REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2002

COMMERCIAL

GOVERNMENT OF ORISSA

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Preface

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

2. This report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Orissa under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Orissa.

3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Orissa State Road Transport Corporation, which is a Statutory corporation, the Comptroller and Auditor General of India is the sole auditor. As per the State Financial Corporations (Amendment) Act, 2000, the Comptroller and Auditor General has the right to conduct the audit of accounts of the Orissa State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of the Orissa State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with the Comptroller and Auditor General. In respect of Orissa State Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2001-02 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2001-02 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2002, the State had 71 Public Sector Undertakings (PSUs) comprising of three Statutory corporations and 68 Government companies including three new companies added during the year. Of these, there were only 33 **working** Government companies. The remaining 35 were non-working Government companies as against 34 non-working Government companies as on 31 March 2001. In addition, there were three companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2002 with no change from the previous year.

The total investment in working PSUs decreased from Rs.9,617.17 crore as on 31 March 2001 to Rs.7,107.04 crore as on 31 March 2002. The total investment in non-working PSUs increased from Rs.140.24 crore to Rs.151.91 crore during the same period.

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.94.05 crore in 2000-01 to Rs.66.18 crore in 2001-02. The State Government guaranteed loans aggregating to Rs.423.45 crore during 2001-02. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.4,546.66 crore as on 31 March 2001 to Rs.3,810.38 crore as on 31 March 2002.

Only three working Government companies finalised their accounts for the year 2001-02 within the stipulated period. The accounts of 30 working Government companies and all the three Statutory corporations were in arrears for periods ranging from one year to eight years as on 30 September 2002. The accounts of all the 35 non-working Government companies were in arrears for periods ranging from one year to 36 years as on 30 September 2002.

According to latest finalised accounts, nine working PSUs (seven Government companies and two Statutory corporations) earned aggregate profit of Rs.119.56 crore. Against this, 21 working PSUs (20 Government companies and one Statutory corporation) incurred aggregate loss of Rs.746.24 crore as per the latest finalised accounts. Of the loss incurring working Government companies, six companies had accumulated losses aggregating to Rs.1,228.00 crore which exceeded their paid-up capital of Rs.474.77 crore. One loss incurring Statutory corporation had accumulated loss of Rs.141.69 crore, which exceeded the paid-up capital of Rs.95.50 crore.

Even after completion of 22 years of its existence, the turnover of one Government company was less than Rs.5 crore and it had been incurring losses in each of the preceding five years of latest finalised accounts. This company is recommended for closure.

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

2. Reviews in respect of Government companies

Aspects relating to activities of the Implementation of Orissa Power Sector Reconstruction Project by Grid Corporation of Orissa Limited - a Mid-term Appraisal and Orissa Agro Industries Corporation Limited were reviewed in Audit and some of the main findings are as follows:

2.1 Review on the Implementation of Orissa Power Sector Reconstruction Project by Grid Corporation of Orissa Limited - a Mid-term Appraisal

Poor financial performance of erstwhile Orissa State Electricity Board (OSEB) and chronic unavailability of funds, equipments and spare parts led to a deteriorated distribution system, overloaded with lengthy low voltage lines. This increased the system losses and was no longer meeting any reasonable operational standard. To upgrade the rundown system, the Government of Orissa approached (1993) the International Bank for Reconstruction and Development (IBRD) for financial assistance. In order to avail the assistance from IBRD, a commitment was made in April 1996 by the Government of Orissa to restructure and reform the Power Sector in the State and rationalise the generation, transmission and distribution of electric power.

(Paragraph 2A.1)

Due to slow progress in utilising the entire IBRD loan by December 2002, the loan was scaled down and schemes worth US$ 65 million could not be taken up.

(Paragraph 2A.4.1)

Without ensuring source of supply at 400 kV rating, an untimely investment of Rs.247.72 crore was made in creation of a new 400 kV system. The Company could not reduce system loss of Rs.7.12 crore as the 400 kV system did not materialise.

(Paragraph 2A.5.2.2)

Despite hike in tariff, Grid Corporation of Orissa Limited and private Distribution Companies incurred loss of Rs.2,100 crore mainly due to increase in T&D loss.

*(*Paragraph *2A.5.3.1)*

Injudicious application of quantity variation clause resulted in extra expenditure of Rs.1.53 crore. Correctness of bid evaluation could not be ensured due to absence of sensitivity analysis of BoQ mix.

(Paragraphs 2A.6.2 and 2A.6.3)

Failure to negotiate with other bidders or insist for discounted unit rate led to loss of Rs.3.12 crore.

(Paragraph 2A.6.4)

Unscientific project management led to blocking up of materials worth Rs.40.79 crore during execution.

(Paragraphs 2A.7.1.1 and 2A.7.1.2)

Due to reluctance of Government of Orissa to play an active role, Demand Side Management was a non-starter and energy savings of 240 MW could not be achieved.

(Paragraph 2A.10)

2.2 Review on Orissa Agro Industries Corporation Limited

The Company was set-up in April 1974 with the main objective of developing agricultural mechanisation in the State.

(Paragraph 2B.1)

The Company was liable to pay Rs.41.41 lakh per annum towards penal interest on account of its failure to repay Government loans.

(Paragraph 2B.4.2)

As on 31 March 2002 the accumulated loss stood at Rs.41.46 crore, which had eroded the capital base of the Company with a negative net worth of Rs.34.30 crore.

(Paragraph 2B.5)

The Company's failure to utilise the subsidy deprived it of further releases of Rs.0.95 crore of subsidy thereby denying small farmers of the benefits.

(Paragraph 2B.6.4)

The Company needs to formulate suitable procurement policies and procedures with a view to make available agricultural tools and implements, at competitive rates to the small farmers.

(Paragraph 2B.7)

The Company unauthorisedly diverted grant of Rs.2 crore received from the State Government for other purposes.

(Paragraph 2B.9)

Improper monitoring resulted in wasteful investment of Rs.1.60 crore.

(Paragraph 2B.10.3)

Improper financial planning and failure to deposit statutory employees provident fund deductions resulted in payment of penal damages of Rs.1.22 crore.

(Paragraph 2B.14)

3. Review in respect of Statutory corporation

Review on Orissa State Warehousing Corporation

The Corporation was established on 21 March 1958 with the main objective of construction and maintenance of warehouses in the State for storage of food grains, fertilisers and agricultural produce, etc.

(Paragraph 3.1)

Head office administrative overheads ranged between 19 and 22 per cent of warehouse receipts as against CWC norm of eight per cent. The excess expenditure worked out to Rs.8.04 crore.

{Paragraph 3.5.1 (iii)}

Storage losses of Rs.2.43 crore were neither investigated nor recovered from the erring employees.

(Paragraph 3.8.1)

Out of outstanding dues of Rs.12.94 crore, Rs.10.43 crore became doubtful of recovery.

(Paragraph 3.11.2)

4. Miscellaneous topics of interest

Government companies

Grid Corporation of Orissa Limited procured additional 21 Emergency Restoration Structures without proper assessment of need resulting in infructuous expenditure of Rs.5.53 crore.

(Paragraph 4.1.1)

Failure to enforce compliance with the terms of the contract providing for reconstruction of faulty work coupled with failure to raise timely claims within the guarantee period by **Grid Corporation of Orissa Limited** led to undue benefit of Rs.2.08 crore to the contractor.

(Paragraph 4.1.2)

Orissa Power Generation Corporation Limited incurred avoidable expenditure of Rs.2 crore due to delay in initiating action for erection and commissioning of transformer to draw power for Ash Water Recycling Plant.

(Paragraph 4.2.1)

Failure of the Senior Deputy Manager, Sales, of the **Industrial Development Corporation of Orissa Limited** to include force majeure clause and payment of Entry Tax (ET) in the agreement caused loss of Rs.1.17 crore towards liquidated damage and ET.

(Paragraph 4.3.1)

The delay in execution of work and inability to raise funds through bond issue by **Hirakud Industrial Works Limited** led to avoidable expenditure of Rs.2.11 crore.

(Paragraph 4.4.1)

Management failure in extending financial assistance to a unit without obtaining security and without verifying the credit worthiness of the unit led to a loss of Rs.0.80 crore. Post-dated cheques worth Rs.15 lakh were even not encashed by the **Orissa Small Industries Corporation Limited** to set off the loss.

(Paragraph 4.5.1)

Disbursement of loan to a private builder violating the provisions of sanction and without security coupled with poor follow-up action for recovery by **Orissa Rural Housing and Development Corporation Limited** led to loss of Rs.0.53 crore.

(Paragraph 4.6.1)

Unnecessary appointment of Liaison Agent and payment of commission by **Orissa Forest Development Corporation Limited** without obtaining services as agreed upon led to a loss of Rs.0.50 crore.

(Paragraph 4.7.1)

Orissa Bridge and Construction Corporation Limited failed to recover statutory dues for Employees Provident Fund from the bills of service contractors resulting in loss of Rs.46.65 lakh.

(Paragraph 4.8.1)

Chapter-I

1. Overview of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2002, there were 68 Government companies (33[Θ] working companies and 35[θ] non-working companies) and three working Statutory corporations as against 64 companies (30 working companies and 34 non-working companies) and three working Statutory corporations as on 31 March 2001 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The State Government had formed Orissa State Electricity Regulatory Commission and audit is entrusted to the Comptroller and Auditor General of India, under Section 19 (3) of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The audit arrangements of Statutory corporations are as shown below:

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

[Θ] Working companies includes four new companies at Sl. Nos.A-30, 31, 32 and 33 of Annexure-1.
[θ] Non-working companies/corporations are those which are under the process of liquidation/ closure/merger, etc.

1.2 Working Public Sector Undertakings (PSUs)

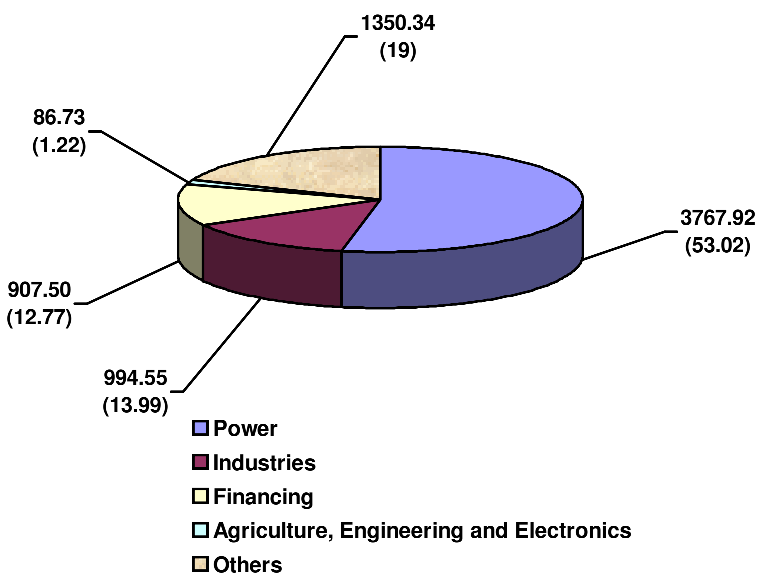
1.2.1 Investment in working PSUs

As on 31 March 2002, the total investment in 36 working PSUs (33 Government companies and three Statutory corporations) was Rs.7,107.04 crore (equity Rs.2,042.50 crore, long-term loans• Rs.4,866.70 crore and share application money Rs.197.84 crore) as against 33 working PSUs (30 Government companies and three Statutory corporations) with a total investment of Rs.9,617.17 crore (equity Rs.1,997.74 crore, long-term loans Rs.7,448.54 crore and share application money Rs.170.89 crore) as on 31 March 2001. The analysis of investment in working PSUs is given in the following paragraphs.

Sector wise investment in working Government companies and Statutory corporations

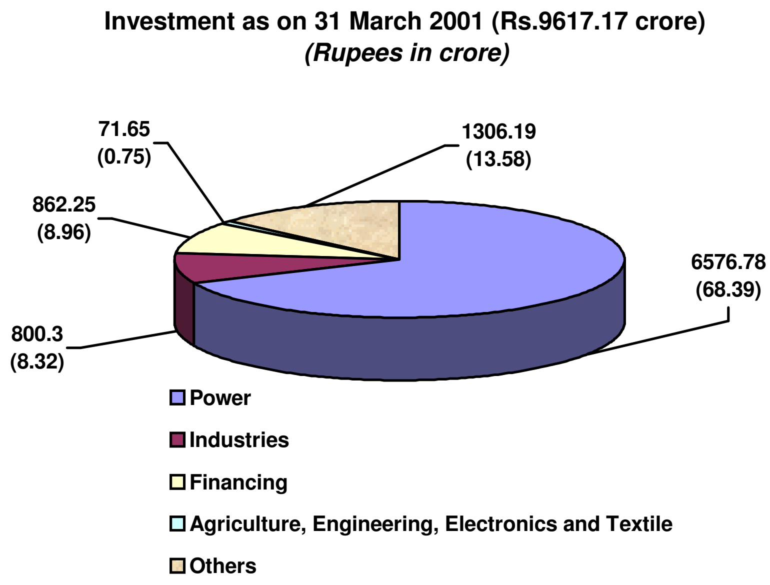
The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 31 March 2001 are indicated below in the pie charts:

Investment as on 31 March 2002 (Rs.7107.04 crore)
(Rupees in crore)



(Figures in brackets indicate percentage)

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



(Figures in brackets indicate percentage)

1.2.1.1 Working Government companies

Total investment in working Government companies at the end of March 2001 and March 2002 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2000-01	30	1771.78	170.89	6766.82	8709.49
2001-02	33	1816.35	197.84	4135.56	6149.75

Due to decrease in long-term loan in Power Sector (GRIDCO), there was decrease in investment during the year.

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

As on 31 March 2002, the total investment in working Government companies comprised 32.75 per cent of equity capital and 67.25 per cent of loans as compared to 22.31 per cent and 77.69 per cent respectively as on 31 March 2001.

1.2.1.2 Working Statutory corporations

The total investment in three working Statutory corporations at the end of March 2002 and March 2001 was as follows:

(Rupees in crore)

Name of corporation	2000-01		2001-02 (Provisional)	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation	134.98[Φ]	69.48[Φ]	134.98	73.42
Orissa State Financial Corporation	87.57	628.74	87.57	657.71
Orissa State Warehousing Corporation	3.40	--	3.60	--
Total	**225.95**	**698.22**	**226.15**	**731.13**

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

As on 31 March 2002, the total investment in working Statutory corporations comprised 23.62 per cent of equity capital and 76.38 per cent of loans as compared to 24.89 per cent and 75.11 per cent respectively as on 31 March 2001.

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

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

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to 10 working Government companies and three working Statutory corporations for the three years upto 31 March 2002 are given below:

(Amount Rupees in crore)

	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	9	102.22	1	6.99	6	6.06	1	0.20	1	10.00	--	--
Loans given from budget	1	5.84	1	1.50	4	14.70	--	--	--	--	1	0.81
Grant	6	6.92	--	--	2	1.83	--	--	1	0.20	--	--
Subsidy towards (i) Projects/ programmes/ Schemes	2	153.77	2	1.58	3	71.46	1	1.75	--	--	--	--

[Φ] Figures are provisional.

	1999-2000				2000-01				2001-02			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
(ii) Other subsidy	--	--	--	--	--	--	1	1.60	3	55.98	2	1.80
(iii) Total	2	153.77	2	1.58	3	71.46	2	3.35	3	55.98	2	1.80
Total outgo	8*	268.75	2*	10.07	10*	94.05	3*	3.55	3*	66.18	2*	2.61

In the last three years, the Government guarantee received on loans to working PSUs has declined from Rs.683.11 crore in 1999-2000 to Rs.209.06 crore in 2000-01 and increased to Rs.423.45 crore in 2001-02. There was no case of waiver of interest in 2001-02 as against Rs.0.67 crore in 2000-01.

During the year 2001-02, the Government had guaranteed loans aggregating Rs.423.45 crore obtained by five working Government companies (Rs.415.10 crore) and one working Statutory corporation (Rs.8.35 crore). At the end of the year, guarantees of Rs.3,810.38 crore against 13 working Government companies (Rs.3,395.31 crore) and two Statutory corporations (Rs.415.07 crore) were outstanding. The guarantee commission paid or payable to Government by Government companies and by Statutory corporations during 2001-02 was Rs.12.40 crore and Rs.3.15 crore respectively.

1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from **Annexure-2**, only three working Government companies have finalised their accounts for the year 2001-02 within the stipulated period. None of the Statutory corporations finalised the accounts for the year 2001-02 during the stipulated period. During the period from October 2001 to September 2002, 26 working Government companies finalised 31 accounts for previous years. Similarly, during this period, three Statutory corporations finalised four accounts for previous years.

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

The accounts of 29[Ψ] working Government companies and three Statutory corporations were in arrears for periods ranging from one year to eight years as on 30 September 2002 as detailed under:

Sl. No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	2	1	1994-95 to 2001-02	8	A-1,21	B-1
2.	1	--	1995-96 to 2001-02	7	A-26	--
3.	3	--	1996-97 to 2001-02	6	A-7,14,16	--
4.	3	--	1997-98 to 2001-02	5	A-8,10,27	--
5.	4	--	1998-99 to 2001-02	4	A-13,24,25, 28	--
6.	5	--	1999-2000 to 2001-02	3	A-2,11,19, 23,29	--
7.	5	--	2000-01 and 2001-02	2	A-3,12,30,31, 32	--
8.	6	2	2001-02	1	A-6,9,17,18, 20,22	B-2,3

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

The Public Enterprises Department, Government of Orissa held a series of meetings with the Chief Executives of 14 PSUs and Statutory Auditors during November and December 2001, directing them to finalise atleast two accounts in a year to clear the backlog. However, only one[*] company finalised three accounts and four[$] companies finalised two accounts during the period.

1.2.4 Financial position and working results of working PSUs

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

[Ψ] IDCOL Rolling Mill Limitedat Sl. No.A-33 of Annexure- 1 and 2, incorporated on 22 March 2002, has not been taken in to consideration in respect of arrear in accounts.
[*] Sl. No.A-11 of Annexure-2.
[$] Sl. Nos.A-2, 10, 13 and 15 of Annexure-2.

According to the latest finalised accounts of 33 working Government companies and three working Statutory corporations, 20 companies and one corporation had incurred an aggregate loss of Rs.731.95 crore and Rs.14.29 crore respectively; seven companies and two corporations had earned an aggregate profit of Rs.115.44 crore and Rs.4.12 crore respectively; two companies have not commenced commercial activities; one company has not finalised its first account; in case of two companies, the assets and liabilities have not been transferred as on 31 March 2002 and one company was incorporated on 22 March 2002.

1.2.4.1 Working Government companies

1.2.4.1.1 Profit earning working companies and dividend

Out of three working Government companies, which finalised their accounts for 2001-02 by September 2002, two companies have not yet commenced commercial activities and one company i.e. IDCOL Cement Limited incurred loss for the year.

Out of 28 working Government companies which finalised their accounts for previous years by September 2002, seven companies earned an aggregate profit of Rs.115.44 crore and all the seven companies earned profit for two or more successive years.

The State Government had accepted (August 1996) the recommendation of the 10^{th} Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, commercial and promotional and promotional public enterprises at the rate of six per cent, four per cent and one per cent respectively, as dividend on equity. Out of the seven profit earning companies, which finalised their previous year accounts by September 2002, only one company i.e. Orissa Power Generation Corporation Limited declared dividend of Rs.147.07 crore for the year 2000-01.

1.2.4.1.2 Loss incurring working Government companies

Of the 20 loss incurring working Government companies, six companies had accumulated losses aggregating Rs.1,228.00 crore, which exceeded their aggregate paid up capital of Rs.474.77 crore.

1.2.4.2 Working Statutory corporations

1.2.4.2.1 Profit earning Statutory corporations and dividend

None of the three Statutory corporations had finalised their accounts for the year 2001-02. Out of three working Statutory corporations, which finalised their accounts for previous years by September 2002, two corporations earned an aggregate profit of Rs.4.12 crore and only one corporation earned profit for two or more successive years, which declared dividend of Rs.10.77 lakh for the year 2000-01.

1.2.4.2.2 Loss incurring Statutory corporations

The only loss incurring Statutory corporation, viz. Orissa State Road Transport Corporation, which finalised their accounts for the year 1993-94 during the period from October 2001 to September 2002 had incurred loss of Rs.14.29 crore. The accumulated loss of Rs.141.69 crore had exceeded the paid-up capital of Rs.95.50 crore.

1.2.4.2.3 Operational performance of working Statutory corporations

The operational performance of the working Statutory corporations is given in **Annexure-6**. In the case of Orissa State Financial Corporation, the loans outstanding at the close of the year had been increased by 17.21 per cent from Rs.533.33 crore (1999-2000) to Rs.625.13 crore (2001-02).

1.2.5 Return on capital employed

As per the latest finalised accounts (up to September 2002), the capital employed[1] worked out to Rs.6,849.87 crore in 33 working companies and total return[2] thereon amounted to (-)Rs.204.70 crore as compared to total return of Rs.310.70 crore (4.22 per cent) in the previous year (accounts finalised up to September 2001). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2002) worked out to Rs.680.74 crore and Rs.48.80 crore (7.17 per cent) respectively against the total return of (-)Rs.59.51 crore in previous year (accounts finalised up to September 2001). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure-2**.

1.3 Non-working PSUs

1.3.1 Investment in non-working Government companies

During the year 2001-02, one working company viz. ABS Spinning Mills Limited became non-working company as it is under liquidation process. As on 31 March 2002, the total investment in 35 non-working Government companies was Rs.151.91 crore (equity Rs.51.73 crore, long-term loans Rs.76.22 crore and share application money Rs.23.96 crore) as against total investment of Rs.140.24 crore (equity Rs.48.43 crore, long-term loans Rs.67.85 crore and share application money Rs.23.96 crore) in 34 non-working Government companies as on 31 March 2001.

[1] Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

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

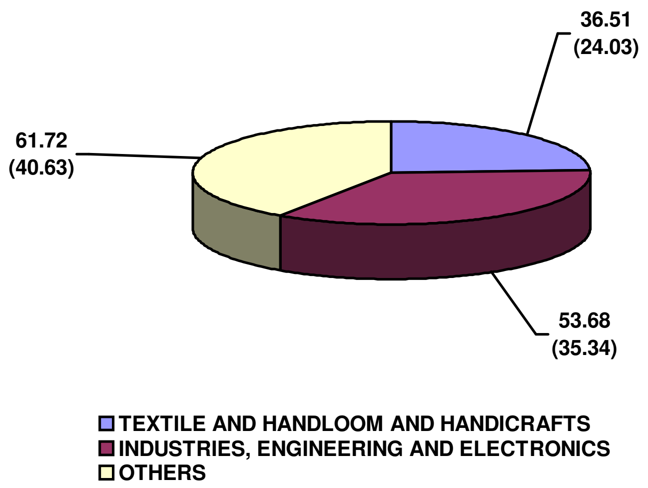
The classification of the non-working PSUs was as under:

(Amount Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
(i)	Under liquidation[a]	10	3.30	7.21
(ii)	Under closure[b]	23	61.14[*]	66.78
(iii)	Under merger[3c]	2	11.25	2.23
	Total	**35**	**75.69**	**76.22**

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2002 and 2001 are indicated below in the pie charts:

INVESTMENT AS ON 31 MARCH 2002 (Rs.151.91 crore)
(Rupees in crore)



(Figures in brackets indicate percentage)

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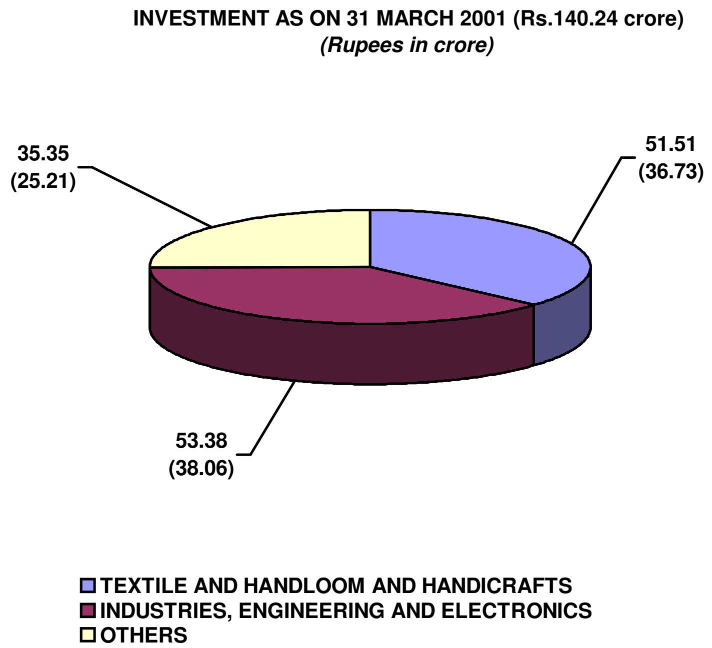
[a] Companies at Sl Nos.C-4 to 7, 12,13, 23, 29 to 31 of Annexure-2
[b] Companies at Sl Nos.C-1 to 3, 8 to 11, 14 to 22, 24, 26, 27, 32 to 35 of Annexure-2
[*] Equity includes share application money of Rs.23.96 crore in one company (Orissa Textile Mills Limited at Sl. No.C-21 of Annexure-1), which is under closure.
[3] Orissa Maritime and Chilka Area Development Corporation Limited and Orissa Fish Seed Development Corporation Limited (Sl. Nos.C-25 and 28 of Annexure-1) were merged in to one company namely Orissa Pisiculture Development Corporation Limited. However, as the consolidated accounts of both the merged companies have not been prepared, particulars in Annexures-1 and 2 have been indicated separately.
[c] Companies at Sl. Nos.C-25 and 28 of Annexure-2.



(Figures in brackets indicate percentage)

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

During the year 2001-02, State Government did not release any budgetary support towards equity, loan, subsidies, grants, etc. to the non-working Government companies.

1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2001-02 are given below:

(Amount Rupees in crore)

Year	Number of PSUs*	Total establishment expenditure	Financed by				
			Disposal of investment /assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
Government companies							
1999-2000	6	3.05	0.21	--	0.87	0.76	1.21
2000-2001	5	4.14	--	--	0.13	3.58	0.43

* Out of 35 non-working Government companies, only 13 companies furnished the information.

Year	Number of PSUs*	Total establishment expenditure	Financed by				
			Disposal of investment /assets	Loans from private parties	Government by way of		Others
					Loans	Grants	
^Δ^2001-2002	4	0.19	0.11	--	--	0.04	0.04
Total	**--**	**7.38**	**0.32**	**--**	**1.00**	**4.38**	**1.68**

1.3.4 Finalisation of accounts by non-working PSUs

The accounts of 35 non-working companies were in arrears for periods ranging from one year to 36 years as could be noticed from **Annexure-2**. During the period from October 2001 to September 2002, seven non-working Government companies (Sl. Nos.C-1, 3, 10, 24, 25, 26 and 28 of **Annexure-2**) have finalised accounts for previous years.

In respect of nine* defunct companies, including three companies referred to BIFR for closure, meetings were conducted in the Public Enterprises Department in July 2001 and again in November 2001 for early closure of arrear accounts. Against this, only two companies (Orissa State Commercial Transport Corporation Limited and Orissa State Handloom Development Corporation Limited), responded and finalised one account each. There was no response from the remaining seven companies till date.

1.3.5 Financial position and working results of non-working PSUs

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

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

(Amount Rupees in crore)

Year	No. of Companies	Paid-up capital	Net worth	Cash loss (-)/ cash profit(+)	Accumulated loss (-)/ accumulated profit (+)	Sl. No. of Annexure-2
1965-66	3	0.07	--	--	--	C-6,12,13
1966-67	1	0.05	--	--	--	C-4
1967-68	1	0.04	--	--	--	C-32
1968-69	1	0.04	--	--	--	C-5
1970-71	2	0.09	--	--	--	C-19,31

Δ Surplus money (Rs.0.35 crore) being retained by the Company (Orissa State Commercial Transport Corporation Limited).
* Companies at Sl. Nos.C-8, 15, 20 to 22, 24, 26, 29 and 33 of Annexure-2.

Year	No. of Companies	Paid-up capital	Net worth	Cash loss (-)/ cash profit(+)	Accumulated loss (-)/ accumulated profit (+)	Sl. No. of Annexure-2
1972-73	2	0.05	--	--	--	C-7,30
1975-76	1	0.12	--	--	--	C-9
1981-82	2	0.07	0.05	0.02	(-)0.03	C-2,20
1982-83	1	0.35	--	--	--	C-27
1987-88	2	2.25	0.36	(-)0.26	(-)2.14	C-8,33
1989-90	1	0.10	0.10	--	--	C-18
1990-91	1	0.01	0.01	--	--	-C29
1991-92	4	4.41	(-)3.49	(-)1.90	(-)9.70	C-14,15,16,34
1992-93	2	4.94	(-)9.72	(-)0.61	(-)22.97	C-22,26
1994-95	2	7.92	(-)27.45	(-)7.30	(-)41.76	C-23, 28
1995-96	1	3.52	(-)7.20	(-)2.73	(-)11.38	C-24
1996-97	1	6.24	3.34	(-)0.11	(-)1.91	C-25
1997-98	1	24.70	(-)0.0003	(-)9.85	(-)53.41	C-21
2000-01	3	4.70	(-)70.28	(-)27.92	(-)146.13	C-1,3,10

(Note: Net worth, cash loss/profit and accumulated losses/profit are as per last certified accounts except for companies at Sl. Nos.C-4,5,6,7,9,12,13,19,29,30 and 31 of **Annexure-2** as these companies are defunct/closed since long and their accounts are not available. Companies at Sl. Nos.C-11, 17 and 35 of **Annexure-2** did not finalise their first account. 35 non-working Government companies have not finalised their accounts for one to 36 years as indicated in **Annexure-2**).

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

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

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature.
1	Orissa State Warehousing Corporation (OSWC)	1998-99	1999-2000 2000-01	15 July 2002 Audit in progress	1999-2000 SAR adopted in AGM on 5 July 2002
2	Orissa State Road Transport Corporation (OSRTC)	1992-93	1993-94	19 September 2002	--

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature.
3	Orissa State Financial Corporation (OSFC)	SARs upto 2000-01 had been issued to the State Government. Government had informed (November 2002) that SARs had neither been included in the Annual Reports nor independently placed in the Orissa Legislative Assembly. This constituted a violation of Section 37(7) of the State Financial Corporations Act, 1951.			

1.5 Disinvestment, Privatisation and Restructuring* of Public Sector Undertakings

1.5.1 Restructuring Programme of Government of Orissa

As per the records of discussion held (15 April 1999) between Ministry of Finance, Government of India and Government of Orissa for a fiscal reform programme, Government of Orissa was to take up the time bound reform programme for disinvestment and restructuring of certain State level Public Sector Enterprises. The decision of the Cabinet Sub-Committee and present status of the companies (July 2002) is given below:

Name of the Enterprise	Action to be taken	Date by which action to be completed	Present status
IDCOL Rolling Mill (Unit of IDCOL)	Disinvestment through privatisation	October 1999	Incorporated as a separate Company named "IDCOL Rolling Mill Limited" on 22 March 2002.
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999	Winding up order issued by BIFR on 29 October 1999.
IDCOL Cement Limited	Revival/Closure	31 March 2000	Privatisation process is in progress.
Ferro Chrome Plant and Kalinga Iron Works, (Units of IDCOL)	Partial privatisation	October 1999	Incorporated as two separate companies named as "IDCOL Ferro Chrome & Alloys Limited" and "IDCOL Kalinga Iron Works Limited" on 26 March 1999.
Orissa State Textile Corporation Limited	Closure	March 2000	Action for privatisation has been held up as the acquisition of Bhaskar Textile Mills (a unit of the Company) has been challenged by the erstwhile owner and the judgement of the court is awaited.

It would be observed from the above that none of the milestones have been achieved till date (September 2002).

* Restructuring includes merger and closure of PSUs.

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

During the period from October 2001 to September 2002, the audit of accounts of 25 Government companies (23 working and two non-working) and three working Statutory corporations were selected for review. The net impact of important audit observations as a result of review of the PSUs is as follows:

Details	Number of accounts				Rupees in crore			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non-working	Working	Non-working	Working	Non-working	Working	Non-working
(i) Decrease in profit	5	--	--	--	3.94	--	--	--
(ii) Increase in loss	5	2	--	--	15.57	0.54	--	--
(iii) Decrease in loss	2	--	1	--	1.40	--	1.85	--
(iv) Non-disclosure of material facts	8	--	2	--	55.22	--	17.95	--
(v) Errors of classification	2	--	1	--	1.27	--	2.79	--

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

1.6.1 Errors and omissions noticed in case of Government companies

(i) NESCO[*], WESCO[**] and SOUTHCO[***] (1998-99)[1] (Power Distribution Companies)

The accounts of the power distribution companies (NESCO, WESCO and SOUTHCO) for 1998-99 were qualified due to excess provisioning for doubtful debts (Rs.86.62 crore) and retirement benefits (Rs.313.20 crore) which was in violation of the terms agreed upon in the Transfer Scheme Notification dated 25 November 1998.

(ii) Orissa Mining Corporation Limited (1997-98)

Non-accountal of Rs.8.51 crore payable to M/s Klockner & Co. as per the award given by International Chamber of Commerce on 8 September 1997, resulted in overstatement of profit by Rs.8.51 crore.

[*] North Eastern Electricity Supply Company Limited.
[**] Western Electricity Supply Company Limited.
[***] Southern Electricity Supply Company Limited.
[1] These companies were privatised with effect from 1 April 1999. However, finalisation of accounts for the year 1998-99 delayed by more than 29 months and submitted for supplementary audit under Section 619 (4) of Companies Act only in March 2002.

(iii) GRID Corporation of Orissa Limited (1998-99)

Non-provision of (i) ex-gratia payment to its employees under Voluntary Retirement Scheme (Rs.7.66 crore), (ii) sales tax on lease rental (Rs.0.95 crore) and (iii) non-provision of fuel price (Rs.4.78 crore) payable to NALCO resulted in understatement of loss.

(iv) Orissa Power Generation Corporation Limited (2000-01)

Accounting of stock of cables at book value instead of market value resulted in overstatement of profit by Rs.4.91 crore.

(v) Industrial Development Corporation of Orissa Limited (2000-01)

Non-provision of customs duty payable, due to failure to carryout export obligations, resulted in understatement of loss for the year 2000-01 by Rs.2.46 crore.

(vi) Orissa Forest Development Corporation Limited (1995-96)

Non-accountal of Rs.1.54 crore, receivable in respect of timber lifted but not billed during 1995-96, resulted in overstatement of loss of Rs.1.54 crore.

(vii) Orissa Small Industries Corporation Limited (1998-99)

Cheques issued to various agencies during 1980-81 to 1997-98 for Rs.0.60 crore have not been encashed by the parties till date. Thus, Sundry Creditors stands understated to that extent.

1.7 Recommendations for closure of PSUs

Even after completion of 22 years of its existence, the turnover of Kalinga Studios Limited had been less than Rs.5 crore and had been incurring losses in each of the preceding five years of latest finalised accounts. In view of the poor performance/continuous losses, the Government may consider its closure.

1.8 Response to Inspection Reports, Draft Paras and Reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2002 pertaining to 35 PSUs disclosed that 9,662 paragraphs relating to 2,395 Inspection Reports remained outstanding at the end of September 2002. Of these, 867 Inspection Reports containing 2,677 paragraphs had not been replied to for more than one to five years. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2002 is given in **Annexure-7**.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 17 draft paragraphs and three draft reviews forwarded to the various departments during February 2002 to July 2002, as detailed in **Annexure-8**, had not been replied to so far (September 2002).

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

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

During the period October 2001 to September 2002, the Committee on Public Undertakings (COPU) held 19 meetings and discussed 3 reviews and 28 paragraphs of the Audit Reports (Commercial) for the years 1987-88 to 1999-2000. The position of Audit Reports (Commercial) pending in COPU for discussion as on 30 September 2002 is detailed below:

Period of Audit Report	**No. of reviews and paragraphs appeared in the Audit Report**		**No. of reviews/paragraphs pending for discussion**	
	Reviews	**Paragraphs**	**Reviews**	**Paragraphs**
1987-88(Vol.II)	4	8	1	3
1987-88(Vol.III)	4	--	--	--
1988-89	4	5	1	--
1989-90	5	15	1	1
1990-91	5	11	3	3
1991-92	6	17	2	--
1992-93	4	22	2	20
1993-94	4	24	2	18
1994-95	3	21	1	15
1995-96	3	20	1	16
1996-97	4	23	1	5
1997-98	1	14	1	8
1998-99	4	22	4	9
1999-2000	4	25	4	22

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
2000-01	3	22	3	22
TOTAL	**58**	**249**	**27***	**142***

1.10 619–B Companies

There were three companies coming under Section 619-B of the Companies Act, 1956, of which two were non-working and one was working company. During 2001-02 one company (Konark Met Coke Limited) was incorporated under Section 619-B. **Annexure-9** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

1.11 Reforms in Power Sector

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

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

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

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2002)	Remarks
	Commitments made by the State Government			
1.	100 per cent electrification of all villages	March 2007	81 per cent	No work taken up in 2001-02. Out of Rs.17.04 crore released by Government of India for electrification of 561 villages during 2001-02, Rs.8.52 crore released to privatised distribution companies and Rs.8.52 crore kept in Deposit Account by Finance Department.

