Laid in the Odisha Legislative Assembly on 16 September 2017

Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended March 2016

Government of Odisha

Report No.7 of the year 2016

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PREFACE

This report deals with the results of audit of Government Companies and Statutory Corporations for the year ended March 2016.

The accounts of Government Companies (including companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 and Section 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2015-16 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2015-16 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

Overview

1. Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956 and Section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by the CAG. These financial statements are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2016, the State of Odisha had 52 working PSUs (49 Companies and 3 Statutory Corporations) and 28 non-working PSUs (all Companies), of which working PSUs employed 0.19 lakh employees. Working PSUs registered a turnover of ₹19,870.03 crore as per their latest finalised accounts as of 30 September 2016. This turnover was equal to 5.98 per cent of State GDP indicating an important role played by State PSUs in the economy. Working PSUs earned an aggregate profit of ₹1,922.27 crore and had accumulated profits of ₹900.71 crore as per their latest finalised accounts as of September 2016.

Investment in PSUs

As on 31 March 2016, investment (capital and long-term loans) in 80 PSUs was ₹10,993.08 crore. It increased by 9.29 per cent from ₹10,058.34 crore in 2011-12 to ₹10,993.08 crore in 2015-16. Increase in investment was mainly due to increase in investment in power sector and infrastructure sector. Share of investment in power and infrastructure sectors increased from 81.30 to 81.54 per cent and from 1.22 to 5.72 per cent respectively during 2011-12 to 2015-16.

Performance of PSUs

Out of 52 working PSUs, 33 PSUs earned profit of ₹2,074.14 crore and 11 PSUs incurred loss of ₹151.87 crore as per their latest finalised accounts during October 2015 to September 2016. One PSU prepared its accounts on 'no profit no loss' basis while 7 PSUs have not yet started their operation/commercial production. Major contributors to profit were The Odisha Mining Corporation Limited (₹1,487.10 crore), Odisha Power Generation Corporation Limited (₹178.16 crore), Odisha Hydro Power Corporation Limited (₹137.97 crore) and Odisha State Beverages Corporation Limited (₹50.15 crore). Heavy losses were incurred by GRIDCO Limited (₹99.53 crore), Odisha Rural Housing and Development Corporation Limited (₹31.71 crore) and Industrial Development Corporation of Odisha Limited (₹11.21 crore). Losses are attributable to various deficiencies in the functioning of PSUs.

Quality of accounts

Quality of accounts of PSUs needs improvement. Out of 50 accounts finalised during October 2015 to September 2016, all accounts received qualified certificates. There were 54 instances of non-compliance with Accounting Standards in 19 accounts. Reports of Statutory Auditors on internal control of companies indicated several weak areas.

Arrears in accounts and winding up

34 working PSUs had arrears of 58 accounts as of 30 September 2016, of which 24 accounts pertained to earlier years and the remaining were 2015-16 accounts. There were 28 non-working PSUs including 17 under liquidation. Government may expedite closing down non-working PSUs for which closure/liquidation orders were already issued and for balance PSUs take appropriate action after exercising due diligence.

(Chapter 1)

2. Performance Audit relating to Government Company

Performance Audit relating to **"Activities of The Odisha Small Industries Corporation Limited"** was conducted. Executive summary of the Audit findings are given below:

The Odisha Small Industries Corporation Limited (OSIC) was incorporated in April 1972 as a wholly owned Government Company with the main objective to aid, counsel, assist and promote the interests of Micro and Small Enterprises (MSEs) in Odisha. As on 31 March 2016, OSIC had one Central Stockyard and 11 Raw Material Depots (RMDs). OSIC carries out its operations mainly through marketing, construction and commercial divisions.

Planning

In violation of Corporate Governance Manual of Government of Odisha, OSIC had not prepared its business plan for 2010-13 and 2013-16.

Support to MSEs in the state

Despite recommendation of Committee on Public Undertakings (CoPU), OSIC did not keep any database of all MSEs of the State indicating the function of various trades, patterns of material consumption and quantum of requirement of raw materials. Against 58,249 registered MSEs in the state as on March 2016, OSIC had registered only 244 firms.

Despite being the syndicate leader, OSIC could not obtain any bulk orders from Government of Odisha resulting in loss of potential service charges of ₹ 6.98 crore. The attempt of the Company to market MSE products under brands failed as it had not made any market survey and assessment of demand before launching the product.

Construction Contracts

Twenty six works were delayed for periods ranging from 3 to 48 months due to delay in finalisation of tender process and delay in issue of work orders. OSIC had not imposed penalty of ₹ 4.92 crore for delay in completion of work leading to extension of undue favour to the contractors.

Commercial Contracts

Due to non-achievement of targets in distributorship business of steel bars and packed bitumen, OSIC had lost the opportunity to earn distribution margin of ₹ 5.33 crore. OSIC incurred extra expenditure of ₹ 0.92 crore towards transportation charges due to non-attachment of dealers to their nearest Raw Material Depots. OSIC had incurred loss of ₹ 1.12 crore towards purchase of binding material at a higher cost and shortage during transit.

Financial Management

The Annual Accounts of OSIC has been in arrears for the last three years. Non- finalisation of accounts in time resulted in non-availability of latest financial positions and working results of company and related MIS apart from violation of the provisions of the relevant statutes.

Due to imprudent fund management, OSIC had lost interest income of ₹ 19.06 lakh. OSIC had not maintained any separate bank accounts for the grants received from Government of India in violation of the sanction order and treated ₹ 21.61 lakh interest earned on scheme funds as its own income. OSIC did not recover ₹ 4.95 crore from suppliers/ contractors.

Monitoring and Internal Control

Monitoring and internal control system of OSIC was deficient. During 2011-16, against minimum requirement of 15 meetings, eight meetings of Audit Committee (AC) were held. Suggestion of AC for reconciliation of debtors, creditors, suspense accounts and bank balances etc. were not carried out by OSIC. OSIC did not have effective MIS in place to make available timely, adequate and accurate information to various stakeholders in the organisation. Internal audit was not adequate. Internal audit reports were not placed before Board of Directors/AC for appraisal.

Recommendations

The Performance Audit contains five recommendations on:

Need for preparing a perspective plan for development of MSEs;

Pursuance with various government departments and agencies for procurement of goods and services as per the purchase preference policy of Government of Odisha;

Creating awareness among MSEs in Odisha for availing intended benefits from Government of Odisha schemes;

Developing a suitable mechanism to monitor timely execution of different electrification and construction works;

Strengthening monitoring and internal control system; and

Developing a suitable MIS for effective decision making.

(Chapter 2)

3. Compliance Audit Observations

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

One PSU incurred excess expenditure of ₹ 14.87 crore due to non-compliance with rules, directives, procedures and terms and conditions of contracts.

(Paragraph 3.4)

One PSU incurred avoidable expenditure of ₹ 1.58 crore and another PSU suffered loss of revenue of ₹ 1.32 crore due to non-safeguarding financial interests of organisations.

(Paragraphs 3.5 and 3.11)

Three PSUs incurred avoidable expenditure of ₹ 137.54 crore, one PSU suffered loss of revenue of ₹ 49.58 crore and two PSUs sustained blocking of funds of ₹ 7.43 crore due to defective/deficient planning.

(Paragraphs 3.1.5, 3.1.6, 3.2, 3.7, 3.9 and 3.13)

Two PSUs incurred extra expenditure of ₹ 4.57 crore and two PSUs extended undue benefit of ₹ 1.05 crore due to lack of fairness, transparency and competitiveness in operations.

(Paragraphs 3.6, 3.8 and 3.10)

One PSU suffered from loss of revenue of ₹ 83.65 crore, one PSU sustained from blocking of funds of ₹ 15.11 crore, one PSU incurred avoidable expenditure of ₹ 0.95 crore and another PSU incurred wasteful expenditure of ₹ 0.26 crore due to inadequate/deficient monitoring.

(Paragraphs 3.1.7, 3.1.13, 3.1.15, 3.3 and 3.12)

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

Deficit in achievement of target fixed for re-plantation and low yield of cashew nuts by Odisha State Cashew Development Corporation Limited resulted in loss of revenue of ₹ 128.37 crore.

(Paragraphs 3.1.5 and 3.1.13)

Unrealistic projection of production in Mining Plan/Scheme by the Odisha Mining Corporation Limited led to avoidable expenditure of ₹ 130.51 crore towards payment of stamp duty and registration charges.

(Paragraph 3.2)

Delay in installation of Chrome Ore Beneficiation Plant by the Odisha Mining Corporation Limited resulted in blocking of funds of ₹ 15.11 crore towards advance procurement of plants and equipment coupled with loss of potential revenue of ₹ 386.56 crore.

(Paragraph 3.3)

Acceptance of higher rates by the Odisha Mining Corporation Limited in violation of the freight rates notified by Government of Odisha resulted in excess expenditure of ₹ 14.87 crore towards transportation.

(Paragraph 3.4)

Indecisiveness in assessing actual requirement of land by Odisha Power Transmission Corporation Limited resulted in additional expenditure of ₹ 6.38 crore.

(Paragraph 3.7)

Improper assessment of requirement of buses by Bhubaneswar –Puri Transport Services Limited and failure to obtain route permits resulted in blocking of fund of ₹ 5.48 crore.

(Paragraph 3.9)

Decision of Bhubaneswar-Puri Transport Services Limited to purchase buses on the basis of landed cost, instead of composite cost, led to extra expenditure of ₹ 4.57 crore.

(Paragraph 3.10)

Belated decision for payment of Net Present Value of the forest land used for mining by the Odisha Mining Corporation Limited resulted in avoidable payment of interest of ₹ 1.58 crore.

(Paragraph 3.5)

Failure to take timely action in disposal of shares by Industrial Promotion and Investment Corporation of Odisha Limited resulted in loss of ₹ 1.32 crore.

(Paragraph 3.11)

Chapter I

1. *Functioning of State Public Sector Undertakings*

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2016, there were 80 PSUs in Odisha. Of these, one company[1] has listed its debt security on the Bombay Stock Exchange. During the year 2015-16, five PSUs[2] came within the audit jurisdiction of the C&AG of India. The details of the State PSUs in Odisha as on 31 March 2016 are given below.

Table 1.1: Total number of PSUs as on 31 March 2016

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies[4]	49	28	77
Statutory Corporations	3	--	3
Total	**52**	**28**	**80**

(Source: As per information furnished by PSUs)

The working PSUs registered a turnover of ₹ 19,870.03 crore as *per* their latest finalised accounts as of September 2016. This turnover was equal to 5.98 *per cent* of State Gross Domestic Product (GDP) of ₹ 3,32,329.13 crore for 2015-16. The working PSUs earned aggregate profit of ₹ 1922.27 crore as per their latest finalised accounts as of September 2016. They had employed 0.19 lakh employees at the end of March 2016.

As on 31 March 2016, there were 28 non-working PSUs existing for the last five years from 2011-12 to 2015-16 and having a total investment of ₹ 96.72 crore.

Accountability framework

1.2 The process of audit of Government Companies is governed by the respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, "Government Company" means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Further, as per sub-Section 7 of Section 143 of

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1 GRIDCO Limited

2 (i) IDCO SEZ Development Limited (ii) Angul Aluminum Park Limited (iii) Water Corporation of Odisha Limited (iv) Paradip Investment Region Development Limited (v) Inland Waterways Consortium of Odisha Limited.

3 Non-working PSUs are those which have ceased to carry on their operations.

4 Government PSUs includes other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

the Act, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as *per* the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of the Audit Report to the CAG which, among other things, including financial statements of the Company under Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations, is governed by their respective legislations. Out of three Statutory Corporations, the CAG is the sole auditor for Odisha State Road Transport Corporation. In respect of Odisha State Warehousing Corporation and Odisha State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its Administrative Departments. The Chief Executives and Directors to the Boards are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports**,** together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Odisha

1.5 The State Government's stake in PSUs is mainly of three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.

- **Special Financial Support-**State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-**State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2016, the investment (capital and long-term loans) in 80 PSUs was ₹ 10,993.08 crore as detailed below:

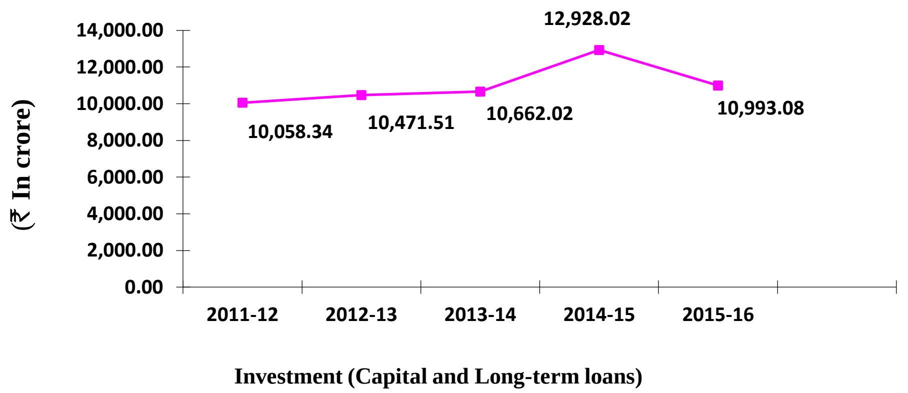
Table 1.2: Total investment in PSUs (₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	2,998.01	7,206.81	10,204.82	581.38	110.16	691.54	**10,896.36**
Non-working PSUs	66.06	30.66	96.72	0	0	0	**96.72**
Total	**3,064.07**	**7,237.47**	**10,301.54**	**581.38**	**110.16**	**691.54**	**10,993.08**

(Source: As per information furnished by PSUs)

As on 31 March 2016, of the total investment in State PSUs, 99.12 *per cent* was in working PSUs and the remaining 0.88 *per cent* in non-working PSUs. This total investment consisted of 33.16 *per cent* towards capital and 66.84 *per cent* in long-term loans. The investment has grown by 9.29 *per cent* from ₹ 10,058.34 crore in 2011-12 to ₹ 10,993.08 crore in 2015-16 as shown in the following graph.

Chart 1.1: Total investment in PSUs



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2016 is given in **Table 1.3**:

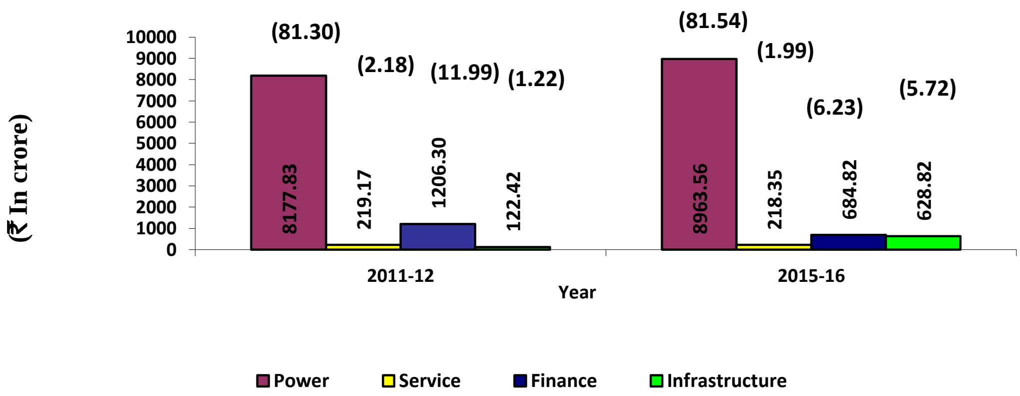
Table 1.3: Sector-wise investment in PSUs (₹ in crore)

Name of Sector	Government/ Other Companies		Statutory Corporations	Total Investment
	Working	Non-Working	Working	
Agriculture & Allied	140.39	0.36	0	**140.75**
Finance	169.60	0	515.23	**684.83**
Infrastructure	628.82	0	0	**628.82**
Manufacturing	265.41	85.42	0	**350.83**
Power	8,963.56	0	0	**8,963.56**
Service	34.70	10.94	172.71	**218.35**
Miscellaneous	2.34	0	3.60	**5.94**
Total	**10,204.82**	**96.72**	**691.54**	**10,993.08**

(Source: As per information furnished by PSUs)

The investment in four significant sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated in the following bar chart.

Chart 1.2: Sector wise investment in PSUs



(Figures in brackets shows the sector percentage to total investment)

The thrust of PSU investment was mainly in power and infrastructure sectors, which increased from 81.30 to 81.54 *per cent* and from 1.22 to 5.72 *per cent*, respectively, during 2011-12 to 2015-16. However, investment in service sector and finance sector decreased from 2.18 to 1.99 *per cent* and from 11.99 to 6.23 *per cent*, respectively, during 2011-12 to 2015-16.

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through the annual budget. The summarized details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs are given below for the three years ended 2015-16.

Table 1.4: Details regarding budgetary support to PSUs (Amount ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	2	58.00	3	74.00	1	57.00
2.	Loans given from budget	--	--	--	--	1	48.75
3.	Grants/Subsidy from budget	9	1,336.46	11	1,530.26	13	2,263.31

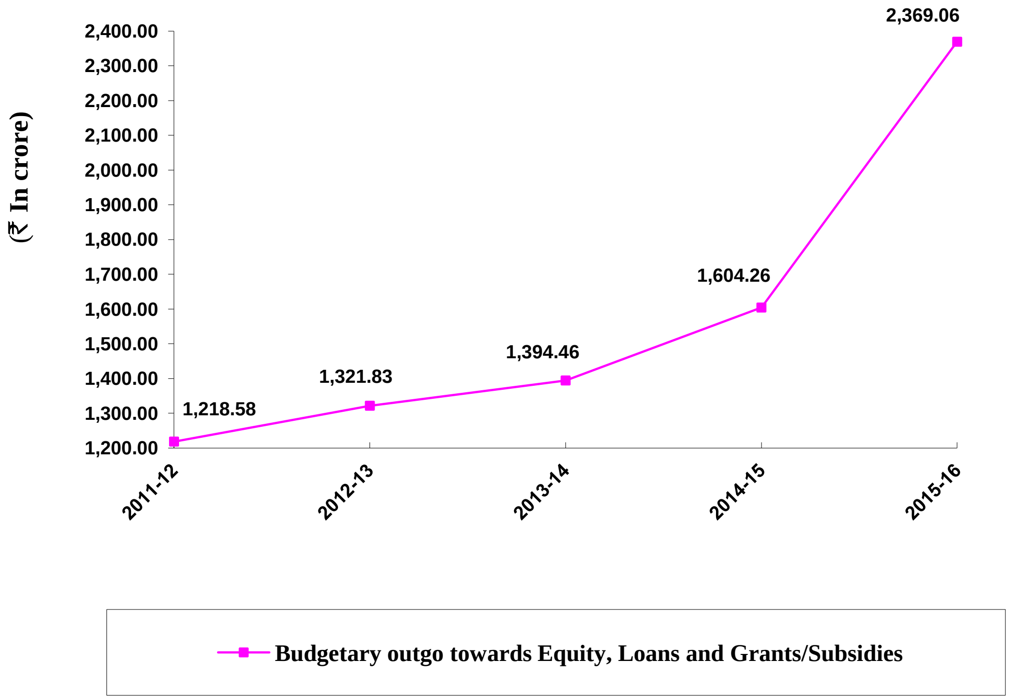
Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
4.	**Total Outgo (1+2+3)**	**10**	**1,394.46**	**12**	**1,604.26**	**14***	**2,369.06**
5.	Waiver of loans and interest	2	2.28	1	3.15	1	30.23
6.	Guarantees issued	1	463.50	1	236.00	--	--
7.	Guarantee Commitment	1	2,001.37	2	1,719.63	2	1,343.53

(Source: As per information furnished by PSUs)

***   One company i.e. OPTCL received both equity and grants**

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in the following graph.

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



It may be seen that year-wise budgetary outgo of the State towards equity, loans and grants/subsidy to State PSUs showed increasing trend from 2011-12 and touched the highest figure of ₹ 2,369.06 crore during 2015-16 mainly due to release of subsidy of ₹ 1,117.79 crore to Odisha State Civil Supplies Corporation Limited, ₹ 957 crore subsidy and ₹ 57 crore equity to Odisha Power Transmission Corporation Limited.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Odisha State Guarantee Guidelines of November, 2002 subject to the limits prescribed by the Constitution of India, for which guarantee fee is being charged. The rate is 0.50 *per cent* on the maximum of the guarantee sanctioned irrespective of the amount of loan actually availed of or outstanding there against. The guarantee commitment decreased from ₹ 2,001.37 crore during 2013-14 to ₹ 1,343.53

crore during 2015-16. Further, three PSUs paid guarantee commission to the tune of ₹ 16.27 crore during 2015-16. There were three[5] PSUs which did not pay/partially paid guarantee commission during the year and accumulated outstanding guarantee commission there against was ₹ 16.54 crore as on 31 March 2016.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2016 is stated in the following table.

Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts *vis-à-vis* records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2682.79	2539.15	137.79
Loans	Not available	3205.60	--
Guarantees	1193.03	1343.53	150.50

(Source: Information furnished by PSUs and Report on State Finance)

Audit observed that differences occurred in respect of 28 PSUs[6] and some of the differences have been pending for reconciliation for many years. Office of the Principal Accountant General (PAG) had time to time written to the Administrative Departments of the State PSUs concerned, highlighting the issue of long pending differences for early reconciliation, the latest being during May 2016. The Administrative Departments had also directed the PSUs to reconcile the differences. However, no significant progress was observed. The Government and the PSUs need to take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e., by September end in accordance with the provisions of Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2016.

[5] IDCOL,OHPC and GRIDCO
[6] Including eight non-working PSUs

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of working PSUs/other companies	36	37	38	47	52
2.	Number of accounts finalised during the year	30	35	38	43	50
3.	Number of accounts in arrears	45	47	47	54	58
4.	Number of working PSUs with arrears in accounts	29	30	27	29	34
5.	Extent of arrears (numbers in years)	1 to 4 years	1 to 5 years	1 to 6 years	1 to 7 years	1 to 8 years

(Source: Database of finalisation of accounts maintained in the PAG Office)

The number of accounts in arrears has increased from 45 in 2011-12 to 58 in 2015-16, which indicates that there was no considerable improvement in clearance of arrear accounts. Though, 50 accounts of 40 PSUs were finalised as of September 2016, yet 34 PSUs[7] had arrears ranging between one to eight years. Despite several correspondences and tripartite meetings held with the PSUs' management and their Statutory Auditors to pull up the arrear accounts, these PSUs did not adhere to their action plans. The Administrative Departments concerned were also pursued for finalisation of arrear accounts in a time bound manner. Thus, concrete steps should be taken by the PSUs for preparation of accounts as per statutory requirements with special focus on clearance of arrears in a time bound manner.

