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

5. Audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

6. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2006-07 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 2006-07 have also been included, wherever necessary.

Overview

1. Overview of Government companies and Statutory corporations

As on 31 March 2007, the State had 64 Public Sector Undertakings (PSUs) comprising 61 Government companies and three Statutory corporations. Of these, 29 Government companies and three Statutory corporations were working and the remaining 32 were non-working Government companies. In addition, there were two companies under the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2007 which were non-working.

(Paragraphs 1.1 and 1.32)

The total investment in working PSUs decreased from Rs.9,745.21 crore as on 31 March 2006 to Rs.9,398.67 crore as on 31 March 2007. The total investment in non-working PSUs increased from Rs.149.23 crore as on 31 March 2006 to Rs.154.71 crore as on 31 March 2007.

(Paragraphs 1.2 and 1.15)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs increased from Rs.78.47 crore in 2005-06 to Rs.283.38 crore in 2006-07. The State Government guaranteed loans aggregating Rs.46.01 crore during 2006-07. As on 31 March 2007, guarantees of Rs.2,185.30 crore were outstanding against 10 working Government companies and two Statutory corporations.

(Paragraph 1.6)

The accounts of 28 working Government companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2007. The accounts of 14 defunct non-working Government companies were in arrears for periods ranging from three to 36 years as on 30 September 2007. Only one working Government company and one non-working Government company finalised their accounts for the year 2006-07 by September 2007.

(Paragraphs 1.7 and 1.19)

According to the latest finalised accounts, 17 working PSUs (14 Government companies and three Statutory corporations) earned aggregate profit of Rs.462.91 crore. Against this, 13 working Government companies incurred aggregate loss of Rs.65.12 crore. Of the loss incurring working Government companies, eight companies had accumulated losses amounting to Rs.260.69 crore which exceeded their paid-up capital of Rs.31.86 crore.

(Paragraphs 1.8 and 1.10)

2. Performance Audit in respect of Government companies

Performance audit of Construction activities of **Orissa Bridge and Construction Corporation Limited,** Hotel and Transport activities of **Orissa Tourism Development Corporation Limited,** Procurement, Performance, Repairs and Maintenance of Transformers by **Orissa Power Transmission Corporation Limited** and Procurement, processing, storage and distribution of certified seeds by **Orissa State Seeds Corporation Limited** were conducted and some of the main findings are as follows:

Construction activities of Orissa Bridge and Construction Corporation Limited

The Company was incorporated (January 1983) mainly to construct bridges, buildings, roads, irrigation projects, channels and other structures. The Company largely depended upon the works allotted by the Government. However, the value of works secured through open tenders was negligible. The Company executed the works through sub-contractors in violation of the codal provision. The performance of the Company in execution of works suffered mainly due to inappropriate fixation of targets, deficiencies in selection, engagement and deployment of sub-contractors.

The major audit findings are as under:

- The targets for execution of works were fixed disregarding the contracted schedule of completion of works. The gap between the value of works that should have been completed as per commitment and actual work executed ranged between 56.70 to 80.36 *per cent*.

- Out of 75 works obtained (including 47 spill over works), the Company could complete 33 works during five years period ending March 2007. Out of 25 works completed after schedule date of completion, eight works were completed with delay of more than three years. The Company lost Rs.13.04 crore towards overhead charges in respect of 19 works surrendered or withdrawn by the clients due to delay in execution of works.

- Due to absence of enabling clause in agreement with the sub-contractors, the Company could not recover service charges of Rs.2.05 crore.

(Chapter 2.1)

Hotel and Transport activities of Orissa Tourism Development Corporation Limited

The Company was incorporated (September 1979) with the main objective of developing tourism in the State by providing accommodation to the tourists, developing places of tourist interest and promotion of transport services to tourists. Although the State has immense potential for becoming an important tourist destination, the tourist potential of the State remained largely untapped due to lack of planning and professional approach in the management of the business of the Company. The major audit findings are as follows:

- The Company's share of domestic and foreign tourists was insignificant and ranged between 1.54 to 4.70 *per cent* during 2002-03 to 2006-07 as compared to total tourists who visited the State during the above period.
- The Company could not achieve overall occupancy targets in any of the years during 2002-03 to 2006-07. The overall occupancy never exceeded 49 *per cent* during the period. The low occupancy was due to poor business generation through travel agents, inadequate publicity and absence of essential amenities and standard service norms in the hotels of the Company.
- Despite recommendations of the Committee on Public Undertakings, the Company extended credits to various customers resulting in increase in sundry debtors from Rs.1.04 crore as on 31 March 2002 to Rs.2.47 crore as on 31 March 2006.