* Includes passed over (November 2002) of 8 Reviews and 27 paragraphs appearing in the Audit Reports upto 1992-93 excluding Reviews on Sal Seed and Mahua Flower.

	Commitment as per MOU	Targeted completion Schedule	Status (as on 31 March 2002)	Remarks
2.	Transmission and Distribution losses will not exceed 34 per cent, which have to be brought down to 20 per cent.	June 2006	Transmission and Distribution losses during 2001-02 were more than 52 per cent.	Included in Para No.2A.5.3.1 of the review on 'Implementation of Orissa Power Sector Reconstruction Project by GRIDCO'
3.	100 per cent metering of all distribution feeders	December 2002	N.A	Included in the above review vide Para No2A.5.3.2
4.	100 per cent metering of all consumers	December 2002	61 per cent	Included in the above review vide Para No.2A.5.3.2
5.	Agreement for securitising the outstanding dues of CPSUs	July 2002	Yet to be executed	-
6.	State Electricity Regulatory Commission (SERC) i) Establishment of OERC	April 1996	Formed in June 1996	-
	ii) Implementation of tariff orders issued by OERC during the year	Annually	Implemented	-
	General			
7.	Monitoring of MOU	Half yearly	Not done	-

1.11.2 State Electricity Regulatory Commission

Government of Orissa framed Orissa Electricity Regulation Act, 1995. Accordingly, Orissa State Electricity Regulatory Commission (OERC) with three members was constituted with effect from 12 June 1996.

1.11.2.1 Functions

The main functions of the Commission as per the Orissa Electricity Reforms Act, 1995 are as follows:

(i) to aid and advise, in matters concerning generation, transmission, distribution and supply of electricity in the State;

(ii) to regulate the working of licensees and to promote their working in an efficient, economical and equitable manner;

(iii) to issue licenses and determine the conditions to be included in the licenses;

(iv) to promote efficiency, economy and safety in transmission, distribution and use of electricity in the State;

(v) to regulate the purchase, distribution, supply and utilisation of electricity, the quality of service, the tariff and charges payable;

(vi) to promote competitiveness and progressively involve the participation of the private sector;

(vii) to collect data and forecast on the demand for and use of electricity and to require the licensees to collect such data and make such forecasts;

(viii) to require licensees to formulate perspective plans and schemes for the promotion of generation, transmission, distribution and supply of electricity; and

(ix) to undertake all incidental or ancillary things.

1.11.2.2 Activities

During the year, the Commission scrutinised 62 applications. The Commission also, in the discharge of its judicial functions dealt with 46 cases.

1.11.2.3 Tariff fixation

(i) During the year 2001-02, details of the tariff fixed by the Commission is given below:

	Generation	**Transmission**	**Distribution**
Orissa Hydro Power Corporation Limited (power purchase rate)	Energy charges-Re.0.49 for Hydro stations other than UIHEP* and Rs.1.17/unit for UIHEP	Not applicable	Not applicable
Orissa Power Generation Corporation Limited (power purchase rate)	Fixed cost-Re.0.95/unit Variable cost-Rs.2.58/unit	Not applicable	Not applicable
Grid Corporation of Orissa Limited (bulk supply tariff)	Not applicable	Demand charges-Rs.200/KVA/ month Energy charges-Re.0.90 to Rs.1.02/unit	Not applicable
Distribution Companies (retail supply tariff)	Not applicable	Not applicable	Demand charges-Rs.10 to Rs.200/KVA/ month Energy charges-Rs.1.10 to Rs.4.50/unit
Independent Power Project (IPP)	No IPP in the State.		

* Upper Indravati Hydo Electric Project.

(ii) Sector-wise tariff (for Distribution companies)

	Consumers	Tariff
A	Irrigation	Energy Charges-Rs.1.10/unit
B	Industries -HT consumers	Energy Charges -Rs.3.00/unit Demand Charges-Rs.50 to Rs.200/KVA/month
C	Domestic	Energy Charges -Rs.1.40 to Rs.3.20/unit
D	Others: (i) Commercial	Energy Charges -Rs.3.20 to Rs.4.50/unit
	(ii) Street lighting and public institution	Energy Charges -Rs.3.20 /unit
	(iii) Public water works and general purpose	Energy Charges -Rs.3.20/unit Demand Charges- Rs.200/KVA/month

1.11.2.4 Subsidy

The Government of Orissa has not released any subsidy to GRIDCO and distribution companies since constitution of the Commission i.e. 12 June 1996.

Chapter-II

2. Reviews in respect of Government companies

2A. IMPLEMENTATION OF ORISSA POWER SECTOR RECONSTRUCTION PROJECT BY GRID CORPORATION OF ORISSA LIMITED (GRIDCO) - a Mid-term Appraisal

Highlights

IBRD allocated a sum of US$ 350 million in July 1996 for implementation of the Orissa Power Sector Reconstruction Project by GRIDCO to reinforce and rehabilitate the transmission and distribution network of the State.

(Paragraph 2A.1.3)

Due to slow progress in utilising the entire IBRD loan by December 2002, the loan was scaled down and schemes worth US$ 65 million could not be taken up.

(Paragraph 2A.4.1)

Without ensuring source of supply at 400 kV rating, an untimely investment of Rs.247.72 crore was made in creation of a new 400 kV system. Non-materialisation of 400 kV system resulted in potential non-reduction of system loss by Rs.7.12 crore.

(Paragraph 2A.5.2.2)

Despite hike in tariff, Grid Corporation of Orissa Limited and private Distribution Companies incurred loss of Rs.2,100 crore mainly due to increase in T&D loss.

(Paragraph 2A.5.3.1)

Injudicious application of quantity variation clause resulted in extra expenditure of Rs.1.53 crore. Correctness of bid evaluation could not be ensured due to absence of sensitivity analysis of BoQ mix.

(Paragraphs 2A.6.2 and 2A.6.3)

Failure to negotiate with other bidders or insist for discounted unit rate led to loss of Rs.3.12 crore.

(Paragraph 2A.6.4)

Unscientific project management led to blocking up of materials worth Rs.40.79 crore during execution.

(Paragraphs 2A.7.1.1 and 2A.7.1.2)

Works valued Rs.92.28 crore were awarded on nomination basis without ensuring the capacity of the contractors.

(Paragraph 2A.7.2)

Due to reluctance of Government of Orissa to play an active role, Demand Side Management was virtually a non-starter and energy savings of 240 MW could not be achieved.

(Paragraph 2A.10)

2A.1 Introduction

Poor financial performance of the erstwhile Orissa State Electricity Board (OSEB) and chronic unavailability of funds, equipment and spare parts had led to a deteriorated distribution system, overloaded with lengthy low voltage lines. This increased the system losses and was no longer meeting any reasonable operational standard. To upgrade the rundown system, the Government of Orissa (GoO) approached (1993) the International Bank for Reconstruction and Development (IBRD) for financial assistance. In order to avail the assistance from IBRD, a commitment was made (April 1996) by the Government of Orissa to restructure and reform the Power Sector in the State and rationalise the generation, transmission and distribution of electric power.

The IBRD in its Staff Appraisal Report (SAR) identified (April 1996) an investment plan of US$ 3280 million for implementation of the Orissa Power Sector Reconstruction Project (OPSRP) over a period of seven years, from 1997 to 2003. The above investment plan was based on the recommendations made in the Report on Power System Planning in Orissa prepared (March 1996) by Monenco Agra (MA). The investment programme also included the investments to be made by the private sector in generation and by the Company in transmission and distribution system.

2A.1.1 The investments to be made by various utilities were as under:

Utilities	Amount of investment to be made			Purpose of investment
	US$ in million	***Rupees in crore***	***Percentage of total investment***	
GRIDCO	997	4135	30	Transmission and distribution rehabilitation projects (Project) to transmit additional generation and to reconstruct the rundown distribution system along with demand side management and technical assistance.
OHPC	324	1246	9	Completion of ongoing Upper Indravati Hydro Electric Project and other projects. Capacity addition of 600MW.
NTPC	31	110	1	Renovation of Talcher Thermal Power Plant. No capacity addition.
Private Sector	1928	8146	60	Capacity addition of 1820MW by new private generators (Thermal 1500MW and Hydro 320MW)
Total	**3280**	**13637**	**100**	

Out of the capacity addition of 2,420 MW planned, the capacity addition of 1,820 MW from private sector did not materialise even as of July 2002 and there was an increase of only 600 MW by Orissa Hydro Power Corporation Limited (OHPC) between September 1999 and April 2001. The delay in project implementation of OHPC was mentioned in Audit Report for the year ended 31 March 2000 (Commercial) vide Paragraph 2A.10.

2A.1.2 The investment of US$ 997 million by the Company was to be funded through the following sources:

Source of funding	Amount in US$ in million	Rupees in Crore	Rate of interest (per cent)
Government of Orissa	25.6	106	13
Asian Development Bank (ADB)	56.8	236	16.04
O.D.A (DFID)	110.0	456	Capital Grant
Other Financiers (PFC,IDBI,LIC and GIC)	233.0	966	14 to 16.04
Internal Cash Generation	221.8*	920	--
IBRD (World Bank)	350.0	1451	13.5
Total	**997.2****	**4135**	

*Counterpart funding of US$ 117.24 million for the schemes with IBRD funding and US$103.86 million for schemes with other funding respectively.

**Basic cost of project (US $ 740 million), escalation (US $ 208 million) and interest during construction (US $ 49 million)

The above investment programme was to accommodate schemes to reinforce and rehabilitate the existing transmission and distribution network (US$ 599 million), implement Demand Side Management[∂] (US$ 97 million) and

[∂] Demand side management aims at energy conservation strategies besides use of electricity by altering the characteristics of the demand for electricity.

institutional development and technical assistance and training (US$ 44 million). The Project was intended to reduce the current high level of system losses from 46.1 per cent in 1995-96 to 20.6 per cent in 2002-03 and to develop commercially viable, efficient transmission and distribution utilities. The envisaged rate of return was 16 per cent and with the implementation of DSM, the energy saved would have been 240 MW per annum.

Mention was made in Paragraph 2B.2 in Audit Report for the year ended 31 March 1999 (Commercial) about the project implementation through ADB, PFC, DFID funding and the initial drawal of funds under IBRD. The procurement and installation of energy meters under OPSRP was mentioned in Paragraph 2B.6 of Audit Report for the year ended 31 March 2000 (Commercial). Mention was also made in Paragraphs 3A.4.1 and 3A.4.2 of Audit Report for the year ended 31 March 2001 (Commercial) where 16 bulk supply contracts out of 27 were commented upon.

IBRD allocated US$ 350 million in July 1996 for implementation of the Orissa Power Sector Reconstruction Project by GRIDCO

2A.1.3 The IBRD allocated (July 1996) a loan of US$ 350 million to the Company to be drawn through GoI and GoO under a project agreement as part finance for the OPSRP with the following objectives:

1. Reinforcing and Rehabilitating the Transmission and Distribution Systems and Developing Private Power Distribution: US$ 280 million (Part A);

2. Demand Side Management (DSM) including metering: US$ 60 million (Part B); and

3. Institutional Development, Training and Technical Assistance: US$10 million (Part C).

The schemes to be taken up with IBRD funding were identified (November 1997) to attain the above objectives and contracts were awarded (June 1998-July 1999) as under:

Particulars	No. of contracts	Total value (Rupees in crore)
Transmission Projects	20	447.56
Distribution Projects	29	482.29
Metering	30	53.30 (this includes retroactive financing from 1995 to 1998)

2A.1.4 GoO entered in to a Memorandum of Understanding (MOU) with GoI (June 2001) by which Government of Orissa was committed to:

- ensure release of IBRD funds to the Company and Distribution Companies (DISTCOs) within one month of receipt of such funds;
- ensure timely payment of subsidy required on the tariff determined by Orissa Electricity Regulatory Commission (OERC) based on GoO orders;

- bring down the Transmission and Distribution (T&D) loss from 47 per cent to 20 per cent in five years;
- provide meters to all consumers by the end of 2002 through Distribution companies;
- provide sufficient funds in the budgets of all the departments to liquidate outstanding payments of electricity bills;
- ensure that the outstanding dues of Central Power Sector Undertakings (CPSUs) would not cross the limit of two months billing at any time;
- provide electricity to all the villages by March 2007;
- endeavour the Company to disengage from transmission activity by March 2003; and
- maintain Grid discipline.

The compliance to the above has been commented at appropriate places in the review.

2A.2 Organisational Set-up

The Management of the Company is vested in a Board of 10 Directors consisting of five functional Directors including Chairman-cum-Managing Director (CMD) and five non-functional Directors. The Board constituted (June 1996) a Task Force (TF), consisting of five members (CMD, Directors Corporate Planning, Finance, Commercial and T&D), to finalise the schemes funded by external agencies. CMD is the Chairman of the committee. The IBRD suggested (April 1996) that a Project Management Unit (PMU) be set up for management of the Project (OPSRP). Accordingly, the PMU was set up in October 1996, within the Company. The PMU was headed by the Director Corporate Planning (DCP) up to August 2000. After abolition of the said post in August 2000, the PMU is headed by Director Engineering. In addition to the above, a consultancy team consisting of UK based firm Merz and McLellan Limited and SEEBOARD International Limited and Powergrid Corporation of India Limited was formed in August 1996 to assist PMU. They were, however, paid directly by DFID. The preliminary responsibility i.e. decision making, execution and monitoring of the project rested with PMU and the consultant team was to act as an expert group.

The TF is competent to decide all contracts up to Rs.25 crore on the recommendation of PMU and in case of contracts above Rs.25 crore the recommendations of the TF are to be placed before the full Board.

2A.3 Scope of Audit

The OPSR Project commenced in October 1996 and scheduled for completion in June 2002 is still in progress (March 2002). As of March 2002 physical achievement in respect of construction of lines and sub-stations were 55 per cent and 50 per cent respectively. The present review covers the planning and execution of the Project identified under IBRD funding up to March 2002 with particular reference to award and execution of contracts and related issues excluding the funds made available to the DISTCOs after privatisation (April/September 1999).

2A.4 Financing of the Project

2A.4.1 IBRD funding

PMU planned (September 1997) implementation of schemes under Part A of the project with capital outlay of US$ 396 million (IBRD – US$ 306 million and Company – US$ 90 million). PMU made a wrong assumption as to availability of funds from IBRD, as the actual allocation by IBRD (Staff Appraisal Report) for this part of the project was only US$ 280 million. This forced the PMU to defer some of the schemes (value: US$ 65 million) and shifting of some others (value: US$ 34 million) under own funding. Finally the project implementation was recast to take up schemes with funding pattern of US$ 362 million (IBRD - US$ 279 million and Company – US$ 83 million).

Further, it was noticed in Audit that the PMU did not consider the deemed export benefits available originally and also at the time of recasting the project implementation.

Further, three other works were transferred to own funding foregoing deemed export benefits as discussed in Paragraph 2A.7.2.3 infra. The identified schemes were awarded (July 1998 to June 1999) for US$ 233 million (IBRD - US$ 205 million and Company - US$ 28 million) with resultant savings of US$ 129 million due to deemed export benefits and over estimation of cost.

Due to slow progress in utilising the entire IBRD loan by December 2002, the loan was scaled down and schemes worth US$ 65 million could not be taken up

IBRD scaled down (January 2002) the loan to US$ 290 million from US$ 350 million at the request of GoI as the progress of implementation was poor. This reduction of loan in January 2002 to US$ 290 million retrospectively wiped out the savings which were to be utilised to take up schemes of US$ 65 million deferred to Phase II but tendered. As against the revised targeted expenditure of US$ 290 million to be incurred by June 2002, the actual expenditure was only US$ 104.5 million (Rs.475.21 crore).

Thus:

(a) not considering the applicable deemed export benefits while planning for project funding, resulted in shelving of part of the schemes; and

(b) slow progress in implementation of the project (as discussed subsequently) and not availing of IBRD funds in time, as a result of slow progress, resulted in non-achievement of project objectives.

This resulted in purchase of additional power (250 Gwh.) valued Rs.23.57 crore per annum as the Company could not attain reduction in T&D losses.

2A.4.2 GRIDCO funding

GRIDCO's share of project funding was to be financed out of incremental accruals. No borrowing was originally envisaged. As per Staff Appraisal Report (SAR) of IBRD, the Company was to provide funds (US$ 28 million) towards 30 per cent of civil works and erection, and 20 per cent of other local expenses for equipment. Due to shifting of works worth US$ 34 million under own funding, the total requirement of funds to be made available by the Company increased to US$ 62 million. As against this, the actual expenditure made (February 2002) by the Company was only US$ 22.41 million. The funds for these schemes could not be met out of internal generation due to continuous losses suffered by the Company on account of non-achievement of reduction in T&D loss till November 1999, high cost of power purchases and non-payment of power bills by DISTCOs after November 1999. This led to borrowings from ICICI and issue of bonds at higher rate of interest. Thus, a portion was met through borrowings from ICICI at 13.12 per cent from April 2000 (Rs.70.26 crore) and by issue of Power Bonds at 15.5 per cent (Rs.1.98 crore). The impact thereof on project funding and viability could not be worked out due to non-completion of the project. The Company also did not receive US$ 25.6 million from Government of Orissa towards its share of contribution for the Project as envisaged in SAR.

2A.4.3 Delay in release of IBRD loan by Government of Orissa

IBRD loan was to be availed on reimbursement basis through a special account opened by GoI in RBI with an authorised allocation of US$ 12 million equivalent to four months of average disbursements. GoI in turn would release the funds to the Company through GoO. GoI released Rs.65 crore through GoO as imprest advance, which was adjusted against claims between July 1997 to March 1999 and Rs.127 crore between March 2000 to April 2000. It was noticed that the amounts released to GoO by GoI were not passed on to the Company involving delays ranging between 31 days and 290 days. Thus, a realistic imprest system was not established by GoO, which affected the progress of work due to delay in payment to contractors. The IBRD expressed (July 2000) their concern over such delay in release of funds by GoO. The IBRD classified (October 2000) this Project as 'Project at risk' and suspended the loan in July 2001, which was lifted only in January 2002. The GoO also levied interest at the rate of 13.5 per cent per annum since November 2000 as against 13 per cent envisaged in the agreement and deducted (June 2002) Rs.27.40 crore (lumpsum for DISTCOs:- Rs.10.54 crore and GRIDCO:- Rs.16.86 crore) disregarding the provisions of loan agreement. Thus, non-implementation of imprest mechanism and delay in release of funds and deduction of interest from the loan arbitrarily, caused delay of 6 months to the project. It was further noticed that though GoO had committed (June 2001) in

Delay in release of IBRD loan by GoO resulted in suspension of loan by six months with consequential delay to the project

its MOU with GoI to release IBRD funds to the Company and DISTCOs within one month of receipt, GoO released all the amount only by July 2002 with delays ranging from 20 to 140 days from the due date (viz. one month from date of receipt).

2A.5 Project Implementation

As per SAR, the PMU was to manage the execution of the project which included the following:

- Preparation of Project Report;
- Preparation of contract packages;
- Pre-qualifying, tendering and awarding of contract; and
- Execution and supervision of the project.

The primary objectives of the PMU was to:

- define an investment plan;
- ensure that all the major projects and sub-projects are implemented in time, within budget and to the specified quality; and
- create a sustainable project management function.

2A.5.1 Project Management Unit (PMU)

2A.5.1.1 Performance of PMU

The project was scheduled to be completed by June 2002. However the overall progress of work was assessed (April 2002) by IBRD at 55 per cent in case of construction of lines and 50 per cent in case of sub-stations. The main reason for slow progress in completion of the project, as revealed in Audit, was failure in the functioning of the PMU as mentioned below:

- Lack of co-ordination between Corporate Planning Wing and the PMU in conducting periodical system requirement study, both short and long-term, based on demand forecast studies (discussed vide Paragraph 2A.5.2);

Inadequate staffing in PMU caused delays

- Inadequate staffing in PMU delayed the process of design review, approval of drawings and field inspection/supervision with consequential delays all-round;
- The project finalisation for transmission and distribution network was delayed due to lack of information on existing sub-stations and lines. PMU did not create a data bank. This led to delay in finalising the schemes (**Annexure-10**);
- The packaging of lines was to be done only on 'ease of site management'. However, it was done without considering the geographical

spread, and without breaking it up into convenient blocks. The failure of one contractor, to discharge his contractual obligation held up significant number of schemes virtually freezing the project (Paragraph 2A.6.1);

- The PMU did not ensure the execution of the project on 'least cost' option due to finalisation of Bill of Quantity (BoQ) based on inadequate data and non-ensuring discounted unit rate from the contractors (Paragraph 2A.6.3 and 2A.6.4);

- The major role of the PMU during execution was to coordinate closely the delivery of materials in accordance with the progress of work of the turnkey contracts. The materials were received in advance resulting in locking up of funds (Paragraph 2A.7); and

- The monthly progress report and the status of the ongoing schemes of the PMU were never placed before the Board of Directors for its review.

2A.5.1.2 Performance of consultant

It was observed in Audit that the consultancy support could not be effectively utilised by PMU in view of the fact that:

- No formal contract existed between the Company and the consultant defining the interface and goal; and

- The consultant was not monitoring the distribution part of the project since May 1999 consequent on privatisation of DISTCOs. As the consultancy was for the entire project, withdrawal of support from Distribution projects, which was to address the major issue of reduction of technical and non-technical losses, was not justified.

As of March 2002, the consultancy services for only 34 per cent of the investment was provided as against 94 per cent envisaged, thereby rendering the fees paid to the consultant unfruitful.

2A.5.2 Preparation of Project Report

As a first task, the PMU was to identify a Project incorporating schemes to ensure that generation capacity based on 15 years demand forecast could be transmitted and distributed to customers at acceptable levels of losses maintaining quality of supply over a reliable network. Inputs from the Power System Planning in Orissa report prepared (1996) by Monenco Agra (MA), as well as the loads of anticipated new steel plants, were taken by PMU and the Project Implementation Plan (PIP) was submitted (September 1997). Subsequently, PMU reviewed the PIP (July 1999/November 1999).

A study of MA report and PIP in Audit revealed the following:

2A.5.2.1 The Company reviewed (July 1996) the demand forecast made by various agencies like MA, CEA and GoO and decided to adopt a load forecast of 3,387 MW by 2002 and 3,938 MW by 2005 **(Annexure-11)** considering a growth rate of 10.4 per cent. This projection was higher by 238 MW for 2005 than the "enhanced probable demand" of MA report. A generation augmentation of 1,100 MW in 2002 and 2,000 MW in 2005 to cater to the above projected demand, was adopted by the Company which was in tune with MA report. The PMU defined (September 1997) a project plan based on the above demand and generation projection. OERC, while reviewing (May 1997) the Company's demand forecast and generation plan, cautioned that the demand forecast was not realistic and generation plan was oversized and to limit the procurement of additional power to 250 MW in 2001 and 500 MW in 2002 on a 'least cost plan'. Further, Industrial Policy of 1996 spelt out that the State was surplus in power and with careful planning already undertaken, it would remain so despite speedy growth of industrialisation during the coming decades. This was further confirmed by the demand study made in January 1999 by the Company, which indicated that the State would remain surplus in power from 2000 to 2010. The actual growth of demand was only 6.26 per cent up to March 2002 as against 10.4 envisaged. The actual growth of demand was even less than low load forecast made by MA in 1996.

Though the actual demand was only 6.26 per cent as against 10.4 envisaged, no mid-term correction to the project was made

Before award of sub-station contracts (June 1999) it was well known that the demand projected in 1996 had not materialised. Neither erection work nor supply was started by January 1999 on lines for which contracts were awarded in June 1998. Thus, corrective measures could have been taken during 1999 itself by way of changes in scope of works of the Project. Further the lack of co-ordination between Corporate planning wing and PMU in considering any revision in demand forecast as and when made stood in the way of mid-term correction although there was scope for it as mentioned above.

It was only in April 2002 that the Company undertook an exercise to quantify the benefits of completion of the project and realised that the entire ongoing schemes could be prioritised into seven stages to attain an overall reduction in technical loss by 3.93 per cent. However, no revised time frame was fixed for such phased implementation. Thus, schemes were neither synchronised with commissioning of generating units nor with the demand (vide Paragraph 2A.8 infra).

The Company accepted (July 2002) the fact that the actual growth rate of demand was only 6.26 per cent for the period from 1999-2000 to 2001-02 and additional generation of 1,000 MW power did not materialise.

2A.5.2.2 Untimely and unfruitful investment of Rs.247.72 crore and non-achievement of savings of Rs.7.12 crore

To meet the demand of 3,938 MW by 2005, the Board decided (December 1996) to create transmission facilities to evacuate the additional power of 500 MW to be generated by M/s Ib Valley Corporation (AES), a private power promoter at Ib valley (AES Ib), through a 400 kV system. A 400 kV sub-station was to be erected at Meramundali to connect the thermal power plant of AES Ib by a 400 kV-line alongwith a nodal point at Meramundali which will receive power at 400 kV rating from AES Ib and NTPC. To meet the above requirement the provision of 400 kV bay extension with two transformers at Ib along with 400 kV double circuit lines to terminate at Ib was proposed in September 1997. During award of work, while the line work was awarded, the work of provision of 400 kV bay at Ib (transformer points) was not awarded due to potential delays in commissioning of AES Ib. Contracts for this nodal point were awarded (June 1999) for construction of three 400 kV sub-stations with its interconnecting 400 kV lines for drawing power at 400 kV from Ib AES and NTPC at a cost of Rs.329.92 crore. A sum of Rs.247.72 crore was spent till April 2002 on these works. As financial closure was not attained by AES till date and the Company also had not established the necessary escrow facility, the prospects of creation of 400 kV-generation station at Ib valley by AES was rather bleak. The 400 kV nodal point at Meramundali could be operational by receiving power at 400 kV rating either from AES Ib or from NTPC for which 400 kV bay extensions were provided (June 1999). As the connected 400 kV lines were expected to be commissioned by NTPC only in July 2003 the entire system is virtually non-operational leading to an untimely investment of Rs.247.72 crore.

Without ensuring source of supply at 400 kV rating, an untimely investment of Rs.247.72 crore was made in creation of a new 400 kV system

The IBRD opined (April 1996) that the economic viability of the project needed synchronisation of transmission lines with the new generation station directly associated with them. As a measure to rectify the situation, the Company proposed (October 2000) another project report to evacuate the existing power from Ib (units 1 and 2 of OPGC) at a rating of 400 kV through step up transformer from 220 kV to 400 kV by inducting a 400 kV sub-station at Ib at a cost of Rs.30.60 crore. As OPGC did not specify the location of the 400 kV sub-station, this proposal also did not materialise. However, a study conducted by GRIDCO revealed (April 2002) that the proposal of operating at 400 kV by connecting existing Ib 1 and 2 units to the new network by a 'line in line out' method (LILO) needed a detailed technical study which was not yet taken up (May 2002). Non-materialisation of the entire 400 kV system resulted in potential non-reduction of system loss by 5.03 MW valued Rs.7.12 crore. Thus, the investment of Rs.247.72 crore as of April 2002 in the above schemes, which may not come up before 2005, had remained idle. Absence of cost consciousness in selecting schemes led to an interest burden of Rs.32 crore per annum (at the rate of 13 per cent) on the above investment.

Non-materialisation of 400 kV system resulted in potential non-reduction of system loss by Rs.7.12 crore

Alternatively, had the entire system been operated at 220 kV instead of 400 kV for which it was designed, the system loss of 2.59 MW per annum valued Rs.4.42 crore would have been saved. This has also not been carried out so far (July 2002).

PMU stated (December 2001) that it did not study the related changes in the network due to shifting of the generation of power in Ib 1 and 2 units through new 400 kV lines and by Ib Budhipadar 220 kV line. It had also replied that the interest was a cost of the project and taken care in project cost. The reply is not tenable in view of the fact that deferring the borrowings to a later date would reduce the interest burden on the project as the IBRD loan is on reimbursement basis. The management further stated (July 2002) that the NTPC line will be operational by July 2003 and the work at Ib was taken up as long lead is involved. Had the investment in the 400 kV line and associated sub-station been diverted, the same would have addressed the much-needed capacity expansion and reinforcement of the existing transmission network and a savings in line loss of 20.14 MW per annum valued at Rs.35.29 crore on the schemes deferred to Phase-II could have been achieved.

2A.5.3 Transmission and Distribution losses

SAR had set a target for system loss reduction from 46 per cent in 1996 to 20.6 per cent in 2002-03 as a key performance indicator for the economic viability of the project. This reduction was to be achieved on a graded scale at an annual reduction of 6 to 5 per cent till 2000 and at 2 per cent thereafter. Neither the transmission plan nor the distribution plan prepared (September 1997) by PMU spelt out as to how this overall reduction would be achieved in each year through progressive completion of works or as a whole at the end of the project period (2003). For transmission, though a loss reduction plan of 3.93 per cent was identified (April 2002), no time frame was fixed. No such plan was identified for distribution. Thus, the project did not define the manner by which this vital performance indicator be achieved and monitored or corrective measures taken when slippage occurred.

2A.5.3.1 Non reduction of T&D losses resulted in non-attainment of system loss reduction of 320 GWh

Despite hike in tariff, GRIDCO and DISTCOs incurred loss of Rs.2,100 crore mainly due to increase in T&D loss

The SAR (April 1996) envisaged that the investment in the Project would yield an annual rate of return at 10 per cent in 1997-98 and 16 per cent from 1998-99 onwards based on tariff hike and reduction in T&D loss. It was observed in Audit that although there has been a periodical hike in tariff during 1996-97 to 2000-01 the level of T&D loss increased to 52 per cent in 2001-02. As a result, instead of achieving a profit of Rs.256.60 crore till March 2001 as was projected in SAR, GRIDCO and DISTCOs incurred a loss of Rs.2,100 crore[χ].

The MA in their report assessed that the total technical loss (TL) and non-technical loss (NTL) as of 1994-95 was of the order of 45 per cent and 55 per cent of the total transmission and distribution loss. By implementing the project the TL could be brought down to 11 per cent from 23 per cent and that of NTL to 5 per cent from 16 per cent by 2001 with the overall loss being 16 per cent by 2001. Contrary to the above projection the overall loss remained at 52 per cent in March 2002. PMU while approving the scheme estimated

[χ] Figures for the year 1999-2000 and 2000-01 are provisional. Source : High Power Committee Report submitted to Government in October 2000

(March 1998) that TL would come down to 14.1 per cent (Transmission four and Distribution 10.1) if full investment as envisaged was made. The actual TL for transmission worked out to 4.7 per cent in 2001-02 as against 4 per cent targeted, as much of the schemes were still under execution (July 2002). Further due to financial constraints, of the total identified distribution schemes valued at US$ 260 million, only schemes of the value of US$ 156 million were taken up for implementation. Thus, the reduction in the distribution technical loss that could be achieved from the said investment worked out to 3.1 per cent as against 5.6 per cent representing only 55 per cent of the total loss reduction.

The reduction in TL is dependent directly on the implementation of the identified schemes for distribution. Such identification and finalisation of schemes took nearly 18 months mainly due to the absence of basic distribution network details which hampered the timely achievement of the intended reduction.

As part of reform process, the Company formed (November 1998) four subsidiary Companies (DISTCOs) to take over distribution functions of the Company as a prelude to eventual privatisation.

Due to delay in awarding contracts by seven to nine months by the Company and privatisation of distribution business (April 1999/September 1999) the turnkey contract for distribution schemes were not taken up till September 1999 although bulk supply contracts for distribution systems were awarded in June and July 1998 and could not reap immediate benefit of the investment.

Delay in execution of project resulted in non-achievement of annual savings of Rs.89.90 crore

Further as the completed works of on going IBRD projects by distribution Companies was as low as one per cent to 10 per cent (April 2002) due to the delay in release of funds by GoO to DISTCOs, higher T&D losses continued. Due to delay in execution of projects as per time frame, the Company could not achieve the projected reduction in distribution technical loss[1] by 3.1 per cent with consequential savings of 320 Gwh valued at Rs.89.90 crore per annum (at the rate of Rs.2.81 per unit).

2A.5.3.2 Non-technical losses[2]

The major loss reduction of 21.05 per cent (80 per cent of reduction in total loss) could be achieved by way of reduction in NTL of the distribution system. To achieve this reduction number of methodologies were suggested in the SAR.

Of these, provision of metering and controlling of theft of energy were of prime concern. OERC had intimated (June 2002) the State Government that the reduction of T&D loss depends on metering to ascertain energy delivered vis-a-vis billed/collected against the same. As of March 2002 unmetered/defective metered services contributed 39 per cent of total consumers and the non-technical loss contributed 70 per cent of total losses.

[1] Technical losses occur due to inherent characteristics of the conductor and equipment used for transmitting and distribution of power

[2] Non-technical losses are caused by pilferage of energy, defective meters and meter reading errors

Out of four distribution companies only two (CESCO and WESCO) had reported (July 2002) to OERC that the provision of metering will be completed by March 2003 and December 2003 respectively. The percentage of billed energy to energy made available as of March 2002 was 47.48 per cent indicating huge pilferage of energy. The reason for such high incidence of non-metering of services and pilferage of energy were due to the following:

Non-provision of meters and non-passing of anti-theft legislation, led to huge pilferage of energy

- Neither GRIDCO nor DISTCOs management could effectively control the non-technical loss as prescribed checks were not exercised;

- The Government of Orissa, even after a lapse of six years of reform process, is yet to pass an anti-theft legislation;

- Even after increase in load factor for billing purposes since December 1998 non-technical losses had not been reduced; and

- Out of US$ 24 million allotted (March 2000) to three out of the four Distribution companies, orders for meters worth US$ 12.5 million were yet (March 2001) to be placed, which indicates the slow progress in metering.

In pursuance of MOU commitments, the metering of the feeders and LT side of transformers were not done to identify loss prone areas to reduce T&D losses. Nor 100 per cent working meters provided to all consumers.

It was noticed that 46,472 million units (MU) were purchased from OHPC, OPGC, NTPC and CPP between April 1998 and March 2002 to meet the requirement. Had the T&D loss been maintained at 35 per cent as fixed by OERC, which was less than the norms of SAR, the requirement of power would have been 35,208 MU for the same period and 11,264 MU would have also been saved. Of this, 7,885 MU could have been saved on account of reduction in non-technical loss alone (70 per cent of 11,264 MU).

2A.6 Tendering and awarding of contract

PMU adopted ICB process for procurement of bulk supply of equipment and pre-qualifying process for the execution of line and sub-station works under turnkey basis. Audit scrutiny in respect of tendering and awarding of works revealed the following deficiencies and consequential losses:

2A.6.1 Concentration of major number of lines with one contractor leading to delay in execution of project

The packaging of line works was to be made on 'ease of site management' whereby the geographical location of the lines in respect of each package would be confined to a reasonable area for easy execution of work by the contractor. However, the erection work of lines was grouped into four packages viz. A-1, B-1, B-2 and C constituting 5, 5, 19 and 71 per cent of the total number of lines respectively. The work under package C was spread over

14 Districts of the State. The same contractor (EMC[@]) had to undertake the works of 19 out of the 21 lines in 16[*] Districts and the concept of 'ease of site management' was defeated.

During implementation, EMC dismantled (February 2001) its site facilities on the grounds of failure to resolve right of way, delay in transmission line route finalisation, non-finalisation of gantry point and holding up of survey clearances.

In response to termination notice, EMC obtained (September 2001) a stay order from Court of Civil Judge, Sealdah for the same. During joint meetings held in October 2001 and November 2001, EMC requested for release of their payments, granting of moratorium for negative price variation and prioritising lines for completion as the Company (EMC) was referred to BIFR. Accordingly, the Company allowed moratorium for the negative price variation claim and liquidated damages payable by the contractor for three months commencing from December 2001 and prioritised three lines out of 19 lines. Further extension was granted up to May 2002. Of these three lines, only one line was commissioned as of March 2002. Even after lapse of the moratorium period, de-escalation in prices in December 2001 amounting to Rs.0.51 crore, has not been deducted by PMU although subsequent bills were paid to the contractor.

Due to non-consideration of 'ease of site management' work on 19 lines was stranded for 10 months and undue favour extended for the resumption of work

Since no consideration was given to the geographical ease of site management in awarding the contract, the contractor had to work in 14 districts which were not contiguous. As a result the entire work of 19 lines was stranded for nearly 10 months due to stoppage of work by the contractor. To resume the work, the contractor was given undue favour on the plea that the Project would be seriously affected if major lines were not commissioned.