1.11 The State Government had invested ₹ 3,604.35 crore in 10 working PSUs {equity: ₹ 57 crore in (one PSU), loans ₹ 48.75 crore (one PSU) and grants ₹ 3,498.60 crore (nine PSUs)} during the years for which accounts have not been finalised**,** as detailed in ***Annexure* 1**. In the absence of finalisation of accounts and their subsequent audit, it could not be assessed whether the investments and expenditure incurred have been properly accounted for and the purpose**s** for which the amounts were invested were achieved or not and**,** thus**,** Government's investment in such PSUs in effect remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2016, there were arrears in finalisation of accounts by non-working PSUs. Out of 28 non-working PSUs, 17 PSUs were in the process of liquidation whose accounts were in arrears for five to 50[8] years. Remaining 11[9] non-working PSUs had arrears of accounts for 15 to 45 years.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
28	1966-67 to 2015-16	5 to 50 years

(Source: Database of non working PSUs maintained in the PAG Office)

[7] Sl. Nos. A-1,3,13,14,15,17,18,20,22,23,25,26,28,31,34,39,43,46 and B-2 and 3 (one year); A-2,5,7,9,19,29,30,40 and 41 (two years); A-6,11,48 and 49 (three years) and A-10 (eight years) of **Annexure 2**

[8] Sl. Nos. C-3,5 and 18 to 20 (5-10 years); C-6,7,25 and 26 (11-20 years), C-9 (21-30 years) and C-1,4,10,12,14,15 and 24 (41 to 50 years) of **Annexure 2**

[9] Sl. Nos. C-27 and 28 (15 years); C-16,17,21 and 22 (21-30 years); C-2,8,11,13 and 23 (31-45 years) of **Annexure 2**

Placement of Separate Audit Reports

1.13 The position depicted below shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Odisha State Financial Corporation	2013-14	2014-15 2015-16	07 September 2015 17 October 2016
2	Odisha State Warehousing Corporation	2014-15	2015-16	Accounts not finalised
3.	Odisha State Road Transport Corporation	2014-15	2015-16	Accounts not finalised

(Source: Information furnished by Statutory Corporations)

Delay in placement of SAR dilutes the financial accountability of Statutory Corporations. Government should ensure prompt placement of SARs of the Corporations in the Legislature.

Impact of non-finalisation of accounts

1.14 As pointed out above (**paragraph 1.10** to **1.12**), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statues. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Government may:

- **set up a cell to oversee the clearance of arrears and set the targets for individual PSUs which would be monitored by the cell;**
- **consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.**

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Annexure 2**. A ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. **Table 1.9** provides the details of working PSUs turnover and State GDP for a period of five years ending 2015-16.

Table 1.9: Details of working PSUs turnover *vis-à-vis* State GDP (₹ in crore)

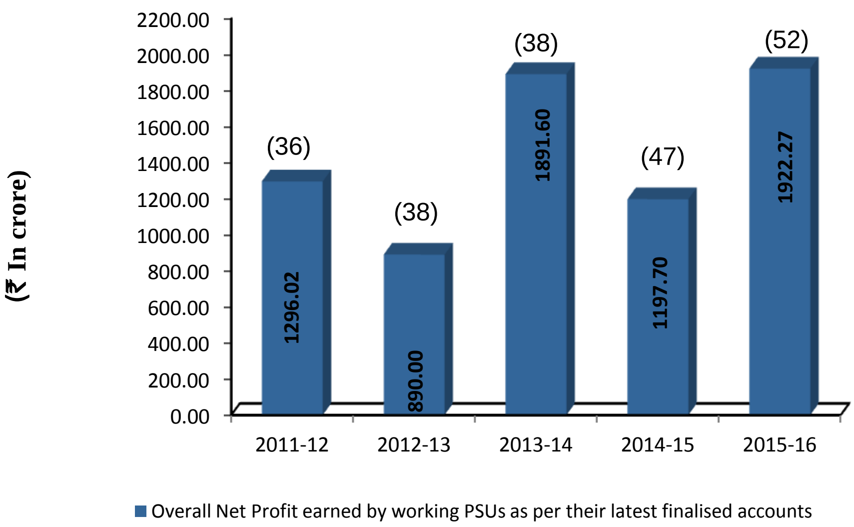
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[10]	11,450.16	11,294.70	15,949.82	16,474.01	19870.03
State GDP	2,26,236.14	2,58,744.09	2,88,414.31	3,10,810.24	3,32,329.13
Percentage of Turnover to State GDP	5.06	4.37	5.53	5.30	5.98

(Source: Information furnished by PSUs and Report on State Finance)

From the above, it may be seen that there was an increasing trend of turnover except in the year 2012-13. Turnover in 2015-16 increased by 20.61 *per cent* due to substantial increase in turnover of Odisha State Civil Supplies Corporation Limited.

1.16 Overall profits earned by State working PSUs during 2011-12 to 2015-16 are given below in a bar chart.

Chart 1.4: Profit/Loss of working PSUs



(Figures in brackets show the number of working PSUs in respective years)

Out of 52 working PSUs, 33 PSUs earned profit of ₹ 2,074.14 crore and 11 PSUs incurred loss of ₹ 151.87 crore as per their latest accounts finalised during October 2015 to September 2016. One working PSU i.e., Odisha State Civil Supplies Corporation Limited prepared its accounts on 'no profit no loss' basis while seven[11] Companies have not yet started their operation/commercial production. The major contributors to profit were The Odisha Mining Corporation Limited (₹ 1,487.10 crore), Odisha Power Generation Corporation Limited (₹ 178.16 crore), Odisha Hydro Power Corporation Limited (₹ 137.97 crore) and Odisha State Beverages Corporation Limited (₹ 50.15 crore). Heavy losses were incurred by GRIDCO Limited (₹ 99.53 crore), Odisha Rural Housing and Development Corporation Limited (₹ 31.71 crore), and Industrial Development Corporation of Odisha Limited (₹ 11.21 crore).

[10] Turnover as per the latest finalised accounts as of 30 September

[11] Sl. Nos.A-12,19,20,30,36,47 and 49 of **Annexure 2**

1.17 Some other key parameters of PSUs are given below:

Table 1.10: Key Parameters of State PSUs (₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed (*Per cent*)	15.80	13.62	14.44	13.86	18.79
Debt	7,469.11	7,703.16	7,503.98	9,643.54	7347.63
Turnover[12]	11,450.16	11,294.70	15,949.82	16,474.01	19,870.03
Debt/ Turnover Ratio	0.65:1	0.68:1	0.47:1	0.59:1	0.37:1
Interest Payments	970.85	976.32	1,160.85	964.74	1254.44
Accumulated Profits (losses)	2,254.85	1,561.36	2,763.57	555.36	705.11

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

Above parameters showed a mixed trend in financial position of the PSUs. Return on capital employed increased to 18.79 *per cent* in 2015-16 against 13.86 *per cent* in 2014-15 due to reduction in loss of GRIDCO Limited to ₹ 99.53 crore against loss of ₹ 679.80 crore in the previous finalized accounts (2013-14). Debt turnover ratio decreased from 0.59:1 in 2014-15 to 0.37:1 in 2015-16 due to decrease in debt and increase in turnover. Against accumulated profit of ₹ 2,254.85 crore in 2011-12, PSUs registered an accumulated profit of ₹ 705.11 crore in 2015-16 which indicated the poor performance of the PSUs.

1.18 State Government had formulated (December 2011) a dividend policy under which all profit making PSUs were required to pay a minimum dividend of 20 *per cent* on equity or a minimum of 20 *per cent* of profit, whichever was higher and**,** in case of mining and power sector PSUs, minimum dividend was to be 30 *per cent* of post-tax profit. As per their latest finalised accounts, 33[13] PSUs earned an aggregate post-tax profit of ₹ 2074.14 crore of which eight[14] PSUs declared/paid dividend of ₹ 917.77 crore.

Winding up of non-working PSUs

1.19 There were 28 non-working PSUs (all Companies) as on 31 March 2016. Of these, 17 PSUs have commenced liquidation process. The number of non-working companies at the end of each year during the past five years is given below:

Table 1.11: Non-working PSUs

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Number of non-working companies	28	28	28	28	28

(Source: Database maintained in the PAG Office)

Since the non-working PSUs have not been contributing to the State economy and meeting the intended objectives, these PSUs need to be considered either

12 Turnover of working PSUs as *per* the latest finalised accounts as of 30 September

13 Sl.Nos.A-1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 14, 15, 16, 18, 21, 22, 25, 26, 27, 28, 32, 33, 34, 37, 39, 40, 42, 43, 44, 46, 48 and B-2 & 3 of **Annexure 2**

14 Sl. Nos. A- 3,4,14,26,27,32,33 and B-3 of **Annexure 2**

to be closed down or revived. Against the 28 non-working PSUs, Government of Odisha did not furnish the details of establishment expenditure, salary etc. except for one non-working PSU (₹ 0.03 crore), which was financed by the State Government. In absence of latest finalised accounts/data, expenditure incurred by the remaining non-working PSUs could not be ascertained.

1.20 The stages of closure in respect of non-working PSUs are given below.

Table 1.12: Closure of Non-working PSUs

Sl. No.	Particulars	Number of PSUs
1.	Total number of non-working PSUs	28
2.	Of (1) above, the number under	
(a)	Liquidation by Court	10[15]
(b)	Voluntary winding up	7[16]
(c)	Closure i.e., closing orders/instructions issued but liquidation process not yet started	11

(Source: Information furnished by Public Enterprise Department)

The companies which have taken the route of winding up by Court order are under liquidation for periods ranging from five to 24 years. The process of voluntary winding up under the Companies Act is much faster and needs to be pursued vigorously. The Government needs to take a decision regarding winding up of 11 non-working PSUs.

Accounts Comments

1.21 Thirty seven working companies forwarded their 46 audited accounts to PAG during October 2015 and September 2016. Of these 46 accounts, 23 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG and the supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below.

Table 1.13: Impact of audit comments on working companies (Amount ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	14	1,493.65	20	734.61	14	197.19
2.	Increase in loss	5	92.57	6	213.00	7	552.31
3.	Non-disclosure of material facts	13	2,305.58	13	1066.84	10	2319.94
4.	Errors of classification	Nil	Nil	1	0.76	Nil	Nil

(Source: Audit Comments of C&AG and Statutory Auditors)

During the year, the Statutory Auditors had given qualified certificates for 46 accounts. The compliance of the PSUs with the Accounting Standards (AS)

[15] Sl. Nos.C-3, 5, 6, 7, 9, 18, 19, 20, 25 and 26 of **Annexure 2**
[16] Sl. Nos.C-1, 4, 10, 12, 14, 15 and 24 of **Annexure 2**

remained poor as there were 54 instances of non-compliance of AS in 19 accounts during the year.

1.22 Similarly, three working Statutory Corporations forwarded their four accounts to the PAG during October 2015 and September 2016. Of these, the CAG is the sole auditor for the accounts of Odisha State Road Transport Corporation. The remaining two accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole/supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below.

Table 1.14: Impact of audit comments on Statutory Corporations (Amount ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	12.46	1	1.43	1	6.33
2.	Increase in loss	Nil	Nil	1	0.44	1	1.07
3.	Non-disclosure of material facts	2	25.25	2	42.25	1	25.81

(Source: Database maintained in the PAG Office)

All the three years accounts received qualified certificates which were based on comments towards decrease in profit, increase in loss and non-disclosure of material facts.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended March 2016, one Performance Audit and fourteen compliance audit paragraphs were issued to the Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of three compliance audit paragraphs were awaited from the State Government (November 2016).

Follow up action on Inspection Reports/Audit Reports

Replies outstanding

1.24 The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that it elicits appropriate and timely response from the executive. The Finance Department, Government of Odisha had issued (December 1993) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/Performance Audits included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any notice or call from the Committee on Public Undertakings (CoPU).

Table No.1.15: Explanatory notes not received (as on 30 September 2016)

Year of the Audit Report (Commer-cial/PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	**Paragraphs**	**PAs**	**Paragraphs**
2010-11	29 March 2012	3	14	-	1
2012-13	23 June 2014	2	10	1	-
2013-14	24 August 2015	2	9	2	4
2014-15	26 September 2016	2	12	2	12
Total	**--**	**9**	**45**	**5**	**17**

(Source: Database maintained in the PAG Office)

Out of 54 paragraphs/Performance Audits, explanatory notes to 22 paragraphs/Performance Audits in respect of nine departments, were awaited (September 2016).

Discussion of Audit Reports by CoPU

1.25 The status as on 30 September 2016 of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) and those discussed by the Committee on Public Undertakings (CoPU) was as under:

Table No.1.16: Performance Audits/ Paras appeared in Audit Reports *vis-à-vis* discussed as on 30 September 2016

Period of Audit Report	Number of Performance Audits/ paragraphs			
	Appeared in Audit Reports		Paras discussed	
	PAs	**Paragraphs**	**PAs**	**Paragraphs**
2008-09	2	17	0	13
2009-10	2	15	0	14
2010-11	3	14	1	13
2011-12	2	18	2	18
2012-13	2	10	1	10
2013-14	2	9	0	0
2014-15	2	12	0	0
Total	**15**	**95**	**4**	**68**

(Source: Database maintained in the PAG Office)

CoPU was apprised of the pendency of the discussion of Audit Report paragraphs in their first meeting (May 2015). During 2015-16, with the co-ordination and assistance of PAG, CoPU had in its 26 meetings, discussed 15 paragraphs relating to Audit Reports for 2008-09 to 2012-13.

Compliance to Reports of Committee on Public Undertakings (CoPU)

1.26 Action Taken Notes (ATN) on 18 paragraphs pertaining to six Reports of the CoPU presented to the State Legislature between August 2001 and March 2016 had not been received (October 2016), as detailed in **Table 1.17**.

Table 1.17: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2001-02	1	8	8
2007-08	3	6	6
2013-14	2	4	4
Total	**6**	**18**	**18**

(Source: Database maintained in the PAG Office)

These reports of CoPU contained recommendations in respect of paragraphs pertaining to five departments, which appeared in the Reports of the CAG of India for the years 1989-90 to 2010-11.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

1.27 Audit observations, not settled on the spot during compliance audit, are communicated to the heads of PSUs and the Administrative Departments concerned of State Government through Inspection Reports (IRs). As per Regulation 197 of Regulations on Audit and Accounts, 2007, the heads of PSUs are required to furnish replies to IRs through respective heads of departments within a period of four weeks. IRs issued during 2004-05 to 2016-17 pertaining to 41 PSUs disclosed that 2143 paragraphs relating to 520 IRs remained outstanding at the end of 30 September 2016. Even initial replies were not received in respect of 102 IRs containing 564 paragraphs (PSUs under Energy Department - 41 *per cent*).

It is recommended that the Government may ensure: (a) submission of replies/Explanatory Notes to IRs/ Draft Paragraphs/ Performance Audits and ATNs on the recommendations of CoPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

1.28 This Report contains 13 Paragraphs and one Performance Audit i.e., on Activities of the Odisha Small Industries Corporation Limited, involving financial effect of ₹ 355.27 crore.

Disinvestment, Privatisation and Restructuring of PSUs

1.29 Government of Odisha under Public Enterprise Restructuring Programme had identified 35 PSUs for closure (13), privatisation (13) and restructuring (9) during 2005-07. It was seen that at the end of March 2016, two[17] PSUs were closed, three[18] PSUs were privatised and one[19] PSU adopted

[17] Orissa Timber and Engineering Works and General Engineering and Scientific Works

[18] Hirakud Industrial Works Limited, IDCOL Cement Limited and IDCOL Rolling Mills Limited.

[19] Odisha State Road Transport Corporation

restructuring/reform activities. Out of the balance 29[20] PSUs (Working: 18 and Non-working:11), action was in progress for closure of 11 PSUs, privatisation of 10 PSUs and restructuring of eight PSUs.

Reforms in Power Sector

1.30 Under the Orissa Electricity Reform (OER) Act, 1995, Odisha Electricity Regulatory Commission (OERC) was formed in August 1996 with the objective of rationalisation of electricity tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2015-16, OERC issued 85 orders (nine on Annual Revenue Requirements and Tariff related matters and 76 on others). OERC had submitted its accounts for 2015-16 under Section 104 of the Electricity Act, 2003. Audit of the accounts of OERC had been undertaken by the CAG under Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 104(2) of the Electricity Act, 2003.

1.31 A Memorandum of Understanding (MoU) was signed (June 2001) between Union Ministry of Power and State Government as a joint commitment for implementation of Reforms Programme in the power sector with identified milestones. The progress achieved so far in respect of important milestones is stated in the following table:

Table No.1.18: Progress of Reforms in Power Sector

Sl. No.	Particulars	Milestone	Achievement as of March 2016
1.	Hundred *per cent* metering of all consumers	December 2005	86.79 *per cent* consumers metered
2.	Hundred *per cent* metering of all distribution feeders	March 2009	Metering completed up to 84.97 *per cent*
3.	Transmission and distribution losses will not exceed 34 *per cent*, which have to be brought down to 20 *per cent*	2009-10	Transmission and Distribution losses in 2015-16 were 33.71 *per cent*
4.	Hundred *per cent* electrification of all villages	March 2012	96 *per cent* villages were electrified

(Source: Information furnished by the Energy Department)

1.32 In terms of the OER Act, 1995, four[21] subsidiary companies of GRIDCO Limited were created (November 1997) to carry on the business of distribution of electricity, which were later privatised (April/September 1999) by divesting 51 per cent of its shareholding. Due to revocation of license of CESCO in view of violation of conditions of license, a utility named Central Electricity Supply Utility (CESU) was created (September 2006) by OERC to

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[20] Sl. No. A- 2, 3, 4, 5, 6, 7,12, 13, 14, 17, 18, 19, 21 ,30, 32, 33 & 34; B- 1; and C- 7, 9, 13, 16, 18, 19, 20, 21, 22, 27 & 28 of **Annexure 2**

[21] Central Electricity Supply Company of Odisha Limited (CESCO), Western Electricity Supply Company of Odisha Limited (WESCO), Northern Electricity Supply Company of Odisha Limited (NESCO), Southern Electricity Supply Company of Odisha Limited (SOUTHCO)

undertake the business activities of CESCO. Subsequently in March 2015, the licences of other three DISCOMs (NESCO, WESCO & SOUTHCO) were revoked under Section 19 of the Electricity Act, 2003 and CMD, GRIDCO Limited was appointed as Administrator under Section 20 (1) (d) of the said Act.

Thus, the objectives of the reform for restructuring of electricity industry for rationalisation of generation/transmission/distribution of electricity and enhancing the operational efficiency by reducing losses so as to supply quality power and to attract private investment could not be achieved.

Chapter II

2. Performance Audit relating to Government Company

The Odisha Small Industries Corporation Limited

Activities of The Odisha Small Industries Corporation Limited

Executive Summary

The Odisha Small Industries Corporation Limited (OSIC) was incorporated in April 1972 as a wholly owned Government Company with the main objective to aid, counsel, assist and promote the interests of Micro and Small Enterprises (MSEs) in Odisha. As on 31 March 2016, OSIC had one Central Stockyard and 11 Raw Material Depots (RMDs). OSIC carries out its operations mainly through marketing, construction and commercial divisions.

Planning

In violation of Corporate Governance Manual of Government of Odisha, OSIC had not prepared its business plan for 2010-13 and 2013-16.

Support to MSEs in the state

Despite recommendation of Committee on Public Undertakings (CoPU), OSIC did not keep any database of all MSEs of the State indicating the function of various trades, patterns of material consumption and quantum of requirement of raw materials. Against 58249 registered MSEs in the state as of March 2016, OSIC had registered only 244 firms.

Despite being the syndicate leader, OSIC could not obtain any bulk orders from Government of Odisha resulting in loss of potential service charges of ₹ 6.98 crore. The attempt of the Company to market MSE products under brands failed as it had not made any market survey and assessment of demand before launching the product.

Construction Contracts

Twenty six works were delayed for periods ranging from three to 48 months due to delay in finalisation of tender process and delay in issue of work orders. OSIC had not imposed penalty of ₹ 4.92 crore for delay in completion of work leading to extension of undue favour to the contractors.

Commercial Contracts

Due to non-achievement of targets in distributorship business of steel bars and packed bitumen, OSIC had lost the opportunity to earn distribution margin of ₹ 5.33 crore. OSIC incurred extra expenditure of ₹ 0.92 crore towards transportation charges due to non-attachment of dealers to their nearest Raw Material Depots. OSIC had incurred loss of ₹ 1.12 crore towards purchase of binding material at a higher cost and shortage during transit.

Financial Management

The Annual Accounts of OSIC has been in arrears for the last three years. Non-finalisation of accounts in time resulted in non-availability of latest financial positions

and working results of company and related MIS apart from violation of the provisions of the relevant statutes.

Due to imprudent fund management, OSIC had lost interest income of ₹ 19.06 lakh. OSIC had not maintained any separate bank accounts for the grants received from Government of India in violation of the sanction order and treated ₹ 21.61 lakh interest earned on scheme funds as its own income. OSIC did not recover ₹ 4.95 crore from suppliers/ contractors.

Monitoring and Internal Control

Monitoring and internal control system of OSIC was deficient. During 2011-16, against minimum requirement of 15 meetings, eight meetings of Audit Committee (AC) were held. Suggestion of AC for reconciliation of debtors, creditors, suspense accounts and bank balances etc. were not carried out by OSIC. OSIC did not have effective MIS in place to make available timely, adequate and accurate information to various stakeholders in the organisation. Internal audit was not adequate. Internal audit reports were not placed before Board of Directors/AC for appraisal.