(Chapter 2.2)

Procurement, Performance, Repairs and Maintenance of Transformers by Orissa Power Transmission Corporation Limited

The Company was incorporated (March 2004) with the main objectives of effectively operating and maintaining existing transmission lines and substations in the State, undertaking power system improvement by renovation, upgradation and modernisation of the transmission network, wheeling electricity and carrying on the functions of State Load Despatch Centre. The Company did not consider changes in the load data from time to time before assessing the requirement for award/ execution of contracts. Further, there was non-synchronisation of time for procurement of transformers with the construction of substations and connected lines. As a result, huge amounts were locked up. This had a deleterious effect on completion of the ongoing projects. The major audit findings are as under:

- Excess transmission loss over the norms during the last six years up to 2006-07 (except in 2002-03 and 2004-05) resulted in loss of Rs.42.43 crore.
- Construction of substation despite being aware of fall in demand of load led to idle investment and consequential loss of interest of Rs.55.25 crore. Further, non-commissioning of 18 transformers of total capacity of 2830 MVA by seven months to almost nine years of their receipt led to foregoing of revenue of Rs.139.43 crore per annum.
- Due to delay in finalisation of contract, the Company suffered loss of Rs.35.14 crore towards cost overrun, loss of interest and wastage of materials.

- The Company incurred an additional expenditure of Rs.13.78 crore due to re-ordering of auto and power transformers and piece meal placing of purchase order.

(Chapter 2.3)

Procurement, processing, storage and distribution of certified seeds by Orissa State Seeds Corporation Limited

The Company was incorporated (February 1978) with the main objectives of production of certified seeds and marketing it at reasonable price to the farmers. The Company could not achieve the targeted production of certified seeds due to non-distribution of foundation seeds, sowing of less area and failure to ensure procurement of agreed quantity of certified seeds from the growers. The major audit findings are as under:

- The Company could not achieve the targeted production of certified seeds during the period under review. There was shortfall in production of certified seeds by 8.42 lakh quintals valued at Rs.76.28 crore during 2001-02 to 2006-07. The shortfall in production resulted in procurement from outside agencies at a higher cost to meet the demand of the State.
- The Company fixed price at higher rates due to consideration of excess recovery towards dealers' commission, interest, cost of loading and unloading and transportation to the tune of Rs.2.97 crore.
- The Company failed to achieve the targeted sale during 2001-02 to 2005-06 leading to seeds becoming substandard resulting in loss of Rs.4.63 crore on its sale.

(Chapter 2.4)

3. Transaction audit observations

Audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications as category-wise listed below:

There were 17 cases of loss amounting to Rs.206.32 crore on account of:

- faulty planning;
- inadequate provisions in the contracts for safeguarding financial interest;
- undue benefit to buyers and contractors;
- injudicious decisions; and
- poor recovery action.

(Paragraphs 3.1 to 3.3, 3.5 to 3.10, 3.12 to 3.14 and 3.16 to 3.20)

There were instances of avoidable and wasteful expenditure amounting to Rs.2.20 crore in three cases due to:

- excess payment of wages;
- inadequate maintenance; and
- non-acceptance of lowest tender.

(Paragraphs 3.4, 3.11 and 3.15)

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

Orissa Mining Corporation Limited extended undue benefit of Rs.14.82 crore to the contractor due to payment of dewatering charges disregarding the actual deployment of pumps.

(Paragraph 3.1)

Orissa Mining Corporation Limited failed to make timely arrangement for transportation of chrome ore which led to loss of revenue of Rs.2.30 crore.

(Paragraph 3.2)

Non-acceptance of bonds of Rs.250 crore by **Orissa Hydro Power Corporation Limited** led to loss of interest of Rs.127.50 crore.

(Paragraph 3.6)

Shortfall in drawal of power by **Orissa Hydro Power Corporation Limited and Orissa Power Transmission Corporation Limited** resulted in avoidable burden of Rs.36.40 crore towards additional cost of power on the consumers.