2A.6.2 Irregular and extra payments to the contractor

The contracts for erection of lines were awarded (October 1998) at lumpsum price (Rs.96.37 crore) to three contractors {M/s KEC International Limited, Mumbai (KEC), M/s RPG Transmission Limited, New Delhi (RPG) and EMC} on turnkey basis. The Company reserved the right to change the quantity without any change in unit price up to 15 per cent of the contract price. The detailed breakdown of the contract price was only for on account payment. The contracts, inter alia, stipulated that survey data etc. given in the bid documents were provisional and the contractor would be deemed to have examined the site, nature of surface and sub-surface, before bidding to ensure sufficiency of contract price. The unspecified works necessary for proper completion of the work as a whole were to be done without extra charge. The rates given for foundations included all works regardless of the nature of the surface/sub-surface. Foundations for towers were specified only in numbers.

During execution of 400 kV line between Ib-Meramundali, Director (Transmission) suo-motu, without reference to any claim from the contractor,

[@] Electrical Manufacturing Company Limited, Kolkata.
[*] Two districts under contract TR2B2 also undertaken by the same contractor.

recommended (March 2000) for quantity variation and higher rates for new item of works for some foundations to KEC on grounds of variation in soil conditions, of which the Task Force approved (March 2000) only quantity variation. In April 2000 KEC claimed higher rates for the above new item of works on the ground of change in soil conditions. PMU rejected (May 2000) the claim as the contract was on turnkey basis. Since KEC served (August 2000) a notice to stop the work, PMU accepted (October 2000) the above claim by applying quantity variation clause. On the recommendations of PMU, the Task Force also approved (January 2001) the higher rates to KEC as well as to the other two contractors who were paid Rs.1.53 crore extra based on higher rate up to March 2002.

Injudicious application of quantity variation clause resulted in extra expenditure of Rs.1.53 crore

Since the actual number of tower foundations had not increased, (instead it reduced to 1,798 numbers from 1,861 numbers) there was no justification for the payment of Rs.1.53 crore to the contractors on the quantity variation clause and this payment would constitute an undue favour to the contractor. Since the amount of loss to the Company is substantial, the matter merits investigation.

2A.6.3 Inadequate information in bidding document leading to abnormal claim.

The line and sub-station contracts were let out on turnkey basis to pre-qualified contractors. While preparing (November 1997) the bid documents for lines, the Bill of Quantity (BoQ) for each work was indicated by PMU based on inadequate information made available to PMU by the Company. Audit scrutiny further revealed that, out of 24 lines scheduled for erection for the project, no information like route map, location of tower and soil data etc. was made available in respect of 16 lines and in respect of 6 lines, only route map was available, no data on tower schedule and soil data was available. In respect of Budhipadar-Bolangir line, where all details were available, the variation in BoQ during execution was 223 per cent indicating failure on the part of the Company to collect data on a systematic basis during preliminary survey. Significant variation noticed in BoQ is given in **Annexure-12**.

PMU attributed the lapses in preparation of bid documents based on inadequate information and non-conducting of preliminary survey to ascertain the actual field requirement, attempts to avoid delay in awarding of contract. Moreover, the bidders were asked to quote their rates for all items even if the BoQ was stated as 'nil' in the bid form.

Correctness of bid evaluation could not be ensured due to absence of sensitivity analysis of BoQ mix

As the contracts were turnkey and the price was lumpsum, an unfair advantage could not be taken of the turnkey process. The Company did not make any [⁑]sensitivity analysis of bid evaluation with BoQ mix. A later review by Company in July 2002 based on actual execution, revealed that the contractor (RPG) for package B2 turned out to be second lowest and the price difference worked out to Rs.1.30 crore. Thus the bid evaluation process was found to be inadequate as BoQ was not well defined even though RPG had granted

[⁑] Indicates analysis of financial impact of the offers with estimation of probability of occurrence of variation which was sensitive for evaluation of offers.

discounted unit rates. Audit could not ensure the correctness of evaluation due to absence of BoQ mix study. The matter merits investigation.

2A.6.4 Improper finalisation of turnkey contract leading to non-availing of discount-Rs.3.12 crore

PMU invited (November 1997) tenders for the said four packages on turnkey contract basis under ICB. For three packages the lowest bidders EMC and RPG offered lumpsum discount* ranging from 4 to 67 per cent of total value offered. The bids were, however, evaluated taking in to account the lumpsum discount element. However, during post-bid discussion with the lowest bidder, RPG agreed that the lumpsum discount offered should be reflected in the unit rate so that any additional work would automatically become eligible for the discount. Even though EMC did not agree to this condition, PMU did not negotiate with other bidders of the two packages who had also offered similar discount to ensure discounted unit price even though there was a clause for quantity variation up to 15 per cent in the tender. During the course of execution of work the Company followed discounted unit rates for additional works which was not agreed by EMC and the matter was referred to arbitration. The arbitrator ordered that the discount could not be availed on the additional quantity or as price adjustment. In this context the arbitrator also observed that PMU had finalised the contracts without due diligence and without ensuring discounted unit rate to eliminate ambiguity. The failure on the part of the Senior General Manager, PMU to either insist for discounted unit rate from EMC or negotiate with the other bidders led to a loss of Rs.3.12 crore on additional quantity as of March 2002.

Failure to insist for discounted unit rate or negotiate with other bidders led to loss of Rs.3.12 crore

The loss is likely to increase since works under the contracts TR2B2 and TR3C are still in progress. Besides, the Company paid Rs.26.51 lakh in respect of price variation claim (till March 2002) and has lost Rs.12.74 lakh on account of non-availment of discount. EMC became L1 only due to multi package discount offer. But before considering discount, EMC was the highest which indicates that its unit rates were inflated only to accommodate the discount. Due to variation clause of 15 per cent and uncertain BoQ, the offer of EMC should have been rejected. The Management replied (July 2002) that the offer of EMC was lowest considering 15 per cent variation in BoQ. The reply is not tenable as the Company did not make any sensitivity analysis. Such an exercise made in another package revealed that the L1 turned out to be L2.

2A.7 Execution and Supervision of the Project

The execution and supervision of the project comprise of design review and other technical approvals, procurement of equipment, execution of lines and sub-station works under turnkey contracts, obtaining forest clearance, acquisition of land, etc.

* KEC, the lowest bidder for the 4th package did not offer discount.

2A.7.1 Supply (lines)

Under the turnkey contracts the contractors were to supply certain equipment also. The contract was split in to supply and erection portions subject to overall responsibility for successful performance and was construed as a single source responsibility contract and any breach in any part of the contract was to be treated as a breach of the entire contract. It was observed that in turnkey contracts for lines and sub-stations the supply portion constituted 67 to 79 per cent of the total contract value. The physical and financial progress of supply and erection in respect of lines achieved till March 2002 is given below:

Contract No.	**Percentage of supply**			**Percentage of erection**		**Supply value to contract as percentage to**	
	Tower	***Line accessories****	***Tower accessories*****	***Tower***	***Stringing***	***Total contract***	***Payments***
TR1A1	89 (December 2000)	100 (October 2000)	100 (December 2000)	84	15	76	93
TR2B1	97 (February 2002)	70 (March 2000)	100 (October 2001)	97	60	76	84
TR2B2	59 (February 2002)	Nil	Nil	87	Nil	79	41
TR3C	74 (July 2001)	90 (July 2001)	100 (April 2000)	74	13	67	80

*Required only during stringing, ** Required after stringing, Months given in the bracket indicates month of last supply.

As would be observed from the above table the payments made to the contractors for supplies effected constituted 41 to 93 per cent of the total supply portion under the contract. Further, the terms of payment for supply portion were not linked with the progress of erection (so as to form a fall back clause). While PMU agreed with contractor through detailed project programme as to the manner of matching the progress of work at each stage like drawing approval, inspection and supply, it did not ensure proper synchronisation of supply of materials with erection. Thus, the very object of forming PMU to create a turnkey environment remained unfruitful.

Failure to ensure synchronisation of supply with erection resulted in supply of material much in advance of requirement

The above lacuna in the contract led to supply of materials much in advance of requirement. The Company accepted (June 2002) the views of Audit and modified the payment conditions linking the supply of materials to its erection under phase –II contracts. The failure to incorporate a suitable clause resulting in locking up of funds with consequential payment of interest is discussed in the succeeding paragraph.

2A.7.1.1 *Unscientific project management*

The status of supply of towers and related items under turnkey contracts for lines and of installation progress as on March 2002 is given as under:

Turnkey Contract		**Tower Supplied**		**Towers Erected**		**Towers Idle**	**Stringing**		
Contract No.	***No. of towers to be supplied***	***No. of towers***	***Per cent to total***	***No. of towers***	***Per cent to supply***	***No.***	***Total Kms. to be strung***	***Actual stringing Kms.***	***Per cent***
TR1A1	629	558	89	469	84	89	235	36	15
TR2B1	539	522	97	505	97	17	170	102	60
TR2B2	399	235	59	205	87	30	115	Nil	Nil
TR3C	648	478	74	354	74	124	164	21	13
Total	2215	1793	81	1533	85	260	684	159	23

It would be observed from the above that 260 towers constituting 15 per cent of the total supply were idle. Further, as against 85 per cent of completed towers ready for stringing, only 23 per cent stringing was completed which indicates the lack of monitoring in execution of related works simultaneously. One contractor (EMC) supplied (between April 2000 and July 2001) materials worth Rs.43.95 lakh in respect of lines for which even preliminary survey was not started (March 2002).

Unscientific project management led to blocking up of materials worth Rs.5.51 crore

Further, materials worth Rs.5.51 crore remained blocked up as of March 2002 and consequently the Company incurred an avoidable expenditure of Rs.0.70 crore towards payment of interest at 13 per cent per annum.

The Company stated (June 2002) that the materials were procured based on agreed programme and any postponement would attract PV claim. The reply is not tenable as the Company had failed to update and revise the supply schedule based on actual progress of work and did not analyse the opportunity cost of deferring the supply in terms of PV claim payable. The Company also apprehended that the deferment of supply would have resulted in further reduction of IBRD loan as expenditure incurred would have been much lower. This is not tenable, as payment of supply by linking to erection would have acted as an incentive to gear up erection activity in turn leading to higher availment of IBRD loan.

2A.7.1.2 *Supply (Sub-stations)*

Receipt of materials much in advance of requirement resulted in blocking up of funds Rs.35.28 crore

It was also noticed in sub-station (SS) contracts that the contractors effected supply of materials well in advance of requirement and were paid for. The materials received in advance of requirement amounted to Rs.35.28 crore which were locked up for a period ranging from 52 to 678 days.

Thus, the failure to incorporate a suitable clause in the contract to prevent advance supply of materials led to a loss of Rs.3.27 crore towards payment of interest on the cost of the material supplied in advance as detailed as under.

Contract	No. of Sub-station	Idle period up to erection (in days)	Value of idle materials paid up to March 2002 (Rupees in crore)	Interest for the corresponding period (Rupees in crore)	Remarks
TR4	5	52 to 678	11.86	1.62	Land yet to be handed over for one SS (Ib) and major equipment erection yet to be started for other four SS.
TR5	2	151 to 516	15.80	1.25	Installation work yet to be started for both the SS i.e. Meramundali and Boinda.
TR6	2	101 to 141	4.60	0.17	Delay in acquisition of land and installation work yet to start (Duburi and Mendhasal).
TR7	20	118 to 290	3.01	0.10	Land yet to be acquired for three SS, field work yet to start and erection works in other SS yet to be started.
TOTAL			**35.28**	**3.27**	

2A.7.2 Works awarded by transfer from IBRD funding

The Company proposed (July 1997) installation of the following additional lines and sub-station to be completed by 2002 under IBRD funding to improve the power situation in Cuttack and Bhubaneswar:

- 400 kV DC lines from Meramundali to Mendhasal -106 Kms;
- 220 kV DC lines from Mendhasal to Bidanasi -30 Kms; and
- Bay extension and installation of Transformer and switchgears and establishment of 220 kV/132 kV sub-station at Bidanasi.

Works valued Rs.92.28 crore were awarded on nomination basis without ensuring the capacity of the contractors

Considering the normal load growth of eight per cent per year besides the existing critical conditions of EHT system, it was decided to award the said work to HIW on turnkey basis at a total cost of Rs.92.28 crore. The reasons for award of contract to HIW on nomination basis were not on record. The selection of HIW for contract lacked justification in view of the following:

- In response to the pre-qualification tender floated (December 1996) by PMU for lines and sub-stations, HIW had only participated in 132 kV line and got pre-qualified. The bid price offered by HIW was the highest;
- HIW could not participate in the tenders for 220 kV and 400 kV lines and sub-stations, as it was not able to meet the qualifying requirements;

- HIW had taken five to six years to complete 220 kV lines viz. Bhanjanagar to Rourkela and Duburi to Bhadrak which were taken up in April 1987 and January 1989 respectively; and

- While deciding the issue of awarding the work to HIW, PMU pointed out (August 1997) that the Company had to bear an additional expenditure of 15 to 18 per cent of the material cost as foregone deemed export benefits which would have been available under IBRD funding.

It was observed that in May 1998, PMU evaluated the performance of HIW and found that HIW was loaded with works six times of its annual turnover and out of the 19 major works taken up almost all the works were behind schedule by 12 to 18 months. As on February 2002, HIW could not complete even a single work entrusted to them on nomination basis, which were to be completed by June 1999. The progress of work till February 2002 is as under:

Name of the work	**Progress of work**					
	Stub-setting		**Erection of Towers**		**Stringing**	
	Target	***Achievement***	***Target***	***Achievement***	***Target***	***Achievement***
	(in Number)		***(in Number)***		***(in Kilometre)***	
Meramundali-Mendhasal 400 kV line	275	263	275	256	100	90
Mendhasal-Bidanasi 220 kV line	109	63	109	44	30	11
Bidanasi Sub-station	Erection of 6 nos. 132 kV CT and 1 no. 132 kV breaker and other civil works pending					

The voltage drop in Chandaka area remained 23 per cent and 32 per cent for 220 kV and 132 kV rating respectively as against the permitted limit of 10 per cent. Thus, the very purpose of entrusting the work on nomination basis to HIW was defeated and the power supply position at Bhubaneswar and Cuttack could not be improved despite incurring additional cost of Rs.27.48 crore as detailed in the succeeding paragraphs.

2A.7.2.1 Extra cost in execution

Due to non-availing of benefit under ICB process savings of Rs.13.11 crore were foregone

Under ICB, PMU had achieved savings over estimated cost ranging between 53 per cent and 69 per cent on execution of lines. The Company could have saved and also ensured timely completion by appropriate planning of various mile stones to be accomplished by the successful bidder. By awarding contract on nomination basis, the Company had foregone the benefits of competitive price and timely execution. Potential extra expenditure as compared to competitive offers received against ICB route for similar works worked out to Rs.13.11 crore.

2A.7.2.2 Procurement of AAA conductor

By synchronising orders placement with actual execution, Company could have saved Rs.5.78 crore

AAA conductors were required only after erection of transmission towers. Though erection of transmission towers was scheduled only in June 1999, orders for procurement of AAA conductors were placed in May 1998 on HIW. Viewed from the fact that the Company received lower rates in January 1999 for similar type of conductors and by synchronising order placement with scheduled execution in June 1999 the Company could have saved Rs.5.78 crore.

2A.7.2.3 Deemed export benefits

Off-loading of works on nomination basis led to forgoing of deemed export benefits amounting to Rs.8.59 crore

In terms of Paragraph 10.2 (d) of the Chapter 10 of Import- Export Policy (1997-2002), of GoI, supply of goods to projects financed by multilateral or bilateral agencies/funds are eligible for the deemed export benefit. Since the Company was procuring on ICB under IBRD funding, deemed export benefits were available to it. But by off-loading the works from IBRD funding to HIW under GRIDCO funding on nomination basis, the deemed export benefit for supply of tower and sub-station materials and conductors for the said works was not available. By off-loading of works on nomination basis led to forgoing of deemed export benefits amounting to Rs.8.59 crore.

2A.8 Execution of transmission schemes

In terms of the PIP prepared by PMU, the transmission project comprises two separate but closely related parts, namely overhead lines and sub-stations. In general the overhead lines cannot be put to use until the sub-station works at each end are simultaneously completed and commissioned. Thus, the programme for each of the transmission schemes needs to be closely coordinated to ensure timely commissioning of works.

Contracts were awarded without ensuring synchronised commissioning of lines and sub-stations

Audit scrutiny revealed (February 2002) that the turnkey contracts for overhead lines were awarded in September 1998 and the sub-station contracts were awarded in July 1999 with a gap of 10 months between the two. The award of the sub-station contract was delayed due to lack of adequate information on sub-station from the field and non-finalisation of the scope of work. In the process, out of 21 transmission lines 13 lines were scheduled for completion 5 to 30 months before the completion of related sub-stations. Eight lines were scheduled for completion 2 to 33 months later to completion of related sub-stations thereby defeating the planning of synchronised commissioning of lines and sub-stations (**Annexure-13**). Such delay was more than nine months in 13 lines out of 21. No records were produced to Audit as to how the completion dates had been defined to ensure synchronisation of the line and sub-stations though called for (December 2001). The original dates of completion as per PIP remained largely unachieved. Further, over a period of five years i.e. from 1997-98 to 2001-02 only one transmission line (132 kV Narendrapur-Budhipadar line) out of 21 could be completed (March 2002).

The reasons for non-completion/delay in completion of lines and sub-stations analysed in Audit were given in **Annexures-14 and 15**.

The major causes for delay in construction of the lines and sub-stations as analysed by Audit were non-acquisition/delay in acquisition of land for four sub-stations (Sl. Nos.4, 13, 18 and 19 of the **Annexure-14**), delay in obtaining forest clearance for two lines (Sl. Nos.1 and 3 of **Annexure-14**), delay in completion of line survey for four lines (Sl. Nos.11, 15, 18 and 19 of **Annexure-14**) and delay in approval of rates by the Company for three lines (Sl. Nos. 2,10 and 16 of **Annexure-14**). Further, it was observed from the assessment made (March 2002) by the IBRD that 66 per cent schemes of the project would extend beyond the committed date (December 2002) even if all possible measures were undertaken to complete the works. Thus, the benefits to the system and consequential benefits to the consumers were deferred beyond December 2002.

The Company stated (June 2002) that simultaneous commissioning schedule had been fixed with a maximum gap of two months which later widened due to delay in finalisation of scope of work for sub-station package. The reply is not tenable as the Company could have revised the completion date of sub-stations by prioritising to match line works.

2A.8.1 Execution of works

2A.8.1.1 Premature release of advance

Premature release of advance resulted in loss of interest of Rs.45.19 lakh

The terms of payment of advance under erection contract for sub-stations envisage that such payment can be made only on establishment of the site office by the contractor. The site office has been defined in the contract as a place where the facilities under the contract are to be installed. It was observed in Audit that, in six cases, a sum of Rs.2.50 crore was advanced to contractors even before acquisition of land for the sub-stations (five cases) and handing over of bay location in existing sub-station (one case)*. This resulted in undue favour to the contractors with consequential loss of Rs.45.19 lakh towards interest on such premature release of advance for the periods ranging between 331 and 652 days.

The Company stated (June 2002) that advance has been paid for package-wise and not scheme-wise irrespective of availability of land. The reply is not tenable as the package price has been broken down to scheme-wise for payment purposes. The reply is also not correct, as the contract explicitly provided for payment on scheme-wise basis and also the payments (RA bills) were made accordingly.

2A.8.1.2 Delay/non-commissioning of sub-stations

Three sub-stations (Polasponga, Joda and Rengali) completed between June 2001 to September 2001 at a cost of Rs.1.49 crore had not been commissioned

* Access to the space for the bay location of the existing sub-station at Jaleswar was denied by EHT Maintenance Wing of the Company as it was required for installation of capacitor bank.

as of March 2002 due to non-completion of related distribution lines for Polasponga and Joda and non-supply of transformer for Rengali. This resulted in locking up of funds of Rs.1.49 crore for the period from September 2001 to till date (June 2002) besides non-achievement of the intended benefits.

2A.8.2 Non-synchronisation of lines and sub-stations

1. Narendrapur sub-station was commissioned with a transmission capacity of 320 MVA in September 1999 at a cost of Rs.21.41 crore, whereas the targeted date of completion of the related lines connecting Berhampur and Chhatrapur sub-stations (with Narendrapur sub-station) was fixed as September 2002. Of this, Berhampur line was commissioned in April 2002 after a lapse of 30 months. As a result the sub-station is only catering to a small load of 1 MVA of railway traction and a load of 64 MVA of Berhampur.

2. The construction of Uttara sub-station was not included in the contract but the construction of related lines connecting Uttara with Badagada and Sijua was taken up and is in progress. Although the Company directed the contractor in November 1999 to join both the lines of Badagada and Sijua to form a single line, the contractor did not submit (July 2002) detailed programme. As a result the Badagada and Sijua areas remained under poor voltage condition.

3. To improve the voltage condition of Khurda, Puri, Nimapada and other areas downstream of Khurda, a sub-station at Khurda was envisaged in the project. The sub-station and related line work remained to be tendered (July 2002) due to indecisiveness in deciding the funding arrangement over the last four years.

Thus due to lack of synchronisation of associated works the desired voltage and relief to the overloaded system was not yet been achieved.

2A.9 Bulk procurement

Fifteen contracts were awarded by following ICB process to different suppliers between June and December 1998. The contracts also provided for transfer of contractual obligations to successor distribution companies (DISTCOs), on privatisation of the electricity distribution. Suppliers also eventually agreed for division of a contract into four new contracts with such distribution companies in accordance with the quantities indicated in the contract for each of the four distribution zones. The supply order further provided for levy of liquidated damages (LD) up to a maximum of ten per cent. On the other hand, the Company was liable to pay interest on account of delayed payment to the supplier.

Audit scrutiny revealed (April 2001) that the suppliers failed to comply with the delivery schedule in 14 contracts. These contracts were handed over to the distribution companies (after formation) in a joint meeting held in February 2001. The suppliers, however, insisted (February 2001) for re-scheduling the delivery without imposition of LD before transferring the contracts to DISTCOs and offered to forego the claim for interest towards delay in payments of their dues in lieu of waiver of LD. The Task Force also approved (May 2001) waiver of LD on the ground that there was no setback to the actual progress of turnkey work due to the delayed delivery of goods. The IBRD in its Aide-memoire of May 2001 pointed out that much of the distribution transformers purchased under bulk procurement had not been installed within guarantee period and failed on requisite megger tests. The position in respect of three contracts and the resultant waiver of LD was commented in Paragraph 3A.4.2 of Audit Report (Commercial) for the year ended 31 March 2001. Based on the Audit observations, the matter was taken up (September 2001) with Board of Directors of the Company and the Board approved the waiver proposal for the earlier three contracts along with the rest of the contracts on the ground that delay in delivery did not affect the turnkey works and non-adherence to payment terms by the Company. The Board did not at this juncture insist for extension of guarantee period while deciding the issue. The liquidated damages foregone by the Management by acceding to the supplier's interest in settling this issue prior to transfer of contracts to DISTCOs, after considering the interest charged (Rs.20.13 lakh) for delayed payment for supplies made, worked out to Rs.2.67 crore.

Liquidated damages of Rs.2.67 crore foregone by acceding to supplier's interest

Thus, the waiver of LD of Rs.2.67 crore in lieu of payment of interest of a mere Rs.20.13 lakh before transfer of the contracts to distribution companies even though there was provision in the contract for the same and also agreed to by the suppliers was not justified.

2A.9.1 Avoidable payment of interest on advance procurement of conductor

PMU awarded (May 1999) three contracts viz. TRC-1, TRC-2 and TRC-3 to M/s Apar Industries Limited, Vadodara, Gujarat under ICB process for supply of conductors required for the project. The table below indicates the position of receipt and utilisation of conductor in respect of all the three contracts as on February 2002:

Contract No.	Size of conductor	Order Quantity	Scheduled date of completion of stringing	As on February 2002			Value
		In Kilo-metre.		Quantity received	Quantity utilised	Balance	*Rupees in crore*
				In Kilometre			
TRC-1 (400kV)	61/3.45 mm	2863	March 2001	1979.790	345.364	1634.426	17.95
TRC-2 (220 kV)	37/4.00 mm	1980	October 2001	1193.394	596.057	597.337	5.26
TRC-3 (132 kV)	37/3.15 mm	914	September 2002	684.535	152.559	531.976	1.74
TOTAL				**3857.719**	**1093.980**	**2763.739**	**24.95**

Procurement of conductors without availing lead-time, led to blocking up of funds of Rs.24.95 crore

From the above it was observed that due to non-progress of work as per schedule, 2,764 kilometre conductor valued Rs.24.95 crore remained unutilised. The supplier, during negotiation informed that they had the flexibility to meet the requirement with the stipulation of 30 days lead-time. Therefore the Company had the option to stagger the delivery as per the progress of the work and could have ordered for supply accordingly adhering to the lead-time of 30 days. The Company did not exercise this option and procured conductors without considering the progress of work. Absence of mechanism for close and concurrent monitoring of supply with progress of work led to a loss of Rs.3.80 crore towards interest on the value of premature receipt of material.

2A.9.2 Non-availing of deemed export benefits

The Company decided (October 1998) to procure through ICB process 10 numbers of 40 MVA transformers from M/s Alstom Limited, Bhubaneswar and M/s TELK, Kerala (five numbers each) at a total cost of Rs.8.99 crore (excluding Excise Duty) to be delivered by March 1999. The above procurement was made under DFID grant whereby the Company had to bear the Excise Duty. Accordingly, orders were placed on them in November 1998. As DFID grant closed in July 1999, the Company initiated action (July 1999) to procure additional 10 transformers under IBRD funding. The consultant of PMU suggested (August 1999) that the Company might go in for fresh tendering under ICB so as to enjoy deemed export benefits. However, the Company did not cancel the pending order with M/s TELK, Kerala who had not supplied the materials by July 1999. Instead, the Company approached (November 1999) IBRD for transfer of the pending order of M/s TELK under DFID to IBRD for which IBRD granted no objection. As a result of non-cancellation of the pending order with M/s TELK, the firm supplied the materials between May and November 2000 and Excise Duty of Rs.0.66 crore was paid. Due to non-cancellation of the pending order and non-resorting to fresh ICB process, the Company could not avail deemed export benefits of Rs.0.66 crore.

Due to non-resorting to fresh ICB process deemed export benefit of Rs.0.66 crore could not be availed

2A.10 Non-implementation of demand side management (DSM) for conservation of energy

The SAR envisaged that the deficit of power in Orissa would continue till 1998 and even after addition to the generation capacity there would be still difficulties in meeting peak demand. To combat the situation, DSM programme was to be implemented to improve the use of power supply capacity by altering the characteristics of the demand for electricity and to adopt conservation strategies as under.

(a) non-tariff based like:

- use of optimum size energy efficient motors,

- installation of capacitors,
- installation of electronic ballast,
- use of LPG in place of electric cookers and.

(b) tariff based: introduction of tariff based differential pricing to encourage consumers to shift loads to off-peak period.

The SAR also emphasised that potential for load management and electricity conservation exists in Orissa, which amounts to 15 per cent of system capacity (240 MW). These savings in system capacity would reduce the demand for capacity addition.

Keeping these in view IBRD allocated US$ 10 million for DSM excluding metering. This loan was to be invested either by the Company or by GoO for onward lending to electricity end-users in the implementation of the DSM programme.

Due to reluctance of GoO to play an active role, DSM became non-starter and energy savings of 240 MW could not be achieved

The Company undertook a number of studies till October 1998 on DSM through demonstration projects. The Company submitted (December 1997) three projects for DSM to GoO at a total outlay of Rs.5.90 crore to be invested by electricity end-users which would result in substantial savings in energy consumption by 8.5 MW. In July 1999, GoO decided to extend the loan only to State and Central Government Departments and Undertakings apprehending non-recovery of loan from private end users. IBRD in their mid-term report (January 2000) pointed out that the main reason for the failure of DSM was the inability of GoO to finalise a reasonable on-lending arrangement for DSM projects and unwillingness of the Company to be the conduit for the flow of funds to end-users. After privatisation during 1999, the responsibility of implementing DSM rests with DISTCOs who did not evince any interest. GoO had not implemented DSM even in Government Departments. Thus, due to reluctance on the part of GoO to actively take part in DSM programme and misconception of DISTCOs, DSM was virtually a non-starter and the envisaged savings in energy of 240 MW per annum could not be achieved.

2A.10.1 Idle investment

a) The Company procured (March 1999) 677 of special type of meters and hand-held meter reading instruments for the DSM project at a total cost of Rs.1.06 crore under IBRD funding.

Due to privatisation of distribution functions in April 1999/September 1999, these were transferred to DISTCOs.

DSM instruments worth Rs.1.06 crore remained idle due to their non-commissioning

Further, the supplier did not commission the meters, as the Company could not decide the programme for commissioning of the equipment due to privatisation. As a result the entire investment of Rs.1.06 crore could not be put to use. Further, due to refusal of CESCO to take 100 meters and five hand-held meter reading instruments worth Rs.22.16 lakh, remained with the Company (June 2002).

Due to non-commissioning of DSM equipments worth Rs.2.15 crore, the progress in providing meters was affected

(b) As a part of implementation of DSM project, the Company placed (November 1998) orders with M/s MTE Meter Test Equipment AG, Switzerland for supply of fully automatic testing equipment (four nos.) and semi-automatic meter testing equipment (10 nos.) for testing new meters and to rectify defective meters at a cost of Rs.3.02 crore (DEM 1, 091,350 German Mark) towards supply and Rs.22.16 lakh towards installation. The above materials were to be supplied before January 1999 to various DISTCOs as per allotment made by the Company. However, for want of Excise Duty exemption certificate and extension of LC period, the delivery period was extended up to 31 December 2001. The supplier delivered the above materials between May and December 2001 and a sum of Rs.2.15 crore was paid till February 2002. One set of "automatic test bench" received in May 2001 remained with the Company till date (June 2002) as the same was not accepted by WESCO to whom it was allotted. Under the contract the Company had so far paid Rs.27.12 lakh for the above unit. Since the equipment were not installed, the work of rectification of defective meters by the DISTCOs got delayed. Thus the very purpose for which the equipment were purchased was defeated. The progress of providing meters at consumer points to bring down commercial losses was also affected.

2A.11 Environmental Rehabilitation Plan

During construction stage of a transmission project the environmental issues are considered as less negative by their inherent flexibility in the selection of routes or Rights of Way (ROW) for lines and land for sub-stations. The Environmental Rehabilitation Plan (ERP) approved by PMU in November 1997 though suggested certain measures to avoid hardship to public/landowners and consequent delay to the project. PMU did not strictly implement the above methodology in tackling the issues as a result, six lines (53.58 kms.) out of 21 lines suffered for want of clearance of ROW in forest area covering 237.35 ha. of forest land. Rest of the lines were held up for ROW problems at each stage of construction like foundation, tower erection and line stringing. Instead of performing continuous operations in sequence, there were time gap and in none of the locations, in one stretch, entire sequence of operations completed. This not only resulted in excess time in mobilising personnel, getting ROW clearance but also caused damages to the crops. As a result there was a delay ranging from 2 to 22 months in completion of stringing operations.

2A.11.1 Abnormal delay in obtaining forest clearance due to delay in line survey work

For use of forest land in laying of lines or construction of sub-stations the prior permission of the Government of India is to be obtained on payment towards compensatory afforestation under Forest Conservation Act, 1980. The Company is also to pay royalty for tree cutting in the concerned forest to obtain ROW before starting the work.

Progress of 6 line works were affected due to delay in obtaining forest clearance

It was observed in Audit that out of six lines for which forest clearance was required, clearance for four lines were obtained in November 1998 and June 2001 i.e. after a delay ranging from 19 to 50 months from the date of identification of schemes (1996-97).

The forest clearance for the remaining two lines (viz. Ib-Meramundali and Indravati-Theruvali) was yet to be obtained (July 2002). The delay at Government levels (both Central and State) was only six months at each stage of clearance. The reasons for delays beyond six months were attributable to the Company as under:

- The Divisional Offices of the Company who were responsible for processing the forest clearance work had not conducted route alignment survey even after two to three years of identification of schemes to ascertain the extent of forest area affected for which compensatory afforestation was required;

- Delay by one and half years in payment for development of compensatory afforestation in respect of Budhipadar-Sundargarh line; and

- Wrong deposit of afforestation money against another scheme i.e. Indravati-Theruvali line that was pending since January 1999.

The above matters were reported to Government (July 2002); their reply had not been received (November 2002).

Conclusion

While the Orissa Power Sector Reconstruction Project was based on a projected demand and augmented generation, the projected demand and generation did not materialise. Further, the laying of transmission lines and construction of sub-stations directly associated with the new system was not suitably synchronised. The Company while failing on one hand in establishing a need based transmission system to address the real demand condition, failed on the other hand in making a headway in distribution project before they were privatised. The Company failed to ensure that DISTCOs would complete the project as per schedule. The Government had not taken any concrete steps for implementing demand side management aimed at bringing down system demand by 240 MW per annum.

The project mainly intended to make the transmission and distribution system reliable and able to meet the demand, along with making the utilities viable. Even after completion of six out of seven years of the scheduled project period, the benefits of the project did not materialise. The T&D losses continued to be at a high level although a graded reduction from the first year itself was to be achieved. The slow phased implementation worsened the system and the utilities continued to incur losses.

To achieve the intended benefits of the project:

I) The Company should improve the physical progress, establish an interface with DISTCOs to ensure timely completion of distribution projects specially on metering and elimination of theft of energy (non-technical losses);

II) Government of Orissa should release the funds in time to the Company and DISTCOs, enact legislation to curb theft of energy, support DSM measures both in its department and through private sector and liquidate its electricity dues; and

III) DISTCOs should speed up schemes, pay dues to the Company, mobilise resources towards metering programme and closely monitor on quarterly basis the billing pattern for reducing non-technical losses.

2B. REVIEW ON ORISSA AGRO INDUSTRIES CORPORATION LIMITED

Highlights

The Company was liable to pay Rs.41.41 lakh per annum towards penal interest on account of its failure to repay Government loans.

(Paragraph 2B.4.2)

As on 31 March 2002 the accumulated loss stood at Rs.41.46 crore which had eroded the capital base of the Company with a negative net worth of Rs.34.30 crore.

(Paragraph 2B.5)

The Company's failure to utilise the subsidy deprived it of further releases of Rs.0.95 crore of subsidy thereby denying small farmers of the benefits.

(Paragraph 2B.6.4)

The Company needs to formulate suitable procurement policies and procedures with a view to make available agricultural tools and implements, at competitive rates to the small farmers.

(Paragraph 2B.7)

The Company unauthorisedly diverted grant of Rs.2 crore received from the State Government for other purposes.

(Paragraph 2B.9)

Improper monitoring resulted in wasteful investment of Rs.1.60 crore.

(Paragraph 2B.10.3)

Improper financial planning and failure to deposit statutory employees provident fund deductions resulted in payment of penal damages of Rs.1.22 crore.

(Paragraph 2B.14)

2B.1 Introduction

Orissa Agro Industries Corporation Limited (OAIC) was incorporated in April 1974 with the main objectives to develop agricultural mechanisation in the State, to promote agro based industries and to promote, establish, execute and operate projects and schemes relating to agro industries. The activities of the Company were, however, restricted to trading in fertiliser, pesticides, tractors, power tillers, sprayers, etc., hiring of agricultural machinery, digging/energisation of tube wells/bore wells and selling of cattle and poultry feed, bio-fertiliser and agricultural implements, storage bins, etc.

2B.2 Organisational Set-up

The Management of the Company is vested with a Board of Directors consisting of 14 Directors of which 12 Directors are from the State Government and two from the Central Government. The Managing Director acts as the Chief Executive of the Company with the assistance of a Chief General Manager (Tech.), a General Manager (P&AI), three Deputy General Managers and a Company Secretary.

A significant factor inhibiting the growth of the Company, as discussed in the subsequent paragraphs is attributable to the fact that the Company never had a Chief Executive with adequately long tenure. During last five years ending March 2002, there were as many as six Managing Directors for the Company with the average tenure of only 10 months except for one having a tenure of 19 months. Due to lack of continuity in the tenure of Chief Executive, the Company could not pursue the matter with the Government to get Equity support of Rs.2 crore and conversion of loan into Equity as recommended by Cabinet sub-committee in February 1996.

2B.3 Scope of Audit

The review conducted between September 2001 and January 2002 covered the working of the Company for the period from 1997-98 to 2001-02. The review covers mainly the implementation of recommendations of Cabinet sub-committee, utilisation of grants/subsidies received from Central/State Governments and investments in the joint ventures. The findings are discussed in the succeeding paragraphs.

2B.4 Source of finance

2B.4.1 Share capital

Against the authorised share capital of Rs.10 crore, the paid-up capital of the Company as on 31 March 2002 was Rs.7.15 crore contributed by the Central

Government (Rs.1.05 crore), State Government (Rs.6.09 crore) and others (Rs.0.01 crore).

2B.4.2 Borrowings

The table below indicates the position of borrowings and interest liability of the Company for the last five years ended 31 March 2002.