Recommendations

The Performance Audit contains five recommendations on:

Need for preparing a perspective plan for development of MSEs;

Pursuance with various Government Departments and agencies for procurement of goods and services as per the purchase preference policy of Government of Odisha;

Creating awareness among MSEs in Odisha for availing intended benefits from Government of Odisha schemes;

Developing a suitable mechanism to monitor timely execution of different electrification and construction works;

Strengthening monitoring and internal control system and developing a suitable MIS for effective decision making.

Introduction

2.1 The Odisha Small Industries Corporation Limited (OSIC) was incorporated in April 1972 as a wholly-owned Government Company with the main objectives of aiding, counselling, assisting and promoting the interests of Micro and Small Enterprises (MSEs)[22] in Odisha. It also provides assistance for procurement of raw materials for MSEs and assist them to improve their methods of manufacturing, techniques of production and marketing of their products.

At present, OSIC is mainly engaged in the business of distribution of steel bar of TATA Steel Limited (TSL) and packed bitumen of Indian Oil Corporation Limited (IOCL)/Hindustan Petroleum Corporation Limited (HPCL) in addition to consortium marketing of MSE products and services.

[22] Earlier known as Small Scale Industries(SSIs)

Organisational Set up

2.2 The Odisha Small Industries Corporation Limited is under the administrative control of Department of Micro, Small and Medium Enterprises (MSME) of Government of Odisha (GoO). Management of OSIC is vested in Board of Directors (BoD) comprising 11 Directors including the Managing Director (MD) as of March 2016. The MD is the Chief Executive who is assisted by one General Manager, two Deputy General Managers, one Manager, seven Joint Managers and one Administrative Officer to carry out the day-do-day activities.

Scope and Methodology of Audit

2.3 A Review on the working of OSIC was included in the Audit Report (Commercial), for the year ended March 2003, which was discussed by the Committee on Public Undertakings (CoPU) in October 2007. The recommendations thereon were placed in the Odisha Legislative Assembly in August 2008. The major recommendations of the CoPU have been taken into consideration while finalising this report. The present Performance Audit conducted during May to July 2016 covered the performance of OSIC for the five years ending March 2016. The activities of OSIC were mainly reviewed on the basis of test-check of records at the Head office, Central Stock Yard (CSY) and five[23] out of Eleven Raw Material Depots (RMDs) of OSIC as well as records of the Department of MSME, Government of Odisha.

Audit Objectives

2.4 Audit objectives of the Performance Audit were to assess whether:

- the planning of OSIC was in tune with MSME Development Policy and Industrial Policy Resolution (IPR) of Government of Odisha for development of MSEs in Odisha;
- the activities of OSIC in protecting the interest of MSEs were adequate, efficient and effective;
- Financial Management and Contract Management were efficient; and
- Monitoring and Internal control system were effective.

Audit Criteria

2.5 Audit criteria adopted for assessing the achievements of the audit objectives were from the following sources:

- Memorandum and Article of Association of the Company;

[23] Balasore, Berhampur, Bhubaneswar, Cuttack and Sambalpur selected on stratified random sampling

- Guidelines issued by Government of Odisha and Government of India (GoI) for development and promotion of MSEs;

- Agenda/Minutes of the meetings of the Board of Directors, Audit Committee and other Internal Committees; and

- Terms and conditions of contracts, agreements and work orders in respect of procurement and sale of products and services.

Financial Position and Working Results

2.6 The Annual Accounts of OSIC were in arrears for three years from 2013-14 to 2015-16. OSIC had finalised its accounts up to 2012-13 and prepared provisional accounts for 2013-14 to 2015-16. The financial position of OSIC for the last five years ended 31 March 2016 is detailed in the **Annexure-3**.

Financial Position

2.7 It would be seen from the annexure that:

- Despite decrease in share capital from ₹ 40.80 crore in 2011-12 to ₹ 20.17 crore in 2015-16 due to redemption of preference shares to Government of Odisha, the net worth of the company was increased from ₹ 47.06 crore in 2011-12 to ₹ 61.70 crore in 2015-16 because of increase in reserve and surplus.

- Current Assets and Current Liabilities also showed increasing trend. Current Assets increased from ₹ 123.78 crore in 2011-12 to ₹ 262.45 crore in 2015-16 mainly due to increase in trade receivables from various government agencies for execution of works and extension of short term loans and advances to contractors. Similarly, Current Liabilities had also increased from ₹ 108.99 crore in 2011-12 to ₹ 217.75 crore in 2015-16 due to increase in payables to contractors/suppliers for execution of works allotted by various government agencies and short term borrowing to meet the working capital requirement.

Working Results

2.8 The working results of OSIC for the last five years ended 31 March 2016 are as follows:

(₹ in crore)

Particulars	2011-12	2012-13	2013-14 (Prov)	2014-15 (Prov)	2015-16 (Prov)
Revenue from Operation	481.89	546.16	612.77	649.42	551.06
Other Income	8.85	8.45	8.68	13.64	13.30
Total Income	***490.74***	***554.61***	***621.45***	***663.06***	***564.36***
Total Expenditure	***474.09***	***539.41***	***607.80***	***646.45***	***552.17***

Particulars	**2011-12**	**2012-13**	**2013-14 (Prov)**	**2014-15 (Prov)**	**2015-16 (Prov)**
Profit before exceptional and extraordinary items	16.65	15.20	13.65	16.61	12.19
Exceptional and extraordinary items	1.65	1.25	0.03	0.01	0
Profit before tax / Profit for the year	***15.00***	***13.95***	***13.62***	***16.60***	***12.19***

It would be seen from the above that:

- Revenue from operation showed an increasing trend during 2011-12 to 2014-15 (₹ 481.89 crore to ₹ 649.42 crore) and reduced to ₹ 551.06 crore during 2015-16 due to reduction in sale volume of bitumen and decrease in price of steel bars and bitumen. Despite increase in turnover, profit before tax of OSIC remained stagnant and was in the range of ₹ 12.19 crore to ₹ 16.65 crore during the period 2011-16. This was due to decrease in distribution margin allowed by TSL and increase in operating expenses.

- Major portion of the profit before tax was contributed by other income ranged between ₹ 8.45 crore and ₹ 13.64 crore comprising interest on term deposits, which indicates a marginal return from the operational activities.

- Revenue from distributorship business of large industries like TSL, IOCL and HPCL constituted 79 to 90 *per cent* of revenue from operation during 2011-16. This indicated that OSIC had concentrated its business activity mainly on large industries deviating from its main objective of promoting the interest of MSEs in the State**.**

In the exit conference, Government stated that efforts would be made to shift the focus on development of MSEs and surplus fund in the fixed deposit would be used for diversification of its business activity.

Acknowledgement

2.9 Audit acknowledges the co-operation and assistance extended by OSIC and MSME Department of Government of Odisha at various stages of conducting the Performance Audit.

Audit Findings

2.10 Audit explained its objectives, criteria, scope and methodology to OSIC/Government of Odisha during an 'Entry Conference' held on 3 May 2016. Subsequently, audit findings were reported (9 September 2016) to OSIC and Government of Odisha and discussed in an 'Exit Conference' held on 28 November 2016. Views expressed by them and replies furnished by Government of Odisha (November 2016) were considered while finalising this report. Audit findings are discussed in the following paragraphs:

Planning

Absence of Corporate Plan

2.11 The Odisha Small Industries Corporation Limited was incorporated with the main objectives of aiding, assisting and promoting the interests of Micro and Small Enterprises of the State. The Industrial Policy Resolution (IPR) 2007 and MSME Development Policy, 2009 of Government of Odisha mandated OSIC to act as a:

- Nodal agency for procurement of goods and services for the State Government Departments and agencies.
- Syndicate leader for marketing of the products and services of MSEs in the State.
- Nodal agency for sourcing and supplying raw material required by MSEs by setting up a raw material bank.

The Corporate Governance Manual (CGM) of Government of Odisha (November 2009) required preparation of a corporate plan for a period of three years by State Public Sector Undertakings with a detailed description of its intended long-term goals and objectives and submission of the same to Government of Odisha.

Audit observed that OSIC had not prepared any long-term corporate plan for development of MSEs in the State in order to achieve its objectives. In the absence of any perspective corporate plan, OSIC failed to develop strategies to achieve its objectives and fulfil the mandate conferred by Government of Odisha to act as a nodal agency for procurement of goods and services from MSEs and extending marketing and raw material assistance to the MSEs in the State.

In the exit conference, Government stated that corporate plan was being prepared and would be placed in the next meeting of Board of Directors in December 2016.

Support to MSEs in the State

2.12 In order to address the needs and requirement of MSEs to face the emerging challenges and gain competitiveness in a market, Government of Odisha had enacted Industrial Policy Resolution (IPR), 2007 and MSME Development Policy, 2009 in which OSIC was mandated to provide assistance to MSEs for procurement of raw material and marketing of product and services of MSEs in the State. Audit observed the following deficiencies/shortcomings in extension of support to MSEs in the State by OSIC.

Absence of Database of MSEs

2.13 Committee on Public Undertakings (CoPU) had recommended (August 2008) that Government of Odisha/ OSIC should build a database of all MSEs of State indicating the functions of various trades, patterns of material consumption and quantum of requirement of raw materials. Even after eight years from the recommendation of CoPU, OSIC had not made any attempt to build any such database and, due to which, OSIC was not in a position to ascertain the detailed requirement of MSEs functioning in the State so as to aid, assist and promote their interests.

The Management stated that detail of MSEs registered with OSIC was available in the respective files/registers and uploaded in the website. In the exit conference, Government, however, stated that database of all registered MSEs in the state were available with Directorate of Industries, which could be accessed by OSIC.

Registration of MSEs

2.14 The competent authority to register the MSEs located in the State is the Director of Export Promotion and Marketing (DEPM). The MSEs interested in registration should apply directly to DEPM or through the District Industrial Centres (DICs). As a syndicate leader of MSEs, OSIC received purchase orders (POs)/work orders (WOs) from different Departments of Government of Odisha and its agencies. In order to execute the POs/WOs, OSIC was required to register MSEs of the State to form a syndicate for supply of goods and services to the indenting departments.

Audit observed that OSIC allowed registration of firms for supply of goods and services without verifying their registration status as MSEs with DEPM/DIC. Against 58249 MSEs registered with the DEPM/DIC in the State (as of March 2016), only 244 firms *(less than one per cent)* were registered with OSIC. OSIC had not made any effort to register the remaining MSEs with it. Non-placement of POs/WOs by various department of Government of Odisha with OSIC was the possible reason for less registration of MSEs as discussed in **paragraph 2.15**.

In the exit conference, Government stated that OSIC would create awareness among MSEs for getting themselves registered with OSIC.

Purchase preference

2.15 As per the guidelines of Government of Odisha, OSIC was to act as a syndicate leader of MSEs for bulk orders of the Government Departments for which it was entitled to service charge not exceeding one *per cent* of the order value. The guidelines also stipulated that the Government Departments would place indents directly to OSIC for the items included under Rate Contract fixed by DEPM. The procurement guidelines were replaced (June 2015) by Procurement Preference Policy of Government of Odisha. According to this, the Government Departments and its agencies had to procure minimum 20 *per* *cent* of the annual value of goods and services from local MSMEs through OSIC.

Audit observed that except for supply of Agricultural Implements and execution of Rural Electrification works, OSIC had not received any POs/WOs from the Government Departments or its agencies during 2011-16. Though OSIC had brought the fact to the notice of MSME Department time and again there has been no response. During 2011-15, different departments of Government of Odisha had procured materials worth ₹ 697.73 crore through Rate Contract of Director of Export Promotion and Marketing without placing POs on OSIC. As a result, the purpose of making OSIC as a consortium leader for marketing the products of MSEs was not achieved. This also deprived OSIC of additional revenue of ₹ 6.98 crore towards service charge on the purchases made by departments.

In the exit conference, Government stated that OSIC/MSME Department would pursue with different departments of Government of Odisha for procurement of their requirement through OSIC.

Consortium Marketing

2.16 As a consortium leader of MSEs, OSIC had supplied Agricultural Implements to the Directorate of Agriculture & Food Production and executed Rural Electrification (RE) works on behalf of the Energy Department and its agencies through empanelled suppliers/contractors. Audit observed that**:**

- OSIC had not maintained any database of indents/POs/WOs received and POs/WOs issued to the suppliers/contractors**.**

- Despite instruction of Board of Directors (September 2010/2013) to formulate a policy on empanelment of MSEs and equitable distribution of work orders to them, OSIC did not formulate any such policy, resulting in arbitrary distribution of WOs/POs among empanelled suppliers/ contractors. Out of 50 empanelled suppliers of Agricultural Implements, 17 suppliers were issued POs out of which seven suppliers were issued multiple POs during 2014-16. Similarly, out of 78 empanelled contractors of RE works, 18 contractors were issued WOs during 2011-16 out of which nine contractors were issued multiple WOs.

- OSIC had not cleared the outstanding dues of MSEs within 45 days, as required under MSME Act, 2006. As on 31 March 2016, outstanding dues of ₹ 6.01 crore was pending for payment to MSEs for periods ranging from one to three years.

Government stated that a policy on empanelment of MSEs for consortium marketing would be made and equitable distribution of POs/WOs would be ensured.

Supply of Raw Material to MSEs

2.17 The Odisha Small Industries Corporation Limited was mandated to act as a nodal agency for sourcing and supplying of raw materials required by MSEs by setting up a raw material bank to provide such support. OSIC, however, had not taken any steps to set up raw material bank.

Audit observed the following deficiencies in supply of major raw materials like iron/ steel and coal to MSEs:

- The Government of India had launched a scheme for allocation of iron and steel material from the main producers like SAIL, RINL and TSL to MSEs through State Small Scale Industries Corporations (SSIC), for which SSICs were paid handling charges in the range of ₹ 480 to ₹ 550 per Metric Tonne (MT). Based on the requirements furnished by OSIC, Government of India had allotted 1.05 lakh MT of iron and steel material for distribution among MSEs during 2011-16. Against the allocation of 1.05 lakh MT, OSIC had lifted only 128 MT of material for supplying to MSEs, thus defeating the objective of the scheme. Further, in violation of Government of India directives, OSIC had collected an additional amount of ₹ 590 per MT towards margin and other expenses from MSEs, which acted as a deterrent in lifting of material by MSEs.

Government stated (November 2016) that due to decontrol of iron and steel business, there was significant drop in the business resulting in non-lifting of allocated quantity. It also stated that the margin allowed was not sufficient to cover all the expenses. The reply was not tenable as the allocation was made, based on the requirement submitted by OSIC. In the exit conference, Government stated that OSIC would make proper assessment before submitting the requirement.

- The Odisha Small Industries Corporation Limited has been supplying coal to MSEs selected by District Industries Centres (DIC) at a concessional rate, for which OSIC was getting ₹ 33 per MT as service charges. The coal business was discontinued in May 2010 due to detection of large scale irregularities in distribution of coal. Board of Directors had decided (January 2011) to restart the business from April 2011 by framing an exhaustive Coal Distribution Policy (CDP). The CDP was finalised only in December 2014 after a lapse of more than three years and approved in March 2015. Subsequently, Government of Odisha allotted 0.75 lakh MT of coal during 2015-16 to OSIC to be supplied by Coal India Limited for distribution to MSEs. OSIC, however, could not supply the allotted quantity to MSEs, as it could not obtain the details of eligible MSEs from DIC. Government of Odisha requested National Small Industries Corporation for the supply of coal to coal consuming units till OSIC was ready for distribution. Thus, due to the delay in finalisation of CDP and necessary preparatory arrangement, OSIC failed to supply coal for distribution to MSEs during 2011-16.

Government stated (November 2016) that MSME Department had decided to start the distribution of coal through OSIC from 2017.

Brand Marketing of MSME Products

2.18 As per decision (March 2014) of Government of Odisha, OSIC had initiated brand marketing of MSME products for food and non-food items under the brand Name 'Odi-Food' and 'Odi-Tech' respectively. Agricultural Implements such as Threshers, Hand-winnowers, Weeders etc. supplied by OSIC bore the brand name 'Odi-Tech'. OSIC had also launched (January 2015) a Double Fortified Salt (DFS) under the brand name 'Odi-Food'. Audit observed that:

- OSIC sold 12 MT of DFS during March to August 2015 and no sale of the DFS was effected from September 2015. OSIC had not made any market survey and assessed the demand before launching the DFS resulting in lack of response from the buyers.

- In the case of Agricultural Implements, embedding of 'Odi-tech' logo on the body of the agricultural machinery was not ensured before supplying to the users, thereby defeating the purpose of brand building.

In the exit conference, Government stated that necessary steps would be taken to increase the sale of DFS by adopting rigorous marketing strategy. It also stated that OSIC would ensure embedding of 'Odi-tech' logo on fast moving agricultural machineries.

Youth Innovation Fund

2.19 Government of Odisha had formulated Odisha State Youth Policy (OSYP) 2013 to promote innovative entrepreneurship among the youth of the State, under which financial assistance up to ₹ 3.00 Lakh was to be provided for new and innovative ideas/products/services. OSIC was declared as the implementing agency and was entitled to receive administrative charges at the rate of five *per cent* of the actual disbursement with minimum of ₹ 2 lakh per annum.

Audit observed that though Government of Odisha released (March/October 2015) ₹ 160 lakh to OSIC in two equal instalments, OSIC disbursed only ₹ 13.14 lakh as of March 2016 to 21 youths, thus defeating the very purpose of the scheme.

Government stated (November 2016) that steps had been taken to implement the programme and achieve the required target by March 2017.

Contract Management

Construction Contracts

2.20 The Odisha Small Industries Corporation Limited executes construction works allotted by different departments of Government of Odisha and its agencies, though not envisaged as an objective of the Company. During 2011-16, OSIC executed 36 construction works valuing ₹ 80.45 crore, out of which work valuing ₹ 65.62 crore was allotted by Directorate of Technical Education and Training (DTET) and the remaining ₹ 14.83 crore was allotted by the Agriculture Department of Government of Odisha. Audit observed the following deficiencies:

Delay in Execution

2.21 Out of 36 works executed by OSIC, six works were completed and handed over to the department by March 2016 after delays of three to 26 months. Out of the balance 30 works, 20 works were not completed even after delays of nine to 48 months from scheduled date of completion and the remaining 10 works were in progress. Analysis of 16 out of 26 works by audit showed that:

- The estimates of all 16 works were prepared as per Schedule of Rate (SoR) 2008. Due to delay in finalisation of the tender, the estimates had to be increased by ₹ 2.88 crore.

- Nine works were retendered after delays of 11 months from the last date of tender as a single bid was received for all the works. Similarly, three works were tendered after delays of 17 to 22 months from the date of receipt of funds and administrative approval.

- In case of 15 works, WOs were issued after delays of two to nine months from finalisation of tender without ascribing the reasons for the delay.

Government, while endorsing the views of the Management, stated (November 2016) that the delay occurred due to non-availability of land from indenting authorities and obtaining the approval from Government, which was beyond the control of OSIC. The reply was not acceptable as OSIC awarded work without ensuring availability of land. In the exit conference, Government advised OSIC to avoid such delay in future.

Non-imposition of penalty

2.22 As per the conditions of contract entered into by OSIC with the contractors, in case of delay in completion of work, penalty was to be levied at one and half *per cent* on the value of work for every week of delay in execution subject to maximum of 10 *per cent* of the contract value. Despite the delay in execution of 26 out of 36 works, OSIC had neither analysed the reasons for the delay nor imposed any penalty on the contractors. The contractors had also not sought time extension for the delay in execution of these 26 works as per the terms and conditions of the contract. Despite this, OSIC had not imposed penalty of ₹ 4.92 crore on the defaulting contractors.

In the exit conference, Government stated that the reasons for the delay would be analysed at the time of completion of works.

Commercial Contracts

2.23 Revenue from commercial activities mainly included distributorship business of steel bars and packed bitumen of large enterprises like TSL, IOCL and HPCL. Deficiencies observed in contracts of commercial activities are discussed in **paragraphs 2.24** to **2.30**.

Non-achievement of target

2.24 The Odisha Small Industries Corporation Limited is the sole distributor of steel bars of TSL in the State since 2000-01. It is also the Carry Forwarding Agent (CFA) of packed bitumen of IOCL and HPCL for supply to Government Departments and its agencies. The year-wise targets and achievements in lifting/sale of steel bars and bitumen during 2011-16 were analysed in audit. The following observations are made:

- During the period of 2011-16, OSIC did not achieve its targeted quantity in lifting/sale of both the products except during 2011-12 for steel bars.

- In the case of steel bars, against the targeted sale of 3.68 lakh MT during 2011-16, OSIC sold 3.28 lakh MT, leaving a shortfall of 0.40 lakh MT. Similarly, in the case of packed bitumen, against a target sale of 1.19 lakh MT for 2011-16, OSIC sold 0.93 lakh MT, resulting shortfall of 0.26 lakh MT. The shortfall during 2011-16 ranged from 4 to 18 *per cent* and 9 to 30 *per cent* in case of steel bars and packed bitumen, respectively. Due to non-achievement of target, OSIC lost the opportunity to earn distribution margin of ₹ 5.33 crore.

Government stated (November 2016) that the target for lifting/sale was fixed at higher side with action plan of TSL, IOCL and HPCL and the achievement is always dependent on market dynamics and competition by other producers in the market. The reply was not acceptable as OSIC did not have any business strategy/plan to face the challenges of market dynamics and competition by other producers.

The shortfall in achievement was mainly due to transfer of business by TSL and IOCL to private agencies, non-lifting of targeted quantity by dealers in respect of steel bars and charging of margin in excess of that allowed by IOCL/HPCL in case of packed bitumen as discussed in subsequent paragraphs.

In the exit conference Government advised OSIC to fix realistic target for sale of steel bars and bitumen.

Transfer of business to private agencies

2.25 In addition to the retail sales business, OSIC has also been supplying the steel bars directly to bulk consumers as a distributor of project sales[24] by TSL. Project sales constituted 3 to 5 *per cent* of total sales volume of OSIC. TSL had appointed another private agency during 2010-11 as distributor for project sales in Odisha, which affected the sales volume of project sales of OSIC.