(Paragraph 3.12)

Sale of chrome ore by **Industrial Development Corporation of Orissa Limited** at price below the prevailing market price and increase in agreed sales quantity led to loss of revenue of Rs.4.21 crore.

(Paragraphs 3.13 and 3.14)

Injudicious decision of **IDCOL Ferro Chrome and Alloys Limited** to utilise chrome concentrate in the production of High Carbon Ferro Chrome resulted in loss of revenue of Rs.1.67 crore besides unfruitful expenditure of Rs.1.16 crore towards electricity charges.

(Paragraphs 3.16 and 3.17)

Chapter-I

1. Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2007, there were 61 Government companies (29* working companies and 32** non-working companies) and three working Statutory corporations as against 62 Government companies (30 working companies and 32 non-working companies) and three working Statutory corporations as on 31 March 2006 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 the Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

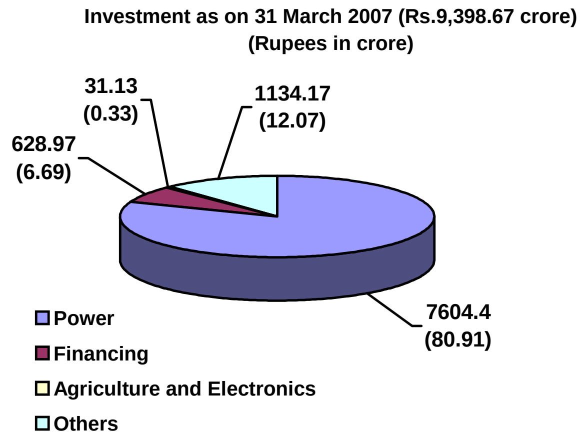
1.2 As on 31 March 2007, the total investment in 32 working PSUs (29 Government companies and three Statutory corporations) was Rs.9,398.67*** crore (equity-Rs.1,973.40 crore and long-term

* During the year, one company (Hirakud Industrial works Limited) was privatised.
** Non-working companies/corporations are those which are under the process of liquidation/ closure/ merger, etc.
*** State Government's investment was Rs.5,758.38 crore (others: Rs.3,640.29 crore). Figure as per the Finance Accounts, 2006-07 was Rs.3,024.03 crore. The difference is under reconciliation.

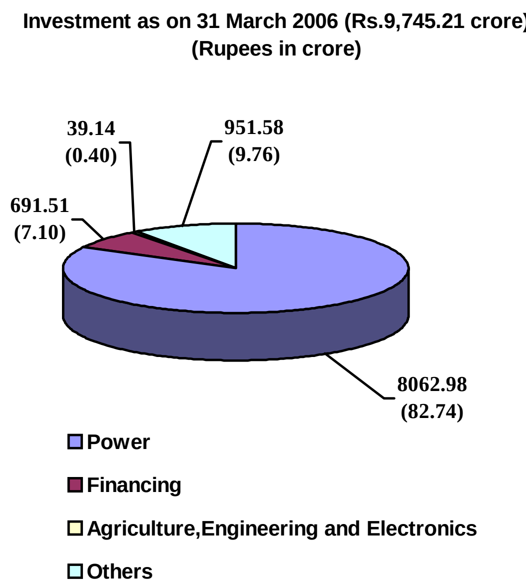
loans-Rs.7,425.27[*]crore) as against 33 working PSUs (30 Government companies and three Statutory corporations) with a total investment of Rs.9,745.21 crore (equity- Rs.1,974.71 crore, long-term loans- Rs.7,763.29 crore and share application money Rs.7.21 crore) as on 31 March 2006. The analysis of investment in working PSUs is given in the following paragraphs.

Sector-wise investment in working Government companies and Statutory corporations

1.3 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2007 and 31 March 2006 are indicated below in the pie charts:



(Figures in brackets indicate percentage)



(Figures in brackets indicate percentage)

[*] Long-term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.5 are excluding interest accrued and due on such loans.

Working Government companies

1.4 Total investment in working Government companies at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Year	No. of companies	Equity	Share application money	Long-term loans	Total
2005-06	30	1,747.04	7.21	7,230.93	8,985.18
2006-07	29	1,745.74	--	6,952.41	8,698.15

There was decrease in investment during 2006-07 mainly due to privatisation of one company (Hirakud Industrial Works Limited) and decrease in long term loans of PSUs in Power and Finance sectors.