(Rupees in crore)

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
	(P r o v i s o n a l)				
S.B.I. Cash Credit accounts	2.26	2.49	2.44	2.26	2.22
Andhra Bank Cash Credit account	-	0.25	0.27	-	-
Soft loan from Government of Orissa (Principal)	15.06	15.06	15.06	15.06	15.06
Interest on Government loan	8.84	10.34	11.64	13.08	14.52
Ways and Means advance	0.30	0.30	0.30	0.30	0.30
Unsecured loan	-	0.62	0.92	0.83	-
Total	**26.46**	**29.06**	**30.63**	**31.53**	**32.10**

Due to non-payment of Government loans, the Company was liable to pay Rs.41.41 lakh per annum towards penal interest

As seen from the above table the total borrowings (including interest) were increasing and stood at Rs.32.10 crore in 2001-02 against Rs.26.46 crore in 1997-98. Audit scrutiny revealed that the Company availed a loan of Rs.15.06 crore from State Government carrying interest at the rate of 6.5 per cent per annum during the period from September 1987 to March 1994 for trading activities and did not repay the dues. The overdues on this account stood at Rs.29.58 crore i.e. Principal Rs.15.06 crore plus interest Rs.14.52 crore. The Company was liable to pay penal interest at 2.75 per cent per annum (i.e. 9.25 per cent minus 6.5 per cent) i.e. at the rate of Rs.41.41 lakh per annum amounting to Rs.2.07 crore for the last five years ending March 2002. The financial position of the Company would not permit repayment of loans in future also.

2B.5 Financial position and working results

As on 31 March 2002 the accumulated loss stood at Rs.41.46 crore which had eroded the capital base of the Company with a negative net worth of Rs.34.30 crore

The financial position and working results of the Company for the last five years are given in the **Annexure-16**. The accumulated loss stood at Rs.41.46 crore as on 31 March 2002. As a result, its capital base has been eroded with a negative net worth of Rs.34.30 crore by end of 31 March 2002. Reasons for the losses were attributed by the Company to low turnover, high overheads expenditure on account of excess staff and negligible margin on various trades undertaken by the Company. However, as analysed in Audit, heavy interest burden on Government loan, blocking of funds in debtors and inventories also accounted for the continuous losses.

2B.6 Review by Cabinet Sub-Committee

Due to continuous losses made by the Company since its inception, the 10th Cabinet sub-committee of the State reviewed the activities of the Company and suggested (February 1996) the following measures for reform/restructuring of the Company:

(i) The fertiliser business should be stopped as the margin was very low;

(ii) The Company should concentrate on manufacturing and sale of farm machineries, undertake drip-irrigation, land reclamation, digging/ energisation of tube wells, etc.;

(iii) The units engaged in manufacture of farm implements and cattle feed to be privatised or put under joint venture management; and

(iv) Equity support of Rs.2 crore be extended to the Company and some portion of its loan converted in to equity.

2B.6.1 Trading in fertilisers

As recommended by the Cabinet sub-committee, the Company closed all its fertiliser sales centres during 1996-97 but continued to do fertiliser business as a selling agent of major fertiliser companies with a marginal profit ranging from Rs.25 to Rs.198 per metric tonne (MT).

The target vis-à-vis achievement during last five years ended March 2002 is as under:

(in MT)

	1997-98	1998-99	1999-00	2000-01	2001-02
Targets	189091	78800	54000	55000	70000
Achievements	45000	32055	39081	37556	89406
Percentage of achievements	24	41	72	68	128

As seen from the above table the achievements vis-à-vis targets ranged from 24 to 72 per cent. No realistic basis was adopted for fixation of the targets. The Company could not achieve targets in any of the years except for 2001-02. The field officers failed to take effective steps to procure adequate orders from retailers despite the fact that the Company did not require working capital for this business and also surplus manpower was available. The Company did not take effective steps either to increase the targets or even achieve the reduced targets.

2B.6.2 Privatisation of implement and cattle feed factories

Efforts of the Company to implement the recommendation of privatising or bringing the management of Implement and cattle feed factories under joint venture did not fructify as there were no takers. The Company incurred loss of Rs.30.93 lakh during last five years (up to March 2002) in respect of cattle feed factories and Rs.12.85 lakh (1998-99 to 2001-02) towards payment of idle wages in implement factories.

2B.6.3 Equity support for working capital

As regards equity support of Rs.2 crore and conversion of loan into equity the Company did not take effective steps to get the Government support. Despite recommendations of Cabinet sub-committee, the Government did not release the amount even after a lapse of about six years. In the absence of equity support from Government and as the Company was not generating its working capital to run the business, it has been acting as an agent in selling fertilisers and farm machineries.

2B.6.4 Supply of tractors under Centrally Sponsored Scheme

Government of India provides funds to State Governments under Centrally Sponsored Scheme for implementation and promotion of agricultural mechanisation among small farmers. The scheme provides for subsidy of 30 per cent of the cost subject to maximum of Rs.30,000 for the purchase of small tractor up to 30 HP capacity. The tractors should be purchased only from State Agro Industries Corporations and the balance cost is to be arranged by the farmers either through institutional finance or other sources.

Failure to utilise the subsidy led to non-release of further subsidy of Rs.0.95 crore depriving small farmers of the benefits

Out of Rs.1.56 crore provided by Government of India, the State Government released Rs.0.61 crore to the Company during 2000-01. The Company utilised Rs.38.10 lakh during the year 2000-01 and the balance Rs.23.10 lakh was utilised in 2001-02. Since the Company failed to utilise the full amount during 2000-01 the State Government did not release the balance amount of Rs.0.95 crore. Thus, the objective of the scheme introduced by Government of India was not achieved fully resulting in depriving 314 farmers of benefit of purchasing tractors for increased productivity. Besides the Company sustained a loss of revenue of Rs.37.68 lakh, being the minimum of four per cent profit margin on the sale of 314 tractors covering the subsidy amount not released by the State Government.

The Company stated (May 2002) that the amount could not be utilised due to low demand for 30 HP tractors. The reply is not tenable since the Company sold 259 tractors during 1997-98, but could sell only 80 tractors during 2001-02. The Company should have identified the beneficiaries and ensured that maximum benefit under the scheme reaches the marginal small and semi-medium farmers as envisaged in the scheme.

2B.7 Procurement and sale of tractors and other agricultural implements

The main activity of the Company was procurement of tractors for distribution amongst the farmers to facilitate mechanisation of farm practices, procurement and marketing of cost-effective fertilisers, other inputs and accessories.

While the Company followed centralised procurement system or limited tender process for accessories (PVC pipes, pump sets, etc.) and implements (power tillers, etc.), no proper system was in place for procurement of fertilisers and tractors.

The Company needs to formulate suitable procurement policies and procedures with a view to make available agricultural tools and implements, at competitive rates to the small farmers

Fertilisers: Though the selling price of fertilisers was fixed by the Company, based on manufacturers' price list, no efforts were made to ensure economy in procurement. Purchases were made at Divisional level, without entering into any rate contract by the central office. Similarly, in case of procurement of non-subsidised fertilisers, whether the economics of bulk purchase, competitive rates, etc. were obtained or not could not be verified in Audit for want of records.

Tractors: The Company did not enter into any annual rate contracts with the manufactures/dealers. Orders were placed on the authorised dealers at the then prevailing market prices. It could not be verified in Audit whether procurements were made at competitive rates with a view to minimise cost of mechanisation of agricultural operations.

Thus, the Company needs to formulate suitable procurement policies and procedures with a view to make available agricultural tools and implements, at cheaper rates to the small farmers.

2B.8 Establishment of Agro Service Centres in the cyclone affected blocks

The Government of Orissa proposed (December 1999) to establish 2,000 Agro Service Centres (ASCs) in all the 2,000 Gram Panchayats affected in the Super Cyclone. The scheme envisaged provision of machinery such as tractor, power tiller for land preparation, diesel pump set for irrigation, reaper for harvesting and thresher-cum-winnower on hire basis. The scheme was proposed to be implemented through Krishi Sahayak Kendra (KSK) of Agriculture Department and the subsidy on capital investment would be 40 per cent limited to Rs.2 lakh per ASC. The capital cost of each ASC was estimated at Rs.5.60 lakh. Government of Orissa decided (June 2000) to establish 500 ASCs in 14 districts in first phase within six months and the Company was nominated (September 2000) to supply machineries required for 200 ASCs.

It was noticed that against the assignment for supply of machineries to 200 ASCs, the Company received only one full order i.e. to supply all required machineries of only one ASC and part orders for supply of 100 power thresher-cum-winnowers, 15 power tillers, 15 power reapers and one tractor from the Agriculture Department of Government.

The Company stated (May 2002) that as per the scheme the farmers were at liberty to choose the supplier from out of the approved list of suppliers and the means adopted by private suppliers to allure the farmers could not be adopted by the Company.

The reply is not tenable, though a member of KSK, the Company failed to get orders.

2B.9 Utilisation of grants/subsidies

The Company received Rs.4.55 crore from Central/State Government by way of grants/subsidies to implement various schemes detailed as under:

Year of receipt	Received	Utilised	Unutilised	Purpose	Remarks
	(Rupees in crore)				
1993-95	0.90	0.51	0.39	To set up Food Processing Training Centre	Discussed in paragraph-2B.9.1
1995-96	1.00	-	1.00	To establish Marine Fish Processing Unit at Paradeep	Funds diverted (paragraph 2B.9.2)
1997-98	0.40	0.15	0.25	To setup Bio-fertiliser plant at Sambalpur and Rayagada	Plants not yet come-up (paragraph-2B.9.5)
1997-98	0.64	0.35	0.29	Fertiliser subsidy (TASP)	Discussed in paragraph 2B.9.3
1999-00	1.00	0.28	0.72*	Cyclone Relief	Paragraph 2B.9.4
2000-01	0.61	0.61	-	Tractor subsidy	Paragraph. 2B.6.4
Total	**4.55**	**1.90**	**2.65**		

* Rs.0.65 crore refunded to Government of Orissa.

The Company unauthorisedly diverted grant of Rs.2 crore received from the State Government for other purposes

The Company could utilise only Rs.1.90 crore and refunded Rs.0.65 crore to State Government. The balance of Rs.2 crore were diverted to and spent by the Company for other purposes as discussed in the subsequent paragraphs.

2B.9.1 Food Processing and Training Centres

The Company received (March 1994) Rs.0.78 crore towards grants-in-aid for establishment of 29 Food Processing and Training Centres through various Non-Governmental Organisations (NGOs) in the State. As per orders of the Government, the Company was to monitor these units and inform the Government periodically. Utilisation Certificate in respect of the funds utilised by the NGOs was also be obtained from them and sent to Government. The Company established 19 centres at a cost of Rs.0.51 crore during the period between April 1995 and March 2001. The work on the rest (10 centres) involving Rs.27.42 lakh was in progress (July 2002). The Company submitted utilisation certificates to government for Rs.0.58 crore. The delay in implementing the projects was attributed by the Company to non-furnishing of documents by NGOs for release of funds. However, even after lapse of 8 years the projects could not be completed. This defeated the very objective of the grant.

Further, under the scheme, the Company received (March 1995) Rs.11.60 lakh from Ministry of Food Processing Industries, Government of India for imparting training for Master Trainers at Central Fruit Processing Training and Research Institute (CFPTRI), Mysore, to be utilised within August 1995. The entire amount was yet to be utilised (August 2002). The reasons for non-utilisation of Rs.11.60 lakh were attributed (May 2002) by the Company to more training charges at CFPTRI than the charges estimated, lack of higher qualification of the trainees and non-availability of training in particular subject in CFPTRI. The reasons were not acceptable as sufficient funds were available and the Company had assured (November 2000) the Ministry to complete the programme by March 2001. However, the position remains same till date (September 2002). This indicates that the Company was not able to achieve programme objectives even though sufficient funds were available.

2B.9.2 Diversion of funds

Due to lack of efforts to identify promoters, grants of Rs.1 crore were diverted

Under the scheme of establishment of Food Processing Industries in the State the Company received (August 1995) Rs.1 crore (Rs.0.50 crore each from Government of India and State Government) in the form of grants-in-aid to set up 'Marine Fish Processing Unit' at Paradeep. Scrutiny in Audit revealed that the Company did not make any efforts to identify a suitable promoter except placing advertisements in the newspapers (1997) whereby the project was a non-starter. The entire Rs.1 crore was diverted towards day-to-day expenses.

The Company stated (May 2002) that the grant has been diverted due to heavy establishment cost and recurring losses.

As the Company has been sustaining heavy losses every year the chance of refund of the above grant to establish the Marine Fish Unit has become doubtful. Thus the very purpose of the scheme was defeated.

2B.9.3 Irregular adjustment of subsidy in Tribal Areas

The State Agriculture Policy, 1996 provided for transport subsidy of Rs.100 per MT on fertilisers sold in Tribal Areas Sub-Plan (TASP). The subsidy amount of Rs.100 was to be shared equally by the Company and retailer. The Agriculture Department placed (March 1998) Rs.0.64 crore with the Company for implementation of the scheme for selling 64,350 MT of fertiliser. The sale was to be completed by September 1998.

In absence of cash memos, the authenticity of payment of Rs.17.42 lakh was doubtful

Audit scrutiny revealed that as per the scheme, the retailers were to submit subsidy claims for fertiliser sold in Tribal Areas at the rate of Rs.50 per MT alongwith cash memos duly recommended by the concerned Junior Agricultural Officer (JAO). After receipt of subsidy claims, the Company was to release the subsidy of Rs.50 per MT and retain its share of Rs.50 per MT. It was observed that the subsidy amount of Rs.17.42 lakh (50 per cent of Rs.34.84 lakh) was adjusted between March 1998 and September 1999 in the invoices itself without verification of cash memos. As no cash memos were furnished to Audit, the authenticity of release of subsidy is doubtful and merits investigation.

Further the Company disbursed only Rs.34.84 lakh out of Rs.0.64 crore for sale of subsidised fertiliser in TASP areas. The unspent amount of Rs.29.51 lakh was yet to be refunded to Government (July 2002). This indicated that the Company did not make adequate efforts to create awareness among the beneficiaries to boost the sale of fertiliser among tribals in TASP area. As Rs.29.51 lakh remained unutilised, the Company lost Rs.14.75 lakh towards its share of the subsidy. By not utilising the entire fund, the purpose of the scheme to extend benefit to the farmers in tribal areas was defeated.

The Company stated (May 2002) that the subsidy was released to the retailers after obtaining acknowledgement from the retailers. The reply is not tenable as the practice followed by the Company in releasing the subsidy to the retailer without countersignature of the JAO was fraught with the risk of depriving the farmers in tribal areas of the subsidy benefit provided by the Government.

2B.9.4 Non-utilisation of funds under Free Ploughing Scheme

With the basic objective to provide free tractor plough service up to one acre of land and at 25 per cent of normal charges for additional areas in the super cyclone affected blocks where mortality of bullocks exceeded 1000 per block, the State Government released (January 2000) Rupees one crore to the Company. The funds were to be utilised by March 2000. Audit scrutiny revealed that as on March 2000 the Company utilised Rs.28.38 lakh (28 per cent) and refunded (June 2000) Rs.65 lakh to the Government. The balance Rs.6.62 lakh was yet to be refunded. The reasons for non-utilisation of Rs.0.72 crore (Rs.65.00 lakh + Rs.6.62 lakh) were attributed by the Company to non-receipt of beneficiaries list from the concerned district authorities in time and only 100 tractors were made available at the finalised rate at Rs.220 per hour where as the local rate was higher. The reasons are not tenable as the report of mortality of bullocks was available with the Company by December 1999 itself. Further, the Company had sold 713 tractors under Centrally Sponsored Scheme during the period 1996-97 to 1999-2000 which could have been utilised at reasonable rates after negotiation with the tractor owners. The Company did not take any action to utilise 713 tractors sold under Centrally Sponsored Scheme depriving the farmers of the super cyclone affected blocks. The Company, further, lost supervision charges of Rs.7.16 lakh at the rate of 10 per cent on the unutilised amount of Rs.0.72 crore.

2B.9.5 Unfruitful investment in Rhizobium Factories at Sambalpur and Rayagada.

Rhizobium is a micro-organism, the use of which in cultivation of pulses, groundnut, soyabean etc. reduces the use of chemical fertiliser by 50 per cent. Keeping in view the State Government's programme of cultivation, the Company established a Rhizobium Plant (bio-fertiliser plant) in November 1989 at Bhubaneswar at a Capital cost of Rs.17.26 lakh with an annual capacity of 75 tonnes. The plant started commercial production from November 1990. A scrutiny of the production performance of the plant revealed that the actual production was ranging from one MT to 43 MT during 1990-91 to 1995-96, against installed capacity of 75 MT per annum. The low capacity utilisation was attributed (January 2002) by the Company to (i) lack of awareness for use of bio-fertilisers among the farmers (ii) non-receipt of orders from the Government (iii) inadequate storage facility and (iv) keen competition from National Agro Federation (NAFED) and Hindustan Fertiliser Corporation (HFC) who were also selling bio-fertiliser in the State.

Despite the poor performance of the existing Rhizobium plant the Company proposed (November 1995) to set up two more plants at Sambalpur and Rayagada with an annual capacity of 75 MT each. The Company received Rs.20 lakh each as grants-in-aid for the plant at Sambalpur (April 1997) and Rayagada (December 1997) respectively. The schedule date of completion of the plants was April 1998 for Sambalpur and December 1998 for Rayagada. The Company spent Rs.14.58 lakh towards procurement of equipments and civil works for Sambalpur plant. In respect of Rayagada plant, the civil construction work was still in progress. Thus even after lapse of four years, the new plants could not be completed for production of bio-fertiliser. When the existing plant of 75 tonnes could not be operated up to installed capacity (50 MT during 2001-02) due to lack of orders and competitive market, the proposal of setting up of two more plants of same capacity was injudicious.

The Company stated (May 2002) that action would be taken to commence production as early as possible for Sambalpur plant.

2B.10 Promotion of Agro-based Industries

Investments in Joint Ventures

The Company invested Rs.2.71 crore in five joint sector projects during the period from May 1993 to August 1996 with a view to promote agro-based projects in the State. On formation of a new company viz. Agricultural Promotion and Investment Corporation of Orissa Limited (APICOL), the activity was withdrawn (June 1996) by Government and no further projects were taken up.

The deficiencies noticed during the course of Audit in respect of three[*] Companies are discussed in the succeeding paragraphs.

2B.10.1 Maple Agro Exports and Industries Limited

While according approval for investment of Rs.19 lakh by the Company (April 1995) for setting up of a Fruit Processing Unit., the Project Approval Committee (PAC) of State Government directed that there should be tight monitoring of the unit by the Company to safeguard the equity of the Government. The unit started commercial production in December 1996. After a lapse of four years, the Company requested (December 2000) the unit to

[*] Loss on investments of Rs.0.75 crore in the two Joint Venture Units (Asian Agro Foods Limited and Odyssy Pickles Limited) were already commented in C.A.G.'s report 2000 and 2001

send the details of production and sales with effect from the date of commercial production.

Poor monitoring of the unit resulted in doubtful recovery of Rs.19 lakh

The Company did not monitor the performance of the unit as directed by PAC and the chances of recovery of the invested amount of Rs.19 lakh appeared bleak. Further the Company failed to invoke the joint venture clause 23 which stipulates the redemption of the investment of Rs.19 lakh within five years from the date of commercial production although the unit has been incurring losses continuously with accumulated losses of Rs.0.96 crore as on March 2000 (latest account finalised).

The Company stated (May 2002) that action has been initiated to realise the investment and administrative charges.

2B.10.2 Orissa Mushroom, Fruit and Vegetable Products Limited

The Company executed (December 1992) a joint sector agreement with a private entrepreneur (Devi Food Products Limited) for establishment of a unit for production of dehydrated mushroom, fruit and vegetable products and invested Rs.16.62 lakh in the venture.

Audit scrutiny revealed that:

(i) As of 31 March 1999, the losses of the unit aggregated to Rs 30 lakh. The entire paid up capital of Rs 23.98 lakh was eroded within three years of setting up of the unit (Unit started in April 1996).

(ii) Despite continuous losses incurred by the unit, the Company failed to terminate the agreement as per clause 43 of the agreement and realise its investment of Rs.16.62 lakh.

(iii) The unit produced chilly, onion, garlic flakes and ginger powder instead of the dehydrated mushroom fruit and vegetable, as originally envisaged.

(iv) Within six months of the commencement of business (October 1996), the powers of full-time Finance Director appointed by the Company to the joint sector unit under clause 17 (a) of the agreement were withdrawn for reasons not on record.

Thus, the Company relinquished control despite heavy investment in above venture.

2B.10.3 Bilati (Orissa) Limited

The Company promoted (July 1995) the above unit as a joint sector in collaboration with Orissa Sponge Iron Limited (OSIL) for manufacture of tomatoes and tropical fruit pulp and concentrate for export by investing Rs.1.60 crore (October 1995 and February 1996). As per the tripartite agreement (October 1995) between Ministry of Food Processing Industries (MFPI), Government of India, OAIC and OSIL, interest free loan of Rs.0.70 crore and Equity of Rs.10 lakh provided by MFPI, was to be refunded within three years from the date of commercial production or five years from the date of payment whichever is earlier. In case of delay, the Company was liable to pay interest at the rate of 15 per cent per annum. Further, as per joint venture agreement, the collaborator was to buy back the shares of the unit by October 2000 and pay the administrative charges to the Company at the rate of 2 per cent of its equity amount. The unit started commercial production in April 1999.

Audit scrutiny revealed that:

(i) MFPI demanded (November 2000) refund of the loan amount of Rs.0.80 crore (Rs.70.00 lakh + Rs.10.00 lakh) by January 2001. The Company did not refund the amount. The total amount repayable by the Company up to March 2002 stood at Rs.0.95 crore (Principal : Rs.80 lakh and Interest : Rs.15 lakh);

(ii) against the installed capacity of 10,445 MT of tomato paste and mango concentrate pulp, the unit produced two to nine per cent of the capacity during the last three years ending 30 September 2001. The reasons for poor capacity utilisation was attributed by the Company to non-availability of working capital;

(iii) finished products of 763.33 MT (7.3 per cent), 392.39 MT (3.7 per cent) and 291.94 MT (2.8 per cent) valued at Rs.2.34 crore, Rs.1.68 crore and Rs.0.71 crore respectively remained in stock during the years ending September 1999, 2000 and 2001 which indicated that the Company was not able to push the sale of major portion of its production in time resulting in blocking up of working capital although a tie up for export was entered into with a foreign firm;

(iv) though the unit was set up for cent per cent export of products, there was no export sale of tomato paste during the last three years ending 30 September 2001. In respect of mango concentrate/pulp, the percentage of export sales was 59 in 1998-99 and 14 in 1999-2000 of the total sales of 136.03 MT and 627.63 MT respectively. The unit was thus deprived of earning foreign exchange of US$ 833333 equivalent to Rs.3.75 crore (@US $ = Rs.45) during the said period; and

Improper monitoring resulted in wasteful investment of Rs.1.60 crore

(v) even though three nominee Directors including Chairman in the Board of the unit were from the Company, the performance of the unit was not properly monitored to safeguard the interest of the Company. The unit incurred loss of Rs.9.77 crore up to September 2001. Besides, the Company became liable to pay interest of Rs.12 lakh per annum at the rate of 15 per cent on MFPI loan of Rs.0.80 crore.

The above three Joint Sector Companies in which investment of Rs.1.96 crore was made by the Company have incurred losses aggregating Rs.11.03 crore, thereby defeating the very objective of promoting Agro-based industries in Joint Sector.

2B.11 Inventory

The Company has not yet prepared Stores Accounts Manual containing procedures, rules and regulations for purchases, receipts, issues, storage, physical verification, etc. of various stores items. The Company held inventory valued Rs.4.21 crore at the end of March 2002. On a test check of 12 District/Branch Offices it was observed that 647 items like pump sets, PVC pipes, GI pipes, spare parts, etc. valued at Rs.45.74 lakh were lying in various stores for more than five years and classified (December 2001) by the Company as non-moving/obsolete/damaged. No suitable action has been taken for early disposal of the same to avoid further deterioration and blockage of funds.

The Company stated (May 2002) that steps are being taken to dispose of the idle inventory lying in various stores and stock are physically verified as on 31 March every year.

2B.12 Sundry Debtors

The Company had not laid down any credit policy. The total outstanding dues of Rs.5.25 crore, consisted of dues from private parties/banks (Rs.1.23 crore), Government departments (Rs.3.44 crore) and Government companies (Rs.0.58 crore) as on 31 March 2002.

Expenditure beyond sanction rendered Rs.1.23 crore non-recoverable

Audit scrutiny revealed that the entire amount of Rs.1.23 crore outstanding from private parties/banks was due to excess expenditure made by the Company beyond the sanctioned amount at the time of execution of shallow tube wells/bore wells. The period of outstandings ranged between 7 and 29 years. Since the amounts were spent beyond the sanction/estimate approved by the Company itself, the raising of debits for the said expenditure was baseless and not recoverable. The Company had neither investigated the reasons for excess expenditure beyond sanction nor fixed responsibility on the officials responsible for incurring excess expenditure (August 2002).

The year wise break up of the sundry debtors was not made available to Audit though called for (January 2002).

The Company had not been taking effective steps to realise the dues; as a result huge amounts were being blocked up for long periods affecting its financial condition.

2B.13 Manpower

Consequent upon the disposal of unserviceable tractors, 63 employees were rendered surplus. Board of Directors of the Company decided (July 1997) for re-deployment/re-engagement of their services in sales promotion activities.

Even after redeployment of surplus staff the Company could never achieve the sales target during last five years ended March 2002.

Delay in effecting retirement of surplus employees resulted in payment of idle wages Rs.0.67 crore

However, on the basis of work load the sub-committee of Board of Directors of the Company identified (May 2000) 143 employees of different categories as surplus. The Company requested (June 2000) the Government to provide required funds (Rs.0.83 crore) for effecting their retrenchment. Due to delay in receipt of funds from the Government the surplus employees were allowed to retire with effect from 31 August 2001 as a result the Company paid Rs.0.67 crore towards idle wages to the surplus employees during the period from July 2000 to August 2001.

2B.14 Non-compliance of Statutory Provision

As per provisions under Section 14-B of the Employees Provident Funds and Miscellaneous Provisions Act, 1952 the statutory deductions should be deposited with the concerned authority within 15 days of the close of every month. In case of delay in deposit of the same the concerned establishment would be liable to pay for the damages at the rates ranging between 17 and 37 per cent per annum depending upon the period of default

Improper financial planning and failure to deposit statutory deductions resulted in payment of penal damages of Rs.1.22 crore

It was observed that the Company has not been depositing the EPF contributions recovered from the employees as well as matching contribution of the employer with the Regional Provident Fund Commissioner (RPFC) regularly as a result RPFC issued a demand of Rs.8.69 lakh towards penal damage at the rate of 37 per cent per annum for the delay in deposit for the year 1997-98. The Company did not deposit Rs.2.33 crore towards the contribution of EPF for the years 1999-2000 to 2001-02 also. Consequently, the Company had become liable to pay further penal damage of Rs.1.13 crore to RPFC.

Thus, due to improper financial planning and irregularity in depositing the statutory deductions with RPFC the Company had become liable to pay an amount of Rs.1.22 crore (up to September 2002) to RPFC towards penal damages for the year 1997-98 to 2001-02. The Company stated (May 2002) that steps are being initiated to clear the arrears in phases.

The above matters were reported to Government (May 2002); their reply had not been received (November 2002).

Conclusion

The Company was formed to promote agro based industries and to supply agro inputs to farmers in the State. The Company acted as an agent only in procurement and supply of tractors and fertilisers. Lack of monitoring and ineffective management of the units particularly the joint-ventures, led to unfruitful investment having no effective measures to ensure recovery. Due to continuous losses, the activities of the Company

were reviewed by the Cabinet sub-committee, the recommendations of which were not fully implemented. Despite the release of grants/subsidies by the State/Central Government, the Company failed to achieve the desired results on account of poor monitoring of the schemes. In view of this, the Company needs to take concrete steps to (i) adopt suitable procurement policy to minimise the cost of, amongst others, tractors and fertilisers, with a view to achieve the objectives of mechanisation of agriculture and also higher yield per acre (ii) recover the investments in the joint venture units, (iii) improve the collection of debts by proper monitoring to reduce over-dependence on borrowed funds, (iv) implement the recommendation of the Cabinet Sub-Committee and (v) pursue the Government for securing more orders and release of departmental dues and equity support.

Chapter-III

Review in respect of Statutory corporation

3. REVIEW ON WORKING OF ORISSA STATE WAREHOUSING CORPORATION

Highlights

Between 1997-98 and 1999-2000 the main activity of warehousing caused losses aggregating Rs.0.77 crore.

{Paragraph 3.5.1 (ii)}

Head office administrative overheads ranged between 19 and 22 per cent of warehouse receipts as against CWC norm of eight per cent. The excess expenditure worked out to Rs.8.04 crore.

{Paragraph 3.5.1 (iii)}

The capacity utilised by farmers was only 0.39 per cent during the last five years up to 2001-02.

(Paragraph 3.6.2.2)

Storage losses of Rs.2.43 crore were not investigated nor recovered from the erring employees.

(Paragraph 3.8.1)

Out of outstanding dues of Rs.12.94 crore, Rs.10.43 crore became doubtful of recovery.

(Paragraph 3.11.2)

3.1 Introduction

Orissa State Warehousing Corporation was established on 21 March 1958 under the Agricultural Produce (Development and Warehousing) Act, 1956. This Act was repealed in 1962 and replaced by Warehousing Corporations Act, 1962 (Act). In exercise of the powers conferred by Section 41 of the Warehousing Corporations Act, 1962, Agriculture and Co-operation Department, Government of Orissa framed (24 September 1974) Orissa State Warehousing Rules, 1974. The main objectives under the Act *ibid* are to:

- acquire and build godowns and warehouses with approval of Central Warehousing Corporation (CWC);
- store food grains, fertiliser, agricultural produce and implements and other notified commodities and transportation thereof; and
- act as an agent of the CWC or of the Government for the purpose of purchase, sale, storage and distribution of food grains, fertiliser, agricultural produce and implements and other notified commodities.

In pursuance of the objectives, the Corporation has been acquiring and building godowns and warehouses within the State of Orissa, providing storage facilities to Food Corporation of India (FCI), Orissa State Civil Supplies Corporation Limited (OSCSC) and others and arranging facilities for the transport to and from the warehouses.

3.2 Scope of Audit

The working of the Corporation was last reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1994 (Commercial), Government of Orissa but the same has not yet (August 2002) been discussed by the Committee on Public Undertakings (COPU).

The present review covers the activities of the Corporation for a period of five years from 1997-98 to 2001-02 with performance appraisals of 7 zones[*] out of 10 zones (reduced to 9 during 2001-02). Audit covered 25 warehouses pertaining to these 7 zones (out of 58 warehouses in 10 zones) with total capacity of 1.91 lakh metric tonne (MT) out of 2.64 lakh MT.

The repetitive failures and lapses involving non-utilisation of storage space by farmers, delay in raising bills, shortages and credit system have been discussed in the succeeding paragraphs.

[*] Balasore, Jagatpur, Bhubaneswar, Berhampur, Sambalpur, Bhawanipatna and Titlagarh.

3.3 Organisational Set-up

The management of the Corporation is vested in a Board of Directors comprising 11 Directors including the Chairman-cum-Managing Director (CMD). As on 31 March 2002, the Board of Directors consisted of 10 members[#], five each nominated by CWC and the State Government including the Chairman and the Managing Director. The CMD is assisted by two General Managers (Commercial and Administration) and (Finance and Accounts) at Head office level. There are 10 Assistant Directors (ADs) and warehouse Superintendents to manage operations of 58 warehouses. After formation of every new Board, an Executive Committee consisting of CMD and three Directors (two Government Directors and one CWC nominee Director) is to be constituted as required under Section 25 (1) of the Act for formulating decisions, authorisation of expenditure, investment of funds and such other functions as entrusted by the Board of Directors. However, since June 1988, the Executive Committee is virtually defunct and its functions are being performed by the Board of Directors since no powers are delegated by the Board to the Executive Committee.

One Chairman-cum-Managing Director held the office for over five years from April 1995 to January 2001. Thereafter, another CMD remained in office for only three months. The present CMD is holding charge with effect from 24 September 2001.

3.4 Budgeting

As per Section 26 of the Act, the Corporation is required to prepare a statement of programme of its activities before commencement of each financial year and to submit, not later than three months before the commencement of the financial year, the statement of financial estimates thereof for the year concerned to CWC and State Government for approval. The statements prepared by the Corporation in this regard were based on the actuals of previous year and progress of expenditure and income for the first five months of the current year. This defeats the very purpose of budgeting as specific areas are not identified. The details of the estimates vis-à-vis actuals in respect of capital, revenue expenditure and income for the last five years up to March 2002 are as under:

(Rupees in crore)

Particulars	**1997-98**	**1998-99**	**1999-2000**	**2000-01**	**2001-02** (Provisional)
1 Revenue Expenditure					
Budgeted	8.17	9.87	10.88	11.68	14.53
Actual	9.44	11.26	12.23	12.63	12.06
Variance	(+)1.27	(+)1.39	(+)1.35	(+)0.95	(-)2.47
Percentage of variance to budgeted	16	14	12	8	17

[#] Of the above nominee Directors, three are not ex-officio directors.

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02 (Provisional)
2. Capital Expenditure					
Budgeted	0.43	1.24	1.07	1.46	4.50
Actual	0.33	0.65	0.97	1.17	2.75
Variance	(-)0.10	(-)0.59	(-)0.10	(-)0.29	(-)1.75
Percentage of variance to budgeted	23	48	9	20	39
3. Storage Income					
Budgeted	10.21	12.91	13.04	14.97	15.64
Actual	10.68	12.56	13.36	14.86	14.89
Variance	(-)0.47	(+)0.35	(-)0.32	(+)0.11	(+)0.75
Percentage of variance to budgeted	5	3	2	1	5

The excess in revenue expenditure of Rs.4.96 crore during 1997-98 to 2000-01 was mainly due to increase in handling and transport charges, hiring charges of godowns and establishment expenses including adoption of revised pay scales. However, the excess revenue expenditure over budget was regularised by the Board. In the year 2001-02, the revenue expenditure was within the budgeted limit. The budgeted targets and performance in respect of capital expenditure indicated surplus of Rs.2.83 crore during 1997-98 to 2001-02 due to spill over of construction works of the projects.

3.5 Financial performance

3.5.1 The financial position and working results of the Corporation for the last five years ended 31 March 2002 are given in **Annexure-17**.

Scrutiny in Audit revealed the following:

(i) The Corporation earned profit of Rs.6.99 crore during the five years period from 1997-98 to 2001-02 from handling and transportation operations.

Loss of Rs.0.77 crore during 1997-98 to 1999-2000 in the main activity of warehousing

(ii) In the main activity of warehousing, the Corporation suffered loss of Rs.0.77 crore during 1997-98 to 1999-2000.

Thus, loss on warehousing activities was compensated by the profit on handling and transportation. The reasons for loss on warehousing activities were due to (i) increase in administrative overhead, (ii) under-utilisation of 60 per cent of total godowns and (iii) uneconomical hiring of godowns detailed in the succeeding paragraphs.

Head Office administrative overhead to warehouse receipt ranged between 19 and 22 per cent against 8 per cent prescribed by CWC

(iii) Compared to CWC norms of 8 per cent, the Head Office administrative overhead to warehouse receipts (including income from handling and transportation) of the Corporation ranged from 19 to 22 per cent during the last five years ending 2001-02. The extra expenditure on this account works out to Rs.8.04 crore when compared to CWC norms.

Failure to deposit EPF dues resulted in interest liability of Rs.44.49 lakh

(iv) The Corporation formed (March 1970) 'The Orissa State Warehousing Corporation Employees Provident Fund Regulation, 1969'. Further, as per clause 8 and 10 of Chapter-II, each employee of the Corporation would subscribe eight per cent or more of basic pay and the Corporation's contribution shall be eight per cent of basic pay of each subscriber opted for the above fund. It was noticed that the Corporation did not remit Rs.1.21 crore of employees' subscription and employer's contribution during the period from 1992-93 to 1998-99 resulting in interest liability of Rs.44.49 lakh for the years 1992-93 to 1998-99 (Corporation regularly remitted PF dues from 2000-01). The reasons for not remitting the funds were attributed by the Corporation to continuous loss and insufficient cash flow which was not tenable as the remittance of EPF dues was a statutory requirement. Thus, the Corporation violated the extant rules and sustained a loss of Rs.44.49 lakh.

3.6 Physical performance

The physical performance as to capacity utilisation, construction of warehouses, etc are discussed in the succeeding paragraphs.

3.6.1 Warehouse Operations

3.6.1.1 Capacity Utilisation

The Corporation has not fixed the year wise physical targets. Though the capacity of hired godowns had been continuously on increasing side during 1997-98 (76000 MT) to 2001-02 (93000 MT), the Corporation had not been maintaining proper records to ascertain utilisation of hired and owned godowns separately despite being commented vide Paragraph 3B.7.1 of Report of the Comptroller and Auditor General of India for the year ended 31 March 1994 (Commercial), Government of Orissa. In the absence of such break-up, the productivity/efficiency of own vis-à-vis hired godowns could not be compared and analysed in Audit.

