilities within the organisation,

[*] Orissa Lift Irrigation Corporation Limited (Rs.21.62 crore), Orissa State Road Transport Corporation (Rs.7.71 crore), Industrial Development Corporation of Orissa Limited (Rs.1.04 crore) and Konark Jute Limited (Rs.0.23 crore).

proper accounting data, efficiency in operations and safeguarding of assets, quality of personnel commensurate with their responsibilities and duties and review the work of one individual by another whereby possibility of fraud or error in the absence of collusion is minimised.

Erstwhile Orissa State Electricity Board (OSEB) was unbundled (April 1996) by transferring generation function to Orissa Hydro Power Corporation Limited (OHPC) and transmission and distribution functions to Grid Corporation of Orissa Limited (GRIDCO). The distribution function was further transferred (November 1997) to four wholly owned subsidiaries. The Government of Orissa divested 51 per cent equity in distribution companies during February 1999/September 1999.

Audit noticed the following deficiencies in the implementation of Internal Control by two power sector companies viz. GRIDCO & OHPC.

3.24.1 In GRIDCO revised budget estimates for the last four years ended March 2002 were approved only after closure of the financial year (April/June of next year), on the basis of actual expenditure. The intended purpose for control of the expenditure was, thus, defeated.

3.24.2 There was no system of regular reconciliation and adjustment of advances to suppliers against their bills in GRIDCO and OHPC. Outstanding advances of Rs.3.14 crore paid to suppliers were carried forward by EHT (Construction) Division, Bhubaneswar of GRIDCO since long. Management could not furnish the exact reasons for non-adjustment of these advances when called for (April 2004). Work advances of Rs.3.40 crore paid by Upper Indravati Hydro Electric Project, an unit of OHPC, between 1980-81 and 1998-99 to Government Departments were not adjusted/recovered till date (July 2004).

3.24.3 Daily closing of Cash/Bank book and periodic surprise verification of cash was not done in three divisions of GRIDCO.

3.24.4 Tower materials worth Rs.44.22 lakh in four divisions[*] of GRIDCO were stolen during the years 2000-01 to 2002-03 due to inadequate safeguard of the assets.

3.24.5 Fixed Assets Registers were not maintained at units of GRIDCO.

3.24.6 The physical verification of stores and site materials was not conducted for the years 2000-01 and 2002-03 in two divisions of GRIDCO.

In OHPC, the closing stock of stores and spares increased to Rs.21.17 crore in 2002-03 from Rs.8.60 crore in 1999-2000. This indicated that the materials were procured without assessment of actual requirement by the Company.

Insurance claims of Rs.2.52 crore were pending settlement between January 1999 and October 2003 in three units of OHPC (Balimela, Rengali and Upper Kolab) due to poor follow up.

[*] EHT, Maintenance Division at Bhubaneswar, Rourkela, Joda and Balasore.

Surplus and unserviceable materials worth Rs.39.38 lakh held in Burla, an unit of OHPC, were not disposed off since inception of the project (1962-63) due to poor follow up action.

Audit Committee

3.24.7 In terms of Section 292A of Companies (Amendment) Act, 2000, GRIDCO and OHPC had constituted the Audit Committees in May 2001/ March 2001.

The Audit Committee of GRIDCO held 13 meetings up to March 2004 and no specific recommendations were made for strengthening internal control system. The committee only recommended (March 2004) to comply with the internal audit reports and place compliances before them at regular interval. The same were neither placed before the Committee nor to the Board of Directors for appraisal.

The Audit Committee of OHPC held 10 meetings up to March 2004. The Committee only recommended (March 2003) that the unit managements should furnish compliance to internal audit observations and take corrective measures. Audit observed that there was no follow up action to the recommendations.

Comments of Statutory Auditors

3.24.8 The Statutory Auditors of GRIDCO/OHPC in their reports on annual accounts for the years 2001-02 and 2002-03 pointed out inadequacy of internal control in respect of the following:

- maximum and minimum level of stores and spares and economic order quantity for procurement of stores were not maintained (GRIDCO and OHPC);
- priced stores ledger was not maintained (GRIDCO);
- balance in Subsidiary Ledgers for loans and advances to employees was not reconciled with General Ledger (GRIDCO);
- monitoring system for timely recovery of outstanding dues was not adequate (GRIDCO);
- physical verification of fixed assets was not done during 2002-03 in units of OHPC (Balimela, Burla and Upper Indravati); and
- internal audit function in Upper Indravati Hydro Electric Project was not adequate (OHPC).

Internal audit

3.24.9 Internal audit is a part of internal control which is used to detect irregularities, fraud, manipulation, embezzlement, etc and to see whether rules, instructions issued from time to time are being followed or not.

GRIDCO had been engaging Chartered Accountants' firms for internal audit since 1996-97. In addition, the Company created (November 2000) its in-house audit wing and formed four internal audit zones. The in-house internal audit wing had not been strengthened due to inadequate experienced manpower.

The internal audit of OHPC was conducted by firm of Chartered Accountants up to 2001-02. The Company formed (November 2001) its own internal audit wing but has not created separate cadre for internal audit set up.

The Companies (GRIDCO and OHPC) had not prepared internal audit manuals.

Performance of Internal Audit

3.24.10 GRIDCO appointed annually Chartered Accountants' firms for internal audit of field units with prescribed scope of work, remuneration and time for completion of audit whereas the in-house internal audit was being conducted on quarterly basis after creation of the in-house Internal Audit Wing in November 2000. In OHPC the in-house internal audit was conducted half yearly up to 30 September and second half up to 31 March.

In-house internal audit of GRIDCO was taken up from the year 2000-01. Out of total 60 accounting units, audit of 27 units had been taken till March 2004. The audit of only 10 units was conducted for the year 2002-03. The in-house internal audit reports were of routine nature and do not contain appraisal of various operations of the Company (GRIDCO).

Findings of Internal Audit

3.24.11 A gist of major findings of internal audit in GRIDCO and OHPC were as under:

- stock registers were not maintained properly;
- supplier control account and contractors account were not maintained properly;
- expenditure was incurred beyond revised budgetary provision; and
- revenue remittances in UIHEP, an unit of OHPC, were delayed between three and 124 days involving amount of Rs.80 to Rs.9.50 lakh.

Inadequate follow up to internal audit reports

3.24.12 No follow up action was taken by any of the companies for compliance to internal audit observations by in-house audit wing and by Chartered Accountants' firms.

The lapses in preparation of budget, maintenance of records, physical verification of fixed assets, functioning of in house audit wing and Audit Committees, thus, contributed to deficiencies in internal control of the Companies.

The above matter was reported to Government (July 2004); their reply had not been received (September 2004).

3.25 Follow-up action on Audit Reports

Outstanding Action Taken Notes

3.25.1 The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in 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 to 2002-03 were presented to the State Legislature, 13 out of 17 departments which were commented upon did not submit explanatory notes on 55 out of 238 paragraphs/reviews as on 30 September 2004, as indicated below.

Year of the Audit Report (Commercial)	Date of Presentation	Total Paragraphs/ Reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
1993-94	September 1995	28	3
1994-95	March 1996	24	3
1995-96	March 197	23	2
1996-97	July 1998	27	3
1997-98	July 1999	15	Nil
1998-99	July 2000	26	11
1999-2000	August 2001	29	5
2000-01	March 2002	25	2
2001-02	March 2003	17	8
2002-03	December 2003	24	18
Total		**238**	**55**

Department-wise analysis is given in **Annexure-20**. Energy, Industries, Science and Technology and Forest and Environment Departments were largely responsible for non-submission of explanatory notes. 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.

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

3.25.2 Replies to 218 recommendations pertaining to 42 Reports of the COPU presented to the State Legislature between April 1991 and March 2004 had not been received as on 30 September 2004 as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of recommendations where replies not received
1991-92	2	1
1993-94	2	1
1995-96	1	5
1997-98	1	1
1999-2000	12	71
2000-01	12	93
2001-02	5	26
2002-03	7	20
Total	**42**	**218**

The replies to 218 recommendations were required to be furnished within six months from the presentation of the Reports.

Response to Inspection Reports, Draft Paragraphs and Reviews

3.25.3 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 2004 pertaining to 42 PSUs disclosed that 5,096 paragraphs relating to 1,023 Inspection Reports remained outstanding at the end of September 2004. Of these, 427 Inspection Reports containing 2,064 paragraphs had not been replied to for one year to five years. Department-wise break-up of Inspection Reports and Audit observations outstanding at the end of September 2004 is given in **Annexure-21**.

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 26 draft paragraphs and three draft reviews forwarded to the various departments between January 2004 and August 2004, as per details in **Annexure-22**, replies to all reviews and 13 draft paragraphs were awaited (September 2004). The reviews were, however, finalised after discussion with the Management and the Government in the Audit Review Committee for Public Sector Enterprises Meetings held on 13-15 and 27 July 2004.

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.

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GLOSSARY

Words	Stand for
AGM	Annual General Meeting
ARCPSE	Audit Review Committee for State Public Sector Enterprises
AS	Allianz Securities
ATN	Action Taken Notes
AYCL	Andrew Yule and Company Limited
BDT	Bulk Domestic Tariff
BECO	Bhilai Engineering Corporation Limited
BHEL	Bharat Heavy Electricals Limited
BIFR	Bureau of Industrial Finance and Reconstruction
BoD	Board of Directors
BPJ	Balda Palsa Jajang
BST	Bulk Supply Tariff
CAG	Comptroller and Auditor General
CBDT	Central Board of Direct Taxes
CDCP	Coke Dry Cooling Plant
CEO	Chief Executive Officer
CERC	Central Electricity Regulatory Commission
CESCO	Central Electricity Supply Company Limited
CFL	Centrum Finance Limited
CLO	Calibrated Lump Ore
CMD	Chairman-cum-Managing Director
COD	Committee of Directors
COP	Coke Oven Plant
COPU	Committee on Public Undertakings
CPH	Chiplima Power House
CPP	Captive Power Plant
Cum	Cubic Metre
DA	Dearness Allowance
DD	Demand Draft
DEPB	Duty Entitlement Pass Book
DFID	Department for International Development
DGM	Deputy General Manager

Words	Stand for
DIC	Director-in-Charge
DIC	District Industries Centre
DISTCO	Distribution Company
DMT	Dry Metric Tonne
DoI	Director of Industries
DPL	Durgapur Projects Limited
DRS	Daitary Railway Siding
DSP	Dry Screening Plant
EHT	Extra High Tension
EMI	Equated Monthly Instalment
ERP	Enterprise Resource Planning
FDP	Forest Diversion Proposal
FOB	Free on Board
GC	Government company
GCP	Gas Cleaning Plant
GM	General Manager
GMC	General Manager (Commercial)
GoI	Government of India
GoO	Government of Orissa
GRIDCO	Grid Corporation of Orissa Limited
GSEB	Gujarat State Electricity Board
Ha	Hectare
HEC	Heavy Engineering Corporation Limited
HPS	Hirakud Power Systems
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
IDBI	Industrial Development Bank of India
IDCO	Orissa Industrial Infrastructure Development Corporation
IDCOL	Industrial Development Corporation of Orissa Limited
IFCAL	IDCOL Ferro Chrome and Alloys Limited
IKIWL	IDCOL Kalinga Iron Works Limited
IMFL	India Made Foreign Liquor
IOC	Indian Oil Corporation Limited

Words	Stand for
IPICOL	Industrial Promotion and Investment Corporation of Orissa Limited
IPR	Industrial Policy Resolution
ISMT	India Seamless Metal Tubes Limited
JK Road	Jajpur Keonjhar Road
JVA	Joint Venture Agreement
JVC	Joint Venture Company
KMCL	Konark Met Coke Limited
KVA	Kilo Volt Ampere
Kwh	Kilo Watt Hour
LAM	Low Ash Metallurgical
LC	Letter of Credit
LDBC	Long Distance Belt Conveyor
LDO	Light Diesel Oil
LIT	Large Industrial Tariff
LPG	Liquefied Petroleum Gas
LPL	London Proof Litre
MBE	McNally Bharat Engineering Private Limited
MD	Managing Director
MECON	Metallurgical and Engineering Consultants (India) Limited
MEL	Mukund Engineering Limited
Mm	Mili Metre
MMTC	Mineral and Metals Trading Corporation
MOM	Minutes of Meeting
MOU	Memorandum of Understanding
MPSEB	Madhya Pradesh State Electricity Board
MT	Metric Tonne
MU	Million Units
MVRS	Model Voluntary Retirement Scheme
MW	Mega Watt
Mwh	Mega Watt Hour
NALCO	National Aluminium Corporation Limited
NESCO	Northern Electric Supply Company Limited