Similarly, in the case of packed bitumen, Jeypore Depot of OSIC, being operated as a contract operated depot through a private agency, was contributing 16 to 43 *per cent* of total bitumen sale of OSIC. IOCL wanted to appoint a Carry Forwarding Agent (CFA) in Jeypore area and requested (September 2014) OSIC to furnish suitable land which OSIC could not provide. Subsequently, IOCL had appointed (March 2015) a private agency as CFA in Jeypore, which resulted in 34 *per cent* decline in bitumen sales of OSIC during 2015-16 as compared to 2014-15.

Government stated (November 2016) that project sales of steel bars were affected due to discontinuance of purchase by Government Departments since 2010-11. It further stated that IOCL had appointed a private agency as CFA at Jeypore, before sourcing the land. The reply was not acceptable as IOCL had intimated OSIC well in advance (December 2013) about requirement of land. In the exit conference, Government directed OSIC to explore business opportunities with other major producers of iron and steel materials.

Non-lifting of stock by dealers

2.26 The Odisha Small Industries Corporation Limited had appointed 400 dealers in Odisha as of March 2016 on the recommendation of TSL for distribution of steel bars all over State by executing agreements with them. As per the agreements, the dealers are required to lift a minimum quantity of 20 MT per month. In case of failure to lift the minimum stock consecutively for six weeks, the dealership was liable to be cancelled and Security Deposit (SD) was to be forfeited.

Audit observed that out of 400 dealers, 71 had not lifted any stock during 2011-16. Despite non-lifting, OSIC had neither cancelled their dealership nor forfeited their SD of ₹ 43 lakh. Since OSIC earned distribution margin ranging from ₹ 908 to ₹ 1120 per MT on sale of steel bars during 2011-16, non-lifting of minimum quantity of stock by 71 dealers resulted in loss of potential margin of ₹ 2.49 crore.

In the exit conference, Government stated that steps were being taken to cancel the dealership of defaulting dealers.

[24] The sale of TSL bars directly to bulk consumer/government agencies without routed through dealers network.

Collection of excess margin on sale of Bitumen

2.27 The Odisha Small Industries Corporation Limited has been selling packed bitumen of IOCL/HPCL from its depots located at various locations in the State for which, IOCL/HPCL allowed a margin of ₹ 400 per MT to OSIC. Accordingly, OSIC had sold the bitumen at the approved rate.

Audit observed that OSIC had sold the bitumen at the approved rate in three depots[25] and in respect of other depots, it charged higher amounts ranging from ₹ 200 to ₹ 831 towards margin, which increased the sales price of packed bitumen, affecting the sale of the same. Consequently, OSIC could sell only 13967 MT against the targeted quantity of 20004 MT during 2015-16.

In the exit conference, Government stated that steps were being taken to maintain parity in price of bitumen at all locations.

Avoidable expenditure towards transportation

2.28 As per the terms of the annual distributorship agreement, OSIC took delivery of the steel bars from TSL stockyard and despatches the stock to its Central Stock Yard (CSY) at Mancheswar for further distribution to dealers and Raw Material Depots (RMDs) by engaging private transporters. Both the stockyards of TSL and OSIC were located within a distance of 2 KM. TSL shifted its stockyard to Tangi (December 2013) which was 45 KM away from Mancheswar. Consequent to shifting of TSL stockyard to Tangi, RMDs located nearer to Tangi, who were earlier lifting the stock from Central Stock Yard of OSIC, lifted the stock directly from the TSL stockyard at Tangi.

Audit observed that OSIC had not reallocated all the dealers to their nearest RMDs to avoid extra transportation cost after shifting of TSL stockyard from Mancheswar to Tangi. During 2014-16, OSIC had attached 50 dealers to its stockyard at Mancheswar, instead of their respective nearest RMDs due to which OSIC incurred an avoidable extra expenditure of ₹ 0.92 crore towards transportation.

In the exit conference, Government stated that all dealers could not be attached to their nearest depots due to non-availably of suitable infrastructure at some depots. It, however, assured of carrying out a cost-benefit-analysis for the purpose so as to avoid extra transportation charges.

Excess expenditure on binding strips

2.29 The Odisha Small Industries Corporation Limited, as a distributor of TSL, procured steel bars from TSL and sold them to the dealers appointed by it as per the approved Retail Channel Price (RCP) of TSL. The RCP was fixed, considering different costs incurred by the distributor and distributor's margin for selling the materials to the dealer. TSL used binding strips to bind the steel bars which were weighed along with the bars before their despatch to OSIC

[25] Balasore, Berhampur and Bhubaneswar

stockyard. Since payment was made to TSL on weighment basis, OSIC paid the price for binding strips as applicable for steel bars. OSIC, however, while selling the same to the dealers, unbound the bars and sold the binding strips separately as scraps at much lesser rate than its cost of procurement. During 2011-16, OSIC sold 88.55 MT of binding strips at an average price of ₹ 12,903 per MT, whereas the average cost of procurement was ₹ 47,234 per MT. This resulted in loss of revenue of ₹ 0.30 crore.

The Government stated (November 2016) that OSIC had taken up the matter with TSL to accommodate the loss in the RCP.

Shortage in transportation

2.30 The Odisha Small Industries Corporation Limited had engaged transport contractors for transportation of steel bars from TSL stockyard to its own CSY and RMDs by executing agreements with the transporters. As per the agreement, the difference in weight between supply and delivery point should not exceed a limit of 0.30 *per cent* for each consignment and 0.25 percentage shortage for total lifting during a month, subject to the condition that number of pieces remained the same both in the case of lifting and delivery points. During the period 2011-16, a net shortage of 172.33 MT ranged between 0.03 *per cent* and 0.05 *per cent* was reported**.** OSIC, however, could not recover the shortage from the transporters as it was within the range of permissible limit. Audit observed that:

- The Odisha Small Industries Corporation Limited had not ensured counting of the pieces at the lifting and delivery points as per the terms and conditions of the agreement. Hence, the possibility of pilferage of material under the scope of shortage norm of 0.25 *per cent* could not be ruled out.

- As per its RCP structure, TSL was required to have provision for all possible expenses incurred by OSIC in connection with distributorship business of TSL products. RCP, however, did not include any element of cost towards shortage in transit, due to which OSIC had to bear the loss of ₹ 0.82 crore in respect of 172.33 MT during 2011-16 from its own margin.

The Government stated (November 2016) that counting of bars was made by converting the weight into pieces and RCP structure did not include transit loss. The reply was not acceptable as OSIC had deviated from the terms and conditions of agreement with transport contractors. In the exit conference, Government has directed OSIC to take up the matter with TSL to claim the loss towards shortage in transit.

Supply of Medical equipment

2.31 As a nodal agency for procurement of specified medical equipment, instruments & furniture on behalf of Health & Family Welfare Department, OSIC had placed purchase orders with different suppliers valued at ₹ 101.18 crore during the period 2011-16. OSIC was entitled to consultancy charges of 4.25 *per cent* of gross total value of such procurement.

Audit observed that OSIC had not maintained any record relating to actual supply made by the suppliers against the POs placed by it, due to which OSIC could not ascertain the actual consultancy charges receivable from the indenting authority. Against a claim of ₹ 5.05 crore towards consultancy charges, OSIC had received ₹ 1.69 crore as of July 2016 leaving ₹ 3.36 crore unrealised. OSIC had also not maintained any record in support of inspection and monitoring by its officials in respect of delivery, installation and demonstration of the equipments and training imparted by the suppliers.

In the exit conference, Government stated that steps would be taken to reconcile the claim by December 2016.

Financial Management

2.32 The main sources of finance of the OSIC were funds received from Government of Odisha and its agencies for execution of different works as well as income from distributorship business. Audit scrutinised the management of funds and the following deficiencies were observed:

Arrears in finalisation of accounts

2.33 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year in accordance with the provisions of Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act 2013.

Audit observed that OSIC had finalised its annual accounts up to 2012-13 and accounts from 2013-14 to 2015-16 were in arrears. Non-finalisation of accounts in time resulted in non-availability of latest financial positions and working results of Company apart from violation of the provisions of the Companies Act 2013.

The Government stated (November 2016) that the accounts for the year 2013-14 had been approved by Audit Committee and would be placed in the coming Board of Directors meeting for authentication. Government gave an assurance that a time schedule would be drawn up for finalisation of arrear accounts.

Imprudent fund management

2.34 Conversion of Current Account into Flexi Account helps in the maximisation of interest income without compromising liquidity.

OSIC had maintained 10 Current Accounts at the Head Office. Out of these Current Accounts, four Current Accounts were converted into Flexi Accounts. Audit observed that balance ranged from ₹ 1.12 lakh to ₹ 992.99 lakh were lying in three Current Accounts during 2012-16, earning no interest. Despite such huge balances, OSIC had not converted these accounts into Flexi Accounts, resulting in loss of interest of ₹ 19.06 lakh during 2012-16.

In the exit conference, Government stated that action would be taken to convert the Current Accounts to Flexi Accounts.

Utilisation of funds under different schemes

2.35 The Odisha Small Industries Corporation Limited had received ₹ 955.81 lakh as grants-in-aid in respect of 14 schemes[26] from Government of India and Government of Odisha during 2011-16, out of which it could utilise ₹ 4.29 crore up to March 2016. In respect of grants received from Government of India, sanction order *inter-alia* stipulated that separate subsidiary bank accounts had to be maintained for receipt and utilisation of grants and the interest earned on scheme funds should not be utilised for any other purpose than the scheme itself. Audit observed that:

- The Odisha Small Industries Corporation Limited had not maintained any separate subsidiary bank accounts for the grants received from Government of India. During 2011-16, OSIC had earned interest of ₹ 21.61 lakh on investment of scheme funds of Government of India and treated it as its own income in violation of the schematic provision.

- The Odisha Small Industries Corporation Limited had submitted utilisation certificate for ₹ 17 lakh to Government of Odisha in respect of grants received (December 2015) for restructuring and office automation without any utilisation.

- Government of Odisha had released ₹ 2.31 crore towards Venture Capital Fund and cluster development scheme to OSIC. OSIC did not utilise the same due to non-receipt of detailed guidelines from Government of Odisha.

In the exit conference, Government agreed to comply with the scheme guidelines.

Implementation of OTS Scheme

2.36 In order to recover the long outstanding dues from MSEs, OSIC had introduced One Time Settlement (OTS) Scheme which was notified by Government of Odisha in February 2009. During the validity of OTS scheme, OSIC recovered ₹ 39.52 lakh from 25 SSI units against the outstanding amount of ₹ 2.88 crore. OSIC had requested Government of Odisha time and again for extension of the validity of the OTS scheme; however, no reply was received from Government of Odisha. Subsequently, Board of Directors had approved (September 2013) a new OTS Scheme on the lines of old OTS Scheme which was sent (November 2013) to Government of Odisha for

[26] Cashew cluster, Ganjam; Rice bran oil extraction, Bargarh; Diagnostic study of dry fish cluster, Paradeep; Diagnostic study on light engineering; Engineering cluster, Jharsuguda; Readymade garment cluster, Dhenkanal; Intervention in plastic cluster, Balasore; Engineering cluster, Rourkela; Cashew cluster, Ganjam; Cashew cluster, Brahamagiri; Office automation and restructuring schemes; Cluster development; Youth innovation and Venture capital

approval. However, the new OTS has not been approved by Government of Odisha for which OSIC could not recover the outstanding dues.

The Management, while accepting the fact, stated (October 2016) that Certificate Cases had been filed under Odisha Public Debt Recovery Act to recover the dues. In the exit conference, Government has directed OSIC to take necessary action to recover the old outstanding dues.

Non-recovery of advance from the contractors

2.37 The Odisha Small Industries Corporation Limited, while executing different Rural Electrification works, extended financial assistance to contractors in the form of bill discounting/advances. Both bills discounting and advances are charged interest at the rate of 13 *per cent* per annum at 30 days rest with the condition that the advance given should be recovered from the payments made against the said works.

Audit observed that OSIC had released further advances of ₹ 13.40 crore in 50 instances to 10 contractors without adjusting previous advances during November 2013 to March 2016. OSIC had released an advance of ₹ 8.29 crore to 11 electrical contractors, against which it adjusted only ₹ 4.24 crore as of March 2016. Further, against the interest due of ₹ 1.47 crore, OSIC realised ₹ 0.57 crore leaving ₹ 0.90 crore unrealised as of March 2016.

In the exit conference, Management assured of reconciling outstanding advances and interest. Government also directed OSIC to follow the terms and conditions of the agreement/contract in respect of adjustment of advances to contractors.

Irregular release of Advance

2.38 The Odisha Small Industries Corporation Limited executed Capital Expenditure (CAPEX) works on behalf of the Energy Department. As the CAPEX works involved supply of materials as well as erection, Government of Odisha allowed 50 *per cent* advance to the contractors against Indemnity Bond for supply of materials. Further, contractors were also extended bill discounting facility, as per which OSIC released 60 *per cent* of bill received from the contractor.

Audit observed that OSIC, while releasing 60 *per cent* of bills, had not considered the advance already released under CAPEX works for the same bill, resulting in release of excess advance to the contractor. Test check showed that due to such practice, OSIC released excess advance of ₹ 17.02 lakh to two contractors.

The Government stated (November 2016) that excess advances would be adjusted against the final bill. In the exit conference, OSIC had assured to reconcile advance and interest. Government directed OSIC to stick to the conditions stipulated in the agreement in respect of grant and adjustment of advance.

Other Deficiencies

2.39 Audit observed the following other deficiencies in financial management:

- The Cash Books were deficient in certification, physical verification, denomination-wise reflection and authentication by any responsible officer, in the event of any overwriting. The Opening Balance was short accounted for an amount of ₹ 63,689 in nine instances at Cuttack RMD. Further, cash balance of ₹ 18.55 lakh was shown in the annual financial statements year after year as "cash in hand (different stores)" since 2010-11 without any reconciliation.

- The Odisha Small Industries Corporation Limited had not reconciled balances totalling ₹ 6.02 crore in 13 bank accounts prior to 2011-12. Despite repeated qualification by Statutory Auditors, the Company has not taken any step to reconcile the un-reconciled balances so far (July 2016).

- The Odisha Small Industries Corporation Limited did not maintain any records in support of trade receivables to classify under Current and Non-current Assets. As on 31 March 2015, an amount of ₹ 52.62 crore was shown as receivables from different parties, which included ₹ 29.55 crore, being shown since 2006-07 without any confirmation and reconciliation. Despite the qualification of Statutory Auditors regarding non-reconciliation of old outstanding balances against sundry debtors, OSIC failed to reconcile the same due to non-maintenance of individual customers accounts showing the details of the amounts to be recovered from them.

- The Odisha Small Industries Corporation Limited has shown in the accounts an investment of ₹ 59.42 lakh in shares of 30 companies out of which share certificates of 16 companies were not available. The OSIC had not ascertained the status of these companies.

The Government stated (October 2016) that irregularities in Cash Books had been communicated to concerned RMD for rectification/regularisation. It also stated that due to lack of professional personnel in the finance wing, the reconciliation of outstanding balances could not be done.

Utilisation of land

2.40 The Odisha Small Industries Corporation Limited was managing all the Industrial Estates of the State prior to January 1981. After formation of Odisha Industrial Infrastructure Development Corporation (IDCO) in 1981, the control and management of all Industrial Estate/areas were transferred to IDCO. The OSIC was allotted land in industrial estates for the operation of its CSY and RMDs on outright purchase/rental basis. As on 31 March 2016, OSIC had 12.193 acres of land under its possession in 11 districts of Odisha out of which 0.7 acre was freehold land and the rest were leasehold lands.

Audit observed the following deficiencies in utilisation of lands:

- Out of 11.493 acres of leasehold land under its possession in 11 districts of Odisha, OSIC was yet to execute the lease agreement with IDCO in respect of 10.157 acres of land. Industrial plots measuring an area of 2.54 acres at Kalunga, which was acquired (December 1991) by OSIC on lease from IDCO, remained unutilised since 2002 due to shifting of stockyard to Rourkela. Though OSIC had sought (November 2008) permission from IDCO to sublease/sublet the land, no clearance had been received from IDCO (July 2016) which resulted in loss towards rental income of ₹ 15.49 lakh as of March 2016 and idle expenditure of ₹ 15.62 lakh towards watch and ward. The remaining lands were used for operation of RMDs.

- The Odisha Small Industries Corporation Limited had paid (March 1999 to March 2000) ₹ 0.50 crore towards the cost of land at Cuttack against the demand (March 1999) of ₹ 0.66 crore for construction of staff quarters. Due to the paucity of funds and non-payment of the balance amount of ₹ 0.16 crore, the land was not allotted. OSIC, thereafter, cancelled the proposal and requested (July 2002) the revenue authorities to refund ₹ 0.50 crore, which was not received till the date of audit (July 2016). The loss due to this was highlighted in Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2002 (**Paragraph 4.5.2**). CoPU had also recommended (August 2008) suitable action against the erring officials responsible for this loss. However, even after eight years, OSIC had not taken any steps for refund of amount.

The Government, while accepting the fact, stated (November 2016) that steps were being taken to utilise the land at Kalunga as a Mini Industrial Estate and the Collector, Cuttack was being pursued for either refund of land premium or allotment of a suitable land.

Monitoring and Internal Control

Monitoring

2.41 An effective monitoring mechanism is a pre-requisite for ensuring physical/financial progress and timely completion of projects. The functioning of the organisation needs to be reviewed continuously by top management to address the deficiencies and to provide guidance for further improvement. Audit observed that the review of performance by top management was inadequate, as detailed below:

- Despite the increase in turnover from ₹ 490.74 crore in 2011-12 to ₹ 663.04 crore in 2015-16, the post of General Manager (Operation) has been lying vacant since July 2013, resulting in improper monitoring, supervision and control of different operational activities of the OSIC.

- The Odisha Small Industries Corporation Limited did not have a regular electrical engineer to oversee the implementation of RE works, though it had executed RE works valued at ₹ 710.86 crore during 2011-16.

- The Corporate Governance Manual (CGM) of Government of Odisha required Audit Committee (AC) to meet at least thrice per year to oversee the internal controls and financial reporting process in OSIC. During 2011-16, against the minimum requirement of 15 meetings, eight meetings of AC were held. Further, though AC had suggested reconciliation of debtors, creditors, suspense accounts and bank balances, the same were not yet carried out by OSIC.

- Human Resource Committee (HRC), constituted (August 2012) in accordance with the requirement of CGM for development of human resources in OSIC, had not conducted any meeting so far (July 2016).

The Government, while accepting the facts, stated (November 2016) that corrective and prospective measures were being taken on the audit observations.

Absence of Management Information System

2.42 The Odisha Small Industries Corporation Limited did not put in place an effective Management Information System (MIS) to make available timely, adequate and accurate information to various stakeholders in the organisation. Though OSIC had a MIS division, it was confined only to preparation of pay roll of the employees instead of core activities like marketing of MSME products, construction activities and commercial activities. Audit Committee as well as the Board of Directors had also expressed (June 2013/ March 2015) their concern over poor MIS and recommended integration of different branch and depots of the organisation to enable generation of reports on daily basis. Further, Board of Directors had also asked OSIC to appoint an expert to submit a report on adequacy and efficacy of MIS in OSIC. No action, however, was taken by management to implement these recommendations.

The Government, while accepting the facts, stated (November 2016) that it would implement e-office and Financial Accounting System from 2016-17.

Internal Control and Internal Audit

Internal Audit

2.43 Due to shortage of manpower, OSIC had engaged (September 2012) a Chartered Accountant firm for conducting internal audit from October 2012 on a quarterly basis. The firm, however, discontinued (May 2014) audit, citing low audit fees and lack of management support. Thereafter, another firm was appointed (July 2015) as the internal auditor for 2015-16. Thus, no internal audit was conducted from May 2014 to March 2015. Further, compliances to audit reports were not prepared and internal audit reports were not put up to the Board/AC for necessary action. Statutory Auditors had also reported about the inadequacy of internal audit system in OSIC. Due to inadequate internal audit, reconciliation of various long pending balances under sundry debtors, creditors, bank balances, cash balances, loans and advances to suppliers, contractors etc. remained incomplete.

The Government, while accepting the facts, stated (November 2016) that internal audit reports would be placed before AC/Board of Directors.

Internal Control

2.44 Internal control is used to provide reasonable assurance that the Management's objectives were being achieved in an efficient and effective manner. Audit observed the following deficiencies in internal control system of OSIC.

- The Odisha Small Industries Corporation Limited had not prepared the accounts and audit manual even after 44 years of its establishment. In absence of the manual, the procedures followed for carrying out various financial and non-financial activities were not systematic and not authorised by any approved procedure.

- As per Standard Operating Procedure (SOP) for sale of materials, the dealers have to deposit the value of materials in bank accounts of OSIC. Audit observed that, in deviation from SOP, OSIC had accepted cash ranged from ₹ 0.60 lakh to ₹ 10.65 lakh from the dealers during 2014-16.

- Due to erroneous validation control in MS Access package, the transportation charges paid at Balasore RMD were either in excess or short due to rounding off to the next rupee for every kilometre instead of rounding off the same in the final value.

- The Odisha Small Industries Corporation Limited had not installed weighbridges in seven RMDs, though it had been supplying steel bars to dealers. In absence of weighbridges, shortages, if any, in receipt of materials from TSL at the respective RMDs could not be ascertained.

- The Odisha Small Industries Corporation Limited awarded 12 works to two contractors under RE valued at ₹ 10.12 crore despite their failure in execution of their earlier works.

- Billing at a higher cost to dealers/customers over the price fixed by TSL in case of materials supplied free of cost resulted in excess payment of ₹ 7.22 lakh towards VAT.

The Government, while accepting the facts, stated (November 2016) that necessary action was being taken to rectify the irregularities.

Conclusion

The Odisha Small Industries Corporation Limited had not prepared any long term perspective/corporate plan for development of MSEs in the state. It had shifted from its main objective of promoting MSEs to marketing of products of large and heavy industries. Despite stipulations of Government of Odisha, OSIC could not obtain bulk orders from Government of Odisha resulting in loss towards service charges. OSIC did not levy penalty on the contractors despite delay in execution of 26 construction works. Due to non-achievement of targets in distributorship business, OSIC lost the opportunity to earn distribution margin. OSIC incurred extra expenditure on transportation charges due to non-reallocation of dealers to their nearest RMDs. OSIC did not claim the loss incurred on sale of binding materials as scrap and shortage incurred on transportation from TSL in the RCP fixed by TSL. Monitoring and Internal Control mechanism in OSIC was deficient.