The growth vis-à-vis utilisation of storage capacity of the Corporation during the last five years up to 2001-02 was as under:

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
1. No. of Zone	9	9	9	10	9
2. No. of Warehouses					
(a) Own	23	21	19	23	26
(b) Hired	28	27	15	11	10
(c) Hired and Own- Coexist	24	25	29	24	22
Total	**75**	**73**	**63**	**58**	**58**
3. Available Storage Capacity (in lakh MT)					
(a) Own warehouses	1.55	1.56	1.59	1.63	1.71
(b) Hired	0.76	0.82	0.81	0.86	0.93

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
Total	**2.31**	**2.38**	**2.40**	**2.49**	**2.64**
4. Average Storage Capacity Utilised (in lakh MT)	2.19	2.33	2.10	2.47	2.67
5. Percentage of utilisation	95	98	87	99	101

3.6.1.2 Occupancy Level

Though the Corporation could achieve 96 per cent average capacity utilisation during last five years ending 2001-02, 37 per cent of total warehouses were utilised at below 70 per cent of capacity, 23 per cent at 70 to 90 per cent, 14 per cent at 90 to 100 per cent and 26 per cent at more than 100 per cent as given in the table below:

Level of Occupancy (per cent)	No. of warehouses	Capacity (in lakh MT)			Percentage of utilisation
		Available	Utilised	Unutilised	
1. Up to 50	17	4.53	1.47	3.06	32
2. 50 or above up to 70	13	6.19	3.86	2.33	62
3. 70 or above up to 90	18	25.32	20.02	5.30	79
4. 90 or above up to 100	11	35.32	33.99	1.33	96
5. 100 and above	21	75.28	80.81	(-)5.53	107
Total	**80**	**146.64**	**140.15**	**6.49**	**96**

It would be observed from the above table that the level of occupancy in 48 warehouses (Sl. Nos.1 to 3), constituting 60 per cent of the total warehouses, was within 32 to 79 per cent. The occupancy of 21 warehouses out of 30 (Sl. No.1 and 2) included in the above were nil/very meagre. This indicated the lack of proper market assessment by the Corporation before construction/hiring of these warehouses. The Corporation could achieve storage of 100 per cent and above due to double utilisation of reserved space where the reserved space fell vacant. The Corporation calculated capacity utilisation taking both reservation and occupancy of vacant space. Further, the Corporation often used alleyways, over-height of stacks in contravention of norms of scientific storage which has been discussed in para 3.6.3 infra.

The Corporation reviewed (August 1999) the occupancy of warehouses which fell below 70 per cent, in its monthly meeting of Assistant Directors but no remedial action was proposed to improve the occupancy. The reasons for low occupancy as analysed in Audit are:

- Non-utilisation of rural godowns as envisaged under Rural Warehousing Scheme (commented in paragraph 3.6.2 *infra*);
- Hiring of higher capacity godowns than the requirement (commented in paragraph 3.7.2 *infra*); and
- Hiring of godowns at places where Corporation's own godowns were under-utilised (commented vide paragraph 3.7.2 *infra*).

It was further noticed that despite high average occupancy (ranging from 92.72 to 111.29 per cent) in seven godowns (four hired and three own godowns), the Corporation incurred loss of Rs.28.44 lakh during 2000-01 and 2001-02. Audit scrutiny revealed that the Corporation incurred loss in these godowns due to non-allotment of handling and transport activities by the depositors to the Corporation which were mainly contributing to the profit since the rate of the Corporation was higher than the market rate.

3.6.2 Utilisation of Warehouses constructed under Rural Warehousing Scheme (RWS)

3.6.2.1 The Central Government introduced (1981-82) National Grid of Rural Godowns Scheme (NGRG) for construction of rural godowns for which 50 per cent of the cost of construction was to be received from Central/ State Government (25 per cent each) as subsidy and balance of 50 per cent was to be met by the Corporation.

The Corporation constructed 41 godowns with total capacity of 35,000 MT (29 numbers 1000 MT each and 12 numbers 500 MT each) during the period 1982-83 to 2001-02 at a cost of Rs.1.98 crore, out of which Corporation got subsidy of Rs.0.98 crore. Of these, 24 godowns were constructed co-jointly with Corporation’s own godowns and 17 godowns were located in other locations.

It was noticed that the percentage of occupancy of 17 godowns which were constructed separately ranged between 48 and 67 per cent during the last five years up to 2001-02.

3.6.2.2 The main objective, through network of rural godowns, was to strengthen farmers’ ability to hold their post-harvest produce and thereby prevent losses due to distress sale of post-harvest marketable surplus. To attract primary producers, Government of India, through Central/State Warehousing Corporation, introduced (1979-80) a major developmental scheme named Farmer’s Extension Service Scheme (FESS) to propagate the benefit of scientific storage popularising the Disinfection Extension Services (DES) Scheme amongst farmers and use of public warehouses by assisting farmers in getting loans from the banks against pledge of warehouse receipts. The Corporation issued circular giving instructions to all Superintendents in December 1979 to pursuade farmers in villages within 10 kms of radius to avail of this scheme.

The table below indicates the customer-wise utilisation of capacity for the last five years up to 2001-02.

Year	**Total Quantity Handled**	**State Government./ Departments**	**FCI**	**Fertiliser Companies**	**Farmers**	**Traders and Others**
	(Quantity in lakh metric tonne)					
1997-98	9.41	2.19	3.70	3.19	0.02	0.31
1998-99	8.58	1.24	4.21	2.95	0.02	0.16
1999-2000	8.40	0.50	4.87	2.75	0.07	0.21
2000-01	9.08	1.20	5.76	1.93	0.04	0.15
2001-02	8.40	0.65	6.20	0.98	0.02	0.55
Total	**43.87**	**5.78**	**24.74**	**11.80**	**0.17**	**1.38**
Percentage of Customer-wise utilisation to Total Utilisation		13.18	56.39	26.90	0.39	3.14

The capacity utilised by farmers was only 0.39 per cent during the last five years up to 2001-02

It would be observed that the capacity utilised by farmers was only 0.39 per cent during these five years, which indicates that the Corporation did not take any appreciable steps to improve the scope of FESS despite the commitment by the Corporation (March 1997) to Committee on Public Undertakings on its recommendations in its 8th Report (11th Assembly) on the Paragraph 3B.7.2 in the Report of the Comptroller and Auditor General of India for 1982 (Commercial), Government of Orissa. The reasons for non-implementation of the FESS were attributed by the Corporation to the following:

(a) The Corporation did not allot storage space for farmers' produce which would fetch less return but would occupy more space. The FESS had been introduced by the Corporation allowing farmers rebate up to 40 per cent on the storage charges to induce the depositors;

(b) The warehouse superintendents did not devote time for FESS; and

(c) The Superintendent of the warehouse at Nawarangapur misappropriated (1988) Rs.49.38 lakh by falsifying warehouse receipts. Thereafter, the facility of encashing warehousing receipts by farmers was withdrawn (1988). State Bank of India, Nawarangapur filed money suit against the Corporation which was finalised (December 2001) on payment of Rs.42.16 lakh as one time settlement and the balance waived by the bank.

3.6.3 Scientific storage

The quality control comprised scientific storage, physical verification and periodical prophylactic treatment (use of pesticides for avoidable infestation by insects) and timely issue of fumigants. Scientific storage would ensure scientific and proper stacking, leaving adequate alleyways (1½ ft. x 2 ft.) around stacks to facilitate physical verification. As per CWC norms each stack could be of effective height of 15 feet (ft.) with base area of 6 square feet (length 3 ft. x breadth 2 ft.) to accommodate the storage of 1 MT of commodity. It was seen that bags up to 26 ft. height were kept deviating the CWC norms. Improper and unscientific stacking was found in 14 warehouses where capacity utilisation was ranging from 100 to 136 per cent making physical verification untenable.

Audit scrutiny revealed that:

(i) In a hired godown at Khurda (USPIN) 2,596 bags (1,298 quintal) of Grade A rice valued Rs.13.21 lakh at the rate of Rs.1,017 per quintal was affected (May 1999) by entry of rain water due to low plinth of warehouse. Though Internal Audit of the Corporation in its Inspection Report (1999-2001) recommended dehiring of the godown being unsuitable for storage of food grains, the godown had not yet been dehired (November 2002). Claim of Rs.13.21 lakh lodged by the Corporation on the United India Insurance Company Limited was disallowed and

(ii) Though irregular maintenance of warehouse with respect to non-supply of Tally Cards to stacks, non-provision of alleyways in between stacks were noticed, no concrete steps were taken to correct the position as yet (July 2002).

3.7 Construction and hiring of godowns/warehouses

3.7.1 Construction of Warehouses

The Corporation, during 8th five year plan (1992-97) and 9th five year plan (1997-2002) took up a programme of construction of additional capacity of 20,000 MT (9 numbers) and 24,000 MT (13 numbers) respectively, assessing 100 per cent warehouse potentiality in these locations to eliminate the unscientific hired godowns. The table below indicates the target fixed, works taken up and actual addition of capacity during the period.

Particulars	8th Five year plan		9th Five year plan	
	Capacity (MT)	Units (Nos.)	Capacity (MT)	Units (Nos.)
1. Target	20000	9	24000	13
2. Warehouses taken up for execution				
(a) New works	8500	5	13000	7

Particulars	8th Five year plan		9th Five year plan	
	Capacity (MT)	**Units (Nos.)**	**Capacity (MT)**	**Units (Nos.)**
(b) Spill over works from earlier years	4500	3	10500	7
Total	**13000**	**8**	**23500**	**14**
3. Works completed (a) New works	--	--	10500	6
(b) Spill over works from earlier years	2500	1	10500	7
Total	**2500**	**1**	**21000**	**13**

The construction work of godown was undertaken by the Corporation through contractors under the supervision of its engineers. The civil work was entrusted to the contractor, with free supplies of building materials. Out of 13 warehouses (24000 MT), only nine warehouses (16500 MT) were taken-up for construction. The Corporation planned for construction of four warehouses (7500 MT) without availability of land, though a sum of Rs.48 lakh was provided in the project proposal towards cost of acquisition of land. The Corporation did not take any step for acquiring land for the said warehouses (July 2002).

The Corporation could not complete any godown/warehouse during the 8th five year plan due to delay in finalisation of site in case of 4 warehouses (27 months) and submission of project reports to Project Approval Committee (PAC) in case of 5 warehouses (13 to 32 months) for approval.

Loss of revenue of Rs.16.64 lakh due to delay in construction of warehouses

As on 31 March 2002, the Corporation could complete only 13 warehouses during 9th Five year plan (21,000 MT) at a cost of Rs.2.16 crore {(i.e. spill over of 7 warehouses (10500 MT) from 8th five year plan and 6 warehouses (10500 MT) for 9th five year plan} due to above reasons. The Corporation was, thus, deprived of earning revenue of Rs.16.64 lakh, assuming 75 per cent occupancy against 100 per cent envisaged in the project proposal due to delay in obtaining approval of the PAC (59 months), delay in selection of sites and belated supply of materials by the Corporation to the contractors.

Corporation could not recover Rs.9.40 lakh from contractors

The Corporation could not recover damages of Rs.9.40 lakh (maximum 10 per cent of the estimated cost), due to its own failure in supply of materials in time.

3.7.2 Hiring of godowns/warehouses

The Corporation, with a view to expand its business, hired godowns from private parties/co-operatives like Regional Marketing Co-operative Society (RMCS), Regulated Market Committee (RMC) and Tribal Development Co-operative Corporation (TDCC) at different places in the State. The hired capacity was 4.18 lakh MT during 1997-98 to 2001-02 at rental charges of Rs.3.33 crore.

Scrutiny of procedures of hiring and fixation of rent thereof revealed the following:

(a) Contrary to procedural requirement of prior approval of Head office vide guidelines (January 1987 and December 1989), the Superintendents/ADs during the period from 1997-98 to 2001-02 hired 65 godowns in eight places* initially without prior approval and obtained only *post facto* approval. The delay ranged more than three years in one case, more than one year in two cases and more than one month to one year in 62 cases from the date of possession of the godowns. Post facto approval in seven cases (2 places**) with delay for more than two years in three cases and more than one month in four cases were taken at the time of approval of dehiring of godowns.

Hiring of godowns prior to approval of Head Office led to loss of Rs.7.66 lakh

As a result of deviation of procedure of prior sanction by the Standing Committee, the Corporation hired godowns (31 numbers) more than the requirement and incurred loss of Rs.7.66 lakh towards payment of godown rent for the unutilised capacity of 127656 MT during 1997-98 to 2000-01 (16946 MT in 1997-98, 31779 MT in 1998-99, 48087 MT in 1999-2000 and 30844 MT in 2000-01).

Further, against available capacity of 10.04 lakh MT (hired 1.16 lakh MT and owned 8.88 lakh MT) at 17 places where the Corporation had its own warehouses as well as hired godowns, the Corporation could utilise only 5.02 lakh MT during 1997-98 to 2001-02. As the balance capacity of 5.02 lakh MT could have been accommodated in the own warehouses, the hiring of godowns for 1.16 lakh MT was not necessary.

Hiring of godowns at varying rates at same place and at same period resulted in extra expenditure of Rs.47.33 lakh

* Nayagarh, Phulbani, Berhampur, Nagenpalli, Keshinga, Cuttack, Haladipada and Bhadrak

** Cuttack and Nagenpalli.

(b) The hiring charges were not fixed with reference to different parameters such as size of the godown, storage worthiness and economies of hiring, mentioned in the circular (June 1988) of the Corporation. The hiring charges paid by the Corporation varied from godown to godown though it pertained to same locality, same period and same prevailing market conditions. A test check revealed that the Corporation hired godowns at 11 places during 1997-98 to 2001-02 (July 2001) at varying rates during the same period, at the same place and incurred an additional expenditure of Rs.47.33 lakh towards hiring charges.

(c) The Corporation had not adopted any system of hiring of godowns by open quotations. The Corporation instructed the Superintendents to hire godowns by negotiation based on market rates only.

In Berhampur, Nayagarh and Khurda warehouses, the Corporation paid higher godown charges on demand of the owners without evaluating the economies of hiring.

Operation of declared uneconomical warehouses resulted in loss of Rs.10.41 lakh

(d) The Corporation declared (November 2001) 9 hired[#] warehouses as uneconomical due to incurring loss of Rs.16.87 lakh during 2000-01 and decided to dehire. Of which five (Cuttack, Jaipatna, Balugaon, Nimapara and Kendrapara) were dehired in 2001-02 and the rest four (Aska, Berhampur, Haladipada and J.K. Road) were in operation till date (June 2002). It was noticed that the Corporation sustained a loss of Rs.10.41 lakh during 2001-02 on hiring of four uneconomical godowns.

3.8 Storage losses

3.8.1 Storage losses

(a) The Corporation adopted the norms for storage loss of food grains (rice and wheat) at 0.5 per cent fixed by Food Corporation of India (FCI) and Orissa State Civil Supplies Corporation Limited (OSCSC). For fertilisers, no shortage was allowed. In case of FCI stock, the storage loss in excess of norms was Rs.4.03 crore during the four years ending 2000-01.

Storage losses of Rs.2.43 crore were not investigated nor recovered from the erring employees

[#] Cuttack, Jaipatna, Aska, Berhampur, Balugaon, Nimapara, Haladipada, Kendrapara and J.K. Road

Out of Rs.4.03 crore, storage loss of Rs.1.60 crore was written off by the FCI and value of storage loss of Rs.2.43 crore was yet to be written off by FCI or to be recovered from the employees as decided by the Corporation (June 2002). The Corporation had not investigated the reasons for shortages and only requested the FCI to write off of value of shortages. Though the Corporation decided to recover the value of shortages beyond 0.5 per cent from the concerned employees, no effective action was taken in this regard.

(b) A few cases of storage/ transit loss where the recoveries could not be made from the defaulting officials are given below:

(i) In Khurda godown (hired godown) storage loss valued Rs.11.90 lakh [2,163.85 quintal (Qtl) of rice] occurred between June 1998 and January 1999 (FCI took reservation of the warehouse in June 1998). FCI, after investigation, had written off 1,333.80 Qtl of rice and suggested recovery of Rs.6.16 lakh from the Corporation for 830.05 Qtl. The Corporation neither investigated the reasons for storage loss nor ascertained the reasons for partial write off.

(ii) In case of storage loss of Rs.14.33 lakh from 1997-98 to 2001-02 recovered by OSCSC, the Corporation recovered Rs.9.54 lakh only from its employees and balance Rs.4.79 lakh are pending for recovery (July 2002).

3.8.2 Defalcation of Stock

Stock valued at Rs.1.67.crore was defalcated in nine warehouses during the period from 1976 to 1999. The departmental proceedings against eight Superintendents are in progress and in one case abated due to death of the concerned Superintendent. Two cases involving defalcation of stock of Rs.36.04 lakh occurred in Cuttack (1998) and Podagada (1999) warehouses due to manipulation of records as stocks lifted were not taken to the stock account.

Manipulation of stock records in two warehouses led to loss of Rs.15.40 lakh

It was observed that in respect of defalcation at Cuttack and Podagada, the Corporation compensated Rs.47.92 lakh claimed (1998-99 and 1999-2000) by the depositors i.e. fertiliser companies (Rs.24.41 lakh at retention price) and OSCSC (Rs.23.51 lakh at market price). However, the Corporation could get insurance claims of Rs.32.52 lakh (Rs.12.52 lakh at deposit price for defalcation of fertiliser at Cuttack and Rs.20 lakh being maximum indemnity value of stock at Podagada). Thus, the Corporation sustained loss of Rs.15.40 lakh (Rs.47.92 lakh *minus* Rs.32.52 lakh). Final action against the delinquent employees was awaited (July 2002).

3.9 Insurance claims

Old insurance claims of Rs.1.19 crore remained unsettled due to lack of suitable follow up action

The Corporation insured stock against losses on account of fire, flood, theft, etc. Out of total claims for Rs.2.52 crore (22 claims), during last five years up to 2001-02, insurance company disallowed Rs.0.63 crore on assessment of loss owing to under insurance, policy excess, etc. Eight claims of Rs.1.19 crore remained outstanding for settlement and of this, Rs.3.57 lakh are pending for 25 years and Rs.1.15 crore from 1988-89 to 2001-02 as the Corporation had not taken suitable follow up action to settle the claims. Thus, funds amounting to Rs.1.19 crore blocked up.

3.10 Loss of Commodities during cyclone

During super cyclone (October 1999), fertiliser and food grains valued at Rs.1.48 crore were damaged in six warehouses (Jagatsinghpur, Jatni, Bhadrak, Berhampur, Cuttack and Jagatpur). The Corporation had taken up flood insurance policy for protection of loss due to flood and cyclone.

Loss of Rs.0.54 crore occurred due to under-insurance (Rs.16.76 lakh) and by compensating the depositors at retention price instead of market price (Rs.37.41 lakh)

In case of damaged stock, the Corporation claimed Rs.1.48 crore from the insurance company. Claims of Rs.35.25 lakh against Jagatsinghpur, Berhampur and Bhadrak warehouses were settled at Rs.18.29 lakh and the balance Rs.16.96 lakh were disallowed due to under-insurance and under assessment of loss by the insurance company. Besides, the Corporation incurred further loss of Rs.37.41 lakh by compensating the depositors (Government Undertakings and co-operatives public limited companies) at retention price, which was higher than the market price. The Corporation did not restrict the compensation to other fertiliser depositors at market price although IFFCO was compensated only at market price. The reasons for compensating other depositors at retention price were not on records.

3.11 Preparation and collection of bills

3.11.1 Preparation of bills

Abnormal delay in preferring bills resulted in blocking up of working capital of Rs.0.81 crore

Except in cases governed by the separate agreements, bills for storage, handling and transportation charges and other dues to the Corporation would have to be raised monthly by the 5th of the succeeding month. A test check of bills for four years ending 31 March 2001 revealed that there had been abnormal delays in preferring 285 bills of Rs.0.81 crore ranging between 1 and 175 months resulting in locking up of Corporation's working capital (Rs.0.81 crore) and consequential loss of interest of Rs.7.77 lakh at the rate of 10 per cent per annum.

3.11.2 Collection of bills

The table below indicates the position of outstanding storage charges at the beginning of the year, bills raised and collected during the year and outstanding at the end of the year for the last five years up to 2001-02.

(Rupees in crore)

	1997-98	**1998-99**	**1999-2000**	**2000-01**	**2001-02 (Provisional)**
(a) Outstanding as on 31 March	7.14	10.04	9.42	10.43	11.78
(b) Bills raised during the year	11.46	12.48	13.45	14.86	14.88
(c) Total Dues	**18.60**	**22.52**	**22.87**	**25.29**	**26.66**
(d) Collections					
(i) Arrear dues	2.02	3.43	2.82	3.38	2.59
(ii) Current dues	6.54	9.67	9.62	10.13	11.13
(e) Total Collections	**8.56**	**13.10**	**12.44**	**13.51**	**13.72**
(f) Balance					
(i) Arrear dues	5.12	6.61	6.60	7.05	9.19
(ii) Current dues	4.92	2.81	3.83	4.73	3.75
(g) Total Balance	**10.04**	**9.42**	**10.43**	**11.78**	**12.94**
(h) Percentage of collection					
(i) Arrear dues	28.29	34.16	29.94	32.41	21.99
(ii) Current dues	57.07	77.48	71.52	68.17	74.80
(iii) Total dues	46.02	58.17	54.39	53.42	51.46

It may, therefore, be seen that the percentage of total collection was ranging between 46.02 and 58.17 and the percentage of collection of arrear dues and current dues ranged between 21.99 and 34.16 and 57.07 and 77.48 respectively. A test check of debts revealed that dues of Rs.3.42 crore were outstanding against 117 parties with whom the business transactions were closed since 5 to 20 years. Dues amounting to Rs.6.36 crore outstanding against depositors also became doubtful of recovery due to lapse of time and disputed claims.

Out of outstanding dues of Rs.12.94 crore, Rs.10.43 crore became doubtful of recovery

The Corporation formed (August 1998) recovery cell headed by General Manager (F&A) for review and report on the collection of old and outstanding dues which was not carried out. In July 2000, the Corporation appointed a firm of Chartered Accountants to identify the collectable dues. The firm submitted its report in October 2000. Considering the report and subsequent year's data, the Corporation revised the claim and identified an amount of Rs.2.51 crore as collectable out of the outstanding dues of Rs.12.94 crore as on 31 March 2002. Thus, dues amounting to Rs.10.43 crore out of Rs.12.94 crore became doubtful of recovery. Considering the hugeness of non-collectable amount, the provision of bad and doubtful debts amounting to Rs.2.24 crore made in the accounts (provisional) up to 2001-02 would be inadequate and profit of Rs.2.98 crore for the year would turn to loss of Rs.5.21 crore.

3.12 Internal Audit

Internal Audit was not commensurate with the size and nature of the activities

The Corporation has an Internal Audit (IA) Cell consisting of 3 teams. Internal Audit was conducted (as per IA Manual) in 132 warehouses against 333 planned during last five years up to 2001-02. Extent of IA was not commensurate with the size and nature of the activities of the organisation. This fact was also pointed out by Statutory Auditors in their report from time to time.

Further, as per CWC's IA manual, important observations noticed in each audit was to be submitted to CMD after completion of the audit and quarterly to the Board of Directors. No report was submitted to the CMD/Board. The irregularities culminating into defalcation of stock, abnormal shortages, non-collection and defective billings indicated inadequate internal checks/control.

The above matters were reported to Management/Government (July 2002); their replies had not been received (November 2002).

Conclusion

The Corporation mainly catered to the warehousing needs of the organised sector and failed to attract farmers for utilisation of storage space, especially, when the State continued to suffer from post-harvest distress sale. The profit earned by the Corporation was mainly on account of margin on handling and transport activities. Rent for hired godowns should be fixed after considering factors like size of godown, market condition, etc. The Corporation should maintain the godown-wise accounts to assess and review the economic viability of owned and hired godowns. The Corporation needs to increase utilisation of the storage capacity and introduce programme for attracting farmers.

Chapter-IV

Miscellaneous Topics of Interest relating to Government companies and Statutory corporations

4. Government companies

4.1 GRID CORPORATION OF ORISSA LIMITED

4.1.1 Injudicious procurement of Emergency Restoration Structure (ERS)

Procurement of additional 21 ERS towers without proper assessment of need resulted in infructuous expenditure of Rs.5.53 crore

In order to make a temporary arrangement for quick restoration of power supply disruptions due to extreme weather conditions, the Board of Directors approved (June 1998) the proposal for procurement of Emergency Restoration Structure (ERS) towers at a cost of Rs.6 crore.

While procurement of ERS was in process there was a super cyclone in the State (October 1999) and wide scale transmission towers were damaged. On the request of the Company, Power Grid Corporation of India Limited (PGCIL) provided seven ERS towers, free of cost to restore power supply to Paradeep area where 25 towers had collapsed.

However, the Company placed (6 November1999) orders on M/s Lindsey Manufacturing Company, USA for procurement of 21 ERS towers at a price of US$ 11,71,270 (Rs.5.09 crore) and Rs.0.35 crore as inland freight and insurance, stipulating delivery by 6 January 2000.

Again on 9 November 1999 (three days after the placement of order) the Director (Transmission) moved the Board to place a repeat order for another 21 ERS towers citing extensive damage to transmission lines. This was approved by

Board on 10 November 1999. The Director (Transmission) placed (23 November 1999) the repeat order of 21 ERS towers on the same supplier at US$ 11,47,845 (Rs.4.99 crore approximately) and inland freight and insurance of Rs.0.35 crore. Strangely, despite the urgency of cyclone restoration, there was nothing on record to show that the Company had approached the Government of India or even the Embassy in Washington to expedite the delivery of ERS. Despite the emergency, the delivery schedule was also fixed at a distant date viz. 31 March 2000. Again instead of insisting on immediate delivery of towers already ordered, the Director (Transmission) deferred (23 November 1999) the date for commencement of imposition of Liquidated Damage (LD) to 6 May 2000 thereby rendering the LD clause ineffective.

The first order due to be delivered by 6 January 2000 was ultimately delivered by the supplier only in May 2000 and repeat order only in June 2000 by which time power supply was largely restored in the cyclone affected area.

Audit scrutiny revealed the following:

1. The Company erroneously moved (February 2000) the Government of India instead of Government of Orissa for obtaining exemption of customs duty, whereby the Company incurred avoidable demurrage charges of Rs.18.45 lakh for keeping the goods in the bonded warehouse for the period from 27 February 2000 to 21 April 2000;

2. The amendment of LD clause made by the Director (Transmission) without the approval of the Board (Task Force) led to non recovery of LD of Rs.19.18 lakh on first order and Rs. 19.37 lakh on the repeat order for the delayed delivery by the supplier;

3. Even after it was known to the Company that as many as seven ERS towers were used by PGCIL during super cyclone to combat the situation, the Company hastily placed the repeat order for 21 more ERS towers worth Rs.5.53 crore without ensuring the utility and performance of the new equipment already ordered whereby the annual liability of Rs.0.72 crore was borne by the Company towards interest on Rs.5.53 crore; and

4. The entire 21 ERS towers procured in repeat order were never used and were lying at Bhubaneswar stores of the Company (November 2002).

The Company replied (June 2002) that 86 towers had collapsed in the cyclone (October 1999) and the requirement of ERS towers would have been at least 86. The reply is not tenable, as the requirement of ERS towers was not one to one. Restoration of power supply in four lines where 25 towers had collapsed, was made with the use of only seven ERS, as confirmed by the Company.

Thus, due to failure of the Company to approach the appropriate authority for customs clearance, the Company sustained a loss of Rs.18.45 lakh. Further, procurement of 21 ERS hastily without assessing the actual requirement with borrowed funds of Rs.5.53 crore resulted in recurring annual interest burden of Rs.0.72 crore.

The matter was reported to the Government (July 2002); their reply had not been received (November 2002).

4.1.2 Avoidable expenditure

Failure to enforce compliance with the terms of the contract providing for reconstruction of faulty work coupled with failure to raise timely claims within the guarantee period led to undue benefit of Rs.2.08 crore to the contractor

The Company placed turn key order (May 1996) with Hirakud Industrial Works Limited (HIW) for upgrading and re-routing transmission lines to Paradeep Port Trust (PPT) and Paradeep Phosphates Limited within July 1997 at a cost of Rs.3.90 crore, as a deposit work of PPT. The work order, inter alia, stipulated that the work done by the contractor should be guaranteed against any defect in workmanship for a period of 12 months from the date of commissioning. A performance Bank Guarantee for Rs.0.53 crore was to be provided by the contractor (HIW) and kept valid till completion of the above guarantee period. Any defect noticed during this period was to be rectified by the contractor free of cost to the Company, if such defects were due to bad workmanship. The work continued beyond the schedule date and the estimate was revised to Rs.6.59 crore in October 1997, out of which Rs.5.09 crore was paid to HIW by March 1999.

During super cyclone in October 1999, 21 towers in the said line were uprooted . The Company thereupon deputed (November 1999) a team of Engineers to ascertain the reasons for failure of the towers who opined that the failure of towers was due to poor quality work in pile foundation. Hence, the Company asked HIW (December 1999) to extend their performance Bank Guarantee amounting to Rs.0.53 crore up to 30 June 2000, which was complied with by HIW. The Company also reported (November 1999) the matter to the State Government, whereupon, they constituted (December 1999) a High Power Committee (HPC) to ascertain whether there was any defect in design of towers or deficiencies in execution of the work. The HPC confirmed (January 2000) the defective workmanship. Despite the establishment of the defective work by HIW itself, the Company and the HPC, the Company failed to serve any notice on the contractor to reconstruct the same at its cost in terms of the contract. On the other hand, the Company engaged (January 2000) another sub-contractor of HIW viz. A.K. Das to reconstruct the damaged lines out of loan funds on the basis of a performance certificate given by HIW. The reasons for engagement of A.K. Das directly without enforcing the terms of the contract with HIW were not on record. The work was completed in August 2001 at a cost of Rs.3.58 crore and it was only in October 2000 i.e. four months after the expiry of the extended guarantee period (despite establishment of defective workmanship within that period) that the Company had asked HIW to deposit the cost of reconstruction.

HIW disowned its liability (November 2000) stating that construction of the line was charged in July 1998 and handed over to the Company. The stand taken by HIW was not tenable as the lines were actually charged in August 2001 and no certificate for taking over the lines was issued to HIW in terms of the contract. Further, the fact of defective work was clearly established both by HPC and also by HIW, which itself had in fact black listed the concerned contractors for defective workmanship. HIW was, thus, contractually bound to rectify the defects at its own cost as per the terms of the contract. Despite the above, the Company did not pursue its claim with HIW.

In reply the Company stated (March 2002) that the line was charged in July 1998 and the claim after the expiry of the guarantee period (July 1999) was not sustainable. The reply is not correct as the line was charged on 29 August 2001as per report of the Executive Engineer, EHT (Construction) Division. Even though the guarantee period was extended up to June 2000 the Company failed to raise the claim within the extended guarantee period.

Thus, non-compliance with the terms of contract in getting the reconstruction work done by HIW, direct engagement of the sub-contractor of HIW and failure to raise claims for rectifications/replacements within the guarantee period resulted in avoidable expenditure of Rs.2.08 crore (Rs.5.09 crore plus Rs.3.58 crore less Rs.6.59 crore). This could have been reduced by Rs.0.53 crore had the BG submitted by HIW been invoked in time, which the Company failed to do.

The matter was reported to the Government (February 2002); their reply had not been received (November 2002).

4.1.3 Infructuous expenditure due to delayed valuation of assets

Engagement of a valuer for valuation of the fixed assets of the Company after the period stipulated by Government, resulted in infructuous expenditure of Rs.0.65 crore

The Orissa Electricity Reform Act, 1995 was enacted to enable the Government of Orissa to under take reforms and restructure the Power Sector of the State. The Act, inter alia, provided for the transfer of the assets and liabilities from the erstwhile Orissa State Electricity Board to the Government of Orissa (GoO) for subsequent transfer to the Grid Corporation of Orissa Limited (GRIDCO). Accordingly, fixed assets valued at Rs.2091.70 crore, as on 1 April 1996, were transferred to GRIDCO in April 1996, which was considered provisional for a period of 12 months from April 1996. Though, the Company decided (September 1996) for valuation of the assets transferred, as on 1 April 1996, by a chartered valuer, no action was taken in this regard. The GoO reminded (November 1996) the Company for early engagement of a chartered valuer for valuation of assets, which was to be finalised within a period of one year from 1 April 1996.

The Company, however, invited tenders only in April 1997 i.e. after expiry of the aforesaid stipulated period and engaged (August 1997) Love lock and Lewes, Calcutta (LL) for valuation of assets to be completed within eight months at a lump sum contract price of Rs.49 lakh. The valuer (LL) submitted their report in March 1998. However, the valuer made valuation on inadequate sample size, without distinction between old and new assets and with the omission of a power house. The job of further verification with additional sampling for a reasonable valuation was also entrusted (January 1999) at additional fee of Rs.16 lakh. The valuer submitted the final report in October 2001 wherein the assets were valued at Rs.2049.37 crore as on 1 April 1996. The Company paid the above mentioned fee of Rs.0.65 crore between September 1997 and February 2002.

In this connection it was observed (March 2002) that the Company engaged the valuer after the period stipulated by GoO. Due to this delayed action of the Company the said valuation could not be utilised as the provisional value of assets (Rs.2091.70 crore) became firm at the end of March 1997. Further, the first accounts of the Company for the year 1996-97 was finalised (May 1998) on the basis of provisional valuation made by GoO at the time of transfer of assets. As there was no scope for the Company to adopt the value of assets as on 1 April 1996, made by LL and also include the same in the valuation of assets of the distribution subsidiaries (i.e. NESCO, WESCO, SOUTHCO and CESCO) privatised in April/September 1999, rendering the expenditure of Rs.0.65 crore infructuous.

The matter was reported to the Company and the Government (May 2002); their replies had not been received (November 2002).

4.2 ORISSA POWER GENERATION CORPORATION LIMITED

4.2.1 Avoidable payment of electricity charges

Delay in initiating action for erection and commissioning of transformer to draw power for Ash Water Recycling Plant resulted in avoidable expenditure of Rs.2 crore

Ib Thermal power plant of the Company was availing power from Orissa State Electricity Board/Grid Corporation of Orissa Limited (GRIDCO) with a Contracted Demand (CD) of 750 KVA through 33 KV line for consumption by its colony as well as other needs under an agreement executed in November 1989. As a consequence of the privatisation of the distribution of power in the State, GRIDCO informed (January 1999) the Company that a fresh agreement would have to be executed with Western Electricity Supply Company of Orissa Limited (WESCO), a private distribution company, which would take over the 33 KV lines with effect from 1 April 1999. No action, however, was taken to review its power requirement in the changed scenario or a fresh agreement was executed. Due to commissioning of Ash Water Recycling Plant (AWRP) in February 1999, the demand exceeded 750 KVA. Ultimately, at the insistence of WESCO the Company had to execute (June 2000) a fresh agreement for 2,400 KVA under General Purpose Tariff with retrospective effect from April 1999.

As the cost of power from WESCO was very expensive compared to cost of its own generation, the Company decided (September 1999) to install a 220/33 KV 20MVA transformer at a cost of Rs.2.40 crore to meet its own requirement including that of the AWRP and the colony that would effect a saving of Rs.2.35 crore per annum. The work was awarded (January 2000) to Hirakud Industrial Works Limited (HIWL) for completion by June 2000 and the Company applied (September 2000) for reduction of CD from 2,400 KVA back to 750 KVA. The Company started actually drawing power from its own plant from April 2001 onwards. In the same month, WESCO cancelled the agreement for 2,400 KVA and reduced the CD to 750 KVA. The bill for the period from April 1999 to March 2001 was revised (April 2001) for energy charges Rs.4.91 crore and over drawal penalty charges of Rs.0.69 crore for drawal of power beyond the CD of 750 KVA which was paid by the Company in April 2001.

It was observed in Audit (May 2001) that though the Company was aware in January 1999 itself of the need to enter in to fresh agreement with WESCO and of high cost of power as against its own cost of generation as well as the power needs of the AWRP, it took no concrete action to expeditiously review its CD or install the transformer required to use its own power to meet the requirement of the AWRP. Had the Company taken expeditious steps from January 1999 itself to install the 220/33 KV 20 MVA transformer and taking in to account one year required to install the transformer, it would have drawn power for its AWRP by April 2000 and thus avoided the payment of Rs.2 crore (energy charges : Rs.1.62 crore plus over drawal penalty : Rs.0.38 crore) during the period from April 2000 to March 2001 as the contract with WESCO would have been only for 750 KVA required for colony consumption.

The Company accepted (February 2002) the mistake and stated that the loss was due to processing time and delay in installation.

The matter was reported to the Government (February 2002); their reply had not been received (November 2002).