Words	Stand for
NINL	Neelachal Ispat Nigam Limited
NM^3	Natural Cubic Metre
NMDC	National Mineral Development Corporation Limited
NPCC	National Project Construction Corporation Limited
NTPC	National Thermal Power Corporation Limited
OCAC	Orissa Computer Application Centre
OERC	Orissa Electricity Regulatory Commission
OHP	Ore Handling Plant
OHPC	Orissa Hydro Power Corporation Limited
OLIC	Orissa Lift Irrigation Corporation Limited
OMC	Orissa Mining Corporation Limited
OPGC	Orissa Power Generation Corporation Limited
ORHDC	Orissa Rural Housing and Development Corporation Limited
OSBC	Orissa State Beverages Corporation Limited
OSCDC	Orissa State Cashew Development Corporation Limited
OSCSC	Orissa State Civil Supplies Corporation Limited
OSEB	Orissa State Electricity Board
OSFC	Orissa State Financial Corporation
OSPCB	Orissa State Pollution Control Board
OSRTC	Orissa State Road Transport Corporation
OSWC	Orissa State Warehousing Corporation
PCC	Purchase Contract Committee
PDC	Post Dated Cheque
PE	Public Enterprises
PFC	Power Finance Corporation Limited
PI	Projects Imports
PO	Purchase Order
POL	Petrol, Oil and Lubricants
PSE	Public Sector Enterprises
PSU	Public Sector Undertaking
REC	Rural Electrification Corporation
RIL	Rathi Ispat Limited
ROC	Registrar of Companies

Words	Stand for
RROY	Rautaruukki Finland
RT	RIOTINTO
RTL	Rupee Term Loan
RTOM	RIOTINTO Orissa Mining Private Limited
S&M	Sales and Marketing
SAD	Special Additional Duty
SAR	Separate Audit Report
SC	Statutory corporation
SDO	Sub-divisional Officer
SERC	State Electricity Regulatory Commission
SGBK	Siljoda Guruda Balda Kalimati
SMCL	Shree Mahavir Carbon Limited
SOUTHCO	Southern Electricity Supply Company Limited
Sr.GM	Senior General Manager
SRF	State Renewal Fund
STD	Short Term Deposit
STWC	Short Term Working Capital
T&D	Transmission and Distribution
TA	Travelling Allowance
TD	Term Deposits
TEC	Tender Evaluation Committee
TPH	Tonnes Per Hour
TPI	Tyazh Prom (India)
TS	Technical Specification
TT	Telegraphic Transfer
UBI	Union Bank of India
UCO	United Commercial
UIHEP	Upper Indravati Hydro Electric Project
UK	United Kingdom
UML	Utkal Moulders Limited
US	United States
VR	Voluntary Retirement
VRS	Voluntary Retirement Scheme

Words	Stand for
VSP	Vizag Steel Plant Limited
VSS	Voluntary Separation Scheme
WAN	Wide Area Network
WESCO	Western Electricity Supply Company Limited

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 2004 in respect of Government companies and Statutory corporations
(Referred to in Paragraphs 1.2, 1.3, 1.4, 1.5, 1.6 and 1.17)

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

		Paid-up capital as at the end of the 2003-04					Equity/loans received out of Budget during the year		Other loans received during the year	Loans* outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous years) 4(f)/3(e)
Sl. No.	Sector and Name of the company	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	218.61	1754.43	2.45:1 (2.5:1)
2.	Orissa State Seeds Corporation Limited	211.00	--	--	47.60	258.60	--	--	--	--	--	--	-- (--)
3.	Orissa State Cashew Development Corporation Limited	155.04	--	--	--	155.04	--	--	--	--	14.00	14.00	0.09:1 (-)
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***	***232.61***	***1768.43***	***1.43:1 (1.44:1)***
	INDUSTRY												
5.	Neelachal Ispat Nigam Limited**	0.02	--	--	22362.98	22363.00♣		--	--	--	99115.63	99115.63	4.43:1 (4.07:1)
	Sector wise total	***0.02***	***--***	***--***	***22362.98***	***22363.00***		***--***	***--***	***--***	***99115.63***	***99115.63***	***4.43:1 (4.07:1)***
	ENGINEERING												
6.	Hirakud Industrial Works Limited (Subsidiary of Sl. No.21 of working Company)	--	--	858.14	--	858.14	--	--	--	--	1055.73	1055.73	1.23:1 (1.48:1)
	Sector wise total	***--***	***--***	***858.14***	***--***	***858.14***	***--***	***--***	***--***	***--***	***1055.73***	***1055.73***	***1.23:1 (1.48:1)***
	ELECTRONICS												
7.	Orissa State Electronics Development Corporation Limited	2003.50	--	--	--	2003.50	--	--	--	--			-- (0.05:1)
8.	ELMARC LIMITED(Subsidiary of Sl No.7)	-	-	101.57	-	101.57	--	-	--	-	260.00	260.00	2.56:1 (2.56:1)

♣ In 2003-04 Rs. 25.36 lakh equity transferred in favour of IPICOL.

(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)
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***	--	**--**	**--**	**--**	***260.00***	***260.00***	***0.12:1 (0.16:1)***
	FOREST												
10.	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	--	--	2500.00	2500.00	19.53:1 (27.77:1)
	Sector wise total	***128.00***	**--**	**--**	**--**	***128.00***	**--**	**--**	**--**	**--**	***2500.00***	***2500.00***	***19.53:1 (27.77:1)***
	MINING												
11.	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--	--	1618.00	--	1618.00	0.51:1 (0.77:1)
	Sector wise total	***3145.48***	**--**	**--**	**--**	***3145.48***	**--**	**--**	**--**	***1618.00***	**--**	***1618.00***	***0.51:1 (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	--	--	--	308.60	--	308.60	0.32:1 (0.50:1)
	Sector wise total	***978.32***	**--**	**--**	**--**	***978.32***	**--**	**--**	**--**	***308.60***	**--**	***308.60***	***0.32:1 (0.50:1)***
	TOURISM												
15.	Orissa Tourism Development Corporation Limited	962.16	--	--	--	962.16		--	--	--	--	--	--
	Sector wise total	***962.16***	**--**	**--**	**--**	***962.16***		**--**	**--**	**--**	**--**	**--**	**--**
	POWER												
16.	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.65	49021.74	--	--	--		12625.92	12625.92	0.26:1 (0.38:1)
17.	Orissa Hydro Power Corporation Limited	32080.07	--	--	--	32080.07	--	--	--	180259.44	27426.06	207685.50	6.47:1 (6.51:1)
18.	Grid Corporation of Orissa Limited	49298.14	--	--	--	49298.14		5344.51	81830.00	255894.76	278607.15	534501.91	10.84:1 (9.61:1)
19.	Orissa Power Transmission Corporation Limited	7.00	--	--	--	7.00	--	--	–	--	--	--	--
	Sector wise total	***106386.30***	**--**	**--**	***24020.65***	***130406.95***		***5344.51***	81830.00	***436154.20***	***318659.13***	***754813.33***	***5.79:1 (5.38:1)***
	FINANCING												
20	Industrial Promotion and Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	--			1558.74	5742.44	7301.18	0.88:1 (0.94:1)
	Sector wise total	***8314.29***	**--**	**--**	**--**	***8314.29***	**--**			***1558.74***	***5742.44***	***7301.18***	***0.88:1 (0.94:1)***

(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)
	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	--	--	--	2079.74	19160.82	21240.56	3.72:1 (5.40:1)
23.	Orissa Small Industries Corporation Limited	965.86	--	--	--	965.86	--		100.00	173.00	275.55	448.55	0.46:1 (0.36:1)
24.	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	--	--	86.77	--	86.77	0.16:1 (0.25:1)
25.	Kalinga Studios Limited (Subsidiary of Sl. No. 24 of WC)	--	--	174.50	--	174.50	---	--		--	10.64	10.64	0.06:1 (0.06:1)
26.	Konark Jute Limited (Subsidiary of Sl. No. 22of WC)	--	--	413.00	180.99	593.99	--	--	--	876.80	43.49	920.29	1.55:1 (1.55:1)
27.	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	--	--	338.94	338.94	0.05:1 (0.05:1)
28.	Orissa Rural Housing and Development Corporation Limited	3340.00	--	--	--	3340.00♦		--	–	--	42242.56	42242.56	12.65:1 (16.36:1)
29.	Orissa State Beverages Corporation Limited	100.00	--	--	--	100.00	--	--	–	100.00	--	100.00	1:1 (1:1)
30.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 22 of WC)	--		3010.00		3010.00	--	--	–	--	9470.19	9470.19	3.15:1 (362.37:1)
31.	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. 22 of WC)	--	--	1510.00	--	1510.00	--	--	–	--	507.86	507.86	0.34:1 (187.1:1)
32.	Orissa Pisciculture Development Corporation Limited	1129.06	--	--	--	1129.06	--	--	--	290.65	22.15	312.80	0.28:1 (0.28:1)
	Sector wise total	***19823.02***	--	***5107.50***	***180.99***	***25111.51***	***--***	***--***	***100.00***	***3606.96***	***72072.20***	***75679.16***	***3.01:1 (4.69:1)***
	TOTAL (A) WORKING GOVERNMENT COMPANIES	**144476.41**	**105.27**	**6127.26**	**46652.84**	**197361.78**	**--**	**5344.51**	**81930.00**	**444782.32**	**499637.74**	**944420.06**	**4.79:1 (4.13:1)**
B.	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT												
1.	Orissa State Road Transport Corporation	12048.00	1592.00	--	1.00	13641.00	--	1365.00	--	3151.00	672.00	3823.00	0.28:1 (0.40:1)
	Sector wise total	***12048.00***	***1592.00***	***--***	***1.00***	***13641.00***	***--***	***1365.00***	***--***	***3151.00***	***672.00***	***3823.00***	***0.28:1 (0.40:1)***
	FINANCING												
2.	Orissa State Financial Corporation	4852.50	--	--	3904.81	8757.31	--		--	1950.70	56894.67	58845.37	6.72:1 (7.16:1)
	Sector wise total	***4852.50***	***--***	***--***	***3904.81***	***8757.31***	***--***		***--***	***1950.70***	***56894.67***	***58845.37***	***6.72:1 (7.16:1)***

♦ During the year 2003-04, State Government has sanctioned share capital of Rs. 400.00 lakhs of which Rs. 44.69 lakh has been adjusted against guarantee fee and balance amount has been kept in Civil Deposit.

(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 (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**	**--**	**1365.00**	**–**	**5101.70**	**59791.67**	**64893.37**	**2.85:1 (3.09:1)**
	TOTAL (A) + (B)	**161556.91**	**1697.27**	**6127.26**	**50738.65**	**220120.09**	**--**	**6709.51**	**81930.00**	**449884.02**	**559429.41**	**1009313.43**	**4.59:1 (4.03:1)**
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		242.85	0.88:1 (2.59:1)
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***		***242.85***	***0.85:1 (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	--		--	--	987.29	987.29	5.11:1 (54.44:1)
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl. No.23 of WC)	--	--	0.05	--	0.05	--	--	--	--	--	--	-- (--)
	Sector wise total	***110.07***	***--***	***205.48***	***1.74***	***317.29***	***--***		***--***	***--***	***987.29***	***987.29***	***3.11:1 (30.28:1)***

(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 Electronics 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	--	--	--	--	-- (--)
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 (Subsidiary of Sl. No. 22 of WC)	--	--	300.00	--	300.00					449.31	449.31	1.50:1 (1.88:1)
	Sector wise total	***2578.21***	***--***	***303.21***	***362.74***	***3244.16***	***--***	***0.75***	***--***	***1630.14***	***449.31***	***2079.45***	***0.64:1 (0.68:1)***
	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 (1.32:1)
26.	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	-- (--)
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	--	--	--	--	--	--	-- (--)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
29.	Orissa Boat Builders Limited (Company since 1987 decided to be 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.31 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)	--	--	75.00	--	75.00	--	--	--	--	--	--	-- (--)
34.	Orissa Timber and Engineering Works Limited (Subsidiary of Sl.No.23 of WC)	--	--	0.05	--	0.05	--	--	--	--	--	--	-- (--)
35.	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 22 of WC)	--	--	73.78	--	73.78	--	--	–	--	656.60	656.60	8.90:1 (--)
	Sector wise total	***678.55***	***--***	***213.82***	***405.42***	***1297.79***	***--***	***--***	***--***	***263.59***	***1410.94***	***1674.53***	***1.29:1 (0.82:1)***
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES	**4341.80**	**--**	**1264.18**	**872.00**	**6477.98**	**--**	**0.75**	**--**	**2935.74**	**2847.54**	**5783.28**	**0.89:1 (2.37:1)**
	GRAND TOTAL (A)+(B)+(C)	**165898.71*****	**1697.27**	**7391.44**	**51610.65**	**226598.07*****		**6710.26**	**81930.00**	**452819.76*****	**562276.95**	**1015096.71**	**4.48:1 (3.99:1)**

Note: Except in respect of Sl. No.A-4,5,9,16,17,31 and B-3 which finalised the accounts for 2003-04, figures are provisional and as given by the companies/corporations

* Loans outstanding at the close of 2003-04 represent long-term loans only.