Recommendations

OSIC may consider:

- **Preparing a long term perspective plan/corporate plan for development of MSEs in the State;**
- **Pursuance with various Government Departments and its agencies for procurement of goods and services as per the purchase preference policy of Government of Odisha;**
- **Creating awareness among MSEs in Odisha for availing intended benefits from Government of Odisha schemes;**
- **Developing a suitable mechanism to monitor timely execution of different electrification and construction works; and**
- **Strengthening monitoring and internal control system and developing a suitable MIS for effective decision making.**

Chapter III

3. Compliance Audit Observations

Important audit findings emerging from test check of transactions of the State Government Companies/ Statutory Corporations are included in this Chapter.

Government Companies

Odisha State Cashew Development Corporation Limited

3.1 Plantation and Maintenance Activities of Odisha State Cashew Development Corporation Limited

Introduction

3.1.1 Odisha State Cashew Development Corporation Limited (OSCDC) is a Government of Odisha (GoO) Public Sector Undertaking incorporated in April 1979 with the main objectives of developing land and raise cashew plantations in the State, implementing cashew development programmes and rendering technical guidance/ assistance to cashew growers. Government of Odisha had nominated (September 1993) OSCDC as the nodal agency for all the cashew plantations in the State. The main activities undertaken by OSCDC are maintenance and upkeep of the existing cashew plantations, raising of high yielding cashew grafts and harvesting through temporary lease or departmental collection.

As on 31 March 2016, OSCDC had 14.92 lakh cashew trees in 603 cashew plantations over an area of 28013.63 hectares (Ha) of land and 20 cashew graft nurseries under 20 revenue districts of the State. OSCDC has six[51] divisional offices to look after the field operations headed by Divisional Manager/Assistant Manager. The division-wise plantation area and cashew tree for the last three year ending 31 March 2016 is detailed in the **Annexure 4**.

The working of OSCDC was last reviewed and reported in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2006, Government of Odisha. The report has not been discussed in the Committee on Public Undertakings (COPU) so far. The present audit on “Plantation and Maintenance Activities of OSCDC” was conducted during May and June 2016**,** through test-check of records at the Head Office and six divisions of OSCDC for the period of 2013-2016 to assess whether the plantation and maintenance activities were carried out economically, efficiently and effectively.

[51] Baripada, Chandikhol, Dhenkanal, Jeypore, Khurda and Sundargarh

Plantation Activities

Long term plan

3.1.2 As per the Corporate Governance Manual of Government of Odisha (November 2009), every State PSU has to prepare a corporate plan for a period of three years with detailed description of its intended long term goals and objectives. Audit observed that OSCDC had not prepared any corporate plan for optimum utilisation of the available area for plantation and identification of new areas for expansion of cashew plantations. During the period of report, no new area was brought under cashew plantation.

The Government had not furnished any specific reply about non-preparation of a corporate plan. Government, however, stated (November 2016) that re-plantation with hybrid cashew grafts had been taken up in a phased manner and OSCDC planned to produce 30 lakh cashew grafts in 2017 planting season.

Density of plantations

3.1.3 The efficient utilisation of plantation land requires achieving optimum density of plantation. Audit observed that OSCDC had not identified the total area of vacant patches requiring plantation to achieve optimum density. The studies conducted by other agencies[52] stated the norm for the density of the plantations per Ha in seedling plantations and graft plantations at 100 trees and 200 trees, respectively. Against the norm, there were only 45 trees per Ha in seedling plantations and 84 trees per Ha in graft plantations, as of March 2016. The poor density of plantations was due to non-plantation of high yield cashew grafts in available vacant patches and was indicative of inefficient utilisation of available land.

Government stated (November 2016) that plant density had not been properly assessed and steps have been initiated to ascertain the exact area and plant population using high scientific tools for assessment of plant density.

Size of plantation

3.1.4 A World Bank project report on cashew plantation envisaged that minimum size of plantation should be 200 Ha to facilitate effective management and prevent crop pilferage. As the availability of 200 Ha of compact land was rare, the Government/OSCDC decided that 40 Ha of land and above would be the minimum patch for plantation. COPU had discussed the Report of the C&AG (Commercial) for the year ended 31 March 1986 on OSCDC [(Para 2A.5(i)] and recommended (September 1989) that the Government should provide larger patches of lands to OSCDC for plantation, which would be effective for better supervision, monitoring and control over

[52] (Cashew Development Board, Directorate of Cashew-nut and Cocoa Development (DCCD) and National Research Centre for Cashew (NRCC)

the plantations. In the Action Taken Notes (ATNs), the Government had assured (July 2000) to take up the matter with the Revenue Department for providing larger patches of land at the time of future expansion. No records, however, were available to establish that OSCDC had pursued with the Government for providing larger patches of land on lease.

As on 31 March 2016, out of 603 plantations, 323 plantations were on land holdings below 40 Ha as indicated in the following table:

Divisions	Total		Land holding below 40 Ha		Range of land holding below 40 Ha	Percentage of land holding below 40 Ha of total land holding
	No. of Plantations	Area in Ha	No. of Plantations	Area in Ha	In Ha	
Baripada	28	1966.36	7	197.50	12.63-38.96	10.04
Chandikhol	75	3779.58	34	671.12	3.20-38.44	17.76
Dhenkanal	84	3282.45	54	1065.87	3.38-39.92	32.47
Jeypore	138	7185.13	58	1303.59	4.05-39.57	18.14
Khurda	146	6834.92	77	1695.17	3.51-39.81	24.80
Sundargarh	132	4965.20	93	2087.00	1.40-39.65	42.03
TOTAL	***603***	***28013.64***	***323***	***7020.25***		***25.06***

(Source: Information furnished by Management)

From the above, it can be seen that more than 50 *per cent* of the plantations were below 40 Ha. The minimum land holding in all the six divisions of OSCDC ranged between 1.40 Ha and 12.63 Ha. Sundargarh, Dhenkanal, and Khurda had the maximum percentage of land holdings below 40 Ha.

The existence of a large number of smaller-sized lands and failure to obtain larger patches of land from Government of Odisha prevented OSCDC from having an effective supervision, monitoring and control over the plantations.

Government stated that (November 2016) the desired minimum size of land as recommended was not made available to OSCDC. However, the fact remains that there was lack of pursuance by OSCDC with Revenue Department of Government of Odisha for providing larger patch of land since September 2011.

Re-plantation

3.1.5 As per the technical parameters prescribed by OSCDC, old and senile cashew plantations of more than 35 years of age, as well as plantations affected by pest, require re-plantation with high yield grafts to increase productivity. OSCDC had been undertaking annual re-plantation programmes with financial assistance from Directorate of Cashew-nut and Cocoa Development (DCCD). The cost norm for re-plantation is ₹ 40,000 per Ha in which DCCD provides 50 *per cent* assistance. The targets fixed for re-plantation and achievements during 2013-16 are detailed in the following table:

(Area in Ha)

Division	Total Area as of March 2016	Areas requiring re-plantation on account of old & senile trees as of March 2016	Target for re-plantation during 2013-16	Re-plantation achieved during 2013-16	Deficit/Excess in achievement over target	Deficit/ Excess in percentage
Baripada	1966.36	1332.07	182.94	85.93	(-) 97.01	(-) 53.03
Chandikhol	3779.58	781.26	410.17	397.30	(-) 12.87	(-) 3.14
Dhenkanal	3282.45	839.86	112.00	101.00	(-) 11.00	(-) 9.82
Jeypore	7185.13	5106.94	70.00	72.63	(+) 2.63	(+) 3.75
Khurda	6834.92	2381.39	295.00	110.86	(-) 184.14	(-) 62.42
Sundargarh	4965.20	4133.23	50.00	35.00	(-) 15.00	(-) 30.00
Total	**28013.64**	**14574.75**	**1120.11**	**802.72**	**(-) 317.39**	**(-) 28.34**

(Source: Information furnished by Management)

While, 52 *per cent* of the total land holdings comprised old and senile plantations**,** OSCDC had set a target for re-plantation of only seven *per cent* of the total area available for re-plantation. Despite fixation of target on the lower side, OSCDC failed to achieve the target. The deficit in achievement of target ranged between 3.14 to 62.42 *per cent* in all divisions**,** except in Jeypore division**,** where the target was set on a much lower side. Replacement of old and senile trees with high yield grafts in 13,772.03 Ha as of March 2016**,** would have generated a minimum revenue of ₹ 49.58[53] crore from the first yield onwards.

Government stated that (November 2016) re-plantation of old and senile plantations had been planned with coverage of larger areas in consultation with all stakeholders from the 2017 planting season.

Re-plantation of damaged trees affected by cyclone

3.1.6 Odisha was hit by a severe cyclone (Phailin) in October 2013, which damaged 121 cashew plantations in 1164.48 Ha in four divisions[54]. OSCDC had submitted (November 2013) a proposal to the Government of Odisha for re-plantation of 358.65 Ha of damaged plantations in Khurda division but did not take any action for re-plantation in other three divisions. Based on the proposal of OSCDC, Government of Odisha had sanctioned (January 2014) a

53 13772.03 Ha (14574.75 Ha – 802.72 Ha) x 180 trees/Ha x 2 Kg/tree x ₹ 100/ Kg
54 Baripada, Chandikhol, Dhenkanal and Khurda

subsidy of ₹ 2.36 crore under Rashtriya Krishi Vikash Yojana and released (July 2014) ₹ 1.17 crore in the first phase for taking up re-plantation work. OSCDC, however, carried out re-plantation in 145.50 Ha land at a cost of ₹ 0.41 crore and the remaining area of 213.15 Ha was not taken up for re-plantation due to improper land demarcation by OSCDC with respect to forest land resulting in resistance from Forest Department. The proposal (January 2015) of OSCDC to divert the sanctioned amount for re-plantation in other districts was turned down by the Government of Odisha (February 2015) with instruction to refund the unspent amount.

Thus, preparation of proposal without demarcation of land led to non-utilisation of fund amounting to ₹ 1.95 crore[55].

Government stated (November 2016) that the balance amount had been spent on other approved infrastructure development project. The reply indicated that the balance funds were not utilised for re-plantation in cyclone affected plantations.

High mortality of re-planted grafts

3.1.7 As per approved norm, the mortality of grafts re-planted up to 2nd year of plantation is 10 *per cent* and in case of 3rd year of plantation, it is up to 12 *per cent*. In the event of 50 *per cent* mortality, the plantation is considered a failure.

Audit observed that out of 43 plantations**,** where re-plantations were done during 2013-16, in 9 plantations the mortality rate recorded up to the 2nd year of plantation ranged between 10.14 to 49.90 *per cent*. Similarly, in 8 plantations, the mortality rate recorded up to 3rd year of plantation ranged between 18.23 to 100 *per cent*. In four out of these eight plantations, the rate of mortality was more than 50 *per cent***,** indicating failure of re-plantation in these areas. Thus, out of 43 plantations, 17 plantations suffered mortality rate beyond the norm**,** rendering expenditure of ₹ 25.74[56] lakh incurred towards raising of these plantations unfruitful. OSCDC attributed the high mortality of plantations to damage caused by cattle and white ants, elephant trespass, high temperature, water scarcity, growth of jungle etc, which were controllable. The failure of OSCDC to protect the cashew plantations through effective measures of maintenance**,** such as bush cleaning, watch and ward, nutrient management, plant protection etc. resulted in the plantations registering high rates of mortality.

While accepting the fact, Government stated (November 2016) that steps were being taken to bring down the mortality rate.

[55] (₹ 2.36 crore –₹ 0.41 crore)

[56] 12,869 (total number of mortality of grafts) / 200 grafts per Ha * ₹ 40,000 per Ha

Maintenance Activities

3.1.8 Maintenance activities are undertaken to maintain and improve the quality of existing cashew trees. These activities involve bush cleaning, watch and ward, nutrient management, plant protection measures and maintenance of replanted plantations.

Bush Cleaning

3.1.9 Bush cleaning involves removal of jungle growth, dead wood criss-cross branches and water shoots. These activities help to enhance the yield and improve collection of cashew nuts as well as generate employment. OSCDC had made budget provision of ₹ 16 lakh for bush cleaning operation during 2013-16. Audit observed that OSCDC had not assessed the total area of plantation requiring bush cleaning operation. During 2013-16, no bush cleaning operations were conducted in any of the divisions except in the areas where re-plantation programme had been carried out. Failure to carry out bush cleaning operations despite availability of fund, contributed to lower productivity thereby adversely affecting revenue earning capacity as discussed in **paragraph 3.1.10**.

The Government has not offered any comment on the audit observation.

Growth of jungle in cashew plantation at Chandikhol division

Watch and ward

3.1.10 Watchers are engaged for safeguarding the plantations. As per the norms fixed by OSCDC, one watcher should be engaged for 45 Ha of plantations and every watcher is required to be engaged for a minimum period of six days in a month for other maintenance activities like bush cleaning, removal of white ants and stem borers, etc.

Audit observed that, against the requirement of 623[57] watchers for 28013.64 Ha of plantations, OSCDC had engaged 316, 226 and 219 watchers during

[57] 28103.63 Ha / 45 ha.

2013-14, 2014-15 and 2015-16 respectively. OSCDC had also not reviewed other maintenance activities, if any, carried out by the watchers as per the norm. Inadequate engagement of watchers and non-review of their activities resulted in poor maintenance of cashew plantations.

Government stated (November 2016) that watch and ward have been provided to the new and higher revenue earning plantations. The reply was not acceptable as OSCDC was required to provide watch and ward for all the plantations under its possession as per the prescribed norm.

Nutrient management

3.1.11 A balanced application of fertiliser with organic and inorganic nutrients acts as nutrition support to a tree and proper application can increase the cashew nut yield by 25 to 30 *per cent*, besides arresting burning of flowers and drop of nuts in summer. In respect of plantations up to three years old, DCCD had prescribed the followings norms for nutrition support:

Age of Plant	Recommended fertiliser schedule for cashew plantations by DCCD and NRCC		
	Fertiliser (gram/plant)		
	Urea	Phosphate	Potash
1st year	330	200	70
2nd year	660	400	140
3rd year	1100	625	208

As compared to the above norms, the nutrition support provided to new plantations raised in vacant areas of 1283.22 Ha during 2013-16 by OSCDC is detailed below:

(Figures in quintals)

Year	Requirement as per Norm			Quantity purchased/utilised			Shortfall (percentage of shortfall)		
	Urea	Phosphate	Potash	Urea	Phosphate	Potash	Urea	Phosphate	Potash
2013-14	945.86	558.33	191.57	765.74	89.86	88.36	180.12 (19.04)	468.47 (83.91)	103.21 (53.88)
2014-15	1211.36	709.03	241.68	389.79	130.78	99.28	821.57 (67.82)	578.25 (81.56)	142.40 (58.92)
2015-16	1129.21	664.92	227.70	297.95	96.09	109.29	831.26 (73.61)	568.83 (85.55)	118.41 (52.00)

(Source: Information furnished by Management)

It can be seen from the above that there was shortfall in application of urea, phosphate and potash during 2013-16 indicating inadequate nutrition support to the new plantations. Further, no nutrition support was provided in case of plantations above 4th years of age, despite having a provision of ₹ 28.64 lakh in the budgets during 2013-16. Deficient nutrition management resulted in high mortality of plants and decline in productivity**,** as discussed in **paragraphs 3.1.7** to **3.1.13**, respectively.

Government stated (November 2016) that nutrition support had been provided up to 3rd year plantation as per the recommendation made in the journal of DCCD. The reply was not acceptable, as the norm prescribed in the journal was for adult plantations, whereas audit has pointed out shortfall in nutrition support up to 3rd year of plantation.

Plant protection measures

3.1.12 Cashew plants are subject to various diseases and attacks by pest and insects. Plant protection measures (spraying of pesticides and chemicals) are required to prevent and control diseases. OSCDC had made a budget provision of ₹ 17 lakh during 2013-16 exclusively for plant protection measures. Audit observed that during 2013-16 no plant protection measures were carried out**,** except up to 3rd year of plantation. Despite having a budget provision, OSCDC did not take up any initiative for protecting its cashew plantations and the entire provision remained unutilised**.** Inadequate plant protection measures resulted in high mortality of the plants besides lower yield as discussed in **paragraph 3.1.13**.

Government stated (November 2016) that OSCDC had carried out plant protection measures during 2013-16. Further audit verification showed that the plant protection measures were carried out up to the 3rd year of plantation.

Decline in productivity

3.1.13 Deficiency in various maintenance activities carried out by OSCDC**,** as discussed in **paragraphs 3.1.9** to **3.1.12**, resulted in decline of productivity leading to low yield per tree. According to the yield pattern estimated by DCCD and NRCC, cashew trees start giving yield after third year of plantation and the maximum potential yield period of the tree is considered to be between the 10th and 30th years. As per norms fixed by OSCDC, the expected yield per tree in respect of seedling and graft plantations is given below:

(In Kg)

Variety/age (years)	4-5	6-9	10-15	16-20	21-30
Seedling	--	1.0	1.5	2.0	2.5
Graft (Clonal)	2	4	5 to 10	More than 10	More than 10

OSCDC had no system in place to collect and ascertain the details of actual yield. The yield performance of the plantations was analysed in audit by calculating yield from sales realisation value, based on average sales realisation per Kg.

Considering national average yield of 2 Kg per tree in case of seedling plantation and 4 Kg per tree[58] in case of graft plantation, the yield obtained from the total cashew plantations during 2013-16 was as under:

[58] Based on the norm of average age (6-9 years) of graft plantations in OSCDC.

Year	Yield as per the norm (In Kgs)	Yield obtained (In Kgs)	Percentage of yield realised against norm	Loss of production (In Kgs)	Loss of revenue (₹in crore)
2013-14	37,18,602	7,09,872	19.09	30,08,730	22.57
2014-15	39,27,194	8,70,158	22.16	30,57,036	22.93
2015-16	39,53,110	6,23,679	15.78	33,29,431	33.29
Total	**1,15,98,906**	**22,03,709**	**19.00**	**93,95,197**	**78.79**

(Source: Information furnished by Management)

The percentage of yield realised against the norm ranged between 15.78 and 22.16 during 2013-16 and the overall yield per tree was 19 *per cent* of the norms. While OSCDC did not analyse the reasons for such low yield of cashew nuts, the reasons for the poor yield may be ascribed to factors such as inadequate bush cleaning operations, watch and ward deployment, nutrition support and plant protection measures as discussed in **paragraphs 3.1.9** to **3.1.12**. The total loss of yield, computed with reference to the norms, worked out to be 93.95 lakh Kg valued at ₹ 78.79 crore during 2013-16.

Government stated (November 2016) that there was no suitable system to collect and ascertain the actual yield and steps were being taken to increase the productivity.

Management and supervision of plantations

Poor field management and supervision of plantations

3.1.14 Services of plantation supervisor and plantation assistants are essential for proper implementation of cashew expansion programme, management and supervision of plantations.

As per norms fixed by OSCDC, three plantation assistants and one plantation supervisor is required for 300 Ha of plantations. Audit observed that against the requirement of 93 plantation supervisors and 280 plantation assistants for 28013.64 Ha of plantations, OSCDC had engaged 39 plantation supervisors and 11 plantation assistants as of March 2016. Out of six divisions, Jeypore division had the maximum area of land holding and Sundargarh division had the largest number of smaller plantations. Further, both the divisions had the maximum areas of old and senile trees. OSCDC, however, engaged only one plantation supervisor in both the divisions and no plantation assistant was engaged in Sundergarh division. Non-engagement of supervisors and plantation assistants as per the prescribed norm are one of the reasons for inadequate maintenance of plantation, high mortality rates of cashew seedlings and low yield per tree.

Government stated (November 2016) that steps were being taken to strengthen the human resource in the organisation.

Performance of nurseries

3.1.15 Odisha State Cashew Development Corporation Limited had 20 cashew nurseries for production of high yielding cashew grafts to be used in its own re-planting programme and for selling to other Government and private agencies. These nurseries included Scion Banks[59] with 44139 mother plants as of March 2016. Director of Horticulture, Government of Odisha had prescribed the norm for production of graft per mother plant based on the age and scion availability per mother plant.

The following table details the normative production, target and achievement and shortfall during the period 2013-16:

(Figures in numbers)

Year	Number of mother plants	Recovery of graft from the mother plant as per norm	Target fixed for graft production	Achievement	Shortfall in target against the norm (percentage of shortfall)	Shortfall in production of grafts against target (percentage of shortfall)
2013-14	39849	3299760	3000000	2640469	299760 (9.08)	359531 (11.98)
2014-15	45171	3582570	2980000	2141932	602570 (16.82)	838068 (28.12)
2015-16	44139	3562797	2630000	1802233	932797 (26.18)	827767 (31.47)
Total	**129159**	**10445127**	**8610000**	**6584634**	**1835127 (17.57)**	**2025366 (23.52)**

(Source: Information furnished by Management)

Though OSCDC had fixed a lower target for production compared to the norm, the nurseries could not achieve even the target and the shortfall was ranged between 11.98 and 31.47 *per cent* during the period 2013-14 to 2015-16. Shortfall in production of targeted quantity deprived OSCDC of earning additional revenue of ₹ 4.86 crore[60], on sale of cashew grafts. During the year 2013-14, 2014-15 and 2015-16, OSCDC sold 26.39 lakh, 21.77 lakh and 17.52 lakh cashew grafts, respectively.

Government stated (November 2016) that grafts were produced**,** based on assessment of the requirement for the next planting season. The reply was not tenable as OSCDC had failed to achieve its own targeted production during all the three years.

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[59] Cashew trees kept for production of hybrid grafts from where scions (small branches of cashew trees) were taken for grafting purpose.

[60] (2025366 grafts x ₹ 24 per graft)

Conclusion

OSCDC did not have a long term corporate plan for identification of new areas for expansion of cashew plantations. The land with OSCDC was not being utilised efficiently as the plant density was much below the norm. Vacant patches remained unidentified and steps have not been taken for replacement of old and senile trees with high yielding grafts. OSCDC failed to take up maintenance activities as per the prescribed norms resulting in high mortality and lower productivity of cashew trees.