4.2.2 Avoidable payment of consultancy fee

Engagement of a consultant for construction of Unit 3 and 4 of Ib Thermal Power Station without waiting for the finalisation of disinvestment process resulted in wasteful expenditure of Rs.24.50 lakh

Construction of Unit 3 and 4 of the Ib Thermal Power Station of 210 MW capacity each was entrusted by the State Government to the Company in May 1998. The Company issued work order (October 1998) for "Total Consultancy Services" for the above mentioned projects in favour of the lowest bidder viz. Desein Private Limited (DPL) at a total fee of Rs.2.75 crore for activities such as preparation of Basic and Detailed Engineering, preparation of project estimate, tendering, procurement, post commissioning services, inspection, etc. As per the work order, the overall schedule for consultancy services was 48 months from the date of award of the work. While DPL started preparation of the technical specification and submitted (December 1998) the same for approval, the Company instructed (November 1998) them not to take up any further work until further instructions. Finally, the Company terminated (June 2000) the assignment entrusted to DPL on the ground that the time frame by which the project was to be executed was uncertain and the private investor (AES Corporation of USA to whom 49 per cent share of the Company was sold in January 1991) had adequate technical expertise to design and oversee the construction of the power plant utilising their own engineers. The Company paid Rs.24.50 lakh to DPL (February and June 2000) against the bills for Rs.49 lakh submitted (March 1999) by them as full and final payment.

It was observed (May 2000) in Audit that the process of disinvestment of Government equity in the Company was under active consideration of the

Government. Before a final decision for appointment of consultant was taken (June 1998) by the Board of Directors of the Company, the Director (Finance) had advised (May 1998) the Board to defer appointment of consultant till selection of the strategic investor and pending finalisation of disinvestment of Government equity. It would have been prudent to accept the views of the Director (Finance) particularly when the bidders (for disinvestment) were assured by the State Government that no major decision regarding final selection of consultants would be taken during the process of disinvestment. Further, just after one month (October 1998) of issue of the work order, the Company had issued instruction to the consultant not to take up any further work. Eventually, the work order was terminated based on the opinion of the private shareholder. The reasons for acceptance of the bills for Rs.49 lakh in March 1999 in spite of issue of instructions to the consultant (November 1998) not to take up the work were also not on record.

Thus, engagement of consultant at a time when the process of disinvestment was on, ignoring the fact that the views of private promoters would effect such major decision, resulted in wasteful expenditure of Rs.24.50 lakh.

The Company stated (July 2002) that the legal documentation and the payment security mechanism was not properly addressed before proceeding ahead in the appointment of consultant and accordingly, the Board decided to cancel the contract. It further stated that the expenditure of Rs.24.50 lakh was accepted to avoid the legal complications in canceling the contract and to safeguard the financial risk of the Company for the future. The decision for appointment of consultant was made with the full knowledge that the disinvestment was imminent and such major decision could have been postponed.

The matter was reported to the Government (February 2002); their reply had not been received (November 2002).

4.3 INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

4.3.1 Avoidable loss in the execution of the contract

Failure to include force majeure clause and payment of Entry Tax (ET) in the agreement by KIW caused a loss of Rs.1.17 crore towards Liquidated Damage (LD) (Rs.0.85 crore) and ET (Rs.31.95 lakh) to the Company

Kalinga Iron Works (KIW), Barbil a unit of the Company received (December 1998) a supply order from Kerala Water Authority (KWA) against their offer made in August 1998, for supply of 89,096 metre of cast iron spun pipes of different sizes (80 mm. to 400 mm.) to various divisions of KWA. The value of order was Rs.13.47 crore including 15 per cent Excise Duty, four per cent Central Sales Tax and transport, unloading and stacking charges. On the request from KIW, date of supply order was amended as 11 May 1999 with the delivery of pipes by November 1999 (i.e. within six months from the date of supply order).

Audit scrutiny revealed that the plant could not deliver the materials within the scheduled time and got it extended up to 9 February 2000 with imposition of Liquidated Damage (LD). KIW did not contest the imposition of LD while accepting the extension. KIW also could not adhere to the extended delivery schedule and finally the delivery was completed in June 2000. KIW, however, obtained (October 2000) the post facto extension of delivery period up to June 2000 with imposition of LD. KWA deducted Rs.0.85 crore from the bills of KIW towards LD for delayed delivery. Besides this, KIW also paid Entry Tax (ET) of Rs.31.95 lakh while despatching pipes to various consignees of KWA in Kerala which was neither included in the rates quoted by KIW nor it was mentioned in the agreement. The Chairman-cum-Managing Director (CMD) of the Company requested (February 2001) the Chairman, KWA to clear the dues of KIW, considering waiver of LD as the supplies were delayed due to some unusual circumstances like delay in completion of certain formalities by KWA, non-receipt of payment in time, cyclone in Southern Orissa and again super cyclone in October 1999 disrupting the entire communication system and reimbursing the payment of Rs.31.95 lakh towards ET by KIW as there was no provision in the purchase order for payment. The KWA rejected (March 2001) the request for waiver of the LD observing strictly the LD clause of the supply order. The reimbursement of ET was also rejected on the ground that the Kerala Tax on Entry of Goods Acts was in effect on the date of supply order and KWA was not liable for the payment of ET.

As on July 2002, KIW was to get Rs.1.86 crore (including Rs.0.85 crore of LD and Rs.0.32 crore ET) from KWA. KIW incurred huge loss on execution of this order due to escalation in cost and abnormal increase in the road freight as attributed by CMD of the Company.

Government, while accepting the facts, stated (October 2002) that KWA had arbitrarily deducted LD for no fault on their part and refused to pay the ET. Since huge outstanding is still with KWA, they are unable to take any legal action.

The reply is not tenable as in the absence of force majeure clause in respect of schedule of delivery and clear stipulation regarding liability towards ET in the agreement, the chances of recovery of the same through legal action appeared bleak.

Thus, failure on the part of the Senior Deputy Manager, Sales Department to include force majeure clause in respect of schedule of delivery coupled with failure to stipulate clearly the liability for payment of ET in the agreement, the Company suffered a loss of Rs.1.17 crore excluding loss towards escalation of cost and increase in road freight.

4.4 HIRAKUD INDUSTRIAL WORKS LIMITED

4.4.1 Loss on execution of works

Avoidable expenditure of Rs.2.11 crore due to delay in execution of works and inability in raising funds through bond issue

On receipt of Letter of Intent (LOI) from Grid Corporation of Orissa Limited (GRIDCO), the Company took up (February 1998) the work of construction of 400 KV DC line from Meramunduli to Mendhasal and 220 KV DC line from Mendhasal to Bidanasi alongwith 200 KV sub-station at Bidanasi at a project cost of Rs.92.28 crore. As per the terms of the LOI, the work was on turn key basis and the Company was to arrange full funding for the work, which would be repaid by GRIDCO in five yearly instalments alongwith interest at the rate of 14 per cent per annum on half-yearly instalments after a moratorium of two years.

The Company sought to raise (December 1997/January 1998) Rs.100 crore through private placement of bond at the rate of 14 per cent interest per annum on the guarantee of IDCOL (the holding company). However, the Company could raise only Rs.5.01 crore (February/March 1998) as the bonds issue of its holding company was also open in the market at that time. Thereafter, the Company arranged (September 1998) the entire requirement of funds for the project from ICICI on discounting of bills at an interest rate of 15.3 per cent per annum. GRIDCO agreed to bear the interest at 14 per cent and the Company had to bear the balance interest of 1.3 per cent per annum.

As per Clause 5.1 of the LOI, time was the essence of the contract and the Company was to ensure that the entire work was completed by 30 June 1999.

Audit scrutiny revealed (April 2000) that:

(i) Though the work was to be completed by 30 June 1999, the Company could complete 90 per cent of the work by July 2002. The reasons for delay were attributed by the Company to problem in river crossing due to high flood water, right of way problems, change of route, etc. which was indication of poor planning and execution. As per clause 5.2 of the LOI, the Company was to pay the liquidated damages at the rate of 0.5 per cent of the contract price for each week of delay up to a maximum amount of five per cent of the contract price. Hence, LD amounting to Rupees one crore was deducted by GRIDCO from the bills of the Company till April 2002;

(ii) Though the Company was aware of the fact that the issue of bonds by its holding company, guaranteed by State Government, was also open in the market, the Company proceeded to raise funds through issue of bonds and thus failed to raise the required funds. As a result, the Company was forced to arrange funds from ICICI at higher rate and had to pay Rs.1.11 crore up to March 2002 towards differential interest; and

(iii) Though the work was being financed by ICICI, the Company unnecessarily retained the bond proceeds of Rs.5.01 crore and diverted it towards the expenditure met by its division offices.

The Company stated (December 2001) that it decided to execute the work by absorbing the excess interest cost only to get an experience in this type of 400 KV project. The reply is not convincing in view of the fact that the Company incurred an avoidable expenditure of Rs.2.11 crore up to April 2002 (towards LD: Rs.1 crore and excess interest liability on ICICI loan: Rs.1.11 crore) due to inability in raising funds through bond issue and delay in execution of works.

The matter was reported to the Government (February 2002); their replies had not been received (November 2002).

4.5 ORISSA SMALL INDUSTRIES CORPORATION LIMITED

4.5.1. Loss due to financial assistance without any security

Loss of Rs.0.80 crore due to extending financial assistance to a unit without obtaining security and without verifying the credit worthiness of the unit. Post-dated cheques worth Rs.0.15 crore were not even encashed

The Company has been rendering unsecured financial assistance to Binayak Plastic Limited, Bhubaneswar, a SSI unit, engaged in manufacture of Multi Layer Films/Polly Rolls since 1992. The unit was to pay interest on the amount financed at the rate revised from time to time and was fixed at 20.26 per cent from April 1998. An unsecured credit limit of Rs.15 lakh was fixed for the unit without obtaining any collateral security (October 1996). Such an arrangement of financing was not covered by any approved scheme. Though the Managing Director of the Company directed (December 1997) to bring it under the Raw Material Credit Scheme/Unsecured Trade Credit Scheme of June 1997, the same was not complied with and the practice of extending unsecured credit to the unit without fulfilling the terms and conditions of the approved schemes continued. A fresh agreement was entered (April 2000) with the unit for a period of 12 months and as per the agreement the unit was to provide collateral security or movable property in favour of the Company as guarantee. In violation of the agreement financial assistance was continued without any security that too on the basis of ad-hoc accounts.

In this connection, the following points were noticed in Audit (January 2002):

(i) Though, it was agreed by the unit in 1996 to create second charge on the assets of the unit (first being that of Orissa State Financial Corporation) in favour of the Company duly registered with Registrar of Companies (ROC), no action was taken to obtain the same. As the unit was not in a position to offer any collateral security as per the agreement, the Company accepted post-dated cheques for Rs.15 lakh in lieu of security. However the cheques were never presented for payment indicating that the Company’s interests were not safeguarded.

(ii) Scrutiny also revealed that an amount of Rs.26.87 lakh was disbursed to the unit as on 29 December 1990 by another State financial institution viz. OSFC and that the unit had not repaid the same. Attempts to verify the credit worthiness of the unit were also not made by the Company.

(iii) The annual accounts statements in respect of the transactions with the unit were not prepared since 1992-93. Interest amount was never calculated and adjusted since beginning of the transaction. The agreement furnished up to 1997 by the unit were not put up to the Managing Director of the Company for signature and record. Though the Chairman of the Company had ordered (September 2001) that action be initiated against the officials responsible for non-finalisation of accounts and excess credit to the unit, only charge memo was issued (February 2002) against two officials for which enquiry officers were appointed only in July/August 2002.

Government, while accepting the facts, stated (December 2002) that it proposed legal action against the unit. The reply is misleading since the Company does not even possess the list of Directors and is still in the process of obtaining a copy of the Memorandum of Associations from the ROC.

Thus, extension of credit facility to an unit under the agreement not covered by any approved scheme of the Company on ad-hoc basis and without calculation of actual outstanding at the end of each year led to doubtful recovery of Rs.0.80 crore (Principal: Rs.13.74 lakh and Interest: Rs.0.66 crore).

4.5.2 Avoidable expenditure on leasehold land for construction of staff quarters

Injudicious decision for obtaining land on lease for construction of staff quarters and payment of premium out of borrowed funds led to loss of Rs.21.50 lakh

The Company applied (October 1998) for allotment of Government land measuring 1.65 acre in Cuttack town for construction of staff quarters. The State Government sanctioned (March 1999) the said land on lease in favour of the Company for construction of staff quarters for a premium of Rs.0.66 crore with the stipulation that the land should be utilised for the stated purpose only. The registered deed was to be executed within six months of sanction and after full payment of premium. The Company deposited Rs.0.50 crore in three instalments between March 1999 and March 2000. The balance amount of Rs.16.40 lakh had not been paid due to paucity of funds even after extension allowed by Government up to June 2000. Due to non-deposit of full amount the land was neither registered in favour of the Company nor possession could be obtained so far (August 2002). The Company requested (November 2001) for revalidation of the sanction order up to December 2001 which was not accepted and the sanction order became redundant. Scrutiny in Audit (December 2001) further revealed that the Company did not have any specific plan for construction of staff quarters since no estimate and plans for the same had been prepared. Further, the demand for the staff quarters was also unlikely since almost all the officers and 70 per cent of staff had been covered with house building advance from the Company. The Company would also not be able to utilise the land for any other purpose in view of stipulations in the sanction order. Later in July 2002, the Company decided not to undertake the construction of staff quarters considering the adverse financial condition of the Company and requested (July 2002) the Government to refund the amount already deposited. The refund of the deposited amount was yet to be considered by the Government. Thus, the decision of the Company to construct staff quarters out of borrowed funds and payment of Rs.0.50 crore was imprudent, which resulted in loss of interest of Rs.21.50 lakh up to July 2002.

In reply, Government accepted (December 2002) the above facts.

4.5.3 Undue favour shown to a loanee

Extension of loan under Raw Material Credit Scheme in violation of provisions of agreement resulted in loss of Rs.16.64 lakh

The Company introduced (April 1993) Raw Material Credit Scheme (RMCS) for purchase of raw material by manufacturing units. The guidelines for sanction and disbursement of assistance under the scheme provided for limiting assistance amounting to Rs.0.50 crore against securities, bank guarantees (BG), letter of credit (LC) and margin money in cash. The assistance was to be repaid along with interest within a maximum period of 120 days. Kalinga Tin Containers (Private) Limited (KTCL), Bhubaneswar, executed (December 1996) an agreement valid for a period of one year for availing financial assistance under the RMCS up to a maximum limit of Rs.24 lakh against deposit of cash margin of 15 per cent of the loan amount. Further, the material purchased out of the loan provided by the Company was to be taken delivery by the authorised transporter of the Company or the supplier and stored in the godown of the loanee under lock and key of the Company. The material was to be released after receipt of payment from the loanee. Accordingly the Company financed Rs.13.30 lakh, Rs.7.66 lakh and Rs.9.15 lakh between December 1996 and January 1997 to KTCL for purchase of material against which KTCL brought the material to the depot of the Company on the first two occasions only, which were duly released on receipt of payment. However, the material against the last funding of Rs.9.15 lakh was taken by KTCL directly instead of bringing the same to the depot of the Company without making payment to the Company as per terms of the scheme. The Company managed to realise only Rs.2.20 lakh (June/August 1997) from KTCL in cash. The cheque for Rs.6.95 lakh issued by KTCL during October 1997 was dishonoured in November 1997. In reply, Government stated (December 2002) that though a case was filed against KTCL under Negotiable Instruments Act, due to want of property details no action was taken for recovery of the balance amount of Rs.16.64 lakh (including interest of Rs.9.69 lakh up to June 2002) under Orissa Public Demands Recovery Act, 1962.

Thus, release of advance by the General Manager (Commercial) with total disregard to the prescribed provisions of the scheme and without security resulted in loss of Rs.16.64 lakh to the Company.

4.6 ORISSA RURAL HOUSING AND DEVELOPMENT CORPORATION LIMITED

4.6.1 Loss due to negligence in disbursement of loan

Disbursement of loan to a private builder violating the provisions of sanction and without security coupled with poor follow up action for recovery led to loss of Rs.0.53 crore

The Company adopted a policy (June 1995) for financing rural housing activities up to 60 per cent of its business and devoted the balance 40 per cent to urban housing finance activities with a view to cross-subsiding the meagre income from rural housing activities. In June 1996, the Company extended its urban loan portfolio to builders and corporates involved in construction and property development. Mention was made in paras 2A.12.1.2, 2A.12.1.3 and 2A.12.1.4 of the Report of the Comptroller and Auditor General of India (Commercial) - 2001 regarding disbursement of loans under urban housing scheme to private builders/developers for construction of housing projects without executing proper agreement and without collecting adequate security.

Further to this, in the instant case the Company sanctioned (October 1999) a 'bridge loan' of Rs.40 lakh to Rajlaxmi Promoters Private Limited (RPPL) for construction of a commercial and residential complex at Bhubaneswar. The Company executed (October 1999) an agreement with RPPL and disbursed Rs.40 lakh between October 1999 and May 2000. Though the entire loan amount (Rs.40 lakh) along with interest was to be repaid by March 2001, RPPL paid only interest of Rs.2.08 lakh as a result of which Rs.0.53 crore (including interest of Rs.13.45 lakh) became overdue from RPPL as of January 2002.

Scrutiny in Audit revealed the following (January 2002):

The loan was disbursed by the Managing Director of the Company on the basis of estimates submitted by RPPL without verifying the actual progress of the work and expenditure incurred. The completion of the project was also not known (April 2002) to the Company.

The mortgage deed of the land and construction there on and Demand Promissory Note was not obtained from the loanee as per terms of sanction as a measure of security.

The documents executed by RPPL for creating lien on five flats of the complex were not authenticated by RPPL whereby the Company would not be able to enforce the same for recovery of the overdue amount.

The Company did not take any legal measure for recovery of the overdue amount of Rs.0.53 crore except issuance (December 2001) of a notice to RPPL to clear the overdue amount within 30 days.

In reply the Company stated (April 2002) that invocation of personal guarantees would be taken up at appropriate time when all the measures for recovery have been exhausted. The reply is not tenable since even after delay of more than one year from the scheduled date of repayment (March 2001), no action has been taken by the Company to recover the overdue amount and safeguard the interest of the Company.

Thus, disbursement of loan without execution of mortgage deed for land and building and without obtaining valid collateral security violating the terms of sanction resulted in non-recovery of overdue amount of Rs.0.53 crore (including interest of Rs.13.45 lakh).

The matter was reported to the Government (May 2002); their reply had not been received (November 2002).

4.7 ORISSA FOREST DEVELOPMENT CORPORATION LIMITED

4.7.1 Avoidable expenditure on payment of commission to liaison agent

Loss of Rs.0.50 crore due to unnecessary appointment of LA and payment of commission without obtaining the services as agreed upon

The Company supplied forest material mainly to Rourkela Steel Plant (RSP), Railways and to Collieries. However, supplies to the Railways and Collieries was completely stopped after 1995-96, leaving an unrecovered outstanding dues of Rs.2.23 crore. While 80 per cent of the RSP dues were collected within 15 to 60 days, the remaining 20 per cent was collected within four to five months from the date of submission of bills.

On a suo motu request from Priyadarshinee (P), Rourkela, the Company appointed (25 November 1997) P as a liaison agent (LA) to realise the outstanding dues pending with RSP, Railways and Collieries, obtain fresh orders, expedite early payment and increase the business of timber by obtaining a minimum 90 per cent order against the present 80 per cent from RSP with upward revision of price. The commission of LA was revised from three to five per cent with specific condition to include the recoveries of old collieries dues (Rs.2.23 crore) in his work scope. Separate clauses for review of LA's performance (clause-8) and proportionate reduction in commission for any shortfall (clause-6) were also added in the contract. In addition, LA was also required to achieve at least 30 to 40 per cent increase in business. The Company paid Rs.0.50 crore to LA during the period from 1 December 1997 to 24 November 2000.

It was observed in Audit (June 2001) that there was no necessity of appointment of LA for the business of the Company due to the reasons as under:

a) the percentage of outstanding dues of RSP was ranging between only 0.13 and 4.10 per cent during the last five years before the appointment of LA;

b) LA had no role in upward revision of price in respect of supplies to RSP as the same was being done in the meetings held between the RSP and the Company;

c) there was surplus manpower available with the Company due to reduction of activities of the Company who could have been utilised for collection of outstanding dues; and

d) the appointment of LA was not contemplated in the existing sales policy of the Company.

The LA collected the dues only from RSP during 1 December 1997 to 24 November 2000 and did not collect the dues from Railways and Collieries. Thus, the Company extended undue favour to P by appointing him as LA and paying Rs.0.50 crore towards five per cent commission on collection of outstanding dues only from RSP. Further, on 20 June 2001, a fresh agreement was entered with the same LA at 3.4 per cent commission.

The Company stated (March 2002) that LA could not collect any dues from Railways and Collieries due to certain disputes with them. It was further stated that there was increase in business by 9.65 per cent in 1998-99 and four per cent in 1999-2000. The reply is not tenable in view of the fact that the work scope of LA included the recoveries of old dues from Railways and Collieries (Rs.2.22 crore) as well and on the basis of this only his commission was fixed at five per cent. Further, no increase in Company's business was achieved by LA against the stipulated increase of 30 to 40 per cent. Despite this, the Company did not invoke the clause-6 of the contract for reduction in commission for shortfall in performance.

The matter was reported to the Government (February 2002); their reply had not been received (November 2002).

4.8 ORISSA BRIDGE AND CONSTRUCTION CORPORATION LIMITED

4.8.1 Loss due to negligence

Failure to recover statutory dues for Employees Provident Fund (EPF) from service contractors bills resulted in loss of Rs.46.65 lakh

According to section 2(F) of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 read with para 30 of the Employees Provident Fund Scheme, 1952, the contractor would have to recover the contribution payable by employees and pay to the principal employer, the amount of employees contribution deducted together with an equal amount of contribution for onward remittance to the Regional Provident Fund Commissioner (RPFC).

It was revealed in Audit (December 2001) that the Company engaged (February 1986 and July 1987) two contractors, viz. Oriental Security Service (OSS) and Security Service & Consultants (SSC) for providing security service and to supply personnel for official work, respectively. The contracts were extended from time to time. The contract with OSS was extended up to October 1996 while that with SSC up to September 1996. As per Clause 16/18 of the agreement with the above contractors, the contractors were to pay the provident fund contribution under the existing laws. In pursuance of the above statutory provision, the Company should have ensured due compliance before making payments of the bills submitted by the contractors. The dues of the contractors were paid monthly on submission of bills from February 1986 to July 1996 without ensuring compliance with the statutory provisions. The PF contribution dues remained unpaid as the same was not even deposited by the contractors. In August 1996, the contractors refused to accept the security staff as their own and discontinued presenting the bills. On the complaint of the security staff, the Labour Court directed (October 1996) the Company to pay the unpaid wages to the security staff. Even though the Company made payment to the employees engaged by the contractors directly with effect from August 1996 as per order of the Labour Court it did not recover EPF dues from the said employees. The RPFC took up the matter in November 1997 and assessed (April 2000) an amount of Rs.0.76 crore as EPF dues in respect of 345 employees for the period February 1986 to October 1997. Subsequently, on consideration of a review petition filed by the Company, the RPFC re-assessed (March 2001) the dues to Rs.0.55 crore (including interest of Rs.1.24 lakh) in respect of 283 employees and directed the Company to ascertain the wage position of remaining 62 employees for initiation of separate proceedings for deciding the liability. The Company paid an amount of Rs.27.98 lakh between August 2000 and October 2001 to RPFC. The Company had neither taken action to collect the PF dues from the contractors as per the contractual terms and the statutory provisions nor fixed responsibility on the person(s) responsible for non deduction of EPF dues from the bills of the contractors (up to July 1996) as well as from the wages of the security staff (with effect from August 1996).

Thus, the Company sustained loss of Rs.46.65 lakh (excluding Rs.8.27 lakh towards employer’s share from August 1996 to October 1997) due to negligence and thereby extended undue favour to the contractors by not recovering the statutory dues from their bills from February 1986 to July 1996 with further liability towards the dues of remaining 62 employees.

In reply, the Company accepted (March 2002) the mistake and stated that the inclusion of a suitable clause in the agreements to recover EPF dues from the contractors was overlooked.

The matter was reported to the Government (February 2002); their reply had not been received (November 2002).

4.9 ORISSA MINING CORPORATION LIMITED

4.9.1 Loss on account of under-loading charges and rejection of supplies not as per specification

Due to negligence of the plot officials in loading manganese ore in to wagons the Company sustained a loss of Rs.13.44 lakh towards payment of penalties

The Company sold ore to Rourkela Steel Plant (RSP), Bokaro Steel Plant (BSP) and others on receipt of supply orders in the domestic market.

Audit scrutiny revealed (March 2002) that RSP deducted Rs.2.48 lakh from the bills of the Company towards under-loading charges against the supplies made between May 1998 and March 1999. Similarly, BSP also deducted Rs.7.08 lakh towards under-loading charges from the bills against supplies between April 1998 and December 2001 as there was difference between the quantity recorded in the railway receipt (RR) and the actual quantity received by steel plants as per weighment at their weighbridges. Besides, RSP deducted Rs.0.69 lakh towards liquidated damages for short-supply and BSP deducted Rs.3.20 lakh towards supply of 13,468 metric tonne during March to July 2000 not being as per specifications.

In this connection it was observed that the Deputy Manager (Accounts) of the Company had reported (21 June 1999) that proper supervision of loading in to wagons was not made by the plot officials at the Railway sidings and the wagons were not being loaded up to its carrying capacity and fictitious/imaginary quantities were recorded in the RR. Despite the recommendations of COPU (December 1999) on the para No.3A.2 (iii) of the Audit Report - 1995 (Commercial) wherein the loss on account of idle freight for under-loading of wagons was pointed out and report of the Deputy Manager, the Company did not take any action to maintain better co-ordination with the Railway authorities and improve the mode of transportation and loading.

The Company stated (July 2002) that the loadings were done under the supervision of Railway authorities and hence record of fictitious figures in RRs was not possible and losses were also due to supply of defective wagons and improper supervision by Railway authorities.

The reply is not tenable as the Company did not taken any action to ensure proper supervision of loading even after the receipt of the report of the Deputy Manager and such negligence continued till December 2001. Further, the recommendation of COPU (20th Report, December 1999) to improve the mode of transportation and loading was not implemented by the Company.

Thus, due to non-adherence of recommendation of COPU and negligence of the plot officials of the Company viz. Supervisors/Weighbridge Assistants responsible for loading at the Railway sidings, the Company sustained a loss of Rs.13.44 lakh. The Company had neither investigated the matter to fix responsibility nor contested the deductions made by the steel plants. The Company had also not claimed Rs.3.20 lakh from the Quality Control Analyst (Mitra S.K Mineral Inspection (P) Limited, Barbil) responsible for the despatch of low grade manganese ore of 13,468 metric tonne.

The matter was reported to the Government (July 2002); their reply had not been received (November 2002).

Bhubaneswar
The

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

Countersigned

New Delhi
The

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

ANNEXURES

ANNEXURE-1

Statement showing particulars of up-to-date paid-up capital, budgetary outgo, loans given out of budget and loans outstanding as on 31 March 2002 in respect of Government companies and Statutory corporations

(Referred to in Paragraphs 1.2.1.1, 1.2.1.2 and 1.2.2)

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

		Paid-up capital as at the end of the current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans* outstanding at the close of 2001-02			Debt equity ratio for 2001-02 (Previous years) 4(f)/3(e)
Sl. No.	Sector and Name of the company	State Govern-ment	Central Govern-ment	Holding companies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	**WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED												
1.	Orissa Agro Industries Corporation Limited	609.28	105.27	--	0.60	715.15	--	--	--	1505.82	30.00	1535.82	2.15:1 (2.10:1)
2.	Orissa State Seeds Corporation Limited	211.00	--	--	47.60	258.60	--	--	--	--	--	--	-- (--)
3.	Orissa State Cashew Development Corporation Limited	155.04	--	--	--	155.04	--	--	--	--	--	--	-- (--)
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	110.00	--	--	--	110.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***1085.32***	***105.27***	***--***	***48.20***	***1238.79***	***--***	***--***	***--***	***1505.82***	***30.00***	***1535.82***	***1.24:1 (1.22:1)***
	INDUSTRY												
5.	Neelachal Ispat Nigam Limited	25.38	--	--	21677.14	21702.52	--	--	--	--	77751.84	77751.84	3.58:1 (3.27:1)
	Sector wise total	***25.38***	***--***	***--***	***21677.14***	***21702.52***	***--***	***--***	***--***	***--***	***77751.84***	***77751.84***	***3.58:1 (3.27:1)***
	ENGINEERING												
6.	Hirakud Industrial Works Limited (Subsidiary of Sl. No.22 of working Company)	--	--	490.01	--	490.01	--	--	--	--	441.80	441.80	0.90:1 (--)
	Sector wise total	***--***	***--***	***490.01***	***--***	***490.01***	***--***	***--***	***--***	***--***	***441.80***	***441.80***	***0.90:1 (--)***
	ELECTRONICS												
7.	Orissa State Electronics Development Corporation Limited	2203.50	--	--	--	2203.50	--	--	--	--	2000.00	2000.00	0.91:1 (--)
8.	ELMARC LIMITED(Subsidiary of Sl No.7)	-	-	101.57	-	101.57	-	-	--	-	201.21	201.21	1.98:1 (1.62:1)
9.	IDCOL Software Limited (Subsidiary of Sl. No. 22 of WC)	--	--	60.05	40.02	100.07	--	--	--	--	--	--	-- (--)
	Sector wise total	***2203.50***	***--***	***161.62***	***40.02***	***2405.14***	***--***	***--***	***--***	***--***	***2201.21***	***2201.21***	***0.92:1 (0.07:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	FOREST												
10.	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	--	--	3783.31	3783.31	29.56:1 (36.57:1)
	Sector wise total	***128.00***	**--**	**--**	**--**	***128.00***	**--**	**--**	**--**	**--**	***3783.31***	***3783.31***	***29.56:1 (36.57:1)***
	MINING												
11.	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--	--	2418.00	--	2418.00	0.77:1 (0.8:1)
	Sector wise total	***3145.48***	**--**	**--**	**--**	***3145.48***	**--**	**--**	**--**	***2418.00***	**--**	***2418.00***	***0.77:1 (0.81:1)***
	CONSTRUCTION												
12.	Orissa Construction Corporation Limited	1150.00	--	--	--	1150.00	--	--	--	--	--	--	-- (--)
13.	Orissa Bridge and Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***1650.00***	**--**	**--**	**--**	***1650.00***	**---**	**--**	**--**	**--**	**--**	**--**	***-- (--)***
	PUBLIC DISTRIBUTION												
14.	Orissa State Civil Supplies Corporation Limited	978.32	--	--	--	978.32	--	--	--	556.60	--	556.60	0.57:1 (0.45:1)
	Sector wise total	***978.32***	**--**	**--**	**--**	***978.32***	**--**	**--**	**--**	***556.60***	**--**	***556.60***	***0.57:1 (0.45:1)***
	CEMENT												
15.	IDCOL Cement Limited (Subsidiary of the Company at Sl. No.22 of WC)	--	--	9000.00	3500.00	12500.00	--	--	28.80	--	28.80	28.80	0.002:1 (1.49:1)
	Sector wise total	**--**	**--**	***9000.00***	***3500.00***	***12500.00***	**--**	**--**	**28.80**	**--**	***28.80***	***28.80***	***0.002:1 (1.49:1)***
	TOURISM												
16.	Orissa Tourism Development Corporation Limited	962.16	--	--	--	962.16		--	--	--	--	--	--
	Sector wise total	***962.16***	**--**	**--**	**--**	***962.16***		**--**	**--**	**--**	**--**	**--**	**--**
	POWER												
17.	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.65	49021.74	--	--	--	--	23868.85	23868.85	0.49:1 (0.53:1)
18.	Orissa Hydro Power Corporation Limited	32080.00	--	--	--	32080.00	--	--	--	148869.04	29895.00	178764.04	5.57:1 (5.58:1)
19.	Grid Corporation of Orissa Limited	48684.21	--	--	--	48684.21	--	--	–	--	44372.83	44372.83	0.91:1 (6.58:1)
	Sector wise total	***105765.30***	**--**	**--**	***24020.65***	***129785.95***	**--**	**--**	**–**	***148869.04***	***98136.68***	***247005.72***	***1.9:1 (4.05:1)***
	FINANCING												
20.	Industrial Promotion & Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	--	--		1533.74	6374.28	7908.02	0.95:1 (0.95:1)
	Sector wise total	***8314.29***	**--**	**--**	**--**	***8314.29***	**--**	**--**		***1533.74***	***6374.28***	***7908.02***	***0.95:1 (0.95:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	MISCELLANEOUS												
21.	Orissa State Police Housing & Welfare Corporation Limited	563.01	--	--	--	563.01	--	--	--	--	--	--	-- (--)
22.	Industrial Development Corporation of Orissa Limited	5711.79	--	--	--	5711.79	--	--	--	2509.09	24816.74	27325.83	4.78:1 (4.48:1)
23.	Orissa Small Industries Corporation Limited	965.86	--	--	--	965.86	--			173.00	190.24	363.24	0.38:1 (0.46:1)
24.	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	--	--		114.77	114.77	0.21:1 (0.24:1)
25.	Kalinga Studios Limited (Subsidiary of Sl. No. 24 of WC)	--	--	129.50	--	129.50	---	--		--	24.83	24.83	0.19:1 (0.11:1)
26.	Orissa Timber and Engineering Works Limited (Subsidiary of Sl.No.23 of WC)	--	--	0.05	--	0.05	--	--	--	--	--	--	-- (--)
27.	Konark Jute Limited (Subsidiary of Sl. No. 22 of WC)	--	--	413.00	180.99	593.99	--	--	--	876.80	43.49	920.29	1.55:1 (1.55:1)
28.	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	--	--	343.71	343.71	0.05:1 (0.05:1)
29.	Orissa Rural Housing and Development Corporation Limited	1940.00	--	--	--	1940.00	1000.00	--	13419.50	448.00	40384.51	40832.51	21.04:1 (28.8:1)
30.	Orissa Beverages Corporation Limited	200.00	--	--	--	200.00	--	--	–	--	--	--	-- (--)
31.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 22 of WC)	--	--	0.07	--	0.07	--	--	–	--	--	--	-- (--)
32.	IDCOL Ferro Chrome Alloys Limited (Subsidiary of Sl. No. 22 of WC)	--	--	0.07	--	0.07	--	--	–	--	--	--	-- (--)
33.	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 22 of WC)	--	--	0.50	--	0.50	--	--	–	--	--	--	-- (--)
	Sector wise total	***17393.96***	***--***	***543.19***	***180.99***	***18118.14***	***1000.00***	***--***	***13419.50***	***4006.89***	***65918.29***	***69925.18***	***3.86:1 (3.09:1)***
	TOTAL (A) WORKING GOVERNMENT COMPANIES	**141651.71**	**105.27**	**10194.82**	**49467.00**	**201418.80$**	**1000.00**	**--**	**13448.30**	**158890.09**	**254666.21**	**413556.30**	**2.05:1 (3.40:1)**
B.	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT												
1.	Orissa State Road Transport Corporation	11904.93	1592.27	--	0.83	13498.03	--	--	--	--	7342.28	7342.28	0.54:1 (0.51:1)
	Sector wise total	***11904.93***	***1592.27***	***--***	***0.83***	***13498.03***	***--***	***--***	***--***	***--***	***7342.28***	***7342.28***	***0.54:1 (0.51:1)***
	FINANCING												
2.	Orissa State Financial Corporation	4852.52	--	--	3904.79	8757.31	--	80.70	--	3713.52	62057.48	65771.00	7.51:1 (6.99:1)
	Sector wise total	***4852.52***	***--***	***--***	***3904.79***	***8757.31***	***--***	***80.70***	***--***	***3713.52***	***62057.48***	***65771.00***	***7.51:1 (6.99:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CO-OPERATION												
3.	Orissa State Warehousing Corporation	180.00	-	-	180.00	360.00	--	-	-	-	-	-	-- (--)
	Sector wise total	***180.00***	***-***	***-***	***180.00***	***360.00***	***--***	***-***	***-***	***-***	***-***	***-***	***-- (--)***
	TOTAL (B) ALL STATUTORY CORPORATION	**16937.45**	**1592.27**	**--**	**4085.62**	**22615.34**	**--**	**80.70**	**–**	**3713.52**	**69399.76**	**73113.28**	**3.23:1 (3.01:1)**
	TOTAL (A) + (B)	**158589.16**	**1697.54**	**10194.82**	**53552.62**	**224034.14$**	**1000.00**	**80.70**	**13448.30**	**162603.61**	**324065.97**	**486669.58**	**2.17:1 (3.36:1)**
C.	**NON WORKING GOVERNMENT COMPANIES**												
	INDUSTRY												
1.	ORICHEM Limited (Subsidiary of Sl.No.22 of Working Company)	--	--	229.12	47.53	276.65	--	--	--	--	94.02	94.02	0.34:1 (0.34:1)
2.	Konark Detergent and Soaps Limited (Subsidiary of the Company at Sl.No.23 of working Company)	--	--	9.32	--	9.32	--	--	--	--	--	--	-- (--)
3.	Kalinga Steel (I) Limited (Subsidiary of Sl.No.20 of working Company)	--	--	0.08	--	0.08	--	--	--	--	--	--	-- (--)
	Sector wise total	***--***	***--***	***238.52***	***47.53***	***286.05***	***--***	***--***	***--***	***--***	***94.02***	***94.02***	***0.33:1 (--)***
	ENGINEERING												
4.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968 under voluntary liquidation since 30 August 1976)	4.34	--	--	0.20	4.54	--	--	--	--	--	--	-- (--)
5.	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	3.78	--	--	0.22	4.00	--	--	--	--	--	--	-- (--)
6.	Premier Bolts and Nuts Limited (Under process of liquidation; assets have been disposed of)	1.46	--	--	0.82	2.28	--	--	--	--	--	--	-- (--)
7.	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09 March 1976)	3.70	--	--	0.50	4.20	--	--	--	--	--	--	-- (--)
8.	Orissa Instruments Company Limited	96.79	--	--	--	96.79	--	--	--	--	--	--	-- (--)
9.	Hira Steel and Alloys Limited (Subsidiary of Sl. No.22 of WC)	--	--	12.28	--	12.28	--	--	--	--	--	--	-- (--)
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.22 of WC)	--	--	193.15	--	193.15	--	--	--	--	3085.13	3085.13	15.97:1 (16.8:1)
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl. No.23 of WC)	--	--	29.95	--	29.95	--	--	--	--	--	--	-- (--)
	Sector wise total	***110.07***	***--***	***235.38***	***1.74***	***347.19***	***--***	***--***	***--***	***--***	***3085.13***	***3085.13***	***8.89:1 (9.27:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	ELECTRONICS												
12.	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	0.36	--	--	0.10	0.46	--	--	--	--	--	--	-- (--)
13.	Modern Electronics Limited (Under process of liquidation)	4.27	--	--	0.10	4.37	--	--	--	--	--	--	-- (--)
14.	IPITRON Times Limited (Subsidiary of Sl.No.7 of WC)	--	--	80.83	--	80.83	--	--	--	168.33	--	168.33	2.08:1 (2.08:1)
15.	Konark Television Limited	606.97	--	--	--	606.97		--	--	200.75	--	200.75	0.33:1 (0.33:1)
16.	ELCOSMOS Limited (Subsidiary of Sl. No. 7 of WC)	--	--	158.51	--	158.51	--	--	--	200.00	--	200.00	1.26:1 (1.26:1)
17.	ELCOPHONES Limited (Subsidiary of Sl. No. 7 of WC)	--	--	0.01	--	0.01	--	--	--	--	--	--	-- (--)
18.	ELCO Communication and Systems Limited (Subsidiary of Sl.No.7 of WC)	--	--	63.80	--	63.80	--	--	--	72.00	--	72.00	1.13:1 (1.13:1)
	Sector wise total	***611.60***	***--***	***303.15***	***0.20***	***914.95***	***--***	***--***	***--***	***641.08***	***-***	***641.08***	***0.70:1 (0.76:1)***
	TEXTILES												
19.	Mayurbhanja Textiles Limited	3.79	--	--	--	3.79	--	--	--	--	--	--	-- (--)
20.	New Mayurbhanja Textiles Limited	16.94	--	--	--	16.94	--	--	--	0.68	--	0.68	0.04:1 (0.04:1)
21.	Orissa Textile Mills Limited	2104.28	--	3.21	362.74	2470.23	--	--	--	1468.14	--	1468.14	0.59:1 (0.59:1)
22.	Orissa State Textile Corporation Limited	452.92	--	--	--	452.92	--	--	--	162.00	--	162.00	0.36:1 (0.36:1)
23.	ABS Spinning Mills Limited	--	--	300.00	--	300.00					720.75	720.75	2.40:1 (2.40:1)
	Sector wise total	***2577.93***	***--***	***303.21***	***362.74***	***3243.88***	***--***	***--***	***--***	***1630.82***	***720.75***	***2351.57***	***0.72:1 (0.55:1)***
	HANDLOOM AND HANDICRAFTS												
24.	Orissa State Handloom Development Corporation Limited	363.37	--	--	54.37	417.74	--	--	--	158.08	--	158.08	0.38:1 (0.38:1)
	Sector wise total	***363.37***	***--***	***--***	***54.37***	***417.74***	***--***	***--***	***--***	***158.08***	***--***	***158.08***	***0.38:1 (0.38:1)***
	AREA DEVELOPMENT												
25.	Orissa Maritime & Chilka Area Development Corporation Limited	623.38	--	--	--	623.38	--	--	--	22.15	--	22.15	0.04:1 (0.04:1)
	Sector wise total	***623.38***	***--***	***--***	***--***	***623.38***	***--***	***--***	***--***	***22.15***	***--***	***22.15***	***0.04:1 (0.04:1)***
	MISCELLANEOUS												
26.	Orissa State Commercial Transport Corporation Limited	234.00	376.00	--	--	610.00	--	--		119.63	669.75	789.38	1.29:1 (1.10:1)
27.	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	-- (--)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
28.	Orissa Fish Seed Development Corporation Limited	501.56	--	--	--	501.56	--	--	--	--	200.63	200.63	0.40:1 (2.01:1)
29.	Orissa State Export Development Corporation Limited	4.00	--	--	--	4.00	--	--	--	--	--	--	-- (--)
30.	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	0.53	--	--	0.08	0.61	--	--	--	--	--	--	-- (--)
31.	Orissa Boat Builders Limited (Company since 1987 decided to put under liquidation)	4.72	--	--	0.51	5.23	--	--	--	--	--	--	-- (--)
32.	Orissa Board Mills Limited (closed; decided for liquidation)	3.67	--	--	0.41	4.08	--	--	--	--	--	--	-- (--)
33.	Orissa State Leather Corporation Limited	396.63	--	--	28.41	425.04	--	--	--	37.00	--	37.00	0.09:1 (0.04:1)
34.	Orissa Leather Industries Limited (Subsidiary of Sl.No.33 of NWC)	--	--	64.99	0.01	65.00	--	--	--	176.96	--	176.96	2.72:1 (2.72:1)
35.	Kanti Sharma Refractories Limited (Subsidiary of Sl. No. 23 of WC)	--	--	85.00	--	85.00	--	--	--	65.98	--	65.98	0.78:1 (0.78:1)
	Sector wise total	***1180.11***	***376.00***	***149.99***	***29.42***	***1735.52***	_	**--**	**--**	***399.57***	***870.38***	***1269.95***	***0.73:1 (0.66:1)***
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES	**5466.46**	**376.00**	**1230.25**	**496.00**	**7568.71$**	**--**	**--**	**--**	**2851.70**	**4770.28**	**7621.98**	**1.00:1 (0.94:1)**
	GRAND TOTAL (A)+(B)+(C)	**164055.62**	**2073.54**	**11425.07**	**54048.62**	**231602.85$**	**1000.00**	**80.70**	**13448.30**	**165455.31**	**328836.25**	**494291.56**	**2.13:1 (3.35:1)**