** Includes share application money Rs.7521.23 lakh (Sl. No.A-5 - Rs.5125.73lakh and S. No.C-21 - Rs.2396.00 lakh)

*** State Government's investment was Rs.6,114.41 crore (others:Rs.6,179.93 crore). Figure as per Finance Accounts, 2003-04 is Rs.3,417.78 crore. The difference, which is under reconciliation is mainly due to non-accountal of equity and long-term loans invested in Power Sector Companies by virtue of transfer of Assets and Liabilities of erstwhile OSEB in April 1996 and disinvestment of shares in February 1999.

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, 1.9, 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	1996-97 1997-98	2003-04 2004-05	-336.93 -165.20	Increase in loss Rs.58.69	695.75 695.75	-2857.24 -3022.44	235.86 -440.08	-135.70 18.81	-	6	6134.27	535
2.	Orissa State Seeds Corporation Limited	Agriculture	24 February 1978	2000-01	2004-05	284.30	Decrease in profit Rs.5.36	258.58	659.72	3134.95	379.14	12.09	3	3410.08	194
3.	Orissa State Cashew Development Corporation Limited	Agriculture	06 April 1979	2000-01	2003-04	23.98	Decrease in profit Rs.56.09	155.04	446.28	607.30	23.98	3.95	3	NF	NF
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	Agriculture	01 March 1996	2003-04	2004-05	No profit and no loss		110.00	--	122.73	--	--	--	--	11
	Sector wise total					***143.08***	***--***	***1219.37***	***-1916.44***	***3424.90***	***421.93***	***12.32***			
	INDUSTRY														
5.	Neelachal Ispat Nigam Limited	Steel and Mines	27 March 1982	2003-04[@]	2004-05	52.33		22363.00	52.33	120902.70	873.62	0.72	--	50151.17	772
	Sector wise total					***52.33***		***22363.00***	***52.33***	***120902.70***	***873.62***	***0.72***			
	ENGINEERING														
6.	Hirakud Industrial Works Limited (Subsidiary of Sl.No.22 of WC)	Industry	18 January 1993	2002-03	2003-04	-429.86	Increase in loss Rs.51.60.	790.01	-772.31	1045.05	-204.83	--	1	1333.20	400
	Sector wise total					***-429.86***	***--***	***790.01***	***-772.31***	***1045.05***	***-204.83***	***--***			

(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	1998-99 1999-00	2003-04 2004-05	10.92 9.26	Decrease in profit Rs.51.10	1863.50 1863.50	-200.46 -191.51	792.12 827.32	10.92 9.26	1.38 1.12	4	---	91
8.	ELMARC LIMITED (Subsidiary of Sl.No.7)	Science and Technology	23 January 1990	1998-99	2003-04	-2.14	--	101.57	-190.39	-22.12	13.10	-	5	34.67	25
9.	IDCOL Software Limited (Subsidiary of Company at Sl. No. 22 of WC)	Industry	26 November 1998	2002-03 2003-04	2003-04 2004-05	5.62 18.42	-	100.07 100.07	-60.26 -41.84	37.17 58.23	5.62 18.42	15.12 31.63	--	182.51	15
	Sector wise total					***25.54***	***--***	***2065.14***	***-123.74***	***863.43***	***40.78***	***4.72***	***--***	***--***	***--***
	FOREST														
10.	Orissa Forest Development Corporation Limited	Forest and Environment	28 September 1962	1999-00 2000-01 2001-02@	2003-04 2004-05 2004-05	-602.01 -1424.99 -1935.78	Increase in loss by Rs.105.00	128.00 128.00 128.00	-5250.26 -4321.91 -6076.61	-1056.65 556.50 -2095.79	-497.69 -1349.76 -1830.27	-- -- --	2	4472.28	4439
	Sector wise total					***-1935.78***	***--***	***128.00***	***-6076.61***	***-2095.79***	***-1830.27***	***--***	***--***	***--***	***--***
	MINING														
11.	Orissa Mining Corporation Limited	Steel and Mines	16 May 1956	2001-02 2002-03@	2003-04 2004-05	-399.36 1759.70	Increase in loss by Rs.92.00	3145.48 3145.48	2381.14 3928.02	12218.98 11541.32	241.89 2335.02	1.98 20.23	1	37100.00	5443
	Sector wise total					***1759.70***	***-***	***3145.48***	***3928.02***	***11541.32***	***2335.02***	***20.23***			
	CONSTRUCTION														
12.	Orissa Construction Corporation Limited	Water Resources	22 May 1962	2001-02	2003-04	-375.87	Decrease in profit by Rs.81.49.	1150.00	170.74	5015.71	-348.06	--	2	6000.00	847
13.	Orissa Bridge and Construction Corporation Limited	Works	01 January 1983	2000-01@	2004-05	-116.17	--	500.00	-789.10	196.62	-114.29	-- --	3	1908.00	499
	Sector wise total					***-492.04***	***--***	***1650.00***	***-618.36***	***5212.33***	***-462.35***	***--***	***--***		
	PUBLIC DISTRIBUTION														
14.	Orissa State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	03 Septem-ber 1980	1997-98 1998-99@	2003-04 2.004-05	No profit; and no loss.	Increase in loss Rs.49.39	978.32 978.32	-- --	1473.08 1444.02	-- --	- --	5	34055	1409
	Sector wise total						***--***	***978.32***	***--***	***1444.02***	***--***	***--***	***--***		
	TOURISM														
15.	Orissa Tourism Development Corporation Limited	Tourism	03 September 1979	1999-00 2000-01	2003-04 2004-05	-102.87 -44.34	Increase in loss by Rs.18.54	902.16 952.16	-615.46 -678.88	332.91 280.36	-102.14 -43.56	-- --	3	622.69	465
	Sector wise total					***-44.34***		***952.16***	***-678.88***	***280.36***	***-43.56***	***--***			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	POWER														
16.	Orissa Power Generation Corporation Limited	Energy	14 November 1984	2003-04@	2004-05	13510.81	--	49021.74	843.09	75816.12	15821.95	20.87	--	40997.32	609
17.	Orissa Hydro Power Corporation Limited	Energy	21 April 1995	2003-04@	2004-05	836.70	--	32080.07	18568.10	257660.23	4515.05	1.75	--	23033.63	3747
18.	Grid Corporation of Orissa Limited	Energy	20 November 1995	2001-02 2002-03	2003-04 2004-05	7441.74 -60769.12	Increase in loss Rs.34.50	48684.21 49228.89	-118973.81 -178782.89	239491.63 224327.34	44227.81 -17910.12	18.46 ---	1	233856.00	5249
19.	Orissa Power Transmission Corporation Limited	Energy	29 March 2004	First account not yet finalised											
	Sector wise total					***-46421.61***	***--***	***130330.70***	***-159371.70***	***557803.69***	***2426.88***	***0.43***			
	FINANCING														
20.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	2002-03	2003-04	-377.52	Increase in loss by Rs.582.00	8314.29	-6070.64	10885.82	511.03	4.69	1	--	138
	Sector wise total					***-377.52***	***--***	***8314.29***	***-6070.64***	***10885.82***	***511.03***	***4.69***			
	MISCELLANEOUS														
21.	Orissa State Police Housing and Welfare Corporation Limited	Home	24 May 1980	1997-98 1998-99 1999-00	2003-04 2003-04 2004-05	23.41 10.99 4.60	--	563.01 563.01 563.01	-76.27 -66.92 -63.61	485.05 496.09 499.39	23.41 10.99 4.60	4.83 2.22 0.92	4	2423.12	202
22.	Industrial Development Corporation of Orissa Limited	Industries	29 March 1962	2002-03	2003-04	-187.46	--	5711.79	-300.21	12064.07	3905.83	32.38	1	NF	NF
23.	Orissa Small Industries Corporation Limited	Industries	03 April 1972	2001-02	2004-05	-298.74	Increase in loss by Rs.222.00	965.86	-671.15	4301.73	277.98	6.46	2	6556.04	246
24.	Orissa Film Development Corporation Limited	Industries	22 April 1976	1999-00	2003-04	-10.70	Increase in loss Rs.1.79	540.05	7.84	591.97	-5.02	-	4	NF	NF
25.	Kalinga Studios Limited (subsidiary of company at Sl. No. 24 of WC)	Industries	20 July 1980.	1999-00 2000-01	2003-04 2004-05	-23.00 -25.99	--	129.50 129.50	-198.76 -225.65	81.41 71.25	-22.38 -24.87	-- --	3	-- --	NF
26.	Konark Jute Limited (subsidiary of Company at Sl. No 22 of WC)	Industries	27 January 1975	1998-99 1999-00 2000-01@	2004-05 2004-05 2004-05	-98.06 -245.25 -253.47	Non disclosure Rs.10.09	594.00 594.00 594.00	-1169.49 -1414.74 -1668.21	-4.62 420.25 150.11	-37.31 -187.91 -189.57	- --	3	--- --	--- --
27.	Orissa Lift Irrigation Corporation Limited	Water Resources	1 October 1973	2000-01	2004-05	-82.53	Increase in loss 20.79	7473.25	-526.26	27213.06	-21.46	-	3	---	3600
28.	Orissa Rural Housing and Development Corporation Limited	Housing and Urban Development	19 August 1994	2000-01	2004-05	47.73	Decrease in profit Rs.36.11	1015.00	216.24	-691.02	3812.83	--	3	--	126
29.	Orissa State Beverages Corporation Limited	Excise	16 November 2000	2000-01	2003-04	9.94		0.0007	9.94	207.01	10.16	4.91	3	--	--
30	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 22 of WC)	Industries	26 March 1999	2002-03	2003-04	-1369.80	Increase in loss by Rs.88.19	10.00	-1369.80	8290.46	-1136.46	--	1	18788.31	1168

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
31.	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. 22 of WC)	Industries	26 March 1999	2002-03 2003-04[@]	2003-04 2004-05	-955.77 44.88	Decrease in loss by Rs.42.74	10.00 1510.00	-955.77 -910.89	2521.69 2260.48	-612.11 134.65	-- 5.96	--	4752.52	452
32	Orissa Pisciculture Development Corporation Limited	Fisheries and Animal Resources Development	5 May 1998	First accounts not yet finalised									6	2986.36	211
	Sector wise total					***-2121.54***	**--**	***18512.46***	***-5501.76***	***54958.51***	***6768.72***	***12.32***			
	TOTAL (A) WORKING GOVERNMENT COMPANIES					**-49842.04**	**--**	**190448.93**	**-177450.09**	**766266.34**	**10836.97**	**1.41**			
B.	**WORKING STATUTORY CORPORATIONS**														
	TRANSPORT														
1.	Orissa State Road Transport Corporation	Commerce and Transport	15 May 1974	1996-97 1997-98 1998-99 1999-00	2003-04 2003-04 2004-05 2004-05	-1541.23 -1472.97 -1400.11 -1139.01	Increase in loss by Rs.202.00	12283.49 12283.49 12951.35 13649.67	-18059.93 -19493.81 -18556.64 -22348.65	2234.08 2110.91 984.77 -195.78	-1445.42 -1459.06 -1056.29 -844.71	--	4	3269.00	1387
	Sector wise total					***-1139.01***	**--**	***13649.67***	***-22348.65***	***-195.78***	***-844.71***	**-**			
	FINANCING														
2.	Orissa State Financial Corporation	Industries	20 March 1956	2002-03	2003-04	129.62	Decrease in profit by Rs.521.00	8757.31	(-)37108.15	73677.00	1772.79	2.41	1	5004	914
	Sector wise total					***129.62***	**-**	***8757.31***	***(-)37108.15***	***73677.00***	***1772.79***	***2.41***			
	CO-OPERATION														
3.	Orissa State Warehousing Corporation.	Co-operation	21 March 1958	2002-03 2003-04[@]	2004-05	115.53 32.54	Decrease in profit Rs.80.45	360.00 360.00	3.95 0.07	4701.76 4087.20	227.21 32.54	4.83 0.80	--	1778.09	441
	Sector wise total					***32.54***	**-**	***360.00***	***0.07***	***4087.20***	***32.54***	***0.80***			
	TOTAL (B) STATUTORY CORPORATIONS					**-976.85**	**--**	**22766.98**	**-59456.73**	**77568.42**	**960.62**	**1.24**			
	TOTAL OF (A) + (B)					**-50818.89**	**--**	**213215.91**	**-236906.82**	**843834.76**	**11797.59**	**1.40**			
C.	**NON WORKING GOVERNMENT COMPANIES**														
	INDUSTRY														
1.	ORICHEM Limited (Subsidiary of Sl.No.22 of WC)	Industry	29 July 1974	2003-04	2004-05	194.92	--	276.65	-1502.91	147.07	197.22	134.01	--	NIL	04
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	--	22	--	