The Odisha Mining Corporation Limited

3.2 Avoidable Expenditure

Unrealistic projection of production in Mining Plan/Scheme led to avoidable expenditure of ₹ 130.51 crore towards payment of stamp duty and registration charges

Mining Leases (ML) of Khandadhar Iron Ore Mines (KIOM) and Block-B of Gandhamardan Iron Ore Mines (GIOM) of The Odisha Mining Corporation Limited (OMC) had expired in April 1985 and July 2000, respectively. OMC, with the permission of Government of Odisha, continued mining operation in these mines under deemed extension provisions of Mines and Minerals (Development and Regulation) Act (MMDR), 1957. Consequent upon amendment (January 2015) of MMDR Act and as per the order (February 2015) of Ministry of Mines, Government of India, Government of Odisha had decided (July/August 2015) to extend the period of these leases up to 31 March 2020 subject to execution of Supplementary Lease Deed (SLD) within a period of three months. Accordingly, OMC executed (July/September 2015) SLD for both the mines by paying Stamp Duty (SD) and registration charges of ₹ 214.93 crore (KIOM: ₹ 122.60 crore and GIOM (Block-B): ₹ 92.33 crore).

The SD (five *per cent*) and registration charges (two *per cent*) were assessed as per the Government of Odisha Gazette Notification of January 2012. According to this, the amount of royalty that would accrue on the highest annual production projected in the approved Mining Plan (MP) would form the basis for assessment of SD and registration charges. The Government of Odisha notification also provided that in case the production level was enhanced through the modification of MP in future, the SD would be reassessed on the differential production and the lessee would deposit the differential SD before such enhancement was actually carried out.

OMC had projected highest annual production of 91.16 lakh MT in the MP of Block-B of GIOM during 2010-11 on the assumption of development of infrastructure and logistic facilities such as installation of crushing and screening facilities, construction of railway line and siding for handling of iron ore etc. Similarly, in case of KIOM, it proposed highest annual production of 60.09 lakh MT of iron ore during 2018-19 in the MP on the assumption of installation of a mechanised evacuation system with downhill belt conveyor and development of railway siding.

Audit observed that in case of GIOM, OMC could not achieve projected production of 91.16 lakh MT in 2010-11 due to non-receipt of forest clearance for the entire lease area, non-development of proposed infrastructure facilities and railway siding. Similarly, in case of KIOM, feasibility study for construction of plant and rail evacuation system was not completed and forest clearance for the required area had not been obtained. It was further observed that the maximum annual target fixed and actual production achieved by OMC was 34.09 lakh MT and 24 lakh MT in case of GIOM and KIOM, respectively during the lease period up to 2015-16. Considering the actual production achieved by KIOM in previous years and non-completion of feasibility study for installation of required infrastructure facilities, the possibility of KIOM producing 60.09 lakh MT in 2018-19 was remote. Thus, the quantum of production projected in the MPs was not realistic. Production was estimated on the higher side without ensuring development of infrastructure and logistic facilities and receipt of statutory clearances. OMC could have avoided payment of ₹ 130.51 crore towards SD and registration charges by fixing production targets of 35 lakh MT and 24 lakh MT in the respective mining plans of GIOM and KIOM, based on its own internal targets and actual achievements.

Government stated (September 2016) that the MPs were prepared on the basis of potential of the mines. It also stated that production level could not be achieved as per the highest quantity projected in the MP mainly due to delay in approval of forest diversion/environmental clearance which could not be foreseen and was not within the control of OMC. The reply is not acceptable as OMC, without ensuring availability of requisite clearances and infrastructure facility, projected its production plan on higher side in the MP. Further, in the event of increased production the MP could have been modified and enhanced SD paid accordingly as provided in the Government of Odisha Notification.

3.3 Blocking of Funds

Delay in installation of Chrome Ore Beneficiation Plant resulted in blocking of funds of ₹ 15.11 crore towards advance procurement of plants and equipment coupled with loss of potential revenue of ₹ 386.56 crore

The Odisha Mining Corporation Limited had engaged (October 2009) M/s Humboldt Wedag India Private Limited (the contractor) for installation and commissioning of a new Chrome Ore Beneficiation Plant (COBP) at its South Kaliapani Mines for beneficiation of low grade chrome ore to produce high grade chrome concentrates. The contract was to be executed on turnkey basis at ₹ 37.84 crore for completion by February 2011. The Contract Price included procurement and supply of plant and equipment of ₹ 21 crore, civil and structural works of ₹ 14.47 crore and the balance amount (₹ 2.37 crore) for loading/ unloading, transportation, insurance and performance testing etc. The tender conditions provided that the contractor would supply the plant and equipment in the logical sequence of erection. In case of failure to complete the work within the stipulated time, the contractor would pay liquidated damage at half *per cent* for every week of delay, subject to maximum five *per cent* of the contract value. OMC had also engaged (October 2007) M/s MN Dastur & Co as consultant to provide engineering consultancy services for the project up to March 2011 at a fee of ₹ 1.44 crore.

The Contractor started the work in February 2010 but could not complete the work within the stipulated time due to encountering hard rock during excavation and grading work. Based on the request of the contractor, OMC extended the completion date from time to time till December 2015. The consultancy contract was also extended from time to time, based on the extension of completion date allowed to the contractor and consultancy fee of ₹ 4.35 crore was paid up to December 2015.

As of December 2015, the Contractor had executed 50.59 *per cent* of civil works, 45.84 *per cent* of structural erections and 82 *per cent* of supply of equipment. The contractor claimed (January 2015) an additional amount of ₹ 18.52 crore towards excess expenditure incurred by it on excess excavation and concreting work over that which was estimated by it during bidding. OMC, however, did not consider the claim of the contractor as the contract, being a turnkey one, was not subject to price revision on account of variation in physical quantities due to which the contractor stopped (September 2015) the work. OMC referred (December 2015) the matter to Government of Odisha seeking advice on whether to pay the additional claim of the Contractor beyond the contract price or to terminate the contract and complete the balance work through another agency. The decision of Government of Odisha was awaited (July 2016). Consequent on stoppage of work by the contractor, the consultancy contract was terminated (January 2016). As of March 2016, OMC had paid ₹ 27.65 crore to the Contractor including ₹ 15.11 crore towards supply of plant and equipment.

In this connection audit observed the following:

- Though the contractor had supplied 82 *per cent* of plants and equipment by April 2013, it had completed only 29.5 *per cent* of civil works, and 10 *per cent* of structural erection work by March 2013. The plant and equipment could not be erected in absence of completion of civil and structural works. Despite provision in the agreement for despatch of plant and equipment by the Contractor in logical sequence of erection OMC, without ensuring completion of requisite civil and structural works, accepted the equipment and released payments thereof resulting in blocking of funds of ₹ 15.11 crore.

- OMC had granted extension of time to the contractor up to December 2015 with the condition that the fees paid to the Consultant from April 2012 onwards would be recovered from the contractor which was not disputed by the contractor. During April 2012 to December 2015, OMC had paid ₹ 2.60 crore to the consultant which was not recovered from the contractor.

- As per the Detailed Project Report (DPR), OMC was to beneficiate 1,50,000 MT of low grade chrome ore of 32 *per cent* Cr_2O_3 to produce 72,000 MT of minimum 50 *per cent* Cr_2O_3 chrome concentrates per annum. Due to non-commissioning of the new COBP in time, OMC could not produce 3,60,000 MT chrome concentrate during 2011-16 and thereby lost the opportunity of earning revenue of ₹ 386.56[61]

[61] Calculated based on the average sale price of Chrome concentrates published by IBM for the State of Odisha during 2011-16.

crore. This also resulted in accumulation of 9.19 lakh MT of low grade chrome ores at South Kaliapani Mines as of March 2016.

Management stated (July 2016) that the contractor had supplied the equipment as per contract and the contract condition did not specify supply of equipment on completion of civil work. It also stated that the decision to deduct additional consultancy fees from the contractor would be taken at the time of closure of contract.

The reply of management is not tenable as the terms and conditions of the contract specifically stipulated supply of plant and equipment in logical sequence of erection.

3.4 Excess expenditure

Excess expenditure of ₹ 14.87 crore towards transportation of ore due to acceptance of higher rates in violation of the freight rates notified by Government of Odisha

Government of Odisha, in its Gazette Notification (March 2012), had fixed freight rates in the range of ₹ 3.13 to ₹ 4.50 per Km/Ton for mineral carrying carriages plying within and outside the four mineral bearing districts[62] of the State. Subsequently, the notification was withdrawn (26 April 2014) by the Government of Odisha on the ground of facilitating free and competitive business environment for trade and industry to promote healthy economic growth. The freight rates, however, were re-notified in August 2015.

The Odisha Mining Corporation Limited (OMC) floated (October 2013) a tender for raising of iron ores from Daitari Iron Ore Mines and its transportation to stockyard or railway siding situated at a distance of 17 Km and 20.5 Km, respectively, from the mines. Three[63] bidders had participated in the tender. The work was awarded (November 2013) to Narayani Sons (P) Limited (NSPL) being the L1 bidder at a total value of ₹ 24.84 crore, which included transportation of ore to stockyard and railway siding at ₹ 12.73 and ₹ 14.29 per Km/MT, respectively. The initial contract period was for one year to be effective from 4 December 2013 and would be extended up to five years with annual production and transportation of 10 lakh MT from second year onwards. The agreement was extended (27 February 2015) for the second year, to be effective from 4 December 2014 to 3 December 2015. During the period from December 2013 to December 2015, NSPL transported 8,08,476 MT iron ore to stockyard and 10,76,114 MT iron ore to railway siding.

Audit observed that OMC violated the statutory notification on freight rates issued by Government of Odisha and finalised the tender at rates higher than the maximum rate notified by Government of Odisha. This has resulted in excess expenditure of ₹ 14.87 crore[64] towards transportation cost.

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[62] Angul, Jajpur, Keonjhar and Sundargarh

[63] M/s S.S & Company, Arun Udyoga, Narayani Sons (P) Limited

[64] Actual expenditure of ₹ 48.99 crore *less* cost of transportation at the rate notified by GoO i.e., ₹ 34.12 crore

Government stated (July 2016) that freight rate of OMC was not comparable with the rates notified by Government of Odisha, as the transportation of minerals from mines head to stockyard involved mostly Ghat roads resulting in higher operating cost of carriers. The reply was not acceptable as the freight rate notified by Government of Odisha was the maximum freight rate applicable for the entire district of Keonjhar including Ghat roads, where the mine was situated.

3.5 Avoidable expenditure

Belated decision for payment of Net Present Value resulted in avoidable payment of interest of ₹ 1.58 crore.

The Hon'ble Supreme Court of India had directed (October 2002/ September 2005) that Net Present Value (NPV) of the forest land diverted for non-forestry use should be collected from the user agencies and deposited in the Compensatory Afforestation Fund (CAF) maintained by Government of India. Subsequently, based on the recommendations (April 2010) of Central Empowered Committee (CEC) of Hon'ble Supreme Court of India, Government of Odisha had directed (May 2010) all Divisional Forest Officers (DFO) to collect NPV for the entire forest area falling within a mining lease. In case of default in payment by the user agency within 30 days from the date of demand interest, as decided by State Government, was to be levied.

It was observed that in respect of two mines of The Odisha Mining Corporation Limited (OMC), there was default in payment of NPV, resulting in payment of interest as detailed below.

- In case of Rantha Iron ore mines, against the demand of ₹ 38.39 crore for 408.8731 Ha of forest land, OMC deposited (23 July 2010) ₹ 25.25 crore for 268.87 Ha as it had filed application (19 July 2010) for surrender of balance area of 140 Ha. Based on the request (September 2010) of OMC to pay 50 *per cent* of NPV due in respect of forest area proposed to be surrendered, CEC had advised (October 2010) Government of Odisha to realise 50 *per cent* of the NPV due from OMC. OMC, however, paid (November 2013) the requisite amount of ₹ 6.57 crore belatedly which had resulted in payment (May 2014) of avoidable interest of ₹ 1.78 crore at nine *per cent* per annum.
- Government of Odisha had transferred (June 1982) 'Siljora, Guruda, Balda and Kalimati (SGBK) iron and manganese ore mines' having 561.978 Ha of forest land to OMC in order to operate the mines as an agent of Government of Odisha. Though mining lease was not executed, OMC had deposited (April 2006) ₹ 19.83 crore towards NPV for diversion of 305.282 Ha forest land. Subsequent to recommendations of CEC, DFO demanded (June 2010) NPV of ₹ 18.74 crore for balance 256.696 Ha of forest land. OMC, however, agreed to pay the demanded amount only on execution of lease deed. Subsequently (February 2014), based on the decision taken in a meeting at the level of Principal Secretary, Forest and Environment Department, OMC was directed to pay the demanded amount

immediately. OMC paid (February 2014) NPV of ₹ 18.74 crore as well as interest of ₹6.06 crore on belated payment (May 2015).

Thus, delayed decision for payment of NPV resulted in avoidable payment of ₹ 7.84 crore towards interest.

Government stated (August 2016) that in the case of Rantha mines, payment of NPV was delayed due to delay in raising revised demand for NPV by the DFO and in the case of SGBK mines, payment of NPV was delayed because of non-execution of lease deed in favour of OMC. Government also stated that OMC gained differential interest of ₹ 1.48 crore in fixed deposit over interest paid on late payment of NPV.

The reply was not acceptable since, in the case of Rantha mines, liability to pay NPV was absolute from the date (October 2010) of decision of CEC and there was no reason to wait for the demand of DFO. In the case of SGBK mines, being the user agency, OMC was liable to pay the NPV, which was paid belatedly. Further, the gain on account of differential interest was erroneous, as it was calculated without considering the tax effect. The net loss considering the tax effect worked out to be ₹ 1.58[65] crore.

3.6 Undue favour

Irregular refund of Earnest Money Deposit to the buyers in violation of the terms of e-auction notice/sales contracts resulted in extension of undue benefit of ₹ 0.70 crore to the buyers coupled with loss of revenue of ₹ 4.95 crore

The Odisha Mining Corporation Limited (OMC) introduced (October 2014) e-auction system for sale of iron ore from its mines in place of its earlier practice of selling through Price Setting Tender[66]. As per the conditions of e-auction notice, the buyers were required to deposit Earnest Money Deposit (EMD) at 5 *per cent* of the floor price of the iron ores for participation in the e-auction. The EMD was to be forfeited, if the buyer failed to lift 90 *per cent* of the allotted quantity during the scheduled period. The e-auction notice/sales contracts further provided that if the reason for non-lifting/shortfall in lifting was found to be beyond the control of buyer, then OMC might consider the refund of EMD.

The Odisha Mining Corporation Limited conducted (27 October 2014) e-auction for sale of different grades of iron ores in its mines, which included 50,000 MT iron ore fines (60-62 *per cent* Fe) lying at its Daitari Iron Ore Mines (DIOM). Three buyers *viz.* Ujala Minerals, Rasmi Cement and MSP Steels & Power Limited, who had deposited EMD of ₹ 0.70 crore[67] were

[65] Interest paid due to belated payment of NPV (₹ 7.84 crore) *minus* interest income on fixed deposit after considering corporate tax of 33.99 *per cent* (₹ 6.26 crore)

[66] It is the mechanism through which the quarterly rates for domestic sale of iron ores are decided.

[67] Ujala Minerals (₹ 33.60 lakh: 24,000 MT), Rasmi Cement (₹ 15.40 lakh: 11,000 MT) and MSP Steels & Power Limited (₹ 21 lakh: 15,000 MT)

allotted 50,000 MT of iron ore fines at an average price of ₹ 3,226 per MT. The iron ore fines were to be lifted from Baliparbat Stockyard of DIOM within the delivery period of 90 days (1 November 2014 to 29 January 2015). The e-auction notice as well as sales contracts envisaged that the iron ores were to be sold on ex-mines/stockyard basis and the buyer was to arrange to lift the material from the place where the ore was lying for sale on his own.

During the scheduled period of lifting, the three buyers had not lifted any quantity of iron ore fines as local people demanding employment with loading and transportation agencies, did not allow transportation of materials from stockyard to railway siding. The Board committee on sales recommended (September 2015) to refund the EMD of the buyers citing that non lifting was not attributable to the buyers. Accordingly, OMC refunded EMD of ₹ 0.70 crore to the three buyers. Subsequently, out of the allotted quantity of 50,000 MT, OMC sold 27660.50 MT of 60-62 Fe graded iron ore fines as of March 2016 at an average price of ₹ 1,437 per MT and the remaining quantities had been still lying undisposed of.

Audit observed that though there was a local problem in transportation of material from stockyard to railway siding, transportation of iron ore from stockyard by road to places other than railway siding was being effected during the lifting period. Since OMC sold the iron ores on ex-mines/stockyard basis, the buyers could have transported the material by road to their destinations. It was also observed that there was neither any representation from the buyers nor any written communication from the regional office regarding any problem during the period of lifting. Thus, refund of EMD on the ground of local problem for lifting of materials from stockyard to railway siding was not justified. Further, due to non-lifting of materials by the buyers, OMC sustained loss of revenue of ₹ 4.95 crore due to subsequent sale of 27660.50 MT at lower price.

Thus, refund of EMD to the buyers resulted in extension of undue benefit of ₹ 0.70 crore to the buyers coupled with loss of revenue of ₹ 4.95 crore.

Government stated (August 2016) that the EMD was refunded to the buyers, as local people did not allow transportation of material from stockyard to railway siding. Reply is not acceptable as the mode of delivery as per the contract was ex-mines/stockyard and the buyers were responsible to lift the material by truck on their own arrangement. Further, there was also an alternative route of transportation of material from the stockyard by road, which was utilised by other buyers for lifting of iron ore lumps during the period of lifting.

Odisha Power Transmission Corporation Limited

3.7 Extra expenditure

Indecisiveness in assessing actual requirement of land resulted in additional expenditure of ₹ 6.38 crore

Odisha Power Transmission Corporation Limited (OPTCL) has been designated as a State Transmission Utility in terms of Section 39 of the Electricity Act, 2003. Presently, OPTCL is carrying on intra state transmission and wheeling of electricity under a license issued by the Odisha Electricity Regulatory Commission. OPTCL owns and operates Extra High Voltage Transmission system comprising transmission lines and substations.

In order to meet the power demand of upcoming industries around Lapanga, Sambalpur, OPTCL had decided to construct 400/200/132/33 KV Grid Sub-Stations at Lapanga and requested (July 2008) Tahasildar, Rengali for acquisition of 54.74 acres of land. The project was scheduled to be completed by March 2012 with anticipated annual revenue return of ₹ 13.54 crore as per Transmission Project Report (2009-10). The project also intended to achieve stability and qualitative power in transmission system. OPTCL had modified its land requirement time and again due to improper identification of required land as well as to accommodate the future expansion of the substation. OPTCL had requested the Land Acquisition Officer (LAO) for acquisition of 48.67 acres of government land (March 2009) and 37.30 acres of private land (February 2010). OPTCL took advance possession (March 2010) of government land and deposited ₹ 0.97 crore (March 2010) towards land premium, ground rent and cess.

In respect of private land, based on demand (February 2010) of LAO, OPTCL deposited (August 2010) ₹ 0.55 crore as preliminary cost for 37.30 acres of private land valued at ₹ 3.92 crore. OPTCL, further revised its private land requirement to 28.36 acres (September 2010) and subsequently to 30.86 acres (July 2012) due to missing plots in the land schedule submitted earlier and for requirement of new plots for entry point to the proposed sub-station area and submitted (July 2012) the revised land schedule for 30.86 acres of private land to LAO for land acquisition. LAO notified (December 2012) acquisition of 30.86 acres of private land determining the total value of land as ₹ 9.62 crore. OPTCL deposited (August 2013) ₹ 9.07 crore towards cost of 30.86 acres of private land after adjustment of advance payment made earlier and the acquisition of the private land (30.86 acres) was completed (May 2015). The project was finally commissioned in August 2015.

Audit observed that delay in identification of private land and its verification with the records available at Tahasil office coupled with improper assessment of actual requirement of private land, resulted in additional expenditure of ₹ 6.38 crore[68] in acquisition of 30.86 acres of private land. Further, due to

[68] Value of private land of 30.86 acres in December 2012 i.e., ₹ 9.62 crore *less* ₹ 3.24 crore i.e., proportionate cost of 30.86 acres in February 2010 as 37.30 acres

delay of more than three years in completion of the project, OPTCL was deprived of anticipated revenue return of ₹ 40.62 crore[69].

Government attributed (November 2016) the reasons for the delay to proper identification, verification, demarcation of required land with the land records available with revenue authority. The reply was not acceptable as OPTCL had frequently revised its land requirement from 2008. In the meanwhile, private industries had acquired the land around the sub-station. Failure to expedite the process of fixing the land requirement in keeping with the purpose of expansion of sub-station and facilitating quicker coordination has resulted in increased project expenditure.

3.8 Undue favour

Imprudent increase of Rate Contract Price by 4.47 *per cent* resulted in extension of undue benefit of ₹ 0.35 crore to the contractors

Odisha Power Transmission Corporation Limited (OPTCL) executes the normal and emergency works relating to its transmission lines and sub-stations through the rate contract holders selected through open tender. OPTCL floated e-tender (March 2014) for enlistment of firms as rate contract holder for a period of two years for execution of normal/emergency works in its transmission lines and sub-stations. Twenty seven firms participated in the tender, of whom price bids of 22 techno-commercially qualified firms were opened (October 2014). The Contract Scrutiny Committee (CSC) of OPTCL noticed (October 2014) that item-wise rates quoted by the L-1 bidder were either same or lower than the existing Rate Contract Price (RCP). The CSC recommended (October 2014) to constitute a committee for analysis of genuineness of price quoted by different bidders and to arrive at a workable RCP.

The Committee constituted for the purpose recommended (November 2014) for increase in the existing RCP by 11.58 *per cent* based on the Wholesale Price Index (WPI) of September 2014 (185) with base index of July 2012 (165.80) which was endorsed (November 2014) by CSC. The Price Scrutiny Committee (PSC) of OPTCL recommended (December 2014) for 12.91 *per cent*[70] increase in RCP by increasing the WPI from October 2014 to December 2014 proportionately based on the actual percentage increase in WPI from July 2012 to September 2014. The new RCP was approved by Board of Directors (December 2015) and made effective from 3 February 2015.