Note: Except in respect of Sl. No.A-4, 5 and 15, which finalised the accounts for 2001-02, figures are provisional and as given by the companies/corporations

* Loans outstanding at the close of 2001-02 represent long-term loans only.

$ Includes share application money Rs.22180.17 lakh (Sl. No.A-5 - Rs.19784.17 lakh and S. No.C-21 - Rs.2396.00 lakh)

ANNEXURE-2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to Paragraphs 1.2.3, 1.2.4, 1.2.5, 1.3.4 and 1.3.5)

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

Sl. No.	Sector and name of the company	Name of the Department	Date of incor-poration	Period of accounts	Year in which accounts finalised	Net Profit / Loss (-)	Net impact of audit com-ments	Paid-up capital	Accumu-lated Profit/ Loss (-)	Capital employed (A)	Total Return on capital employ-ed	Percen-tage of total return on capital employed	Arrears of accou-nts in terms of years	Turn over	Man-power
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	**WORKING GOVERNMENT COMPANIES**														
	AGRICULTURE AND ALLIED														
1.	Orissa Agro Industries Corporation Limited	Agriculture and co-operation	20 December 1961	1993-94	2002-03	(-)368.11	--	486.05	(-)1784.82	722.31	(-)195.60	-	8	6349	579
2.	Orissa State Seeds Corporation Limited	Agriculture and co-operation	24 February 1978	1997-98 1998-99	2001-02 2002-03	360.23 321.52	-- --	252.86 258.25	(-)413.55 (-)102.01	1801.84 3373.08	432.70 392.67	24.01 11.64	3	4311	196
3.	Orissa State Cashew Development Corporation Limited	Agriculture and co-operation	06 April 1979	1999-00	2002-03	107.03	--	155.04	452.50	601.51	107.03	17.79	2	368	762
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	Agriculture and co-operation	01 March 1996	2001-02	2002-03	Commercial activity not yet started	--	110.00	--	196.21	--	--	--	Nil.	178
	Sector wise total					***60.44***	**--**	***1009.34***	***(-)1434.33***	***4893.11***	***304.10***	***6.21***			
	INDUSTRY														
5.	Neelachal Ispat Nigam Limited	Steel & Mines	27 March 1982	2001-02	2002-03	Commercial production not yet started	--	21702.52	--	108830.94	--	--	--	Nil.	N.A.
	Sector wise total						**--**	***21702.52***	**--**	***108830.94***	**--**	**--**			
	ENGINEERING														
6.	Hirakud Industrial Works Limited (Subsidiary of Sl.No.22 of WC)	Steel & Mines	18 January 1993	2000-01	2002-03	(-)156.84	Increase in profit-33.30	490.01	(-)159.99	1599.79	(-)65.36	--	1	3983	466
	Sector wise total					***(-)156.84***	**--**	***490.01***	***(-)159.99***	***1599.79***	***(-)65.36***	**--**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS														
7.	Orissa State Electronics Development Corporation Limited	Science & Technology	29 September 1981	1995-96	2002-03	(-)3.22	Non-disclosure of material fact-20.75	1723.50	(-)225.92	472.33	(-)3.22	--	6	0.22	103
8.	ELMARC LIMITED (Subsidiary of Sl.No.7)	Science & Technology	23 January 1990	1996-97	2001-02	(-)81.00	-	101.82	(-)123.80	13.20	(-)67.51	-	5	119	25
9.	IDCOL Software Limited (Subsidiary of Company at Sl. No. 22 of WC)	Science & Technology	26 November 1998	2000-01	2001-02	(-)6.53	-	100.07	(-)29.00	63.17	(-)6.53	--	1	78	9
	Sector wise total					***(-)90.75***	**--**	***1925.39***	***(-)378.72***	***548.70***	***(-)77.26***	**--**			
	FOREST														
10.	Orissa Forest Development Corporation Limited	Forest & Environment	28 September 1962	1995-96 1996-97	2001-02 2002-03	(-)139.98 37.54	Decrease in loss 135.02	128.00 128.00	(-)2527.80 (-)2500.57	284.87 (-)1003.21	(-)68.94 123.15	-- --	5	18246	6483
	Sector wise total					***37.54***	**--**	***128.00***	***(-)2500.57***	***(-)1003.21***	***123.15***				
	MINING														
11.	Orissa Mining Corporation Limited	Steel & Mines	16 May 1956	1996-97 1997-98 1998-99	2001-02 2002-03 2002-03	3064.55 310.70 (-)1200.76	Decrease in profit-45.03 Non-disclosure-2000.00 Errors of classification-100.00	3145.48 3145.48 3145.48	5357.43 7557.65 5467.37	13212.52 14257.52 13041.92	3519.86 1708.63 812.09	26.64 11.98 6.23	3	100.88	8266
	Sector wise total					***(-)1200.76***	**--**	***3145.48***	***5467.37***	***13041.92***	***812.09***	***6.23***			
	CONSTRUCTION														
12.	Orissa Construction Corporation Limited	Water Resources	22 May 1962	1999 2000	2002-03	13.74	Decrease in profit-5.60	1100.00	139.25	3965.23	100.03	2.52	2	2239	1332
13.	Orissa Bridge & Construction Corporation Limited	Works	01 January 1983	1996-97 1997-98	2001-02 2002-03	(-)14.24 (-)147.38	Increase in loss-29.65	500.00 500.00	(-)416.98 (-)565.21	569.24 420.50	(-)14.24 (-)146.55	-- --	4	1087	
	Sector wise total					***(-)133.64***	**--**	***1600.00***	***(-)425.96***	***4385.73***	***(-)46.52***	**--**			
	PUBLIC DISTRIBUTION														
14.	Orissa State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	03 September 1980	1995-96	2002-03	(-)7044.38	Decrease in loss 21.37	978.32	--	1569.49	(-)7032.16	-	6	34055	1409
	Sector wise total					***(-)7044.38***	**-**	***978.32***	**--**	***1569.49***	***(-)7032.16***	**--**	**--**		
	CEMENT														
15.	IDCOL Cement Limited (Subsidiary of Sl.No.22 of WC)	Industries	26 February 1993	2000-01 2001-02	2001-02 2002-03	(-)96.84 (-)7851.25	--	8850.01 12500.00	(-)4572.77 (-)12364.02	18511.35 13678.52	144.34 (-)3251.16	0.78 --	--	16282	883
	Sector wise total					***(-)7851.25***	**--**	***12500.00***	*(-)12364.02*	*13678.52*	*(-)3251.16*	**--**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	TOURISM														
16.	Orissa Tourism Development Corporation Limited	Tourism	03 Septem-ber1979	1995-96	2001-02	(-)3.53	Non-disclosure-38.03	822.16	(-)536.37	277.89	(-)2.09	-	6	364.85	
	Sector wise total					***(-)3.53***		***822.16***	***(-)536.37***	***277.89***	***(-)2.09***				
	POWER														
17.	Orissa Power Generation Corporation Limited	Energy	14 Novem-ber 1984	2000-01	2002-03	10988.60	Decrease in profit-236.00 Non-disclosure-42.15	49021.74	6308.73	84195.28	15835.21	18.81	1	418	613
18.	Orissa Hydro Power Corporation Limited	Energy	21 April 1995	2000-01	2002-03	(-)2777.05	--	32080.09	(-)22578.89	265890.64	8642.96	3.25	1	21975	
19.	Grid Corporation of Orissa Limited	Energy	19 Novem-ber 1995	1998-99	2001-02	(-)51568.11	Increase in loss-1011.00 Nondisclosure-3320.00	45794.66	(-)119273.11	106290.59	(-)37911.21		3	136885	
	Sector wise total					***(-)43356.56***	**--**	***126896.49***	***(-)135543.27***	***456376.51***	***(-)13433.04***				
	FINANCING														
20.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	2000-01	2001-02	(-)440.88	Increase in loss-6.63 Non-disclosure-45.82	8314.29	(-)4019.81	25980.83	361.22	1.39	1	1038	157
	Sector wise total					***(-)440.88***	**--**	***8314.29***	***(-)4019.81***	***25980.83***	***361.22***	***1.39***			
	MISCELLANEOUS														
21.	Orissa State Police Housing & Welfare Corporation Limited	Home	24 May 1980	1993-94	2002-03	(-)8.05	Increase in loss-8.84	563.01	(-)135.26	688.32	(-)8.05	--	8	846	209
22.	Industrial Development Corporation of Orissa Limited	Industries	29 March 1962	2000-01	2001-02	(-)1418.37	Increase in loss-333.23	5711.78	(-)4613.82	24997.13	787.84	3.15	1	16676	2124
23.	Orissa Small Industries Corporation Limited	Industries	03 April 1972	1998-99	2002-03	(-)16.70	Decrease in loss-5.34 Non-disclosure-45.00	965.86	(-)48.25	3565.31	391.85	10.99	3	8968	296
24.	Orissa Film Development Corporation Limited	Industries	22 April 1976	1997-98	2002-02	2.80	Decrease in profit-3.66 Non-disclosure-10.22	540.05	20.15	578.48	4.60	0.80	4	33	29
25.	Kalinga Studios Limited(subsidiary of company at Sl. No. 24 of WC)	Industries	25 July 1980.	1997-98	2002-03	(-)5.73	--	234.38	(-)174.40	102.18	(-)4.01	--	4	72	48
26.	Orissa Timber and Engineering Works Limited (subsidiary of company at Sl. No. 23 of WC)	Industries	11 January 1994.	1994-95	2001-02	(-)0.08	--	0.05	(-)0.08	Nil.	(-)0.08	--	7	Nil.	37
27.	Konark Jute Limited (subsidiary of Company at Sl. No 22 of WC)	Industries	29 July 1974	1996-97	2000-2001	(-)75.73	–	594.00	(-)1053.21	678.13	(-)34.73	--	5	1604.76	112

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
28.	Orissa Lift Irrigation Corporation Limited	Water Resources	21 September 1973	1997-98	2002-03	(-)20.81	Increase in loss-197.52 Errors of classification-27.44	7473.25	(-)345.78	23556.11	10.33	0.04	4	7761.37	8331
29.	Orissa Rural Housing and Development Corporation Limited	Rural Development	19 August 1994	1998-99	2002-03	72.55	--	725.00	164.20	641.14	689.76	107.58	3	635	
30.	Orissa Beverages Corporation Limited	Excise	06 November 2000	1st account not yet submitted				200.00					2		
31.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. 22 of WC)	Industries	26 March 1999	26 March 1999 to 31 March 2000	2002-03	--	--	0.07	--	0.03	--	--	2	--	--
32.	IDCOL Ferro Chrome Alloys Limited (Subsidiary of Sl. No. 22 of WC)	Industries	26 March 1999	26 March 1999 to 31 March 2000	2002-03	--	--	0.07	--	0.03	--	--	2	--	--
33.	IDCOL Rolling Mills Limited (Subsidiary of Sl. No. 22 of WC)	Industries	22 March 2002	1st account not due.				0.50							
	Sector wise total					***(-)1470.12***	***--***	***17007.97***	***(-)6186.45***	***54806.86***	***1837.51***	***3.35***			
	TOTAL (A) WORKING GOVERNMENT COMPANIES					**(-)61650.73**	**--**	**196520.02**	**(-)158082.12**	**684987.08**	**(-)20469.52**	**--**			
B.	**WORKING STATUTORY CORPORATION**														
	TRANSPORT														
1.	Orissa State Road Transport Corporation.	Commerce and Transport	May 1974	1993-94	2001-02	(-)1429.28	Decrease in loss-185.14 Non-disclosure-37.81 Errors in classification-279.46	9550.00	(-)14169.00	(-)1190.96	(-)929.74	--	8		
	Sector wise total					***(-)1429.28***	***–***	***9550.00***	***(-)14169.00***	***(-)1190.96***	***(-)929.74***				
	FINANCING														
2.	Orissa State Financial Corporation	Industries	March 1950	2000-01	2002-03	186.12	Non-disclosure -1756.93	8757.30	(-)37436.48	68098.04	5585.95	8.20	1		
	Sector wise total					***186.12***	***-***	***8757.30***	***(-)37436.48***	***68098.04***	***5585.95***	***8.20***			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	CO-OPERATION														
3.	Orissa State Warehousing Corporation.	Agriculture & Co-operation	March 1958	1999-2000 2000-01	2001-02 2002-03	113.15 225.81	Decrease in profit-18.07	320.00 340.00	121.85 19.68	933.62 1167.08	116.95 224.23	12.53 19.21	1		
	Sector wise total					***225.81***	**-**	***340.00***	***19.68***	***1167.08***	***224.23***	***19.21***			
	TOTAL (B) STATUTORY CORPORATION					**(-)1017.35**	**--**	**18647.30**	**(-)51585.80**	**68074.16**	**4880.44**	**7.17**			
	TOTAL OF (A) + (B)					**(-)62668.08**	**--**	**215167.32**	**(-)209667.92**	**75306124**	**(-)15589.08**	**–**	**--**		
C.	**NON WORKING GOVERNMENT COMPANIES**														
	INDUSTRY														
1.	ORICHEM Limited (Subsidiary of Sl.No.22 of WC)	Industry	29 July 1974	2000-01	2001-02	(-)158.73	–	276.64	(-)1482.50	128.38	(-)78.83		1	8.18	
2.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.23 of WC)	Industry	29 August 1978	1981-82	1996-97	(-)0.60	--	5.79	(-)0.96	5.09	(-)0.60	--	20	0.03	
3.	Kalinga Steel (India) Limited (Subsidiary of Sl.No.20 of WC)	Industries	09 January 1991	2000-01	2002-03	Commercial production not started	---	0.08	Nil.	527.88	--	--	1	Nil.	
	Sector wise total					***(-)159.33***	**--**	***282.51***	***(-)1483.46***	***661.35***	***(-)79.43***	**--**	**--**		
	ENGINEERING														
4.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968; under voluntary liquidation since 30 August 1976)	Industries	31 March 1958	1966-67	1973-74	(-)0.46	--	4.54	--	4.72	(-)0.34	--	35		
5.	Gajapati Steel Industries Limited (Company closed since 1969-70; under voluntary liquidation since 01 March 1974)	Industries	15 February 1959	1968-69	1974-75	(-)0.44	--	3.99	--	2.25	(-)0.42	--	33		
6.	Premiere Bolts and Nuts Limited (Company closed)	Industries	4 August 1959	1966	1973-74	(-)0.27	--	2.27	--	0.44	(-)0.27	--	35		
7.	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09 March 1976)	Industries	22 September 1960	1972-73	1975-76	(-)0.36	--	4.20	--	3.08	(-)0.07	--	29		
8.	Orissa Instruments Company Limited	Industries	14 March 1961	1987-88	2000-01	(-)6.22	--	8.79	(-)0.79	35.80	(-)3.74	--	14	42.52	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
9.	Hira Steel and Alloys Limited (Subsidiary of Sl.No.22 of WC)	Industries	23 August 1974	1975-76	1976-77	Commercial production not started	--	12.28	--	27.39	1.57	5.73	26		
10.	IDCOL Piping & Engineering Works Limited (Subsidiary of Sl.No.22 of WC)	Industries	26 March 1993	2000-01	2001-02	(-)2824.67		193.16	(-)13130.41	(-)8995.06	(-)400.21	--	1	12.61	
11.	General Engineering & Scientific Works Limited (Subsidiary of Sl.No.23 of WC)	Industries	11 January 1994	1st	Account	not	yet	received.					8		
	Sector wise total					***(-)2832.42***	***--***	***229.23***	***(-)13131.20***	***(-)8921.38***	***(-)403.48***	***--***			
	ELECTRONICS														
12.	Manufacture Electro Limited (Assets have been sold)	Industries	24 Septem-ber 1959	1965-66	1982-83	(-)0.08	--	0.45	--	--	(-)0.08	--	36		
13.	Modern Electronics Ltd.	Industries	22 March 1960	1965-66	1982-83	0.23	--	4.37	--	2.77	0.26	9.39	36		
14.	IPITRON Times Limited (Subsidiary of Sl.No.7 of WC)	Science & Technology	11 Decem-ber 1981	1991-92	1997-98	(-)68.50	--	80.83	(-)225.77	350.28	(-)11.75	--	10	195.00	
15.	Konark Television Limited	Science & Technology	26 June 1982	1991-92	1998-99	(-)94.96	--	120.00	(-)603.52	600.04	46.15	7.69	10	1405.42	
16.	ELCOSMOS Electronics Limited (Subsidiary of Sl.No.7 of WC)	Science & Technology	12 January 1987	1991-92	1996-97	(-)77.27	--	174.91	(-)140.48	340.15	(-)26.18	--	10	100.50	
17.	ELCOPHONES Limited (Subsidiary of Sl.No.7 of WC)	Science & Technology	10 Decem-ber 1987	1st	account	not	yet	received.					15		
18.	ELCO Communication &Systems Limited (Subsidiary of Sl.No. of WC)	Science & Technology	8 March 1989	1989-90	1997-98	Commercial production not started	--	10.01	--	--	--	--	12		
	Sector wise total					***(-)240.58***	***--***	***390.57***	***(-)969.77***	***1293.24***	***8.40***	***0.65***			
	TEXTILE														
19.	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	(-)0.82	--	3.79	--	(-)0.62	(-)0.71	--	31		
20.	New Mayurbhanj Textiles Limited	Industries	02 June 1976	1981-82	2000-01	2.57	--	1.50	(-) 2.21	4.66	2.58	55.36	20	8.62	
21.	Orissa Textile Mills Limited	Textile & Handlooms	25 January 1946	1997-98	1998-99	(-)1023.74	--	2470.24	(-)5340.61	516.81	(-)766.10	--	4	4115.48	
22.	Orissa State Textile Corporation Limited	Textile & Handlooms	10 Septem-ber 1981	1992-93	1998-99	(-)341.37	--	260.00	(-)1286.08	(-)543.66	--	--	9	45.64	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
23.	ABS Spinning Orissa Limited (Subsidiary of Sl.No.22 of WC)	Industry	23 March 1990	1994-95	2000-01	(-)723.29	--	300.00	(-)3635.48	(-)211.34	(-)333.24	--	7	94.65	
	Sector wise total					***(-)2086.65***	***--***	***3035.53***	***(-)10264.38***	***(-)234.15***	***(-)1097.47***	***--***	***--***		
	HANDLOOM														
24.	Orissa Handloom Development Corporation Limited	Industries	01 February 1977	1995-96	2002-03	(-)276.29	--	352.37	(-)1138.38	335.34	(-)119.99	--	6	307.95	
	Sector wise total					***(-)276.29***	***--***	***352.37***	***(-)1138.38***	***335.34***	***(-)119.99***	***--***			
	AREA DEVELOPMENT														
25.	Orissa Maritime & Chilika Area Development Corporation Ltd.	Fisheries & Animal Resources Department	29 August 1978	1996-97	2002-03	(-)37.18	Increase in loss-2.40	623.88	(-)190.53	407.35	(-)35.56	-	5		
	Sector wise total					***(-)37.18***	***--***	***623.88***	***(-)190.53***	***407.35***	***(-)35.56***	***-***			
	MISCELLANEOUS														
26.	Orissa State Commercial Transport Corporation Limited	Commerce & Transport	15 February 1964	1992-93	2002-02	(-)69.51	Increase in loss-51.25	234.00	(-)1010.95	255.75	(-)3.94	--	9	208.76	
27.	Orissa Fisheries Development Corporation Limited	Fisheries & Animal Resources Development	8 August 1962	1982-83	1983-84	(-)3.75	--	35.00	--	19.78	(-)2.53	--	19		
28.	Orissa Fish Seed Development Corporation Limited	Fisheries & Animal Resources Development	17 Decem-ber 1979	1994-95	2001-02	(-)92.77	--	491.56	(-)540.83	294.01	(-)14.67		7	52.26	
29.	Orissa State Export Development Corporation Limited	Handicraft & Cottage Industries	27 July 1990	1990-91	1995-96	--	--	0.85	--	(-)0.06	--	--	11	Nil.	
30.	Eastern Aquatic Products Limited	Industries	06 May 1959	1972-73	1975-76	--	--	0.60	--	0.31		--	29		
31.	Orissa Boat Builders Limited (Company closed since 1987)	Industries	18 March 1958	1970-71	1977-78	(-)0.32	--	5.23	--	1.30	(-)0.30	--	31		
32.	Orissa Board Mills Limited (Closed. Decided for liquidation)	Industries	04 April 1960	1967-68	1976-77	(-)1.04	--	4.08	--	4.69	(-)0.53	--	34		
33.	Orissa State Leather Corporation Limited	Industries	19 April 1976	1987-88	1997-98	(-)22.18	--	216.68	(-)212.94	161.41	(-)18.85	--	14	95.71	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
34.	Orissa Leather Industries Limited (subsidiary of Company at Sl.No.33 of NWC)	Industries	26 July 1986	1991-92	1995-96	--	--	65.00	--	192.02	--	--	10		
35.	Kanti Sharma Refractories Limited (subsidiary of company at Sl.No.23 of WC)	Industries	11 January 1994	1st	Account	not	yet	received.				--	8		
	Sector wise total					***(-)189.57***	**--**	***1053.00***	***(-)1764.72***	***929.21***	***(-)40.82***	**--**			
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES					***(-)5822.02***	**--**	***5967.09***	***(-)28942.44***	***(-)5529.04***	***(-)1768.35***	**--**			
	TOTAL OF (A) + (B) + (C)					**(-)68490.10**	**--**	**221134.41**	**(-)238610.36**	**747532.20**	**(-)17357.43**	**--**			

(A) Capital employed represents net fixed assets (including capital work-in progress) plus working capital except in case of finance companies/corporation where the capital employed is worked out as a mean of aggregate of the opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowing (including refinance).

ANNEXURE-3

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2002

(Referred to in Paragraph 1.2.2)

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

		Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year⊗					Waiver of dues during the year					
Sl. No.	**Name of the Public Sector Undertaking**	**Central Govern-ment**	**State Govern-ment**	**Others**	**Total**	**Cash credit from banks**	**Loans from other sources**	**Letters of credit opened by bank in respect of imports**	**Payment of obligation under agreements with foreign consultants or contracts**	**Total**	**Loans repay-ment written off**	**Interest waived**	**Penal interest waived**	**Total**	**Loans on which morato-rium allowed**	**Loans conve-rted into equity during the year**
(1)	**(2)**	**3(a)**	**3(b)**	**3(c)**	**3(d)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**4(e)**	**5(a)**	**5(b)**	**5(c)**	**5(d)**	**(6)**	**(7)**
A.	**WORKING GOVERNMENT COMPANIES**															
1.	Orissa Lift Irrigation Corporation Limited	--	3000.00	827.41	3827.41	--	(7917.70)	--	--	(7917.70)	--	--	--	--	--	--
2.	Orissa Rural Housing and Development Corporation Limited	106.89	297.69	74.82	479.40	--	17500.00 (58537.25)	--	--	17500.00 (58537.25)	--	--	--	--	--	--
3	Industrial Promotion and Investment Corporation of Orissa Limited	--	--	--	--	--	(2060.00)	--	--	(2060.00)	--	--	--	--	--	--
4	Orissa Agro Industries Corporation Limited	--	--	--	--	-- (150.00)	--	20.00 (20.00)	--	20.00 (170.00)	--	--	--	--	--	--
5.	Orissa State Civil Supplies Corporation Limited	221.10	2300.00	--	2521.10	--	--	--	--	--	--	--	--	--	109.82	--
6.	Orissa Small Industries Corporation Limited	--	--	--	--	--	(3050.00)	--	--	(3050.00)	--	--	--	--	--	--
7.	Orissa State Cashew Development Corporation Limited.	16.42	--	--	16.42	--	--	--	--	--	--	--	--	--	--	--
8.	Orissa State Seeds Corporation Limited.	193.97	--	--	193.97	--	--	--	--	--	--	--	--	--	--	--
9.	Grid Corporation of Orissa Limited	--	--	--	--	--	-- (152292.00)	--	--	-- (152292.00)	--	--	--	--	--	--
10.	Industrial Development Corporation of Orissa Limited	--	--	--	--	--	-- (22559.00)	--	--	-- (22559.00)	--	--	--	--	--	--
11.	Orissa Construction Corporation Limited	--	--	--	--	101.10 (200.00)	--	--	--	101.10 (200.00)	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)	(7)
12.	Orissa State Electronics Development Corporation Limited	--	--	--	--	--	-- (2000.00)	--	--	-- (2000.00)	--	--	--	--	--	--
13.	Orissa Power Generation Corporation Limited	--	--	--	--	--	2265.00 (23821.00)	--	--	2265.00 (23821.00)	--	--	--	--	--	--
14.	Orissa Hydro Power Corporation Limited	--	--	--	--	--	21624.00 (64243.00)	--	--	21624.00 (64243.00)	--	--	--	--	--	--
15.	ELMARC Limited	--	--	--	--	--	-- (250.00)	--	--	-- (250.00)	--	--	--	--	--	--
16.	Orissa Forest Development Corporation Limited	--	--	--	--	(2431.41)	--	--	--	(2431.41)	--	--	--	--	--	--
Total (A) Working Government Companies		**538.38**	**5597.69**	**902.23**	**7038.30**	**101.10 (2781.41)**	**41389.00 (336729.95)**	**20.00 (20.00)**	**--**	**41510.10 (339531.36)**	**--**	**--**	**--**	**--**	**109.82**	**--**
B.	**WORKING STATUTORY CORPORATIONS**															
1.	Orissa State Financial Corporation	--	20.00	--	20.00	--	835.00 (35861.00)	--	--	835.00 (35861.00)	--	--	--	--	--	--
2.	Orissa State Road Transport Corporation	--	160.00	--	160.00	-- (100.00)	-- (5546.00)	--	--	-- (5646.00)	--	--	--	--	--	--
Total (B) Working Statutory Corporations		**--**	**180.00**	**--**	**180.00**	**--**	**835.00 (41407.00)**	**--**	**--**	**835.00 (41507.00)**	**--**	**--**	**--**	**--**	**--**	**--**
	TOTAL (A) + (B)	**538.38**	**5777.69**	**902.23**	**7218.30**	**101.10 (2881.41)**	**42224.00 (378136.95)**	**20.00 (20.00)**	**--**	**42345.10 (381038.36)**	**--**		**--**		**109.82**	**--**
C.	**NON WORKING GOVERNMENT COMPANIES**															
1.	IDCOL Piping Engineering Works Limited	--	--	--	--	--	-- (1968.00)	--	--	-- (1968.00)	--	--	--	--	--	--
2.	Orissa State Commercial Transport Corporation Limited	--	--	--	--	-- (60.00)	-- (119.36)	--	--	-- (179.36)	--	--	--	--	--	--
3.	ABS Spinning Orissa Limited	--	--	--	--	--	-- (1528.00)	--	--	-- (1528.00)	--	--	--	--	--	--
Total (C) Non Working Government Companies		--	--	--	--	**-- (60.00)**	**-- (3615.36)**	**--**	**--**	**-- (3675.36)**	**--**	**--**	**--**	**--**	**--**	**--**
TOTAL (A)+(B)+(C)		**538.38**	**5777.69**	**902.23**	**7218.30**	**101.10 (2941.41)**	**42224.00 (381752.31)**	**20.00 (20.00)**	**--**	**42345.10 (384713.72)**	**--**	**--**	**--**	**--**	**109.82**	**--**

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

ANNEXURE-4

Statement showing financial position of Statutory corporations
(Referred to in Paragraph 1.2.4)

(Rupees in crore)

1. ORISSA STATE ROAD TRANSPORT CORPORATION			
Particulars	**1999-2000**	**2000-01**	**2001-02**
A. LIABILITIES		**(Provisional)**	
Capital (including loan capital and equity capital)	134.98	134.98	134.98
Borrowings (Government)	18.87	--	--
(Others)	42.95	69.48	73.42
Funds[$]	0.89	0.89	0.89
Trade dues and other current liabilities (including provisions)	84.44	91.31	87.60
Total (A)	**282.13**	**296.66**	**296.89**
B. ASSETS			
Gross Block	53.09	55.63	59.13
Less : Depreciation	46.40	48.77	51.15
Net fixed assets	6.69	6.86	7.98
Capital works-in-progress (including cost of chassis)	--	--	--
Investment	0.78	3.39	3.39
Current assets, loans and advances	21.56	21.63	19.34
Accumulated losses	253.10	264.78	266.18
Total (B)	**282.13**	**296.66**	**296.89**
C. CAPITAL EMPLOYED[Ψ]	**(-)56.19**	**(-)62.82**	**(-)60.28**

2. ORISSA STATE FINANCIAL CORPORATION			
Particulars	**1999-2000**	**2000-01**	**2001-02**
A. LIABILITIES			**(Provisional)**
Paid-up capital	87.57	87.57	87.57
Reserve fund and other reserves and surplus	1.37	1.37	1.37
Borrowings:			
(i) Bonds and debentures	324.71	354.76	349.96
(ii) Fixed Deposits	4.13	4.81	6.16
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	177.63	233.76	270.58
(iv) Reserve Bank of India	6.50	--	7.85
(v) Loans in lieu of share capital:			
(a) State Government	6.23	6.23	6.23
(b) Industrial Development Bank of India	6.22	6.22	6.22
(vi) Others (including State Government)	20.50	20.50	20.50
Other liabilities and provisions	351.62	341.01	317.25
Total (A)	**986.48**	**1056.23**	**1073.69**
B. ASSETS			
Cash and Bank balance	21.67	20.19	16.63
Investments	2.36	1.55	1.55

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

Particulars	1999-2000	2000-01	2001-02 (Provisional)
Loans and Advances	533.33	601.40	625.13
Net fixed assets	2.71	4.93	4.87
Other assets	50.18	53.80	54.23
Miscellaneous expenditure (Loss)	376.23	374.36	371.28
Total (B)	**986.48**	**1056.23**	**1073.69**
C. CAPITAL EMPLOYED[ω]	**621.81**	**646.19**	**745.89**

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**1999-2000**	**2000-01**	**2001-02**
A. LIABILITIES			**(Provisional)**
Paid-up capital	3.20	3.40	3.60
Reserves and surplus	6.14	8.27	10.59
Borrowings	--	--	--
Trade dues and other current liabilities (including provisions)	15.36	15.91	20.40
Total (A)	**24.70**	**27.58**	**34.59**
B. ASSETS			
Gross Block	8.87	9.53	12.56
Less : Depreciation	2.32	2.54	2.80
Net fixed assets	6.55	6.99	9.76
Capital works-in-progress	0.28	0.66	0.24
current assets, loans and advances	17.87	19.93	24.59
Total (B)	**24.70**	**27.58**	**34.59**
C. CAPITAL EMPLOYED[ψ]	**9.34**	**11.67**	**14.19**

[ω] Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, free reserves, loans in lieu of capital, seed money, debentures (other than those which have been funded specially and backed by investment outside), bonds, deposits and borrowings (including refinance).