(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	2003-04	2004-05	Commercial production not started		0.08	-	582.92	--	--	--	--	--
	Sector wise total					***194.32***	**--**	***282.52***	***-1503.87***	***735.08***	***196.62***	***26.75***	**--**	**--**	**--**
	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	--	Under liquidation since 1976	--	--
5.	Gajapati Steel Industries Limited (Company closed since 1969-70; under voluntary liquidation since 01 March 1974)	Industries	15 Februar y 1959	1968-69	1974-75	-0.44	--	3.99	--	2.25	-0.42	--	Under liquidation since 1974	--	--
6.	Premiere Bolts and Nuts Limited (Company closed)	Industries	4 August 1959	1966	1973-74	-0.27	--	2.27	--	0.44	-0.27	--	Under process of liquidation. Assets have been sold.	--	--
7.	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09 March 1976)	Industries	22 Septem ber 1960	1972-73	1975-76	-0.36	--	4.20	--	3.08	-0.07	--	Under liquidation since 1976	--	--
8.	Orissa Instruments Company Limited	Industries	14 March 1961	1987-88	2000-01	-6.22	--	8.79	-0.79	35.80	-3.74	--	16	--	--
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	28		--
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl.No.22 of WC)	Industries	26 March 1993	2002-03	2003-04	-3564.00	--	193.16	-12741.71	8559.46	1404.85	16.41	1	---	22
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl.No.23 of WC)	Industries	11 January 1994	1994-95 1995-96 1996-97	2004-05 2004-05 2004-05	-0.02 -0.02 -0.02	--	0.05 0.05 0.05	-0.02 -0.04 -0.06	-0.02 -0.04 -0.06	-0.02 -0.02 -0.02	-	7	--	--
	Sector wise total					***-3571.77***	**--**	***229.28***	***-12742.56***	***8633.08***	***1401.56***	***16.23***	**--**	**--**	**--**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS														
12.	Manufacture Electro Limited (Assets have been sold)	Industries	24 September 1959	1965-66	1982-83	-0.08	--	0.45	--	--	-0.08	--	Under process of liquidation and assets have been sold	--	--
13.	Modern Electronics Ltd. (Under liquidation)	Industries	22 March 1960	1965-66	1982-83	0.23	--	4.37	--	2.77	0.26	9.39	-do-	--	--
14.	IPITRON Times Limited (Subsidiary of Sl.No.7 of WC)	Information and Technology	11 December 1981	1991-92 1992-93	2003-04 2004-05	-68.30 -128.23	--	80.83 80.83	-294.07 -422.30	277.04 147.96	-68.30 -89.78	--	Under liquidation since 1998.	---	--
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	12	---	--
16.	ELCOSMOS Electronics Limited (Subsidiary of Sl.No.7 of WC)	Information and Technology	12 January 1987	1992-93 1993-94	2003-04 2004-05	-131.08 -157.26	--	158.51 158.51	-272.45 -423.81	248.38 197.79	-61.03 -73.54	--	Under liquidation since 1998.	---	--
17.	ELCOPHONES Limited (Subsidiary of Sl.No.7 of WC)	Information and Technology	10 December 1987	1st	account	not	yet	received.					16		
18.	ELCO Communication and Systems Limited (Subsidiary of Sl.No.7 of WC)	Information and Technology	8 March 1989	1991-92 1992-93 1993-94	2003-04 2004-05 2004-05	-- --	-- --	0.007 0.007 0.007	-- -- --	74.66 73.63 63.04	-- --	-- --	Under liquidation since 1998.	--	--
	Sector wise total					***-380.30***	***--***	***364.17***	***-1449.63***	***1011.60***	***-116.99***				
	TEXTILE														
19.	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	-0.82	--	3.79	--	-0.62	-0.71	--	33	--	--
20.	New Mayurbhanj Textiles Limited	Industries	1988	1981-82	2003-04	2.51	--	1.50	3.17	4.65	2.51	53.98	22	--	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	--	Under liquidation since 2001	---	--
22.	Orissa State Textile Corporation Limited	Textile and Handlooms	10 September 1981	1993-94	2003-04	-309.69	--	262.00	-1595.30	-545.14	-180.26	--	10	---	--
23.	ABS Spinning Orissa Limited (Subsidiary of Sl.No.22 of WC)	Industry	1 April 1990	1995-96	2003-04	-836.35	--	300.00	-4471.83	-608.99	-398.52	--	8	NIL	199
	Sector wise total					***-2168.09***	***--***	***3037.53***	***-11404.57***	***-633.29***	***-1343.08***	***--***	***--***	***--***	***--***

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	HANDLOOM														
24.	Orissa Handloom Development Corporation Limited (Defunct since 1997-98)	Industries	01 February 1977	1997-98	2004-05	-140.36	--	353.37	-1355.97	170.45	-86.21	-- --	6	--	247
	Sector wise total					***-140.36***	***--***	***353.37***	***-1355.97***	***170.45***	***-86.21***	***--***			
	MISCELLANEOUS														
25.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	7 January 1964	1994-95	2004-05	-28.53		234.00	-1127.56	318.46	18.04	5.66	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	--	21	--	--
27.	Orissa State Export Development Corporation Limited	Handicraft and Cottage Industries	27 July 1990	1990-91	1995-96	--	--	0.85	--	-0.06	--	--	13	--.	--
28.	Eastern Aquatic Products Limited	Industries	06 May 1959	1972-73	1975-76	--	--	0.60	--	0.31		--	Under liquidation since 1978		
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	--	Under process of liquidation. Assets sold		
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	--	Under process of liquidation. Assets sold		
31.	Orissa State Leather Corporation Limited (Closed under ID Act w.e.f 18 June 1998)	Industries	19 April 1976	1988-89	2004-05	-23.06	--	184.91	-246.42	171.18	-16.73	--	15	---	--
32.	Orissa Leather Industries Limited (subsidiary of Company at Sl.No.31 of NWC)	Industries	26 July 1986	1991-92	1995-96	--	--	65.00	--	192.02	--	--	12	--	--
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	1994-95	2004-05	-5.14	-	75.00	--	210.10	-5.14	--	9	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
34.	Orissa Timber and Engineering Works Limited (subsidiary of company at Sl. No. 23 of WC) (Closed since July 2000)	Industries	11 January 1994.	1995-96 1996-97	2004-05 2004-05	-0.03 -0.03	--	0.05 0.05	-0.10 -0.13	-0.35 -0.38	-0.03 -0.03	--	7	--	---
35	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 22 of WC)	Industries	22 March 2002	2002-03	2003-04	-159.76	Decrease in loss by 54.02	5.00	-159.76	-156.76	-85.73	-	1		
	Sector wise total					***-221.63***	***-***	***609.72***	***-1533.87***	***760.64***	***-92.95***	**--**			
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES					**-6287.83**	**--**	**4876.59**	**-29990.47**	**10677.56**	**-41.05**	**--**			
	TOTAL OF (A) + (B) + (C)					**-57106.72**	**--**	**218092.50**	**-266897.29**	**854512.32**	**11756.54**	**1.38**			

* 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 (Companies at Sl No.A-4 and A-14).

*** Figures in Col.15 and 16 relates to the year 2003-04

**** Return on capital employed represents interest on borrowed fund plus net profit/ loss.

@ Supplementary audit is in progress

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 2004

(Referred to in Paragraph 1.6 and 1.19)

(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$^{\otimes}$					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	--	1006.62	-	1006.62	--	338.94	--	--	338.94	--	--	--	--	--	--
2.	Orissa Rural Housing and Development Corporation Limited	--	--	13.75	13.75	--	58537.25 (39708.86)	--	--	58537.25 (39708.86)	--	--	--	--	--	--
3	Orissa Film Development Corporation Limited	--	30.27		30.27											
4	Orissa Agro Industries Corporation Limited	--	--	--	--	150.00	--	--	--	150.00	--	--	--	--	--	--
5	Orissa State Civil Supplies Corporation Limited	--	2179.41	--	2179.41	--	--	--	--	--	--	--	--	--	--	--
6.	Orissa Small Industries Corporation Limited	--	--	--	--	--	-- (3050.00)	--	--	-- (3050.00)	--	--	--	--	--	--
7	Orissa State Seeds Corporation Limited.	0.67	0.57	--	1.24	--	--	--	--	--	--	--	--	--	--	--
8	Agricultural Promotion and Investment Corporation of Orissa Limited		20.00#		20.00#											
9	Grid Corporation of Orissa Limited	--	2290.50#	--	2290.50#	--	127585.00 (149905.09)	--	--	127585.00 (149905.09)	--	--	--	--	--	
10.	Industrial Development Corporation of Orissa Limited	--	--	--	--	--	720.00	--	--	720.00	--	--	--	--	--	--
11.	Orissa Construction Corporation Limited	--	--	--	--	(700.00)	--	--	--	(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	--	--	11.50 #	11.50 #	--		--	--		--	--	--	--	--	--
13.	Orissa Power Generation Corporation Limited	--	--	--	--	--	2497.23 (12625.92)	--	--	2497.23 (12625.92)	--	--	--	--	--	--
14.	Orissa Hydro Power Corporation Limited	--	--	9.46#	9.46#	--	27426.05 (61504.00)	--	--	27426.05 (61504.00)	--	--	--	--	--	--
15.	ELMARC Limited	--	--	--	--	--	(250.00)	--	--	(250.00)	--	--	--	--	--	--
16.	Orissa Pisciculture Development Corporation Limited			0.61	0.61											
Total (A) Working Government Companies		**0.67**	**3216.87 2310.50#**	**14.36 20.96#**	**3231.90 2331.46#**	**150.00 (700.00)**	**217104.47 (267043.87)**	**--**	**--**	**217254.47 (267743.87)**	**--**	**--**	**--**	**--**	**--**	
B.	**WORKING STATUTORY CORPORATIONS**															
1.	Orissa State Financial Corporation	--	27.00	--	27.00	--	(34573.84)	--	--	(34573.84)	--	--	--	--	--	--
2	Orissa State Warehousing Corporation	--	150.00#		150.00#											
3.	Orissa State Road Transport Corporation	--	160.00	--	160.00	(1265.00)	(1021.00)	--	--	(2286.00)	--	--	--	--	--	--
Total (B) Working Statutory Corporations		**--**	**187.00 150.00#**	**--**	**187.00 150.00#**	(1265.00)	**(35594.84)**	**--**	**--**	**(36859.84)**	**--**	**--**	**--**	**--**	**--**	**--**
	TOTAL (A) + (B)	**0.67**	**3403.87 2460.50#**	**14.36 20.96#**	**3418.90 2481.46#**	**150.00 (1965.00)**	**217104.47 (302638.71)**	**--**	**--**	**217254.47 (304603.71)**	**--**		**--**		**--**	**--**
C.	**NON WORKING GOVERNMENT COMPANIES**															
1.	ABS Spinning Orissa Limited	--	--	--	--	437.31 (7.64)	12.00	--	--	449.31 (7.64)	504.79	--	1695.40	2200.19	--	--
2	IDCOL Piping and Engineering Works Limited			32.87	32.87											
TOTAL (C)		**--**	**--**	**32.87**	**32.87**	**437.31 (7.64)**	**12.00**	**--**	**--**	**449.31 (7.64)**	**504.79**	**--**	**1695.40**	**2200.19**	**--**	**--**
TOTAL (A)+(B)+(C)		**0.67**	**3403.87 2460.50#**	**47.23 20.96#**	**3451.77 2481.46#**	**587.31 (1972.64)**	**217116.47 (302638.71)**	**--**	**--**	**217703.78 (304611.35)**	**504.79**	**--**	**1695.40**	**2200.19**	**--**	