Audit observed that since WPI measures and tracks the changes in the wholesale price of goods which may either increase or decrease, proportionate increase in the RCP by the PSC was not justified. As the new RCP was made effective from 3 February 2015, OPTCL should have considered the latest available WPI index for the month of December 2014 (179.80) and increased

[69] Annual revenue return of ₹ 13.54 crore for three years
[70] 11.58 *per cent* X 29 months/26 months

the RCP by 8.44[71] *per cent* instead of 12.91 *per cent*. This resulted in avoidable increase in fixation of RCP by 4.47[72] *per cent*. Test check of records relating to 42 works valuing ₹ 7.82 crore awarded through rate contract during March 2015 to January 2016 revealed that OPTCL extended undue benefit of ₹ 0.35 crore (4.47 *per cent* of ₹ 7.82 crore) to the contractors.

Thus, increase of RCP by 4.47 *per cent* resulted in extension of undue benefit of ₹ 0.35 crore to the contractors.

Government stated (November 2016) that since the WPI was constantly in increasing trend for the period from July 2012 to September 2014 and WPI for December 2014 was published much later after PSC decided to amend the RCP, PSC and BoD of OPTCL considered proportionate increase in WPI from July 2012 to December 2014 for enhancing the existing RCP. The reply is not acceptable as the RCP was effective from February 2015 by which time provisional WPI for December 2014 was available which should have been considered by OPTCL to enhance the RCP.

Bhubaneswar-Puri Transport Services Limited

3.9 Blocking of funds

Improper assessment of requirement of buses by BPTSL and failure to obtain route permits resulted in blocking of fund of ₹ 5.48 crore

Bhubaneswar-Puri Transport Services Limited (BPTSL) provides bus services in Bhubaneswar and Puri towns in partnership with Dream Team Sahara[73] (DTS) under public-private partnership mode. BPTSL had entered (August 2010) into an agreement with DTS, which, *inter alia*, envisaged that BPTSL would procure buses and obtain route permits and DTS would operate the buses. The agreement provided that the operator would intimate BPTSL if additional buses are required due to any change in route or schedule of operation.

Audit observed that the State Government had released ₹ 18.84 crore to BPTSL between January and November 2013 for augmentation of city bus services. The Board of Directors of the Company had decided (February 2013) to procure additional buses with the funds provided by the State Government and hand over the same to the operator. Without conducting route survey and ascertaining the requirement of buses from the operator, BPTSL placed (August 2013) order on M/s Tata Motors Limited for procurement of 60[74] buses at ₹ 18.30 crore and released the full amount during April 2014 to June 2015 and took delivery of only 47 buses. Delivery of the remaining 13 buses valued at ₹ 3.96 crore[75], were not taken by BPTSL as of June 2016

71 (179.80-165.80)/165.80*100

72 (12.91 *per cent* - 8.44 *per cent*)

73 A joint venture of M/s Sahara Roadways and M/s Dream Team Services selected on open tender basis by the Government

74 AC standard:12; non-AC standard: 15 and mini/midi:33

75 Non-AC standard buses at the rate of ₹ 30.44 lakh per bus

considering poor performance of the operator. As a result, these buses have been lying idle with the Tata Motors Limited. The Board of Directors of the Company decided only in March 2016 to move towards multi-operator system due to poor performance of the existing operator. However, the same has not been implemented till date (October 2016). Thus, procurement of buses without assessing the actual requirement and capability of the operator, resulted in idle expenditure of ₹ 3.96 crore.

It was further observed that out of the 47 buses received and handed over to DTS between April 2014 and June 2015, route permits for seven[76] buses valuing ₹ 1.52 crore[77] were not obtained from the transport authority as of August 2016. As a result, these buses have also been lying idle with BPTSL.

Thus, purchase of 20 buses without assessing requirement, capability of the operator and failure to obtain route permits resulted in blocking up of fund of ₹ 5.48 crore since June 2015. Besides, the intended objective of augmenting city bus services in Bhubaneswar and Puri was not achieved, even after procurement of buses.

The Chief Executive Officer of BPTSL stated (June 2016) that they were in the process of selecting a second operator to operate the buses. The reply, however, was only an afterthought of BPTSL, without explaining the reasons for its failures.

The matter was reported to the Government (September 2016), reply had not been received (November 2016).

Bhubaneswar-Puri Transport Services Limited and Western Odisha Urban Transport Service Limited

3.10 Extra expenditure

Decision of Bhubaneswar-Puri Transport Services Limited to purchase buses on the basis of landed cost, instead of composite cost, led to extra expenditure of ₹ 4.57 crore

The Government of Odisha had established two companies viz., Bhubaneswar-Puri Transport Services Limited (BPTSL) and Western Odisha Urban Transport Service Limited (WOUTSL) in February 2010 and July 2013, respectively. The objectives of both the companies, *inter alia*, are to provide city bus services in Bhubaneswar-Puri and Sambalpur-Hirakud-Burla-Bargarh-Jharsuguda towns respectively. The companies operate the fleet of buses through private operators[78].

BPTSL had entered into an agreement (August 2010) with a private operator to operate city bus services and provided 125[79] buses to them during

[76] Five Mini/Midi buses and two non-AC standard buses delivered in May 2015 and June 2015 respectively

[77] Non-AC standard: ₹ 30.44 lakh per bus and mini/midi: ₹ 18.31 lakh per bus

[78] BPTSL: Dream Team Sahara; WOUTSL: Paschim Odisha Paribahan Company

[79] Purchased 50 Standard buses from Tata Motors Limited and 75 mini/midi buses from Swaraj Mazda

September 2010 to May 2013. As per the agreement with the operator, BPTSL was to enter into Annual Maintenance Contract (AMC) for all the buses with the respective manufacturers of the buses within 30 days of the appointed date[80] which would be reimbursed by the operator. In case of WOUTSL, the agreement (January 2014) with the operator envisaged that the operator would enter into AMC contract with the manufacturer or other reputed service provider within 30 days of the appointed date and bear all costs and expenses towards AMC. However, neither BPTSL nor the operator of WOUTSL had entered into AMC with the manufacturer or any other reputed service provider as of July 2016.

To augment the fleet strength, BPTSL floated tender in April 2013 for supply of fully built 12 Air Conditioned (AC) Standard, 15 Non-AC Standard and 65 Mini/Midi[81] Semi Low floor buses to both the companies. In response, four bids[82] were received and the Evaluation Committee (EC) opened the financial bids of four manufacturers (June 2013) and recommended purchase of the buses from M/s Tata Motors Limited, who had quoted the lowest composite price of ₹ 21.81 lakh, comprising both landed price (₹ 18.86 lakh) and AMC for five years (₹ 2.96 lakh). M/s VE Commercial Vehicles quoted the second lowest (L_2) composite price (₹ 44.76 lakh) comprising landed cost (₹ 11.28 lakh) and AMC for five years (₹ 33.48 lakh). Subsequently, BPTSL negotiated with M/s Tata Motors Limited and reduced the landed price from ₹ 18.86 lakh to ₹ 18.69 lakh per bus.

In disregard of the recommendation of the EC, the purchase order was placed (August 2013) only on the landed cost without including the AMC at the negotiated price of ₹ 18.69 lakh per bus, on Tata Motors Limited. The payment was made at ₹ 18.31 lakh per bus (after deducting cash discount at two *per cent*) during November 2013 to December 2013.

As mentioned above, M/s VE Commercial Vehicles had quoted the landed cost at ₹ 11.28 lakh per bus for these buses which was the lowest compared to the quoted (₹ 18.86 lakh) and negotiated rate (₹ 18.69 lakh) of M/s Tata Motors Limited. Had the Company placed the purchase orders on M/s VE Commercial Vehicles, it could have saved ₹ 4.57 crore[83] (BPTSL: ₹ 2.32 crore and WOUTSL: ₹ 2.25 crore).

The CEO, BPTSL stated (June 2016) that AMC would be signed with the operator as per the instruction of the Government and the operator was being pursued for the same.

The reply was not convincing as three years had already elapsed since the purchase of buses and no action had been taken in this matter till date. Further, the reply was silent regarding purchase of buses from Tata Motors instead of M/s VE Commercial Vehicles, which had quoted the lowest price.

The matter was reported to the Government (September 2016), reply had not been received (November 2016).

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80 Appointed date means the date of the Agreement made by the Bus Operators

81 BPTSL-33 and WOUTSL-32

82 M/s Ashok Leyland, M/s Tata Motors, M/s VE Commercial Vehicles, M/s SML ISUZU

83 Differential landed price: ₹ 7.03 lakh per bus (₹ 18.31 lakh-₹ 11.28 lakh) for 65 buses

Industrial Promotion and Investment Corporation of Odisha Limited

3.11 Loss of Revenue

Failure to take timely action in disposal of shares resulted in loss of ₹ 1.32 crore

Industrial Promotion and Investment Corporation of Odisha Limited (IPICOL) was incorporated (April 1973) with the main objective of promoting large and medium scale industries in the State. IPICOL had invested in the equity capital of various listed and unlisted companies. IPICOL also had an approved policy (March 2005) for disinvestment of shares through a board level Disinvestment Committee (DC) formed for the purpose. The DC decided the quantum of shares to be sold and the minimum price at which shares were to be sold considering the financial performance of the company whose shares were to be sold and price movement of the shares in the stock exchange.

IPICOL invested (April 1984 to December 1991) ₹ 8.14 crore in Orissa Synthetics Limited (OSL), as equity capital comprising of 81.40 lakh shares of ₹ 10 each. Subsequent to merger of OSL with JK Corporation Limited (JKCL) in January 1994, IPICOL was allotted 6,02,960 shares of JKCL for 81.40 lakh shares of OSL at a share exchange ratio of 1:13.5. JKCL was subsequently renamed (October 2005) as JK Lakshmi Cement Limited (JKLCL) and consequent to restructuring of JKLCL, 5,42,665 equity shares in JKLCL were allotted (March 2006) to IPICOL at an exchange ratio of 10:9. IPICOL sold (November and December 2007) 3,89,550 shares of JKLCL at an average price of ₹ 195 to ₹ 200 per share. The shareholding of IPICOL in JKLCL increased from 1,53,115 to 3,06,230 shares due to splitting of each share of JKLCL with face value of ₹ 10 into two shares having face value of ₹ 5 each.

Considering the increasing trend in the capital market, Board of Directors (BoD) of IPICOL directed (August 2014) the DC to examine the possibility of disinvesting shares held by IPICOL. Independent Directors of IPICOL also suggested (October 2014) immediate disposal of shares held by IPICOL in JKLCL due to increasing trend in the listed prices of JKLCL. DC initially decided (March 2015) to sell 25 *per cent* of its shareholding in JKLCL and the remaining shares in November 2015 and February 2016. IPICOL sold 3,06,230 shares of JKLCL (March 2015 to April 2016) for ₹ 10.74 crore.

Audit observed that despite directions (August 2014) of BoD and specific suggestions (October 2014) of Independent Directors for immediate disposal of shares of JKLCL, DC held its meeting belatedly in March/ November 2015 and February 2016 to decide the sale of shares of JKLCL. Audit further observed that the average sale price of share during November 2014 to February 2015 was ₹ 394.03, as compared to the actual average sale price of ₹ 350.76 per share realised during the period March 2015 to April 2016. Thus, delay by the DC to take prompt action following directions by the BoD resulted in sale of shares at a lesser price, which had ultimately resulted in loss of ₹ 1.32 crore to IPICOL.

Government stated (November 2016) that the average realisation per share in 2015-16 was 3.5 times higher than the average realisation in 2007. The reply is not acceptable as IPICOL could have earned higher revenue of ₹ 1.32 crore by holding the meetings of Disinvestment Committee in time. Further, the reply is silent on reasons for delay in holding Disinvestment Committee meeting.

Odisha Construction Corporation Limited

3.12 Avoidable expenditure

Failure in ensuring/monitoring execution of works by job workers as per the drawings and designs and non-invocation of penal provisions for recovery of rectification cost from the job workers resulted in avoidable expenditure of ₹ 0.95 crore

Odisha Construction Corporation Limited (OCC), incorporated on 22 May 1962 as a wholly owned Company of Government of Odisha, has been executing construction contracts secured through negotiations with various Departments of Government of Odisha and also participating in tenders.

Department of Water Resources (DoWR), Government of Odisha had awarded (November 2001) the work of construction of Spillway of Lower Indra Irrigation Project (LIIP) to OCC at a total cost of ₹ 53.25 crore with scheduled completion period of 36 months. The agreement stipulated that OCC would execute the work strictly in accordance with the drawings/designs and specifications provided to them and any defects in works would be rectified by OCC at its own cost. OCC started the work in January 2002 but could not complete the work within the stipulated period due to delay in possession of land, forest clearance, rehabilitation & resettlement problems and disruption of work by local people. As of October 2015, OCC had executed the work to the extent of ₹ 50.89 crore.

The construction contract included Cement Concreting (CC) as well as Reinforced Cement Concreting (RCC) thereon. CC work was started in 2003-04 and completed in 2009-10. OCC engaged job workers for the concreting work in the body wall steps of the spillway. As per the agreements with the job workers, the job workers had to obtain copies of the approved drawings from OCC and carry out the work strictly as per the drawings and specifications. Further, cost of rectification or replacement of work required to be borne by the job workers as per the direction of DoWR/ OCC. During execution of RCC work, OCC noticed that there was excess concreting at certain locations in body-wall steps of spillway leading to non-availability of required space/thickness for laying RCC thereon. OCC had requested (October 2013) DoWR to approve the extra expenditure towards cutting the excess concrete. Keeping in view the urgency of work, OCC had engaged (December 2013) a job worker to cut/dismantle the excess concrete in oversized body-wall steps and the same was completed in February 2016 at a cost of ₹ 94.97 lakh. DoWR rejected (December 2013) the claim of OCC for approval of the extra expenditure stating that the rectification work was to be carried out by OCC at its own cost as the work was not executed as per the drawings/designs stipulated in the agreement.

Audit observed that, OCC had failed to ensure the execution of work by the job workers as per the drawings and designs provided by DoWR. Further, in spite of availability of penal provision in the agreement, OCC did not recover the cost of rectification from the job workers engaged for the concreting work.

Thus, failure of OCC in ensuring/monitoring execution of works by job workers as per the drawings and designs provided by DoWR and non-invocation of penal provision for recovery of rectification cost from the job workers resulted in avoidable expenditure of ₹ 0.95 crore.

Government, while accepting the fact of faulty construction works and extra expenditure, stated that (October 2016) an enquiry was being conducted (September 2016) to ascertain the reasons for such lapses and, as per the findings of the enquiry officer, action as deemed proper would be taken.

GRIDCO Limited

3.13 Avoidable Expenditure

Request of GRIDCO for drawal of loan without ensuring issue of Letter of Comfort by Government of Odisha coupled with failure of Energy Department in timely issue of the same resulted in avoidable expenditure of ₹ 0.65 crore by GRIDCO

GRIDCO Limited (GRIDCO) purchases power from various generators and sells the same to the power Distribution Companies (DISCOMs) of the State including trading of surplus power outside the State.

In order to meet its revenue deficit, GRIDCO requested (November 2013) The Odisha Mining Corporation Limited (OMC) to extend an inter-corporate loan of ₹ 500 crore. Subsequently, GRIDCO while discussing the issue in a tripartite meeting (May 2014) with Government of Odisha and OMC, requested OMC to extend a long term loan of ₹ 1,000 crore to meet its revenue deficit as well as other liabilities also. It was agreed in the meeting that OMC would extend a loan of ₹ 1,000 crore to GRIDCO to be drawn in phases[84] and Government of Odisha in Energy Department would issue a Letter of Comfort/Assurance (LoC) for the purpose.

Accordingly, OMC sanctioned (18 July 2014) the loan of ₹ 1,000 crore. GRIDCO requested (30 July 2014) the Energy Department in Government of Odisha for issue of LoC and intimated (12 August 2014) OMC to draw the first phase loan of ₹ 500 crore in the following week to meet its requirement for payment of dues of generators. OMC also agreed (14 August 2014) to release the loan on 19 August 2014 subject to submission of LoC from Government of Odisha . Since, GRIDCO could not get the LoC by 19 August 2014, it requested OMC to park the fund for seven days and agreed to

[84] ₹ 500 crore immediately and balance as per requirement of GRIDCO during 2014-15.

compensate the differential interest loss arising to OMC as transaction cost. OMC, on receipt (11 September 2014) of LoC, released (12 September 2014) ₹ 499.35 crore to GRIDCO after adjusting transaction cost of ₹ 0.65 crore.

Audit observed that despite being aware of the requirement of LoC as a pre-condition for availing the loan, GRIDCO belatedly requested Government of Odisha for issue of LoC which was further delayed by Government of Odisha. Further, GRIDCO intimated (12 August 2014) OMC to draw the loan by 19 August 2014 without ensuring the issue of LoC, which caused GRIDCO to pay compensation of ₹ 0.65 crore towards differential interest loss for 25 days to OMC as transaction cost.

Government while forwarding the views of Management stated (November 2016) that the delay of 25 days was only due to procedural formalities and GRIDCO had no option to avail the loan beforehand except bearing the differential loss of interest. The reply is not acceptable as both GRIDCO and Government of Odisha were well aware of the requirement of LoC since May 2014 and there was a delay of 66 days by GRIDCO in applying for the LoC.

Bhubaneswar

The 27 February 2017

(Devika Nayar)
Principal Accountant General
(Economic and Revenue Sector Audit), Odisha

Countersigned

New Delhi

The 01 March 2017

(Shashi Kant Sharma)
Comptroller and Auditor General of India

ANNEXURE

ANNEXURE- 1

Statement showing investment made by State Government in PSUs, whose accounts are in arrears
(Referred to in paragraph 1.11)
(Figures in column 4 & 6 to 8 are ₹ in crore)

Sl. No	Name of the Public Sector Undertaking	Year up to which Accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years of which accounts are in arrear		
					Equity	Loans	Grants/ Subsidy
1	2	3	4	5	6	7	8
A.	**Working Government Companies**						
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2014-15	1.10	2015-16	0.00	0.00	0.50
2	Odisha State Seeds Corporation Limited	2012-13		2013-14			
				2014-15			
			2.62	2015-16			0.62
3	Odisha Lift Irrigation Corporation Limited	2013-14	74.73	2014-15	0.00	0.00	44.48
				2015-16	0.00	0.00	48.18
4	Odisha Film Development Corporation Limited	2013-14	5.4	2014-15			
				2015-16			2.37
5	Industrial Development Corporation of Odisha Limited	2014-15	57.12	2015-16			1.00
6	GRIDCO Limited	2014-15	576.71	2015-16		48.75	
7	Odisha Power Transmission Corporation Limited	2014-15	353.07	2015-16	57.00	0.00	957.00
8	Odisha State Civil Supplies Corporation Limited	2013-14	11.03	2014-15	0.00	0.00	1212.08
				2015-16	0.00	0.00	1201.37
9	Odisha Sports Development and Promotion Company	First year acount for the year 2013-14 yet to be finalised	--	2013-14			
				2014-15			
				2015-16	0.00	0.00	6.00
		Total A	**1081.78**		**57.00**	**48.75**	**3473.60**
B.	**Working Statutory Corporations**						
1	Odisha State Road Transport Corporation	2014-15	162.44	2015-16	0.00	0.00	25.00
		Total B	**162.44**		**0.00**	**0.00**	**25.00**
		Total A+B	**1244.22**		**57.00**	**48.75**	**3498.60**
C.	**Non-working Government Companies**						
1	Odisha State Commercial Transport Corporation Limited	2000-01	2.34	2015-16			0.03
		Total C	**2.34**				**0.03**
		Grand Total (A+B+C)	**1246.56**		**57.00**	**48.75**	**3498.63**

ANNEXURE – 2

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised Financial Statements/Accounts

(Referred to in Paragraph 1.15)

(Figures in column 5 to 12 are ₹ in crore)

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed @	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. Working Government Companies													
AGRICULTURE AND ALLIED													
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2014-15	2016-17	1.10	0.00	0.66	0.28	0.10	-1.68	6.91	0.10	**1.45**	26
2	The Odisha Agro Industries Corporation Limited	2013-14	2015-16	7.15	0.00	-7.65	646.35	19.66	-4.80	-2.41	21.24		187
3	Odisha State Cashew Development Corporation Limited	2014-15	2015-16	1.55	0.00	21.26	27.01	3.87	-0.70	36.28	3.87	**10.67**	357
4	Odisha Forest Development Corporation Limited	2015-16	2016-17	5.00	0.00	-135.45	175.78	22.81	-34.57	-98.42	25.40		2067
5	Odisha Lift Irrigation Corporation Limited	2013-14	2016-17	74.73	0.57	0.04	319.40	0.26	-37.49	507.55	0.26	**0.05**	1164
6	Odisha State Seeds Corporation Limited	2012-13	2015-16	2.63	40.01	23.82	183.36	2.11	-1.55	99.32	4.07	**4.10**	129
7	Odisha Pisciculture Development Corporation Limited	2013-14	2015-16	2.21	5.44	-2.89	82.01	0.06	0.02	10.26	0.12	**1.17**	186
Sector Wise Total				**94.37**	**46.02**	**-100.21**	**1434.19**	**48.87**	**-80.77**	**559.49**	**55.06**	**9.84**	**4116**
FINANCING													
8	The Industrial Promotion and Investment Corporation of Odisha Limited	2015-16	2016-17	83.14	0.00	0.93	12.87	7.30	0.00	89.90	7.30	**8.12**	91
9	The Odisha Film Development Corporation Limited	2013-14	2015-16	5.40	2.70	0.71	0.41	0.11	-1.20	11.21	0.11	**0.98**	21