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

ANNEXURE-5

Statement showing working results of Statutory corporations (Referred to in Paragraph 1.2.4)

(Rupees in crore)

1.	**ORISSA STATE ROAD TRANSPORT CORPORATION**			
	Particulars	**1999-2000**	**2000-01**	**2001-02**
OPERATING			**(Provisional)**	
a)	Revenue	22.17	25.95	26.65
b)	Expenditure	35.47	35.52	28.24
c)	Surplus / Deficit (-)	(-)13.30	(-)9.57	(-)1.59
NON-OPERATING				
a)	Revenue	3.17	4.04	4.68
b)	Expenditure	8.35	6.15	4.49
c)	Surplus / Deficit (-)	(-)5.18	(-)2.11	0.19
TOTAL				
a)	Revenue	25.34	29.99	31.33
b)	Expenditure	43.82	41.67	32.73
c)	Surplus / Deficit (-)	(-)18.48	(-)11.68	(-)1.40
Interest on capital and loans		8.35	5.88	2.11
Total return on Capital employed*		**(-)10.13**	**(-)5.80**	**0.71**
Percentage of return on Capital employed		--	--	--

2.	**ORISSA STATE FINANCIAL CORPORATION**			
	Particulars	**1999-2000**	**2000-01**	**2001-02**
1.	**INCOME**			**(Provisional)**
(a)	Interest on Loans	42.51	55.88	67.00
(b)	Other income	1.34	15.72	12.05
TOTAL - 1		**43.85**	**71.60**	**79.05**
2.	**EXPENSES**			
(a)	Interest on long-term and short-term loans	36.22	54.00	60.33
(b)	Provision for non-performing assets	84.51	--	--
(c)	Other expenses	12.53	15.74	15.64
TOTAL - 2		**133.26**	**69.74**	**75.97**
3.	Profit before tax (1-2)	(-)89.41	1.86	3.08
4.	Provision for tax	--	--	--
5.	Profit (+) / Loss (-) after tax	(-)89.41	1.86	3.08
6.	Other appropriations	--	--	--
7.	Amount available for dividend	--	--	--
8.	Dividend	--	--	--
9.	**Total return on Capital employed***	**(-)53.19**	**55.86**	**63.41**
10.	Percentage of return on Capital employed	--	8.64	8.50

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

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**1999-2000**	**2000-01**	**2001-02**
1. INCOME			**(Provisional)**
Warehousing Charges	13.36	14.86	14.89
Other income	0.03	0.12	0.29
TOTAL - 1	**13.39**	**14.98**	**15.18**
2. EXPENSES			
(a) Establishment charges	3.38	3.92	4.28
(b) Other expenses	8.86	8.71	7.78
TOTAL - 2	**12.24**	**12.63**	**12.06**
3. Profit / Loss (-) before tax	1.15	2.35	3.12
4. Provision for tax	0.02	0.09	0.15
5. Prior period adjustment	0.09	(-)0.02	--
6. Profit / Loss (-) after tax	1.22	2.24	2.97
7. Other appropriations	1.00	2.07	2.55
8. Amount available for dividend	0.22	0.17	0.42
9. Dividend for the year	0.10	0.11	0.60
10. Total return on Capital employed*	**1.22**	**2.24**	**2.97**
11. Percentage of return on Capital employed	13.06	19.19	20.93

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

ANNEXURE-6

Statement showing operational performance of Statutory corporations (Referred to in Paragraph 1.2.4.2.3)

1. ORISSA STATE ROAD TRANSPORT CORPORATION			
Particulars	**1999-2000**	**2000-01**	**2001-02**
		(Provisional)	
Average number of vehicles held	615	383	297
Average number of vehicles on road	272	254	251
Percentage of utilisation of vehicles	44	66	85
Number of employees	4455	3492	2419
Employee vehicle ratio	16.38:1	13.75:1	9.64:1
Number of routes operated at the end of the year	147	142	120
Route Kilometres	43350	41709	39340
Kilometres operated (in lakh)			
(a) Gross	288.46	286.99	272.82
(b) Effective	283.01	281.94	268.79
(c) Dead	5.45	5.05	4.03
Percentage of dead kilometres to gross kilometres	1.89	1.76	1.48
Average kilometres covered per bus per day	285	304	293
Average operating revenue per kilometre (Paise)	827	892	991
Increase in operating revenue per kilometre (Paise) over previous year's income (per cent)	3.12	7.86	11.10
Average operating expenditure per kilometre (Paise)	1348	1260	1050
Increase in operating expenditure per kilometre (Paise) over previous year's expenditure (per cent)	(-)0.30	(-)6.53	(-)16.67
Loss per kilometre (Paise)	521	368	59
Number of operating depots	36	38	32
Average number of break downs per lakh kilometre	5.90	4.50	4.60
Average number of accidents per lakh kilometre	0.18	0.15	0.15
Passenger kilometres operated (in crore)	94.81	90.22	87.73
Occupancy ratio (percentage)	67	68	68
Kilometres obtained per litre of :			
(a) Diesel Oil	NA	NA	NA
(b) Engine Oil	NA	NA	NA

(Rupees in crore)

2. ORISSA STATE FINANCIAL CORPORATION						
Particulars	**1999-2000**		**2000-01**		**2001-02 (Provisional)**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Application pending at the beginning of the year	66	17.13	124	22.28	90	38.21
Application received	1276	146.77	1332	161.06	1298	142.08
Total	**1342**	**163.90**	**1456**	**183.34**	**1388**	**180.29**
Application sanctioned	1154	131.12	12.27	131.31	1202	121.18
Application cancelled/withdrawn/ rejected/reduced	64	10.50	139	13.72	102	16.95
Application pending at the close of the year	124	22.28	90	38.21	84	42.16
Loans disbursed	1154	83.39	996	115.00	910	91.38

Particulars	1999-2000		2000-01		2001-02	
	Number	Amount	Number	Amount	Number	Amount
Loan outstanding at the close of the year	17017	533.33	17519	611.78	17957	625.13
Amount overdue for recovery at the close of the year						
(a) Principal	NA	304.36	NA	290.98	NA	270.94
(b) Interest	NA	389.07	NA	463.23	NA	535.11
Total		**693.43**		**754.21**		**806.05**
Amount involved in recovery certificate cases	--	--	--	--	--	--
Total		**693.43**		**754.21**		**806.05**
Percentage of default to total loans outstanding		75.18		70.16		69.47

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**1999-2000**	**2000-01**	**2001-02**
			(Provisional)
Number of stations covered	63	58	53
Storage capacity created upto the end of the year (tonne in lakh)			
(a) Owned	1.64	1.64	1.76
(b) Hired	0.82	1.02	0.87
Total	**2.46**	**2.66**	**2.63**
Average capacity utilised during the year (in lakh tonne)	2.40	2.49	2.64
Percentage of utilisation	87	94	100
Average revenue per metric tonne per year (Rupees)	557.92	601.61	575.00
Average expenses per metric tonne per year (Rupees)	510.00	507.23	456.82
Profit / Loss (-) per MT (Rupees)	47.92	94.38	118.18

ANNEXURE-7

Statement showing the department wise outstanding Inspection Reports (IRs)
(Referred to in Paragraph 1.8)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of Outstanding Paragraphs	Year from which Paragraphs outstanding
1.	Textile	5	28	158	1991-92
2.	Forest	2	577	2704	1987-88
3.	Transport	2	134	339	1987-88
4.	Tourism	1	4	81	1988-89
5.	Energy	1	913	2617	1980-81
6.	Steel & Mines	2	14	270	1988-89
7.	Industries	4	123	873	1988-89
8.	Works	2	52	267	1990-91
9.	Home	1	6	62	1992-93
10.	Science & Technology	3	12	54	1991-92
11.	Fisheries & Animal Resources	2	12	68	1989-90
12.	Water Resources	1	172	877	1988-89
13.	Agriculture	6	37	231	1985-86
14.	Rural Development	1	2	3	1997-98
15.	Food Supplies & Consumer Welfare	1	308	1041	1987-88
16.	Excise	1	1	17	2002-03
	TOTAL :-	**35**	**2395**	**9662**	

ANNEXURE-8

Statement showing the department wise Draft Paragraphs/Reviews reply to which are awaited
(Referred to in Paragraph 1.8)

Sl. No.	Name of Department	No. of Draft Paragraphs	No. of Reviews	Period of issue
1.	Agriculture	--	1	May 2002
2.	Industries	7	--	February 2002 to July 2002
3.	Housing and Urban Development	1	--	May 2002
4.	Steel and Mines	1	--	July 2002
5.	Energy	6	1	February 2002 to July 2002
6.	Works	1	--	February 2002
7.	Forest & Environment	1	--	February 2002
8.	Co-operation	--	1	July 2002
	TOTAL :-	**17**	**3**	

ANNEXURE-9

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts (Referred to in Paragraph 1.10)

(Figures in column 5 to 19 are in Rupees in crore)

Sl. No.	Name of company	Status (working/ non-working	Year of account	Paid-up capital	Equity			Loans			Grants by			Total investment by way of equity, loans and grants			Profit / loss(-)	Accumulated profit/ accumulated loss(-)
					State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
1.	Orissa Tools and Engineering Company Ltd.	Under closure	1982-83	0.44		0.44 (100%)									0.44			(-)0.43
2.	S.N. Corporation Ltd.	Under closure	2000-01	3.05		3.05 (100%)									3.05		(-)0.08	(-)27.53
3.	Konark Met Coke Ltd.	Working	First account not received	6.20	--	3.00 (48%)	3.20 (52%)	--	--	--	--	--	--	--	3.00	3.20	--	--

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

ANNEXURE-10

Statement showing delay at various stages of project implementation
(Referred to paragraph no. 2A.5.1.1)

I Transmission Schemes

Phases	Works	Start Date	Finish Date	Date of Actual Award	Delay in Months
1	**Project definition and preliminary designs of works**	01-10-96	30-09-97	-	3 to 6
2	**2.1. Award of contract for bulk procurement of transmission**				
	i) Transformers	10-12-96	05-05-98	July-98	2
	ii) Circuit breakers	10-12-96	01-05-98	July-98	2
	iii) Conductors	10-12-96	10-06-98	April-99	10
	2.2. Award of turnkey contracts for				
	i) Transmission lines	10-12-96	10-07-98	Sept-98	2
	ii) Transmission substations	10-12-96	10-07-98	June-99	11
3	**Supervision of bulk supply contracts, factory inspection and release of supply**			**Under Execution**	Lines 3-39 substation 5-32
	i) Transformers	07-12-99	11-03-02	**-do-**	
	ii) Circuit breakers	12-07-99	11-06-02	**-do-**	
	iii) Conductors	11-08-98	28-02-02	**-do-**	
	Obtaining way leaves and consents	02-12-96	10-10-98	**-do-**	
	Commissioning of lines	31-03-98	28-02-02	**-do-**	
	Commissioning of Substations	02-01-99	31-10-02	**-do-**	

II Distribution schemes

Works	Scheduled completion date	Actual completion date/period	Delay in months
Award of bulk supply contracts-			
i) Transformers	19-02-98	11-12-98	10
ii) Circuit Breakers	07-05-98	27-07-98	2
Award of turnkey contracts			
i) Central Zone	01-09-98	19-03-99	6
ii) North Eastern Zone	01-09-98	24-03-99	6
iii) North Western Zone	07-09-98	24-03-99	6
iv) South Zone	15-09-98	24-03-99	6
Completion of turnkey contracts			Under Implementation
i) Central Zone	26-05-01	31-03-02	-do-
ii) North Eastern Zone	07-07-01	31-03-02	-do-
iii) North Western Zone	13-07-01	31-01-03	-do-
iv) South Zone	31-10-01	31-03-02	-do-

ANNEXURE-11

Statement showing demand forecast and surplus power position of GRIDCO

(Referred to in Paragraph No. 2A.5.2.1)

YEAR	Demand forecast in MW				Available Generation			Generation surplus (+)/deficit (-) in MW	
	MA		GRIDCO		MA	GRIDCO			
	*March 1996***	*July 1996*	*July 1996*	*January 1999*	*July 1996*	*July 1996*	*January 1999*	*July 1996*	*January 1999*
1996	1563	1582	1582	1455*	2432	--	--	--	--
1997	1668	1675	1675	1520*	2586	1941	--	--	--
1998	1829	1891	1891	1584*	2833	2329	--	--	--
1999	2079	2227	2200	1619*	3314	2472	--	--	--
2000	2251	2725	2514	1907	3314	2957	2660	--	+753
2001	2329	3070	2988	2038	3314	2957	2730	-113	+693
2002	2423	3387	3149	2172	3766	2957	3290	-430	+1118
2003	2548	3545	3307	2331	3766	2957	3590	-588	+1259
2004	2681	3734	3496	2448	3766	2957	3590	-777	+1142
2005	2823	3938	3700	2573	3766	2957	3590	-981	+1017
2006	--	--		2705	3766	--	3590	--	+885
2007	--	--	--	2844	3766	--	3590	--	+746
2008	--	--	--	2993	3766	--	3590	--	+597
2009	--	--	--	3151	3766	--	3590	--	+439
2010	--	--	--	3318	3766	--	3590	--	+272

* Actual peak reached   ** Low load forecast by MA

ANNEXURE-12

Statement showing variation in Bill of Quantity - TR2-B1

(Referred to in Paragraph No.2A.6.3)

SL. No.	Descriptions	Unit	Quantity as per Contract	Quantity as per amend-ment	Revised quantity	Unit erection charges	Total erection charges as per contract (col.4 x col.7)	Total erection charges after survey and pile foundation (col.6 x col. 7)
						(in Rs.)	*(in Rs.)*	*(in Rs.)*
2	Soil investigation at tower locations							
2.1	Detailed soil investigation							
2.1.5	Pile foundation locations	Locations	0	24	19	50000	0	950000
4	Design and installation of tower foundations							
4.1	For tower type DA							
4.1.3.7	Wet fissured rock (under cut type)	Nos.	0	9	15	123331.5	0	1849972.5
4.3	For tower type DC							
4.3.1.7	Wet fissured rock (under cut type)	Nos.	0	13	18	125954.3	0	2267177.4
4.3.3.7	Wet fissured rock (under cut type)	Nos.	0	1	2	125954.3	0	251908.6
4.4	For tower type DD							
4.4.1.7	Wet fissured rock (under cut type)	Nos.	0	7	19	167858.9	0	3189319.1
4.4.2.7	Wet fissured rock (under cut type)	Nos.	0	8	11	167858.9	0	1846447.9
10	Construction of pile foundation							
10.1	From pile cut off level upto a depth of 20M	Running meters.	0	0	3510	8000	0	28080000
10.2	Beyond 20m upto a depth of 30m from cut off level	Running meters.	0	0	336	10000	0	3360000
10.4	M-20 grade concrete for pile caps pedestal/chimney etc. including all materials together with all necessary tools and tackles required including form work complete mix	Cubic meter	0	0	700	4238	0	2966600
10.6	Supply and installation of steel reinforcement of specified grade in pile cap, pedestal/chimney, tie beam etc.	MT	0	0	38	21250	0	807500

Statement showing variation in Bill of Quantity - TR2-B2

(Referred to in Paragraph No.2A.6.3)

SL. No.	Descriptions	Unit	Quantity as per Contract	Quantity as per amend-ment	Revised quantity	Unit erection charges	Total erection charges as per contract (col.4 x col.7)	Total erection charges after survey and pile foundation (col.6 x col. 7)
						(in Rs.)	*(in Rs.)*	*(in Rs.)*
4	Design and installation of tower foundations							
4.2	For tower type DB							
4.2.1.7	Wet fissured rock (under-cut type)	Nos.	0	4	4	388,829	0	1,555,316
4.2.2.5	Wet black cotton type	Nos.	0	0	1	515,407	0	515,407
4.2.3.5	Wet black cotton type	Nos.	0	0	2	515,407	0	1,030,814
4.2.3.7	Wet fissured rock (under-cut type)	Nos.	0	0	6	412,069	0	2,472,414
4.2.4.5	Wet black cotton type	Nos.	0	0	1	546,232	0	546,232
4.2.4.7	Wet fissured rock (under-cut type)	Nos.	0	3	3	412,069	0	1,236,207
4.3	For tower type DC							
4.3.1.3	Partially submerged type	Nos.	0	2	2	279,290	0	558,580
4.3.2.4	Fully submerged type	Nos.	0	0	2	410,116	0	820,232
4.3.2.5	Wet black cotton type	Nos.	0	0	2	595,432	0	1,190,864
4.3.3.7	Wet fissured rock (under-cut type)	Nos.	0	0	2	483,399	0	966,798
4.3.4.4	Fully submerged type	Nos.	0	0	2	410,116	0	820,232
4.4	For tower type DD							
4.4.1.4	Fully submerged type	Nos.	0	0	2	498,010	0	996,020
4.4.1.5	Wet black cotton type	Nos.	0	0	2	705,932	0	1,411,864
4.4.1.7	Wet fissured rock (under-cut type)	Nos.	0	1	1	569,159	0	569,159
4.4.2.5	Wet black cotton type	Nos.	0	1	1	777,494	0	777,494
4.4.4.6	Dry fissured rock (under cut type)	Nos.	0	2	2	342,820	0	685,640
4.4.4.7	Wet fissured rock (under-cut type)	Nos.	0	1	1	607,559	0	607,559

ANNEXURE-13

Statement showing mismatch in completion of lines and substations

A Lines getting completed before completion of associated substations

(Referred to in Paragraph No.2A.8)

		Scheme No.	Duration (Months)	Associated Sub-Stations				Contractual Completion Dates			Effective Gap in Completion (Months)
				Sub-Stations-I		Sub-Stations-II					
				Name	*Duration (Months)*	*Name*	*Duration (Months)*	*Line*	*Sub-Stations-I*	*Sub-Stations-II*	
400kV	Ib-Meramundali	L01	30	Ib	18	Meramundali (new)	25	15/3/01	Access not yet finalised	15/1/02	10
220 kV	Indravati-Theruvali	O04	36	Indravati		Theruvali	37	15/9/01	From Power House	23/6/02	9
	Duburi-Duburi (New)	O30	48	Duburi	Existing	Duburi (New)	48	15/4/02	Existing	24/12/03	15
132 kV	Budhipadar-Sundargarh	O09	12	Budhipadar	14	Sundargarh (New)	14	15/9/99	15/1/01	15/2/01	5
	Boinda-LILO	O13	30`	Boinda (new)	25			15/3/01	15/1/02	LILO of Angul-Burla	10
	Bidanasi-Cuttack	O22	30	Bidanasi	37	Cuttack	37	15/03/01	23/6/02	23/6/02	15
	Mancheswar-Badagada	O26	12	Mancheswa r	13	Badagada (new)	13	15/9/99	23/1/01	23/1/01	4
	Uttara-Sijua	O27	12	Uttara	Existing	Sijua	13	15/9/99	23/1/01	23/1/01	4
	Bolangir (Old)-Bolangir (New)	O29	36	Bolangir (Old)-	45	Bolangir (New)	45	15/9/01	15/9/03	15/9/03	24
	Hirakud-LILO	O32	30	Burla (new)	45			15/3/01	15/9/03	LILO of Burla of Sambalpur	30
	Burla LILO	O31	30	Burla	45			15/3/01	15/9/03	LILO of Chipilima - Baragarh	30
	Meramundali-LILO	L34	30	Meramundali (new)	25	,		15/3/01	15/1/02	LILO of Chainpal-Choudwar	10
	Chiplima-Bargarh	L36	30	Meramundali (new)	25			15/3/01	15/1/02	LILO of Chainpal-Dhenkanal	10

B Lines getting completed after completion of associated substations

(Referred to in Paragraph No.2A.8)

		Scheme No.	Duration (Months)	Associated Sub-Stations				Contractual Completion Dates			Effective Gap in Completion (Months)
				Sub-Stations-I		Sub-Stations-II					
				Name	*Duration (Months)*	*Name*	*Duration (Months)*	*Line*	*Sub-Stations-I*	*Sub-Stations-II*	
220 kV	Budhipadar-Bolangir	L05	48	Budhipadar	14	Bolangir	45	15/9/02	15/1/01	15/09/03	20
	Mendhasal-LILO	L17	30			Mendhasal (new)	25	15/3/01	24/1/01	LILO of Narendrapur-Chhatrapur	2
	Narendrapur-Mendhasal	L18	30	Narendrapur	13	Mendhasal	25	15/3/01	23/1/01	24/1/02	10
132 kV	Narendrapur-Chhatrapur	L21	48	Narendrapur	13	Chhatrapur	10	15/4/02	23/1/01	23/10/00	23
	Chandikhole-LILO	L24	48	Chandikhole (new)	13			15/9/02	23/1/01	LILO of Kendrapara-Jajpur	20
	Narendrapur-Berhampur	L25	30	Narendrapur	13	Berhampur	10	15/3/01	30/1/01	Work transferred to Berhampur	2
	Phulnakhara-LILO	L33	36	Phulnakhara (new)	13			15/4/01	30/1/01	LILO of Mancheswar -Cuttack	8
	Digapahandi-LILO	L34	36	Digapahandi (new)	13			15/9/01	23/1/01	LILO of Mohana-Berhampur	8

ANNEXURE-14

Statement showing analysis of lines with associated substations (SS) and related risks of GRIDCO

(Referred to in Paragraph No.2A.8)

Sl. N0.	Line Description	Substation tie (1st.)	Substation tie 2nd And others	Risk Analysis
1	Lo1 Ib-Meramundali 400kV	**Ib 400/220 kV SS (S01E)** Land yet to be handed over by OPGC and matter is under negotiation with them.	**Meramundali 400/220 kV SS(S08E)** Civil works in progress. Covered under para--- supra.	Covered under paragraph 6.2.1 supra. Further reasons: ROW problems, pendency of forest clearance for 23 Kms and route finalisation at Ib end. Stringing stopped after 6 Kms out of 235 Kms. Completion date not predictable due to dispute over who has to establish 400 kV switching yard at Ib viz. GRIDCO/AES.
2	L05 Budhipadar- Bolangir 220 kV DC	**Budhipadar 220/122Kv SS (S02E)** Structural work in progress	**Bolangir 220/132/33 kV SS (S33) (NEW)** Structural work in progress	The contractor is under performing. Stringing done upto 52 Kms out of 170Kms due to late start by 12 months. Delay in tree cutting is the major reason for delay. The progress of foundation and tower works is also very slow due to rate approval for river location foundation.
3	L04 Indravati-Theruvali 220 kV DC	**Theruvali 220/132/33 kV SS (S24E)** Engineering work started	**Indravati 220/132/33kV SS**	Contractor (EMC) demobilised site resources from February to December 2001 and many towers received were found to be defective. Though no problem is foreseen in substation works, the line work delay will disrupt the substation commissioning as the same is unlikely to be complete before June 2003.
4	L17 Mendhasal-Bhanjanagar/Chandaka DC 220 kV	**Bhanjanagar 220/132/33 kV SS**	**Mendhasal 400/220/132 kV SS (S16) (New)** Delay in acquiring of land had forced to postpone the schedule date of commission to June'03 as against January'02. A delay of 15 months noticed.	Site for Mendhasal SS was handed over (Nov'01) and gantry location to be finalised. Field work not yet started (due Dec'98). Contractor (EMC) demobilised the site resources and yet to start field work (March 2002).
5	L18 Mendhasal-Narendrapur/Chandaka DC 220 kV Lilo	**Narendrapur 220/132/33 kV SS (S38 E)**	**Mendhasal as in 4 above**. -As of 4 above-	Same as 4 above.
6	L30 Duburi-Duburi (old) DC 220 kV	**Duburi 220/132/33 kV SS**	**Duburi 400/220 kV SS) (S21) (New)** Delay due to delay in handing over of land (December 2000).	Line survey is yet to be started. The contractor (EMC) has not submitted detailed programme.
7	L09 Budhipadar-Sundargarh DC 132 kV	**Budhipadar 220/122kV SS (S02E)** Structure work in progress. Delay in submission of drawings by contractor and their approval by PMU.	**Sundargarh 132/33 kV SS (S03) (New)** Installation of equipment under progress. Delay in submission of drawings by contractor and their approval by PMU.	While the substations are expected to be ready by Oct'01 line work is behind schedule by 20 months (due Jan'00). ROW problem persists in 5 locations No stringing work taken up (32Kms). Contractor (EMC) demobilised site resources.

Sl. N0.	Line Description	Substation tie (1st.)	Substation tie 2nd And others	Risk Analysis
8	L13 Boinda- Angul/Burla Lilo DC 132 kV.	**Angul 132/33 kV SS**	**Boinda 132/33 kV SS (S11) (New)** Civil work in progress.	Line survey alone is completed. Same as item 7.
9	L21 Narendrapur – Chhatrapur 132 kV	**Narendrapur 220/132/33 kV SS (S38E)** Work started late due to change of scope.	**Chhatrapur 132/33 kV SS (S27E)**	ROW problem persists in 3 locations. No stringing work taken up (13Kms). The contractor (EMC) demobilised to the site resources in Feb.01.
10	L22 Bidanasi-Cuttack 132 kV DC	**Bidanasi 132/33 kV (S18E)** Structural erection in progress.	**Cuttack 132/33 kV SS (S19E)** Bay location yet to be finalised.	Tower erection and line stringing is yet to start. Work stopped due to unresolved issues on line crossing and rate approval of foundations in riverbeds.
11	L24 Chandikhole-Kendrapara/ Jajpur DC Lilo.	**Kendrapara 132/33 kV SS** .	**Chandikhole 132/33 kV SS (S22) (New)** Land handed over in March'01. Scheme under delay by 14 months.	Line survey is yet to be completed.
12	L25 Narendrapur – Berhampur SC 132	**Narendrapur 220/132/33 kV SS (S38E)** Work started late due to change in scope of work	**Berhampur 132/33 kV SS (S28E)**	Line commissioned in March 2002.
13	L26 Mancheswar – Badagada SC 132	**Mancheswar 132/33 kV SS (S29E)** Foundation completed. Erection yet to start. Scheme delayed by 14 months as of March'02.	**Badagada 132/33 kV SS (S30) (New)** Land yet to be acquired. Scheme delayed by 14 months.	As land for Badagada SS is yet to be handed over the completion of substation is not predictable. Line: ROW problem in 8 locations and stringing work is yet to start.
14	L27 Badagada – Uttara SC 132 and L28 Uttara – Sijua 132 kV SC	**Sijua (Rairangpur) 132 kV SS (S32E)** Foundation completed. Erection yet to start.	**Badagada 132/33 kV SS (S30) (New)** As in 13 above. Uttara Ss was removed. Uttara Substation not formed and lands acquired.	Same as above. Besides the idea of forming a substation at UTTRA was dropped and the line will be between Badagada – Sijua for which survey and route alignment has to be done.
15	L29 Bolangir New – Bolangir old 132 kV DC	**Bolangir 220/132/33 kV SS (S33) (New)**	**Bolangir old 132/33 kV SS (S05)**	Survey late by two and half years is yet to complete.
16	L32 Burla-Burla/Sambalpur 132 kV DC Lilo	**Burla 220/132/33 kV SS (S04) (New)** Structure erection in progress.		Riverbed foundation is to be decided. Survey late by two and half years is yet to complete.

Sl. N0.	Line Description	Substation tie (1st.)	Substation tie 2nd And others	Risk Analysis
17	L31 Burla - Chiplima/ Bargarh DC 132 kV Lilo	**Burla 220/132/33 kV SS (S04) (New)**		Work stopped by contractor since Feb'01.
18	L33 Phulnakhara-Mancheswar/Cuttack 132 kV DC	**Phulnakhara 132/33 kV SS (S36) (New)** Action to acquire land was initiated only in Dec'00 after a lapse of 18 months of award of contract. Yet the scheme is delayed by 14 months as of March'02		For construction of substation land is not available. The contractor (EMC) has not submitted detailed programme.
19	L34 Digapahandi–Mohana/Berhampur Lilo 132 kV DC	**Digapahandi 132/33 kV SS (S37) (New)** Land handed over in Dec'01. Scheme under delay by 14 months as of March'02.		Land acquisition delayed and alternative land is yet to be located for substation. Line work not started. The contractor (EMC) has not submitted detailed programme. Completion date is not predictable
20	L36 Meramundali-Chainpal /Dhenkanal 132 kV DC	**Meramundali 220/132 kV SS**		Acute ROW problem unresolved. Commissioning of Meramundali SS is delayed. Tower and line stringing is yet to be taken up.
21	L37 Meramundali-Chainpal/Choudwar DC 132 kV	**Meramundali 220/132 kV SS**		Same as item 20.

ANNEXURE-15

Statement showing reasons for delay in completion of lines and sub-stations

(Referred to in Paragraph No 2A.8)

Sl.No.	Cause of concern	Substations and lines involved
i)	Non-availability/non/ delayed handing over of land.	Meramundali 400/220 kV SS (S08), Mendhasal 400/220/132 kV SS (new) (S16), Badagada 132/33 kV SS (new)(S30), Phulnakhara 132/33 kV SS (new)(S36) & Digapahandi 132/33 kV SS (new)(S37) and the related lines.
ii)	Work not started as line survey not completed	Duburi-Duburi(old) 220 kV DC(L30), Chandikhole-Kendrapara/Jajpur DC Lilo (L24), Bolangir new-Bolangir old 132 kV DC(L29) & Burla-Burla/Sambalpur 132 kV DC Lilo (L32) and the related Substations
iii)	ROW, Forest and other crossing clearances pending	Ib-Meramundali 400 kV (L01), Budhipadar-Sundargarh 132 kV DC(L09), Narendrapur-Chhatrapur 132 kV(L21), Mancheswar-Badagada 132 kV SC(L26), Badagada-Uttara 132 kV SC (L27)/Uttara-Sijua 132 kV SC(L28), Meramundali-Chainpal/Dhenkanal 132 kV DC(L36) & Meramundali-Chainpal/Choudwar 132 kV DC(L37) and the related Substations
iv)	Rate approval for foundation at riverbed	Budhipadar-Bolangir 220 kV DC (L05), Bidanasi-Cuttack 132 kV DC(L22) & Burla-Burla/Sambalpur 132 kV DC Lilo (L32) and the related Substations
v)	Non-submission/delayed submission of Detailed Project Programme	All the Substation packages suffered for either delay or non- submission of Detailed Project Programme

ANNEXURE-16

Statement showing financial position and working results of Orissa Agro Industries Corporation Limited (Referred to in Paragraph No.2B.5)

A. Financial position

(Rupees in lakh)

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
	(P r o v i s i o n a l)				
A. LIABILITIES					
Paid-up capital	715.15	715.15	715.15	715.15	715.15
Reserves and Surplus	0.52	0.52	0.52	0.52	0.52
Grants-in-aid	163.94	163.94	163.94	163.94	163.94
Borrowings (including cash credit and interest)	2645.41	2905.92	3063.01	3153.52	3209.84
Trade dues and other current liabilities (including provisions)	1503.46	1442.45	1709.04	1729.69	1940.55
TOTAL (A) :	**5028.48**	**5227.98**	**5651.66**	**5762.82**	**6030.00**
B. ASSETS					
Fixed assets (Net)	88.77	95.77	91.46	101.46	91.31
Investment	293.34	293.34	293.34	293.34	293.34
Current assets, Loans and Advances	1643.91	1494.34	1539.25	1454.89	1499.35
Intangible assets (Miscellaneous expenditure including accumulated loss)	3002.46	3344.53	3727.61	3913.13	4146.00
TOTAL (B) :	**5028.48**	**5227.98**	**5651.66**	**5762.82**	**6030.00**
Capital employed*	**229.22**	**147.66**	**(-)78.33**	**(-)173.34**	**(-)349.89**
Net worth**	**(-)2286.79**	**(-)2628.86**	**(-)3011.94**	**(-)3197.41**	**(-)3430.33**

B. Working results

(Rupees in lakh)

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
	(P r o v i s i o n a l)				
A. INCOME					
Sales	6561.35	5247.49	4350.60	5757.12	6349.42
Other income	26.92	14.59	12.00	10.50	14.59
Accretion (+)/Decretion (-) to stock	20.18	(-)20.00	(-)93.73	(-)44.37	144.18
TOTAL (A) :	**6608.45**	**5242.08**	**4268.87**	**5723.25**	**6508.19**
B. EXPENDITURE					
Purchases	5864.34	4677.64	3864.56	5148.78	6067.91
Raw materials consumed and manufacturing expenses	230.12	147.59	94.17	139.09	90.90
Salaries	330.68	407.52	346.04	314.31	300.20
Administrative expenses	108.31	124.79	108.71	87.50	89.16
Selling and Distribution expenses	0.79	12.40	7.79	2.67	Nil
Interest	209.45	189.86	206.04	190.81	176.36
Depreciation	5.00	5.00	13.16	13.16	4.80
Miscellaneous expenses (including provisions)	34.39	19.35	11.48	12.45	11.73
TOTAL (B) :	**6783.08**	**5584.15**	**4651.95**	**5908.77**	**6741.06**
PROFIT (+)/LOSS (-) [A-B] :	**(-)174.63**	**(-)342.07**	**(-)383.08**	**(-)185.52**	**(-)232.87**

* Capital employed represents net fixed assets plus working capital.
** Net worth represents paid-up capital plus reserves and surplus less intangible assets.

ANNEXRE-17

Statement showing the financial position and working results of Orissa State Warehousing Corporation (Referred to in Paragraph No.3.5.1)

A. Financial Position

(Rupees in crore)

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02 (Provisional)
SOURCES AND UTILISATION OF FUNDS					
SOURCES					
Paid up capital	3.20	3.20	3.20	3.40	3.60
Reserve and Surplus	3.91	5.04	6.14	8.27	10.89
Loans	0.88	0.34	Nil.	Nil.	Nil.
Trade dues and other liabilities	14.23	14.21	17.64	18.05	18.11
Total	**22.22**	**22.79**	**26.98**	**29.72**	**32.60**
APPLICATIONS					
Net assets	6.15	6.58	7.27	7.41	10.53
Capital works-in-progress	0.05	0.05	0.05	0.72	0.05
Sundry Debtors	11.25	10.80	12.17	14.11	13.43
Loans and Advances	4.21	4.62	6.50	6.83	6.66
Cash and Bank	0.55	0.73	0.98	0.65	1.93
Other Assets	0.01	0.01	0.01	Nil.	Nil.
Total	**22.22**	**22.79**	**26.98**	**29.72**	**32.60**
Working Capital	1.79	1.95	2.02	5.69	3.91
Capital employed*	7.99	8.58	9.34	13.82	14.49
Net worth#	7.11	8.24	9.34	11.67	14.49

B. Working Results

(Rupees in crore)

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02 (Provisional)
	Income					
(i)	Income from Warehouses	4.71	5.72	5.69	7.60	8.21
(ii)	Income from handling and transportation	5.97	6.84	7.67	7.26	6.68
(iii)	Other Income	0.01	0.02	0.03	0.12	0.29
(iv)	Past year adjustment	0.18	(0.07)	0.08	(0.01)	--
	Total Income	**10.87**	**12.51**	**13.47**	**14.97**	**15.18**
	Expenditure					
(v)	Employees Cost	3.09	3.41	3.43	3.99	4.35
(vi)	Administrative expenditure	0.90	1.47	1.75	1.47	1.20
(vii)	Handling and Transportation	4.51	5.39	6.14	6.12	5.27
(viii)	Godown Rent	0.54	0.64	0.59	0.74	0.89
(ix)	Interest	0.19	0.11	0.04	--	--

* Capital employed represents net fixed assets including capital work-in-progress plus working capital.
# Net worth represents paid-up capital plus reserve and surplus less intangible assets.

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02 (Provisional)
(x)	Depreciation	0.21	0.24	0.28	0.31	0.35
	Total Expenditure	**9.44**	**11.26**	**12.23**	**12.63**	**12.06**
(xi)	Profit before tax	1.43	1.25	1.24	2.34	3.12
(xii)	Provision for tax	0.01	0.02	0.02	0.08	0.15
(xiii)	Profit after tax	1.42	1.23	1.22	2.26	2.97
(xiv)	Dividend (3% of equity)	0.09	0.09	0.09	0.11	NA
(xv)	Percentage of profit (before tax) to:					
	(a) Equity Capital	44.69	39.06	38.75	68.82	86.67
	(b) Capital Employed	17.90	14.57	13.28	16.93	21.53
	(c) Net worth	20.11	15.17	13.28	20.05	21.53
(xvi)	Profit/(Loss) on warehousing operation {i-(v+vi+viii+ix+x)}	(0.22)	(0.15)	(0.40)	1.09	1.42
(xvii)	Profit/(Loss) on H&T operation (ii-vii)	1.46	1.45	1.53	1.14	1.41

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