Note: Except in respect of Sl. No.A-13 and B-2 which finalised the accounts for 2003-04, figures are provisional and as given by the companies/corporations
⊗ 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 (P R O V I S I O N A L)			
Particulars	**2001-02**	**2002-03**	**2003-04**
A. LIABILITIES			
Capital (including loan capital and equity capital)	136.41	136.41	136.41
Borrowings (Government)	23.02	37.63	31.51
(Others)	48.10	16.63	6.72
Funds*	0.89	0.89	0.89
Trade dues and other current liabilities (including provisions)	95.84	94.34	**94.21**
Total (A)	**304.26**	**285.90**	**269.74**
B. ASSETS			
Gross Block	63.74	67.27	70.14
Less : Depreciation	51.15	53.10	55.64
Net fixed assets	12.59	14.17	14.50
Capital works-in-progress (including cost of chassis)	--		--
Investment	5.54	5.04	5..04
Current assets, loans and advances	16.18	16.19	16.38
Accumulated losses	269.95	250.50	233.82
Total (B)	**304.26**	**285.90**	**269.74**
C. CAPITAL EMPLOYED**	**-67.07**	**-63 .98**	**-63.33**

2. ORISSA STATE FINANCIAL CORPORATION			
Particulars	**2001-02**	**2002-03**	**2003-04**
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	349.96	334.66	317.20
(ii) Fixed Deposits	7.54	7.90	7.03
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	283.30	279.56	264.48
(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 (subvention from State Government)	14.08	14.22	14.22
Other liabilities and provisions	309.78	329.89	335.86
Total (A)	**1073.90**	**1067.62**	**1040.18**
B. ASSETS			
Cash and Bank balance	16.56	22.74	19.98
Investments	**0.74**	**0.34**	0.00
Loans and Advances	631.31	617.60	586.55
Net fixed assets	4.59	4.19	3.73
Other assets	48.32	51.67	52.06
Miscellaneous expenditure (Loss)	372.38	371.08	377.86
Total (B)	**1073.90**	**1067.62**	**1040.18**
C. CAPITAL EMPLOYED***	**722.38**	**736.77**	**706.80**

---

[*] Excluding depreciation funds

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

[***] 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).

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**2001-02**	**2002-03**	**2003-04**
A. LIABILITIES			
Paid-up capital	3.60	3.60	3.60
Reserves and surplus	11.93	20.60	13.03
Borrowings	--	22.25	22.25
Trade dues and other current liabilities (including provisions)	18.23	18.64	18.67
Total (A)	**33.76**	**65.09**	**57.55**
B. ASSETS			
Gross Block	12.56	39.21	38.83
Less : Depreciation	2.80	3.88	4.80
Net fixed assets	9.76	35.33	34.03
Capital works-in-progress	0.24	3.89	0.02
current assets, loans and advances	23.76	25.87	23.50
Total (B)	**33.76**	**65.09**	**57.55**
C. CAPITAL EMPLOYED*	**15.53**	**47.02**	**40.87**

* Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, free reserves, loans in lieu of capital, seed money, debentures (other than those which have been funded specially and backed by investment outside), bonds, deposits and borrowings (including refinance).

ANNEXURE-5

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

(Rupees in crore)

1.	**ORISSA STATE ROAD TRANSPORT CORPORATION**			
	Particulars	**2001-02**	**2002-03**	**2003-04**
OPERATING		**Provisional**	**Provisional**	**Provisional**
a)	Revenue	27.23	28.64	27.78
b)	Expenditure	29.00	28.27	29.46
c)	Surplus / Deficit -	-1.77	0.37	-1.68
NON-OPERATING				
a)	Revenue	4.02	4.09	3.90
b)	Expenditure	7.77	3.48	1.57
c)	Surplus / Deficit -	-3.75	0.61	2.33
TOTAL				
a)	Revenue	31.25	32.73	31.68
b)	Expenditure	36.77	31.75	31.03
c)	Surplus / Deficit -	-5.52	0.98	0.65
Interest on capital and loans		5.39	1.53	1.53
Total return on Capital employed*		**-0.13**	**2.51**	**2.18**
Percentage of return on Capital employed		--	--	

2.	**ORISSA STATE FINANCIAL CORPORATION**			
	Particulars	**2001-02**	**2002-03**	**2003-04**
1.	**INCOME**			**(Provisional)**
(a)	Interest on Loans	68.34	58.05	34.18
(b)	Other income	8.18	1.13	1.51
TOTAL - 1		**76.52**	**51.17**	**35.69**
2.	**EXPENSES**			
(a)	Interest on long-term and short-term loans	60.46	16.43	25.24
(b)	Provision for non-performing assets		18.54	3.53
(c)	Other expenses	14.08	14.90	13.70
TOTAL - 2		**74.54**	**49.87**	**42.47**
3.	Profit before tax (1-2)	1.98	1.30	-6.78
4.	Provision for tax	--	-	--
5.	Profit (+) / Loss - after tax	1.98	1.30	-6.78
6.	Other appropriations			
7.	Amount available for dividend			
8.	Dividend			
9.	**Total return on Capital employed***	**62.44**	**17.73**	**18.46**
10.	Percentage of return on Capital employed	8.64	2.41	2.61

* 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			(Rupees in crores)
Particulars	**2001-02**	**2002-03**	**2003-04**
1. INCOME			
Warehousing Charges	15.66	15.56	17.61
Other income	0.30	0.24	0.17
TOTAL – 1	**15.96**	**15.80**	**17.78**
2. EXPENSES			
(a) Establishment charges	4.47	4.52	5.04
(b) Other expenses	7.91	9.79	12.28
TOTAL - 2	**12.38**	**14.31**	**17.32**
3. Profit / Loss - before tax	3.58	1.49	0.46
4. Provision for tax	0.15	0.37	0.13
5. Prior period adjustment		0.03	--
6. Profit / Loss - after tax	3.43	1.15	0.33
7. Other appropriations	2.55	0.83	0.30
8. Amount available for dividend	0.42	0.32	0.03
9. Dividend for the year	0.60	0.29	0.07
10. Total return on Capital employed*	**3.43**	**2.27**	**0.33**
11. Percentage of return on Capital employed	18.70	4.83	0.81

* 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

(Rupees in crore)

Particulars	2001-02 (Provisional)	2002-03 (Provisional)	2003-04 (Provisional)
Average number of vehicles held	297	267	259
Average number of vehicles on road	251	241	233
Percentage of utilisation of vehicles	85	90	90
Number of employees	2419	1602	1387
Employee vehicle ratio	9.64:1	6.65:1	5.95:1
Number of routes operated at the end of the year	120	127	117
Route Kilometres	39340	42398	37172
Kilometres operated (in lakh)			
(a) Gross	272.82	269.28	256.93
(b) Effective	268.79	266.09	253.03
(c) Dead	4.03	3.19	3. 90
Percentage of dead kilometres to gross kilometres	1.48	1.18	1. 52
Average kilometres covered per bus per day	293	302	297
Average operating revenue per kilometre (Paise)	1012	1077	1098
Increase in operating revenue per kilometre (Paise) over previous year's income (per cent)	10.11	6.42	1.95
Average operating expenditure per kilometre (Paise)	1078	1063	1164
Increase /(-) Decrease in operating expenditure per kilometre (Paise) over previous year's expenditure (per cent)	-9.87	-1.39	9.50
Loss per kilometre (Paise)	-66	14	-66
Number of operating depots	30	14	15
Average number of break downs per lakh kilometre	0.46	0.41	0. 38
Average number of accidents per lakh kilometre	0.15	0.14	0. 17
Passenger kilometres operated (in crore)	87.73	88.13	79.68
Occupancy ratio (percentage)	68	69	67
Kilometres obtained per litre of :			
(a) Diesel Oil	NA	NA	
(b) Engine Oil	NA	NA	NA

2. ORISSA STATE FINANCIAL CORPORATION

(Rupees in crore)

Particulars	2001-02		2002-03		2003-04 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Application pending at the beginning of the year	90	38.21	69	14.81	32	5 .65
Application received	1040	107.57	229	20.99	148	18. 27
Total	**1130**	**145.78**	**298**	**35.80**	**180**	**23.92**
Application sanctioned	1021	122.31	180	15.25	80	10. 93
Application cancelled/withdrawn/ rejected/reduced	39	8.06	86	14.90	72	8. 15
Application pending at the close of the year	70	15.41	32	5.65	28	4. 84
Loans disbursed	1000	95.19	345	29.06	79	9. 81
Loan outstanding at the close of the year	19371	630.61	19764	617.60	NA	586.55
Amount overdue for recovery at the close of the year						
(a) Principal	NA	273.52	00	294.86	19511	321. 23
(b) Interest	NA	534.08	00	640.98		1021.27
Total		**807.60**		**935.84**		**1342.50**
Amount involved in recovery certificate cases		--	--			
Total						
Percentage of default to total loans outstanding		43.37		43.37		54.77

3. ORISSA STATE WAREHOUSING CORPORATION

(Rupees in crore)

Particulars	2001-02	2002-03	2003-04
Number of stations covered	53	51	74
Storage capacity created up to the end of the year (tonne in lakh)			
(a) Owned	1.76	1.85	3. 96
(b) Hired	0.87	0.17	0. 11
Total	**2.63**	**2.02**	**4. 07**
Average capacity utilised during the year (in lakh tonne)	2.64	2.46	3. 10
Percentage of utilisation	100	122	76
Average revenue per tonne per year (Rupees)	50.39	53.28	47. 80
Average expenses per metric tonne per year (Rupees)	37.55	49.50	46. 92
Profit / Loss - per MT (Rupees)	12.84	3.78	0. 88

ANNEXURE-7

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

(Referred to in Paragraph 1.34)

Sl. No.	Name of the Company	Year of Accounts	Supplementary Report under section 619(3)(a)
1.	Orissa Agro Industries Corporation Limited.	1997-98	The internal audit is not commensurate with the size and volume of business. Compliance mechanisms are not adequate.
2.	IDCOL Software Limited	2003-04	No internal audit carried out.
3.	Orissa Mining Corporation Limited.	2001-02	The Company is having an internal audit wing but no internal audit report is made available nor any supporting documents available for carrying out internal audit.
4.	IDCOL Piping and Engineering Works Limited	2002-03	No internal audit system is prevailing in the Company. The Company does not have an Audit Committee.
5.	Orissa Construction Corporation Limited	2001-02	The scope of work in relation to internal audit of Head Office and field offices is not adequate. The Company does not have an internal Audit Committee.
6.	ELMARC Limited	1998-99	No internal audit system exists in the Company during the year.
7.	Orissa State Electronic Development Corporation Limited	1998-99	No internal audit report is available. The Company does not have any Audit Committee.
8.	Orissa Rural Housing and Development Corporation Limited	2000-01	The Company does not have an Audit Committee. Internal audit require improvement.
9.	IDCOL Kalinga Iron Works Limited	2002-03	No internal audit conducted during the year.
10.	Orissa Lift Irrigation Corporation Limited.	2000-01	The internal audit system is not adequate and commensurate with the size of the Company. Internal audit has not been conducted since long.
11.	Konark Jute Limited	1999-2000	The Company has no Audit Committee of the Board of Directors.
12.	Orissa Forest Development Corporation Limited	2001-02	The Company has an internal audit system which in our opinion is not adequate and commensurate with the size and nature of the business.

ANNEXURE-8

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts
(Referred to in Paragraph 1.36)

(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	Others	State Govt	State Govt. companies	Central Govt. and their companies	Others	State Govt	State Govt. companies	Central Govt. and their companies	Others	State Govt	State Govt. companies	Central Govt. and their companies	Others		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(20)	(21)	(22)
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	2003-04	3.05		3.05 (100)				1.28		1.20		2.46				6.79		1.20	(-)0.13	(-)25.86
3.	Konark Met Coke Ltd.	Working	2003-04	132.72*	--	29.13 (21.95)	102.89 (77.52)	0.70 (0.53)	--	--	404.95	42.08	--	---	--		--	29.13	507.84	42.78	--	--

* Includes share application money Rs.0.10 crore.
Note: Figures in the bracket are in percentage.