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed @	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
10	Odisha Rural Housing and Development Corporation Limited.	2007-08	2012-13	48.16		-103.12	15.70	-31.71	-340.92	550.87	10.82	**1.96**	35
11	The Odisha Small Industries Corporation Limited	2012-13	2015-16	29.01	1.19	12.70	546.16	13.95	-2.00	43.03	14.01	**32.56**	194
12	Paradip Investment Region Development Limited												
Sector Wise Total				**165.71**	**3.89**	**-88.78**	**575.14**	**-10.35**	**-344.12**	**695.01**	**32.24**	**4.64**	**341**
INFRASTRUCTURE													
13	The Industrial Development Corporation of Odisha Limited	2014-15	2015-16	57.12	76.34	46.02	1.60	-11.21	-14.49	179.48	-8.81		
14	Odisha Construction Corporation Limited.	2014-15	2015-16	17.50	441.91	17.45	603.06	9.12	-43.69	477.16	9.16	**1.92**	476
15	Orissa Bridge and Construction Corporation Limited	2014-15	2015-16	9.31	0.00	1.00	20.16	1.11	-2.26	10.31	1.11	**10.77**	242
16	The Odisha State Police Housing and Welfare Corporation Limited	2014-15	2015-16	5.63	0.00	78.73	314.92	19.94	0.00	84.36	19.94	**23.64**	291
		2015-16	2016-17	5.63	0.00	86.63	325.00	24.09		92.26	24.14	**26.17**	
17	Brahamani Railways Limited	2014-15	2016-17	21.00	0.00	-1.88	0.00	-1.69	0.00	19.12	-1.69		6
18	Odisha Mineral Bearing Areas Development Corporation Limited	2014-15	2015-16	0.01	0.00	13.93	0.00	13.93	0.00	13.94	13.93	**99.93**	0
19	IDCO SEZ Development Limited												
20	Water Corporation of Odisha Limited												
Sector Wise Total				**110.57**	**518.25**	**163.15**	**949.82**	**35.35**	**-60.44**	**792.27**	**37.84**	**4.78**	**1015**
MANUFACTURING													
21	Baitarani West Coal Company Limited	2015-16	2016-17	30.00	0.00	-0.12	0.00	0.01	-20.82	29.88	0.01	**0.03**	9
22	IDCOL Ferro Chrome & Alloys Limited(subsidiary of Sl.No.A-12)	2014-15	2015-16	18.81	0.00	25.52	110.41	4.12	-0.61	44.33	4.58	**10.33**	215

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
23	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl No A-12)	2014-15	2015-16	150.10	0.00	-125.58	64.48	-5.06	-0.39	24.52	-4.89		237
24	Konark Jute Limited	2014-15	2015-16	5.94	11.89	-37.97	0.00	-6.15	0.00	-20.14	-6.00		6
		2015-16	2016-17	5.94	11.94	-37.98	0.00	-0.02	-3.18	-20.10	-0.02		
25	The Mandakini B-Coal Corporation Limited	2013-14	2015-16	8.31	0.00	0.00	0.00	0.00	0.00	8.31	0.00	**0.00**	0
		2014-15	2016-17	8.31	0.00	0.00	0.00	0.35	0.00	8.31	0.35	**4.21**	
26	The Odisha Mining Corporation Limited	2014-15	2015-16	31.45	0.00	3482.33	1881.26	1487.10	-390.92	5688.00	1520.45	**26.73**	3088
27	Odisha State Beverage Corporation Limited	2015-16	2016-17	1.00	0.00	230.23	3115.36	50.15	-15.70	261.82	50.15	**19.15**	278
28	Nuagaon Coal Company Limited	2013-14	2015-16	2.00	0.00	0.15	0.00	0.11	0.00	2.15	0.11	**5.12**	0
		2014-15	2016-17	2.00	0.00	0.22	0.00	0.10	0.00	2.22	0.10	**4.50**	
29	Paradeep Plastic Park Limited	2013-14	2015-16	5.86	0.00	-0.11	0.00	-0.11	-0.25	13.75	-0.11		0
30	Angul Aluminium Park Private Limited												
Sector Wise Total				**253.47**	**11.94**	**3574.51**	**5171.51**	**1536.64**	**-431.87**	**6052.73**	**1570.62**	**25.95**	**3833**
POWER													
31	GRIDCO Limited	2014-15	2015-16	576.71	2987.45	-3325.35	6643.41	-99.53	-339.39	238.81	390.70	**163.60**	60
32	Odisha Hydro Power Corporation Limited	2015-16	2016-17	638.65	1253.88	478.98	419.98	137.97	-33.18	2471.51	219.69	**8.89**	2199
33	Odisha Power Generation Corporation Limited	2015-16	2016-17	490.22	1625.70	968.41	627.53	178.16	-5.83	3199.27	182.81	**5.71**	657
34	Odisha Power Transmission Corporation Limited	2014-15	2015-16	353.07	759.09	-118.12	634.34	38.95	-16.06	2219.66	91.17	**4.11**	3102
35	Odisha Thermal Power Corporation Limited	2015-16	2016-17	228.41	0.00	-7.39	0.00	-0.08	-0.48	221.02	-0.08		7
36	Kalinga Bidyut Prasaran Nigam Private Ltd.	2015-16	2016-17	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	**0.00**	0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed @	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
37	Green Energy Development Corporation of Odisha Limited	2015-16	2016-17	50.32	0.00	-16.37	0.49	0.55	-2.16	53.95	0.74	**1.37**	9
38	Odisha Coal and Power Limited	2015-16	2016-17	0.05	0.00	-0.80	0.00	-0.80	0.00	-0.75	-0.80		24
Sector Wise Total				**2337.44**	**6626.12**	**-2020.64**	**8325.75**	**255.22**	**-397.10**	**8403.48**	**884.23**	**10.52**	**6058**
SERVICES													
39	IDCOL Software Limited (Subsidiary of Sl. No.A- 13)	2014-15	2015-16	1.00	0.00	0.81	4.30	0.30	0.00	1.81	0.30	**16.57**	5
40	Lanjigarah Project Area Development Foundation	2012-13	2015-16	0.05	0.00	0.00	0.00	10.71	0.00	52.74	10.71	**20.31**	1
		2013-14	2016-17	0.05	0.00	0.00	0.00	10.69	0.00	63.16	10.69	**16.93**	
41	Odisha State Civil Supplies Corporation Limited	2012-13	2015-16	11.03	0.00	3.00	1961.29	0.00	8.86	27.81	438.84	**1577.99**	1436
		2013-14	2016-17	11.03	0.00	3.00	3196.01	0.00	-186.03	55.89	615.68	**1101.59**	
42	Odisha Tourism Development Corporation Limited	2014-15	2015-16	9.62	0.00	13.57	27.59	8.50	0.00	23.28	8.50	**36.51**	582
		2015-16	2016-17	9.62	0.00	20.30	27.58	8.99	-4.55	29.98	9.03	**30.12**	
43	Bubaneswar Puri Transport Services Corporation Limited	2014-15	2015-16	1.00	0.00	3.38	1.78	1.73	-0.12	4.38	1.74	**39.73**	7
44	Western Odisha Urban Transport Service Limited	2015-16	2016-17	1.00	0.00	0.68	0.08	0.15	0.00	1.68	0.15	**8.93**	2
45	Ganjam Urban Transport Service Limited	2014-15	2015-16	1.00	0.00	-0.03	2.48	0.00	0.00	0.97	0.00	**0.00**	1
		2015-16	2016-17	1.00	0.00	-0.04	1.72	-0.01	0.00	0.96	-0.01		
46	Odisha State Medical Corporation Limited	2014-15	2015-16	10.00	0.00	0.46	0.00	0.64	0.00	10.46	0.64	**6.12**	6
47	Inland Waterways Consortium of Odisha Limited												
Sector Wise Total				**34.70**	**0.00**	**28.59**	**3231.47**	**22.49**	**-190.70**	**168.32**	**638.22**	**379.17**	**2040**
MISCELLANEOUS													
48	Kalinga Studios Limited (Subsidiary of Sl. No.A-9)	2012-13	2015-16	1.75	0.59	-3.24	0.20	0.05	0.00	-0.70	0.08		0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed @	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
49	Odisha Sports Development and Promotion Company												1
Sector Wise Total				**1.75**	**0.59**	**-3.24**	**0.20**	**0.05**	**0.00**	**-0.70**	**0.08**		**1**
Total A (All sector wise working Government Companies)				**2998.01**	**7206.81**	**1553.38**	**19688.08**	**1888.27**	**-1505.00**	**16670.60**	**3218.29**	**19.31**	**17404**
B. Working Statutory corporations													
FINANCE													
1	Odisha State Financial Corporation	2015-16	2016-17	415.34	99.89	-478.56	3.01	-1.65	-1.07	541.33	-1.65		180
Sector Wise Total				**415.34**	**99.89**	**-478.56**	**3.01**	**-1.65**	**-1.07**	**541.33**	**-1.65**		**180**
SERVICES													
2	Odisha State Road Transport Corporation	2013-14	2015-16	162.44	16.24	-178.02	66.79	2.79	0.25	7.20	4.07	**56.53**	1529
		2014-15	2016-17	162.44	10.27	-174.11	77.75	5.00	-15.35	13.09	6.31	**48.20**	
Sector WiseTotal				**162.44**	**10.27**	**-174.11**	**77.75**	**5.00**	**-15.35**	**13.09**	**6.31**	**48.20**	**1529**
MISCELLANEOUS													
3	Odisha State Warehousing Corporation	2014-15	2015-16	3.60	0.00	0.00	101.19	30.65	0.68	114.46	32.51	**28.40**	320
Sector Wise Total				**3.60**	**0.00**	**0.00**	**101.19**	**30.65**	**0.68**	**114.46**	**32.51**	**28.40**	**320**
Total B (All secor wise working Statutory Corporations)				**581.38**	**110.16**	**-652.67**	**181.95**	**34.00**	**-15.74**	**668.88**	**37.17**	**5.56**	**2029**
Grand Total (A + B)				**3579.39**	**7316.97**	**900.71**	**19870.03**	**1922.27**	**-1520.74**	**17339.48**	**3255.46**	**18.77**	**19433**
C. Non working Government companies													
	AGRICULTURE AND ALLIED												
1	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	1972-73	1975-76	0.01									0
2	Orissa Fisheries Development Corporation Limited	1982-83	1983-84	0.35				-0.04		0.20	-0.03		0
Sector Wise Total				**0.36**		**0.00**	**0.00**	**-0.04**	**0.00**	**0.20**	**-0.03**		**0**
	MANUFACTURING												

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed @	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
3	ABS Spinning Orissa Limited (Subsidiary of Sl. No.A-12). (Under liquidation)	2006-07	2010-11	3.00	1.40	-48.89		12.24		-7.69	12.48		0
4	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	1968-69	1974-75	0.04						0.02	0.00		0
5	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-12). (Under liquidation.)	1975-76	1976-77	0.12						0.27	0.00		0
6	IPITRON Times Limited (Subsidiary of Sl.No.C-23). (Under liquidation since 1998)	1997-98	2005-06	0.81	1.68	-9.47		-0.92		-2.07	-0.92		0
7	Kanti Sharma Refractories Limited (Subsidiary of Sl. No.A 11). (Closed since 5 December 1998)	1996-97	2008-09	0.75		-1.26		-0.81		1.92	-0.53		0
8	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-11)	1981-82	1996-97	0.06						0.05	0.00		0
9	Konark Television Limited (Defunct since 1999-2000)	1991-92	1998-99	1.20	2.01	-6.04	14.05	-0.95		6.00	0.36	**6.00**	0
10	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	1965-66	1982-83	0.01						0.00	0.00		0
11	Mayurbhanj Textiles Limited	1970-71	1976-77	0.04		0.00				0.00	0.00		0
12	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	1972-73	1975-76	0.04		0.00				0.03	0.00		0
13	New Mayurbhanj Textiles Limited	1981-82	2003-04	0.02		0.03		0.03		0.05	0.03	**60.00**	0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed @	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
14	Orissa Boat Builders Limited (under liquidation)	1970-71	1997-78	0.05		0.00				0.01	0.00		0
15	Orissa Electrical Manufacturing Company Limited	1966-67	1973-74	0.05		0.00				0.05	0.00		0
16	Orissa Instruments Company Limited	1987-88	2000-01	0.09		0.00	0.00	-0.06	0.00	0.36	-0.04		0
17	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-25)	1991-92	1995-96	0.65	1.77	0.00			0.00	1.92	0.00		0
18	Orissa Textile Mills Limited (Under liquidation since 2001)	1997-98	1998-99	24.70	14.68	-53.41		-10.24		5.17	-7.66		0
19	Orissa State Electronics Development Corporation Limited	2004-05	2008-09	20.03	0.19	-2.80		-0.26	-	0.00	-0.26		0
20	Orissa State Handloom Development Corporation Limited (under liquidation)	2003-04	2011-12	3.53	1.58	-20.77	0.03	-0.59	0.00	-5.60	-0.36		0
21	Orissa State Leather Corporation Limited (closed since 18 June 1998)	1988-89	2004-05	1.85	0.37	-2.46		-0.23		1.71	-0.17		0
22	Orissa State Textile Corporation Limited	1993-94	2003-04	2.62	1.62	-15.95	3.52	-3.10		-5.45	-1.80		0
23	Orissa Tools and Engineering Company Limited (619-B)	1982-83		0.44		-0.43				0.00	0.00		0
24	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	1966	1973-74	0.02		0.00				0.00	0.00		0
Sector WiseTotal				**60.12**	**25.30**	**-161.45**	**17.60**	**-4.89**	**0.00**	**-3.25**	**1.13**		**0**
	SERVICES												
25	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-23	1997-98	2005-06	1.58	2.00	-6.87		-0.50		1.76	-0.50		0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed @	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
26	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-23 Under liquidation since 1998)	1997-98	2005-06	0.64	0.72					-1.46	0.00		0
27	ELMARC Limited (Subsidiary of Sl. No. C-23)	2000-01	2006-07	1.02	0.57	-2.25	0.77	-0.07		-0.56	-0.07		0
28	Orissa State Commercial Transport Corporation Limited	1999-00	2015-16	2.34	2.07	-24.85	0.00	-1.13	0.00	-3.73	-0.65		0
		2000-01	2016-17	2.34	2.07	-25.03	0.00	-0.16	0.00	-3.66	0.04		
	Sector wise total			**5.58**	**5.36**	**-34.15**	**0.77**	**-0.73**	**0.00**	**-3.92**	**-0.53**		0
	Total C (All sector wise non working Government Companies			**66.06**	**30.66**	**-195.60**	**18.37**	**-5.66**	**0.00**	**-6.97**	**0.57**	**0.00**	**0**
	Grand Total (A + B + C)			**3645.45**	**7347.63**	**705.11**	**19888.40**	**1916.61**	**-1520.74**	**17332.51**	**3256.03**	**18.79**	**19433**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/decrease in losses, (-) decrease in profit/increase in losses.

@ Capital employed represents Shareholders Fund plus Long Term Borrowings except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

* Paid-up capital includes share application money.

^ Loan outstanding represents Long-Term Borrowings.

ANNEXURE-3

(Referred to in Paragraph 2.6)

Financial Position of OSIC for last five year ending 31 March 2016 (₹ in crore)

Particulars	2011-12	2012-13	2013-14 (Provn.)	2014-15 (Provn.)	2015-16 (Provn.)
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	40.80	29.01	26.06	23.11	20.17
(b) Reserves and Surplus	6.26	12.83	22.03	33.37	41.53
2) Non-Current Liabilities					
(a) Long-Term Borrowings	1.19	1.19	1.19	1.19	1.19
(b) Deferred Tax Liabilities (Net)	0.18	0.18	0.17	0.14	0.12
(c) Other Long Term Liabilities	27.56	28.97	31.09	33.50	37.49
(d) Long Term Provisions	7.67	9.38	6.21	6.16	6.50
(3) Current Liabilities					
(a) Short-Term Borrowings	0.21	6.54	17.53	30.71	35.92
(b) Trade Payables	38.85	38.77	112.45	139.78	89.69
(c) Other Current Liabilities	62.85	62.13	68.55	68.35	71.34
(d) Short-Term Provisions	7.08	7.07	11.31	16.75	20.79
Total Current Liabilities	***108.99***	***114.51***	***209.84***	***255.59***	***217.75***
Total Equity & Liabilities	**192.67**	**196.06**	**296.58**	**353.06**	**324.74**
II.ASSETS					
(1) Non-Current Assets					
(a) Fixed Assets					
(i) Gross Block	6.52	6.62	6.68	6.94	7.01
(ii) Depreciation	4.75	4.92	5.09	5.24	5.45
(iii) Net Block	1.77	1.70	1.59	1.70	1.56
(b) Non-current investments	0.59	0.59	0.59	0.58	0.58
(c) Long term loans and advances	26.10	26.86	28.57	31.25	39.90
(d) Other non-current assets	40.43	40.38	20.97	19.81	20.25
(2) Current Assets					
(a) Inventories	3.22	7.22	9.74	12.69	10.16
(b) Trade receivables	3.67	3.85	51.13	85.62	75.07
(c) Cash and cash equivalents	90.41	90.87	106.28	111.20	137.48
(d) Short-term loans and advances	26.48	24.60	77.70	90.20	39.74
Total Current Assets	***123.78***	***126.54***	***244.85***	***299.71***	***262.45***
Total Assets	**192.67**	**196.06**	**296.58**	**353.05**	**324.74**
Profit during the year	**10.14**	**8.83**	**9.20**	**11.21**	**8.16**
Working Capital[1]	**14.79**	**12.03**	**35.01**	**44.12**	**44.70**
Capital Employed[2]	**16.56**	**13.73**	**36.60**	**45.82**	**46.26**
Net Worth[3]	**47.06**	**41.84**	**48.09**	**56.48**	**61.70**

[1] Working Capital represents Current Assets minus Current liabilities
[2] Capital Employed represents Net Fixed Assets plus Working Capital
[3] Net Worth represents Share Capital plus Reserves & Surplus

ANNEXURE-4

(Referred to in Paragraph 3.1.1)

Statement showing division wise number of plantations, nurseries, area and cashew trees

Sl. No.	Name of the Division	No. of Plantations	Total area (in Ha.)	No. of Nurseries	No. of Cashew Trees								
					2013-14			2014-15			2015-16		
					Seedlings	Grafts	Total	Seedlings	Grafts	Total	Seedlings	Grafts	Total
1	Baripada	28	1966.36	2	92769	56582	149351	92769	58082	150851	88554	50874	139428
2	Dhenkanal	84	3282.45	4	118436	42859	161295	115760	56410	172170	138128	42924	181052
3	Chandikhol/Jajpur	75	3779.58	3	175713	69494	245207	174089	89602	263691	173068	102493	275561
4	Jeypore	138	7185.13	2	306489	58174	364663	306489	58174	364663	236638	53230	289868
5	Khurda	146	6834.92	8	212765	138215	350980	211053	158210	369263	246449	176136	422585
6	Sundergarh	132	4965.20	1	124999	48741	173740	124999	48741	173740	125188	58608	183796
	TOTAL	**603**	**28013.64**	**20**	**1031171**	**414065**	**1445236**	**1025159**	**469219**	**1494378**	**1008025**	**484265**	**1492290**

Glossary of Abbreviations

Sl. No.	Abbreviation	Description
1.	AC	Audit Committee
2.	ATNs	Action Taken Notes
3.	BoD	Board of Directors
4.	CEC	Central Empowered Committee
5.	CAF	Compensatory Afforestation Fund
6.	CAG	Comptroller and Auditor General of India
7.	CAPEX	Capital Expenditure
8.	CC	Cement Concreting
9.	CDP	Coal Distribution Policy
10.	CFA	Carry Forwarding Agent
11.	CGM	Corporate Governance Manual
12.	COPU	Committee on Public Undertakings
13.	CSC	Contract Scrutiny Committee
14.	CSY	Central Stock Yard
15.	DEPM	Director of Export Promotion and Marketing
16.	DFO	Divisional Forest Officer
17.	DIC	District Industries Centre
18.	DISCOMs	Distribution Companies
19.	DoWR	Department of Water Resources
20.	DPRs	Detail Project Reports
21.	DTET	Directorate of Technical Education and Training
22.	EMD	Earnest Money Deposit
23.	GDP	Gross Domestic Product
24.	GIOM	Gandhamardan Iron Ore Mines
25.	GoO	Government of Odisha
26.	HPCL	Hindustan Petroleum Corporation Limited
27.	HRC	Human Resource Committee
28.	IDCO	Odisha Industrial Infrastructure Development Corporation
29.	IOCL	Indian Oil Corporation Limited
30.	IPICOL	Industrial Promotion and Investment Corporation of Odisha Limited
31.	IPR	Industrial Policy Resolution
32.	IR	Inspection Report
33.	JKLCL	JK Lakshmi Cement Limited
34.	KL	Kendu Leaves
35.	LAO	Land Acquisition Officer
36.	LIIP	Lower Indra Irrigation Project
37.	LOC	Letter of Comfort/Assurance
38.	ML	Mining Leases
39.	MMDR	Mines and Minerals (Development and Regulation)
40.	MoU	Memorandum of Understanding
41.	MP	Mining Plan
42.	MSE	Micro and Small Enterprise
43.	MSME	Micro, Small and Medium Enterprise
44.	MT	Metric Tonne

Sl. No.	Abbreviation	Description
45.	NPV	Net Present Value
46.	OCC	Odisha Construction Corporation Limited
47.	OERC	Odisha Electricity Regulatory Commission
48.	OFDC	Odisha Forest Development Corporation Limited
49.	OMC	The Odisha Mining Corporation Limited
50.	OPTCL	Odisha Power Transmission Corporation Limited
51.	OSIC	The Odisha Small Industries Corporation Limited
52.	OSL	Orissa Synthetics Limited
53.	OSYP	Odisha State Youth Policy
54.	OTS	One Time Settlement
55.	PAG	Principal Accountant General
56.	PO	Purchase Order
57.	PSC	Price Scrutiny Committee
58.	PSU	Public Sector Undertaking
59.	RCC	Reinforced Cement Concreting
60.	RCP	Rate Contract Price
61.	RCP	Retail Channel Price
62.	RE	Rural Electrification
63.	RMD	Raw Material Division
64.	SAR	Separate Audit Report
65.	SD	Stamp Duty
66.	SD	Security Deposit
67.	SLD	Supplementary Lease Deed
68.	TSL	TATA Steel Limited
69.	WPI	Wholesale Price Index
70.	WO	Work Order

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