ANNEXURE-9

(Referred to in Paragraph 2.1.6)

(a) Statement showing financial Position for five years ending March 2003 of Orissa Mining Corporation Limited

(Rupees in lakh)

Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
(A) Liabilities					
a) Paid up capital	3,145.48	3,145.48	3,145.48	3,145.48	3,145.48
b) Reserves & surplus	5,669.44	3,783.87	2,982.56	2,583.20	4,736.45
c) Borrowing (excluding interest accrued)	3,332.84	4,024.45	5,236.41	6,279.46	5,038.57
d) Trade dues & other liabilities (including provisions)	17,524.36	20,661.26	20,168.08	20,325.59	21,812.97
Total	**29672.12**	**31,615.06**	**31,532.53**	**32,333.73**	**34,733.47**
(B) Assets					
a) Gross Block	9,727.69	10,042.53	10,298.30	10,549.93	11,287.39
b) Less depreciation	6,560.09	7,025.87	7,510.40	7,879.55	8,364.93
c) Net fixed asset	3,167.60	3,016.66	2,787.90	2,670.38	2,922.46
d) Capital work-in-progress	450.43	186.97	300.52	332.86	429.58
e) Investment	100.45	350.45	806.84	1,656.88	1,956.20
f) Current assets, loans and advances (including Deferred Tax Asset)	25,953.64	28,060.98	27,637.27	27,673.61	28,862.66
Miscellaneous expenditure	**--**	**--**	**--**	**--**	**562.57**
Total	**29,672.12**	**31,615.06**	**31,532.53**	**32,333.73**	**34,733.47**
(C) Capital employed*	**12,047.31**	**10,603.35**	**10,557.61**	**10,351.26**	**10,401.73**
(D) Net worth**	**8,814.92**	**6,929.35**	**6,128.04**	**5,728.68**	**7,319.36**

* Capital employed represents net fixed assets plus capital work in progress plus working capital.
** Net worth represents paid up capital plus reserves minus intangible assets.

ANNEXURE-9

(Referred to in Paragraph 2.1.6)

(b) Statement showing working results for the five years ending 31 March 2003 of Orissa Mining Corporation Limited.

(Rupees in lakh)

Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03
Sales	10,087.70	11,194.39	11,111.75	18,175.32	19,758.43
Other income	180.49	147.78	131.68	50.18	598.67
Interest	610.59	322.53	286.07	172.56	147.27
Total	**10,878.78**	**11,664.70**	**11,529.50**	**18,398.06**	**20,504.37**
Expenditure					
Production and processing cost	9,086.70	11,292.31	10,919.07	16,057.74	10,640.02
Salaries & allowances	671.64	1,641.23	762.53	883.49	4,962.35
Administrative expenses	2020.45	534.86	507.81	457.31	1,812.70
Interest	388.76	51.93	152.35	641.25	575.32
Depreciation	21.94	20.62	22.12	23.21	510.41
Total	**12,189.49**	**13,540.95**	**12,363.88**	**18,063.00**	**18,500.80**
Profit/(Loss) for the year	(1,310.71)	(1,876.25)	(834.38)	335.06	2,003.58
(Debit)/credit pertaining to previous year	109.95	(9.31)	33.07	(734.42)	(25.68)
Provision for tax	--	--	--	--	(218.21)
Profit/(Loss) after tax	(1,200.76)	(1,885.56)	(801.31)	(399.36)	1,759.69
Cash (loss*)/ Profit	(1,178.82)	(1,864.94)	(779.19)	(376.15)	2,270.10

* Loss for the year minus depreciation

ANNEXURE-10
(Referred to in Paragraph 2.1.8)
(a) Statement showing Mines-wise Profitability Analysis of OMC Limited

(Rupees in lakh)

Particulars	1999-00				2000-01				2001-2002				2002-2003			
	Revenue	**Expr.**	**Profit**	**Loss**	**Revenue**	**Expr.**	**Profit**	**loss**	**Revenue**	**Expr.**	**Profit**	**Loss**	**Rev**	**Expr.**	**Profit**	**Loss**
1. Iron ore																
Daitari	483.91	1227.84		743.93	1269.51	1877.23		607.72	4121.11	3991.19	129.92		4269.97	3856.61	413.36	
Gandhamardan	190.67	344.42		153.75	168.26	332.97		164.71	300.95	443.6		142.65	854.9	705.03	149.87	
Khandadhara	--	68.14		68.14	--	40.92		40.92	--	31.84		31.84	16.06	31.41		15.35
Dubna/Sekradihi	334.25	310.37	23.88		300.05	269.86	30.19		248.66	249.28		0.62	427.49	287.31	140.18	
Khandabandha	256.68	362.78		106.1	217.3	310.33		93.03	289.55	346.38		56.83	559.38	490.08	69.3	
Balda Palsa Jajang	123.22	278.64		155.42	324.9	413.42		88.52	243.47	299.27		55.8	487.99	422.49	65.5	
SGBK	87.93	116.83		28.9	95.67	117.16		21.49	125.9	123.35	2.55		308.75	260.37	48.38	
Barapada Kasia	179.07	216.54		37.47	148.05	190.34		42.29	89.99	131.93		41.94	266.91	239.95	26.96	
Seremeda	27.96	23.29	4.67		24.56	23.07	1.49		18.09	26.82		8.73	12.69	8.39	4.3	
Kumardhobi/ Bansapani	--	--			--	--	--		--	--	--		169.11	94.76	74.35	
Total	**1683.69**	**2948.85**			**2548.3**	**3575.3**			**5437.72**	**5643.66**			**7373.25**	**6396.4**		
2. Manganese																
Dubna	330.43	347.59		17.16	396.14	358.25	37.89		305.78	323.97		18.19	328.42	333.65		5.23
Seremeda Bhadrasahi	393.11	348.09	45.02		380.69	409.00		28.31	381.78	461.83		80.05	214.24	301.04		6.8
Dalki	0.00	60.59		60.59	0.00	49.34		49.34	0	48.05		48.05	0	43.42		43.42
SGBK	394.87	476.33		81.46	475.11	488.94		13.83	362.02	489.06		127.04	481.97	506.97		25
Nisikhal	0.00	90.79		90.79	39.27	114.81		75.54	0	62.72		62.72	0	48.53		48.53
Total	**1118.41**	**1323.39**			**1291.21**	**1420.34**			**1049.58**	**1385.63**			**1024.63**	**1233.61**		

Particulars	1999-00				2000-01				2001-2002				2002-2003			
	Revenue	**Expr.**	**Profit**	**Loss**	**Revenue**	**Expr.**	**Profit**	**loss**	**Revenue**	**Expr.**	**Profit**	**Loss**	**Rev**	**Expr.**	**Profit**	**Loss**
3. Chrome ore																
Kaliapani	163.25	683.03		519.78	102.57	462.72		360.15	432.05	714.46		282.41	200.24	654.96		454.72
S. Kaliapani	5635.68	3011.24	2624.44		4633.65	2676.89	1956.76		4883.99	2681.73	2202.26		6170.07	3403.09	2766.98	
Kalarangi	78.19	307.55		229.36	33.38	356.59		323.21	38.63	278.62		239.99	33.24	100.58		67.34
Kathpal	193.29	366.45		73.16	101.11	348.25		247.14	11.1	280.64		269.54	14.61	173.67		159.06
Bangur	109.42	144.42		35.00	75.71	127.09		51.38	23.5	120.22		96.72	6.42	249.9		243.48
Sukarangi	0.00	190.32		190.32	0.00	0.00	0.00		19.88	251.78		231.9	0	249.45		249.45
COBP	2048.81	1418.16	630.65		2716.1	2173.59	542.51		6958.18	4266.07	2692.11		4852.22	3804.44	1047.78	
Total	8228.64	6121.17			7662.52	6145.13	1517.39		12367.33	8593.52			11276.8	8636.09		
4. Limestone																
Umpavally	4.39	62.15		57.76	1.24	48.03		46.79	1.33	53.43	.1	52	3.4	37.35		33.95

ANNEXURE-10

(Referred to in Paragraph 2.1.8)

(b) Statement showing list of loss making mines with amount of loss of OMC Limited

(Rupees in lakh)

Name of Mines	1999-2000	2000-01	2001-02	2002-03
Iron ore				
Daitari	743.93	607.72	--	--
Gandhamardan	153.75	164.71	142.65	--
Khandadhar	68.14	40.92	31.84	15.35
Dubna/Sekradihi*	--	--	0.62	--
Khandbandh	106.10	93.03	56.83	--
BPJ	155.42	88.52	55.80	--
SGBK*	28.90	21.49	--	--
Barpada Kasia	37.47	42.29	41.94	--
Seremeda Bhadrasahi	--	--	8.73	--
Total	***1293.91***	***1058.68***	***338.41***	***15.35***
Manganese ore				
Dubna*	17.16	--	18.19	5.23
Seremeda Bhadrasahi	--	28.31	80.05	86.80
Dalki	60.59	49.34	48.05	43.42
SGBK*	81.46	13.83	127.04	25.00
Nishikhal	90.79	75.54	62.72	48.53
Total	***250.00***	***167.02***	***336.05***	***208.98***
Chrome ore				
Kaliapani	519.78	360.15	282.41	454.72
Kalarangi	229.36	323.21	239.99	67.34
Kathpal	173.16	247.14	269.54	159.06
Bangur	35.00	51.38	96.72	243.48
Sukarangi	190.32	**	231.90	249.45
Total	***1147.62***	***981.88***	***1120.56***	***1174.05***
Lime stone				
Umpavalley	57.76	46.79	52.10	33.95
Grand total for all 18 mines for four years				**8283.11**

* Repeated both in iron and manganese.

** Not operated for 2000-01

ANNEXURE-11

Statement showing targets and actual production of ore for five years ending 2003-04 in respect of OMC Limited

(Referred to in Paragraph 2.1.10)

(in lakh MT)

Particulars	1999-200			2000-01			2001-02			2002-03			2003-04			Total		
	Target	Actual	Shortfall (Percentage of achievement)	Target	Actual	Shortfall (Percentage of achievement)	Target	Actual	Shortfall (Percentage of achievement)	Target	Actual	Shortfall (Percentage of achievement)	Target	Actual	Short-fall (Percentage of achievement)	Target	Actual	Shortfall (Percentage of achievement)
Iron																		
Production (lakh MT)	14.55	9.18	5.37 (63.09)	16.08	8.61	7.47 (53.54)	15.61	11.45	4.16 (73.35)	35.20	19.47	15.73 (55.31)	45.80	23.72	22.08 (51.79)	127.24	72.43	54.81 (56.92)
Sales (lakh MT)	9.99	6.92	3.07 (69.27)	14.27	8.07	6.20 (56.55)	14.45	13.14	1.31 (90.93)	33.13	20.80	12.33 (62.78)	37.30	25.14	12.16 (67.40)	109.14	74.07	35.07 (67.87)
Manganese																		
Production (lakh MT)	1.74	1.25	0.49 (71.84)	1.69	1.19	0.50 (70.41)	1.51	0.97	0.54 (64.24)	1.70	0.99	0.71 (58.24)	1.60	0.47	1.13 (29.38)	8.24	4.87	3.37 (59.10)
Sales (lakh MT)	1.70	1.13	0.57 (66.47)	1.83	1.18	0.65 (64.48)	1.56	1.02	0.54 (65.38)	1.70	0.82	0.88 (48.24)	1.60	0.91	0.69 (56.88)	8.39	5.06	3.33 (60.31)
Chromite																		
Production (lakh MT)	5.15	5.10	0.05 (99.03)	5.35	4.61	0.74 (86.17)	6.05	8.07	-2.02 (133.39)	9.59	7.09	2.50 (73.93)	9.50	7.56	1.94 (79.58)	35.64	32.43	3.21 (90.99)
Sales (lakh MT)	3.30	4.04	-0.74 (122.42)	3.80	3.36	0.44 (88.42)	5.40	5.63	-0.23 (104.26)	6.00	5.72	0.28 (95.93)	5.07	6.98	-1.91 (137.67)	23.57	25.73	-2.16 (109.16)
Export																		
Chrome (lakh MT)	1.80	2.52	-0.72 (140)	2.30	2.07	0.23 (90)	2.50	4.79	-2.29 (191.60)	4.00	4.53	-0.53 (113.25)	4.00	3.02	0.98 (75.50)	14.60	16.93	-2.33 (115.96)
Iron ore (lakh MT)	2.00	1.28	0.72 (64)	2.00	2.44	-0.44 (122)	3.00	6.99	-3.99 (233)	5.00	4.64	0.36 (92.80)	7.50	4.49	3.01 (59.87)	19.50	19.84	-0.34 (101.74)
Other Minerals																		
Lime Stone																		
Production (lakh MT)	0.03	0.02	0.01 (66.67)	0.10	0.01	0.09 (10)	0.10	0.01	0.09 (10)	0	0	0	0	0		0.23	0.04	0.19 (17.39)
Sales (lakh MT)	0.05	0.03	0.02 (60)	0.10	0.01	0.09 (10)	0.10	0.01	0.09	0	0.01	-0.01	0	0.01	-0.01	0.25	0.07	0.18 (28)

ANNEXURE-12

Statement showing non-levy of penalty in respect of OMC Limited

(Referred to in Paragraph 2.1.11)

Sl. No.	Name of contractor	Agmt. No. and date	Quantity contracted (MT)	Quantity raised (MT)	Short fall in production (MT)	Value of production loss (Rs. in lakh)	Penalty (to be levied as per contract) (Rs. in lakh)	Remarks
1.	R.C. Maharana	7/2002-03n dt.24.5.2002	50000	10671	39329	161.45	26.35	The Company did not impose penalty @ Rs 67/- per MT on the contractor. The reasons were not on record.
2.	Jyoti Construction	38/2002-03 dt. 04.09.2002	260000 (ore) 55000 (OB)	176478 (0re) 12124 (OB)	83522 (ore) 42871 (OB)	342.86	45.33	The Company did not impose penalty on the contractor. Besides, the Company failed to recover Rs.22.26 lakh towards the cost of explosive (Rs.18.14 lakh), PF dues (Rs.3.04 lakh) and store material (Rs.1.08 lakh).
3.	Adhunik Steels Limited	8/2002-03 dt.07.05.2002	300000	125000	175000	718.37	81.20	The Company waived the penalty for shortfall even though the shortfall was due to stoppage of work by the Forest Department as the contractor was working wilfully beyond the permissible area.
4.	K.D.Sharma	27/2002-03 dt.17.7.2002	300000	120000	180000	738.90	102.15	The contract was awarded to EPIL, a Government of India undertaking in April 2002. Due to delay in handing over of land by the Company, EPIL's performance was poor. The Company retendered the work even before issuing notice to EPIL and awarded the work to K.D. Sharma canceling the contract with EPIL. Withdrawing the contract from a Government of India undertaking on the ground of poor performance proved imprudent as K.D. Sharma failed to raise the agreed quantity. Further, the Company did not impose penalty on K.D. Sharma for short production.
5	EPI Limited	2/2002-03 dt. 22.4.2002	72000 (ore) 28000 (OB)	14105 (ore) 2371 (OB)	57895 (ore) 25629 (OB)	237.06	49.28	No penalty was imposed though the shortfall was due to deployment of inadequate men and machinery.
	Total				**535746 (ore)**	**2199.24**	**304.31**	

ANNEXURE-13

Statement showing details of production and sales of minerals in respect of OMC Limited

(Referred to in Paragraph 2.1.28)

(Quantity in lakh MT)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
					(Provisional)
Opening stock					
Iron Ore	8.99	11.24	11.73	9.63	8.19
Manganese Ore	1.07	1.18	1.17	1.04	1.20
Chrome Ore	3.90	4.09	4.67	4.18	3.98
Production					
Iron Ore	9.18	8.61	11.45	19.47	23.72
Manganese Ore	1.25	1.19	0.97	0.99	0.47
Chrome Ore	5.10	4.61	8.07	7.09	7.56
Total stock					
Iron Ore	18.17	19.85	23.18	29.10	31.91
Manganese Ore	2.32	2.37	2.14	2.03	1.67
Chrome Ore	9.00	8.70	12.74	11.27	11.54
Sales					
Domestic sales					
Iron Ore	5.64	5.63	6.15	16.16	20.65
Manganese Ore	1.13	1.18	1.02	0.82	0.91
Chrome Ore	1.52	1.29	0.84	1.19	3.96
Export sales					
Iron Ore	1.28	2.44	6.99	4.64	4.49
Manganese Ore	--	--	--	--	--
Chrome Ore	2.52	2.07	4.79	4.53	3.02
Total sales					
Iron Ore	6.92	8.07	13.14	20.80	25.14
Manganese Ore	1.13	1.18	1.02	0.82	0.91
Chrome Ore	4.04	3.36	5.63	5.72	6.98
Consumption					
Iron Ore	0.02	--	0.01	0.01	NA
Manganese Ore	--	--	--	--	--
Chrome Ore	0.77	0.64	2.81	1.34	NA
Closing Balance					
Iron Ore	11.24	11.73	9.63	8.25	6.77
Manganese Ore	1.18	1.17	1.04	1.20	0.76
Chrome Ore	4.09	4.67	4.18	4.12	4.56
Shortage					
Iron Ore	0.001	0.05	0.39	0.04	NA
Manganese Ore	0.01	0.02	0.07	0.01	NA
Chrome Ore	0.09	0.03	0.13	0.08	NA
Percentage of ***(a) Sales to Production***					
Iron Ore	75.38	93.73	114.76	106.83	105.98
Manganese Ore	90.40	99.16	105.15	81.52	193.61
Chrome Ore	79.22	72.89	69.76	80.67	92.33
(b) Sales to total stock					
Iron Ore	38.08	40.65	56.69	71.48	78.78
Manganese Ore	48.71	49.79	47.66	40.39	54.49
Chrome Ore	44.89	38.62	44.19	50.75	60.48

ANNEXURE-14

Statement showing cases of loss due to lack of Internal Control System
(Referred to in Paragraph 2.1.40)

Sl. No.	Name of the Mining Region	Period	Subject	Nature of irregularities
1.	Daitari	2003-2004	Shortage of iron ore	The Deputy Director of Mines, JK Road, (DDM) conducted (November 2003) physical verification alongwith the officials of Daitari mines and found shortage of 1,45,871 MT of Lump and 6,194 MT of fines (62-65 %) and excess of 1,59,463 MT of fines (low grade 62 to 60 per cent). The DDM did not agree to adjustment of shortage of lump valued at Rs.13.65 crore with excess of fines and levied royalty of Rs.21.77 lakh on shortage which was paid by the Company in March 2004. The Management stated (May 2004) that booking of finished products are done on eye estimate. It indicates lack of effective physical verification over the years resulted in the aforesaid loss.
2.	Gandhamardan	2002-2004	Theft of iron ore	Though the Company detected (June 2003) the theft of 6,260 MT of iron ore from the old stack by the then contractor (DOAB International), no FIR was lodged against the contractor. The value of stolen stock on the prevailing market price was Rs.0.66 crore (62.60 X Rs.1054). The Company neither imposed any penalty nor rescinded the contract. The physical verification conducted by the unit in July 2003 indicated shortage of 47,643 MT of ore raised by two other contractors viz. R.C. Moharana (RCM) and Jyoti construction (JC). Subsequently the unit management stated that although the contractors (RCM and JC) had not actually produced 39,538 MT it had been wrongly booked in productions. The payment (Rs.4.05 crore) was, however, made for the entire quantity. The Company had not yet recovered double the value of 39,538MT of ore amounting Rs.8.10 Crore from the contractors nor fixed responsibility for the false report by the management.
3.	Barbil	2000-2004	Shortage of manganese ore	The Departmental workers of Dubna, SGBK and Seremeda Bhadrasahi manganese ore mines were paid their wages on piece rate basis (i.e. @ Rs.39.00 for one box of 9 cft). Audit scrutiny revealed that in respect of three manganese ore mines against the actual production of 1,80,304 MT, the production was recorded as 1,27,027 MT leading to shortage of 53,277 MT of manganese ore valued at Rs.8.26 crore.

Sl. No.	Name of the Mining Region	Period	Subject	Nature of irregularities
				The Management stated (May 2004) that workers were paid wages based on the ROM material delivered in the box having fixed volume which contains manganese of different grades as well as intermittent waste and spurious materials. The reply is not tenable as wages were paid for boxes containing ore and not for waste material.
4.	Barbil	2001-2003	Missing of manganese ore stacks	As per the system followed by the Company different grades of manganese ore raised from the mines are analysed and stacked separately and entered in the Stack Register with stack no., grade, quantity, etc. Test check of records of Seremeda Mines for the years 2001-03 revealed that 265 stacks containing 2,650 MT valued at Rs.41.08 lakh were neither transported as per transport records nor available in mines stack yard as per physical verification report of the Company. This resulted in loss of Rs.41.08 lakh. The Management stated (May 2004) that where manganese content is less than 30 per cent such stacks are not taken to production and not reflected in verification statements. The reply is not tenable as missing stacks include higher grade stacks also.
5.	Rayagada	2002-2003	Loss of tin ore	In December 1994, the Company entered into a Joint Venture agreement with Reme Private Limited (REME), New Delhi to take up the work at Mundaguda mine wherein, Hindustan Alloys Manufacturing Company Limited (HAMCO) was referred to as a third party interested in setting up a tin ore processing plant. As per the agreement, REME would not remove any tin ore/ other minerals without the prior approval of the Company. No control was, however, exercised by any officer to monitor the day-to-day progress/activities of REME and HAMCO at Mundaguda. REME had raised 51.075 MT during January 1996 to April 1997. Geological explorations were stopped by REME in August 1998. The Manager (Geology) deputed (March 1999) to verify and take possession of the stock with the help of Deputy Director of Mines, Koraput and the police, failed due to protest from REME/HAMCO employees. In this connection, it revealed that the stock of tin ore was under the custody of HAMCO who had no authority under the agreement. The Managing Director did not take any step up to November 2002 in spite of intimation by the unit officer about stock lying in unsafe condition. Before the Managing Director took up (November 2002) the matter with DIG police, 34.45 MT tin ore valued at Rs.1.75 crore was stolen and the Company took possession of the stock of only 13.10 MT.

Sl. No.	Name of the Mining Region	Period	Subject	Nature of irregularities
6.	Daitari	2003-2004	Transport of unaccounted stock of iron ore	Daitari Iron Ore mine was dispatching iron ore from the mine/OHP to Daitari Railway Siding (DRS), Tomka Railway Siding (TRS) and Paradeep for onward sale to different buyers. Before despatch of ore, the loaded trucks were weighed at Baliparbat weigh bridge near the OHP. Scrutiny of ore verification statements relating to Tomka Railway Siding (TRS) revealed that even though no ore was in the stock at TRS in January 2003 and December 2003, 11,183 MT of CLO was dispatched from TRS to MMTC (6,756 MT) and NINL (4,427 MT). This clearly indicated that the Company had no proper control over the system of transporting ore from mines to TRS.

ANNEXURE-15

Statement showing quantity of energy sold to DISTCOs, billing and collection thereof in respect of GRIDCO Limited

(Referred to in Paragraph-2.2.6)

(Rupees in crore)

Name of the DISTCOs.	Energy sold (MU)	Bill amount		Total	Collection during the year	Balance Outstanding	Percentage of collection to current bills.	Percentage of collection to total outstanding.
		Opening Balance	Amount of current bill					
1999-00								
WESCO	2691	46.18	350.28	396.46	283.99	112.47	81.08	71.63
NESCO	2260	41.66	293.91	335.57	182.38	153.19	62.05	54.35
SOUTHCO	1434	26.50	182.32	208.82	100.84	107.98	55.31	48.29
CESCO	3611	80.16	453.63	533.79	326.68	207.11	72.02	61.20
		194.50	**1280.14**	**1474.64**	**893.89**	**580.75**	**69.83**	**60.62**
2000-01								
WESCO	2872	112.47	411.89	524.36	357.84	166.52	86.88	68.24
NESCO	2440	153.19	304.69	457.88	338.79	119.09	111.19	73.99
SOUTHCO	1524	107.98	190.49	298.47	216.85	81.62	113.84	72.65
CESCO	4028	207.11	505.47	712.58	377.55	335.03	74.69	52.98
		580.75	**1412.54**	**1993.29**	**1291.03**	**702.26**	**91.40**	**64.77**
2001-02								
WESCO	2981	166.52	429.84	596.36	355.14	241.22	82.62	59.55
NESCO	2396	119.09	321.34	440.43	194.24	246.19	60.45	44.10
SOUTHCO	1522	81.62	200.32	281.94	168.74	113.20	84.24	59.85
CESCO	4187	335.03	575.01	910.04	372.69	537.35	64.81	40.95
		702.26	**1526.51**	**2228.77**	**1090.81**	**1137.96**	**71.46**	**48.94**
2002-03								
WESCO	3355	241.22	452.68	693.90	473.22	220.68	104.54	68.20
NESCO	2396	246.19	298.33	544.52	264.36	280.16	88.61	48.55
SOUTHCO	1557	113.20	193.51	306.71	185.92	120.79	96.08	60.62
CESCO	4056	537.35	531.17	1068.52	479.29	589.23	90.23	44.86
		1137.96	**1475.69**	**2613.65**	**1402.79**	**1210.86**	**95.06**	**53.67**
2003-04 (Provisional)								
WESCO	3782	220.68	545.79	766.47	516.89	249.58	94.70	67.44
NESCO	2636	280.16	342.55	622.71	322.44	300.27	94.13	51.78
SOUTHCO	1609	120.79	201.50	322.29	193.30	128.99	95.93	59.98
CESCO	3900	589.23	518.92	1108.15	452.64	655.51	87.23	40.85
		1210.86	**1608.76**	**2819.62**	**1485.27**	**1334.35**	**92.32**	**52.68**

ANNEXURE-16

Statement showing outstanding loan and interest in respect of GRIDCO Limited

(Referred to in Paragraph-2.2.14)

(Rupees in crore)

Particulars	1999-2000		2000-2001		2001-2002		2002-03		2003-04 (provisional)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Secured Loans										
Commercial Bank	-	-	-	-	-	-	125.00	-	647.20	0.06
Unsecured Loans										
L.I.C	140.66	106.58	140.66	145.41	140.66	190.03	140.66	242.48	140.66	42.23
Loans from Central Govt.	11.26	12.40	11.26	13.41	11.26	14.41	11.26	15.42	11.26	16.43
Loans from State Govt.	168.71	23.48	168.71	44.09	168.71	64.71	168.71	85.33	168.71	105.94
Loans from State Govt. (IBRD LOANS)	149.13	21.82	381.12	44.08	309.92	75.64	387.68	92.47	441.12	136.81
Commercial Bank (SPA Loan)	14.14	1.54	7.71	(2.80)	2.11	5.62	0.50	0.24	0.18	0.16
P.F.C	308.16	-	318.99	-	300.91	-	435.42	-	559.21	-
R.E.C	428.77	-	427.84	0.13	410.99	-	369.13	-	317.39	-
NTPC-Government of Orissa Bonds					1102.88	46.74	1102.87	140.49	1102.87	125.49
Public Bonds	43.77	-	38.54	-	34.76	-	24.03	-	24.03	-
Bonds-Govt. of Orissa	400.00	-	400.00	-	400.00	26.00	400.00	52.00	400.00	78.00
Bonds-Pension Trust	150.00	18.00	150.00	30.08	150.00	48.08	150.00	66.08	150.00	72.03
Other Bonds	667.56	38.96	781.35	51.45	498.86	15.75	850.57	43.52	721.19	30.04
Loan from others	72.63	-	64.48	8.25	98.97	8.36	62.64		46.90	0.09
Others	-	-	28.33	7.06	-	-				
Total	**2554.79**	**222.78**	**2918.99**	**332.91**	**3630.03**	**495.34**	**4228.47**	**738.03**	**4730.72**	**607.28**
GRAND TOTAL (Principal and Interest)	**2777.57**		**3251.90**		**4125.37**		**4966.50**		**5338.00**	

ANNEXURE – 17

Statement showing Means of Finance and actual financial closure achieved relating to Konark Met Coke Limited.
(Referred to in Paragraph 2.3.5)

(Rupees in crore)

Means of Finance	Estimated			Tied up till March 2004	Drawn till March 2004	Gap in tie-up	Undrawn till March 2004
	September 1996	April 2001	September 2003				
Equity							
Promoters							
MMTC and NMDC	49.00	95.00	100.00	98.00	97.89	2.00	0.11
MECON/AC/ LGC	55.00	(Backed out)		(Withdrawn)			
IPICOL	0.00	12.50	6.25	6.25	6.25	0.00	0.00
OMC	0.00	0.00	16.25	16.25	16.25	0.00	0.00
GoO*	0.00	12.50	2.50	2.50	6.64	0.00	(-)4.14
Sub-total	**104.00**	**120.00**	**125.00**	**123.00**	**127.03**	**2.00**	**(-)4.03**
Suppliers	15.00	17.00	21.50	13.20	5.70**	8.30	7.50
Initial Public Offer	71.00	71.00	71.00	0.00	0.00	71.00	0.00
Sub-total	**86.00**	**88.00**	**92.50**	**13.20**	**5.70**	**79.30**	**7.50**
Total Equity	**190.00**	**208.00**	**217.50**	**136.20**	**132.73**	**81.30**	**3.47**
Debt							
Term Loan	290.00	401.50	411.80	411.80***	316.16****	0.00	95.64
F.I.T.L.	0.00	55.50	63.70	63.70	57.15	0.00	6.55
Total Debt	**290.00**	**457.00**	**475.50**	**475.50**	**373.31**	**0.00**	**102.19**
Total Finance	**480.00**	**665.00**	**693.00**	**611.70**	**506.04**	**81.30**	**105.66**
Debt-Equity Ratio	**1.53:1**	**2.20:1**	**2.19:1**	**3.49:1**	**2.81:1**		

* Government of Orissa contributed through IPICOL and Rs.4.13 crore was paid in excess of the tie up.
** BHEL:Rs.5.00 crore and Bhilai Engineering Corporation Limited:Rs.0.70 crore
*** Includes Rs.39.65 crore met by bond issue to tie-up the gap in RTL.
**** Includes Rs.33.60 crore of bond issue.

ANNEXURE – 18

Statement showing reasons for cost over run relating to Konark Met Coke Limited

(Referred to in Paragraph-2.3.6)

(Rupees in crore)

Project Cost Break-up	**Estimated**			**Reasons for Cost Over Run**
	October 1996	**April 2001**	**September 2003***	
Land and site development	2.30	4.50	4.50	Initially lease rent considered. Later replaced by cost of land.
Building	47.50	58.70	58.70	Increase in the cost of cement and steel. Enhanced capacity of Blending bunker, increase in CDCP chamber. Originally estimated on square meter basis and later awarded on cubic meter basis for civil works and on tonnage basis for structural works.
Plant and machineries	261.80	409.50	409.50	
(a) Imported	6.80	33.50	33.50	Foreign exchange fluctuation (Rs.25.50 crore), increase in Customs Duty and improvement to CDCP.
(b) Indigenous	255.00	376.00	376.00	Additional machineries worth Rs.123.90 crore (additional conveyor for coal and coke handling, temporary oven protection shed, hammer mill design changes and heavier structural design due to cyclone prone area).
Misc. fixed assets	36.50	47.70	47.70	Improved shop electricals to suit automation of CDCP.
Tech know how fees	20.00	18.00	18.00	
Training fees	0.20	0.20	0.20	
Preliminary and Pre-operative expenditure	42.20	88.40	116.40	
(a) Interest during construction (IDC)	29.50	74.90	102.90	While interest was reckoned at 21 per cent with a debt-equity ratio of 1.5:1, the rate of interest though came down by 6 per cent, the interest was high due to extension of Project closing date up to March 2003 from April 1999 and the inability to tie up equity. These pushed the debt-equity ratio to 2.2:1. Thus, IDC has gone up by 3.5 times.
(b) Others	12.70	13.50	13.50	
Provision for contingency	41.00	11.50	11.50	
Working capital margin money	28.50	26.50	26.50	
TOTAL	**480.00**	**665.00**	**693.00**	
Project Completion Date	April 1999	April 2001	NA	

* Revised project cost approved by the Company in September 2003

ANNEXURE-19

Statement showing delay in finalisation of accounts and holding of Annual General Meetings by State PSUs

(Referred to in Paragraph-3.22.6)

Name of the Company	Year of account finalised during 2001-03 (up to July 2004)	Delay in finalisation (in months)	Time taken in holding AGM after issuance of CAG comments (in days)	Reasons for delay in finalisation of accounts
Orissa Lift Irrigation Corporation Limited	1997-98	50	93	Delay in finalisation in initial years, shortage of qualified staff and frequent reorganisation of units
	1998-99	43	35	
	1999-00	40	35	
	2000-01	34	19	
Orissa State Civil Supplies Corporation Limited	1995-96	78	106	Shortage of qualified staff. The Statutory Auditors took five months for certification of accounts for the year 1995-96
	1996-97	74	48	
	1997-98	70	124	
Orissa Small Industries Corporation Limited	1999-00	32	125	Dislocation of accounts records due to super cyclone. Delay in holding AGM.
	2000-01	27	39	
	2001-02	20	49	
Orissa State Cashew Development Corporation Limited	1999-00	26	135	Delay in holding AGM due to want of quorum.
	2000-01	34		
Orissa Rural Housing Development Corporation Limited	1997-98	40	25	Non-reconciliation of inter unit accounts. The Statutory Auditors took 5 to 11 months for certification of accounts for the years 1997-99
	1998-99	40	38	
	1999-00	36	14	
	2000-01			
Orissa State Electronics Development Corporation Limited	1996-97	66	14	Delay in holding AGM. Abnormal delay committed by Statutory Auditor from 1993-94 to 1995-96.
	1997-98	62	80	
	1998-99	53	0	
	1999-00	46	0	
Orissa Bridge and Construction Corporation Limited	1997-98	52	42	Delay in finalisation of initial years. Lack of supervision.
	1998-99	46	34	
	1999-00	41	56	
	2000-01		0	
Orissa State Beverages Corporation Limited	2000-01	21	133	Improper maintenance of basic accounts records.
	2001-02		0	
Orissa Pisciculture Development Corporation Limited	First year account for 1998-99 not yet received			The Company was formed (May 1998) by merger of two non-working companies. Due to non-finalisation of accounts by merged companies, the Company failed to finalise its accounts

ANNEXURE-20

Statement showing paragraphs/reviews for which explanatory notes were not received
(Referred to in Paragraph 3.25.1)

Sl. No.	Name of the Department	1993-94	1994-95	1995-96	1996-97	1998-99	1999-2000	2000-01	2001-02	2002-03	Total
1	Energy	1	--	--	--	11	3	--	4	6	25
2	Industries	1	1	--	--	--	1	1	2	5	11
3	Science and Technology	--	1	--	3	--	--	--	--	--	4
4	Forest and Environment	--	--	--	--	--	--	1	1	1	3
5	Food Supplies and Consumer Welfare	--	--	--	--	--	--	--	--	2	2
6	Information Technology	--	--	1	--	--	--	--	--	1	2
7	Handloom and Textiles	1	--	1	--	--	--	--	--	--	2
8	Housing and Urban Development	--	--	--	--	--	--	--	--	1	1
9	Steel and Mines	--	--	--	--	--	--	--	--	1	1
10	Co-operation	--	--	--	--	--	--	--	--	1	1
11	Agriculture	--	--	--	--	--	--	--	1	--	1
12	Home	--	1	--	--	--	--	--	--	--	1
13	Commerce and Transport	--	--	--	--	--	1	--	--	--	1
	Total	**3**	**3**	**2**	**3**	**11**	**5**	**2**	**8**	**18**	**55**

ANNEXURE-21

Statement showing the department wise outstanding Inspection Reports (Referred to in Paragraph 3.25.3)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of Outstanding Paragraphs	Year from which Paragraphs outstanding
1.	Industries	13	61	484	1993-94
2.	Steel and Mines	3	12	226	1993-94
3.	Science and Technology	1	2	14	1993-94
4.	Information and Technology	2	12	37	1993-94
5.	Home	1	6	66	1994-95
6.	Housing and Urban Development	1	4	36	1997-98
7.	Excise	1	2	39	2002-03
8.	Commerce & Transport	3	72	453	1995-96
9.	Tourism	1	4	38	1999-2000
10.	Energy	3	476	1416	1990-91
11.	Water Resources	2	129	711	1996-97
12.	Fisheries and Animal Resources Development	1	9	33	1996-97
13.	Agriculture	6	22	161	1995-96
14.	Works	1	45	241	1993-94
15.	Co-operation	1	7	59	1997-98
16.	Food Supplies and Consumer Welfare	1	110	682	1996-97
17.	Forest and Environment	1	50	400	1997-98
	TOTAL	**42**	**1023**	**5096**	

ANNEXURE-22

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

(Referred to in Paragraph 3.25.3)

Sl No.	Name of the Department.	No. of draft paragraphs	No. of reviews	Period of issues
1.	Energy	7	1	April 2004 to July 2004
2.	Food Supplies and Consumers Welfare	1	--	January 2004
3.	Steel & Mines	1	2	June 2004 to August 2004
4.	Industries	3	--	February 2004 to April 2004
5.	Public Enterprises	1	--	June 2004
	Total	**13**	**3**	

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