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

As on 31 March 2007, the total investment in working Government companies comprised 20.07 *per cent* of equity capital and 79.93 *per cent* of loans as compared to 19.52 *per cent* and 80.48 *per cent* respectively as on 31 March 2006.

Working Statutory corporations

1.5 The total investment in three working Statutory corporations at the end of March 2006 and March 2007 was as follows:

(Rupees in crore)

Name of Corporation	2005-06		2006-07	
	Capital	Loans	Capital	Loans
Orissa State Road Transport Corporation*	136.49	37.47	136.49	37.47
Orissa State Financial Corporation**	87.57	482.00	87.57	429.97
Orissa State Warehousing Corporation**	3.60	9.41	3.60	5.42
Total	**227.66**	**528.88**	**227.66**	**472.86**

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

As on 31 March 2007, the total investment in working Statutory corporations comprised 32.50 *per cent* of equity capital and 67.50 *per cent* of loans as compared to 30.09 *per cent* and 69.91 *per cent* respectively as on 31 March 2006.

* Figures for 2005-06 and 2006-07 are provisional.
** Figures for 2006-07 are provisional.

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

1.6 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the 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 six working Government companies and two working Statutory corporations for the three years up to 31 March 2007 are given below:

(Rupees in crore)

	2004-05				2005-06				2006-07			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	2	3.48	--	--	1	7.21	--	--	--	--	--	--
Loans given from budget	1	1.42	2	91.14	--	--	1	12.00	1	122.42	1	111.70
Grants	4	0.88	--	--	2	0.25	--	--	2	0.84	--	--
Subsidy towards												
(i) Projects/ Programmes/ Schemes	--	--	--	--	--	--	--	--	--	--	--	--
(ii) Other subsidy	4	81.55	3	2.35	3	57.05	2	1.96	4	46.06	2	2.36
Total outgo	**7#**	**87.33**	**3#**	**93.49**	**5#**	**64.51**	**2#**	**13.96**	**6#**	**169.32**	**2#**	**114.06**

During the year 2006-07, the Government guaranteed loans obtained by the two working Government companies aggregating to Rs.46.01 crore. At the end of the year, guarantees of Rs.2,185.30 crore against 10 working Government companies (Rs.2,138.67 crore) and two working Statutory corporations (Rs.46.63 crore) were outstanding. The guarantee commission paid or payable to the State Government by eight working companies (Rs.11.90 crore) and one Statutory corporation (Rs.4.91 crore) during 2006-07 was Rs.16.81 crore.

Finalisation of accounts by working PSUs

1.7 The accounts of the Government 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. These are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective statutes.

Actual number of companies/corporations which received equity/loans/grants/subsidy from the State Government during the year.

The position of finalisation of accounts by the working PSUs are given in **Annexure-2**. It will be noticed that only one working Government company (Orissa Hydro Power Corporation Limited) finalised its accounts for the year 2006-07 within the stipulated period. During the period from October 2006 to September 2007, 22 working Government companies finalised 31 accounts for previous years and one Statutory corporation (Orissa State Road Transport Corporation) finalised one account for the previous year.

The accounts of 28 working Government Companies and three Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2007 as shown in the following table:

Sl. No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of Annexure-2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	--	2000-01 to 2006-07	7	A-29	--
2.	1	--	2001-02 to 2006-07	6	A-6	--
3.	2	--	2003-04 to 2006-07	4	A-1 & A-25	--
4.	5	--	2004-05 to 2006-07	3	A-2,11,18,23 & 26	--
5.	5	2	2005-06 to 2006-07	2	A-9,10, 20, 22 & 24	B-1,3
6.	14	1	2006-07	1	A-3,4,5,7,8,12,13,15, 16,17,19,21,27 & 28	B-2

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures had been taken by the Government and as a result, the net worth of these PSUs could not be assessed in Audit.

Financial position and working results of working PSUs

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

According to the latest finalised accounts of 29 working Government companies and three working Statutory corporations, 13 companies had incurred an aggregate loss of Rs.65.12 crore and 14 companies and three corporations had earned an aggregate profit of Rs.455.00 crore and Rs.7.91 crore respectively. Two companies, namely Agriculture Promotion &

Investment Corporation of Orissa Limited and Orissa State Civil Supplies Corporation Limited were functioning on "no profit and no loss" basis.

Working Government companies

Profit earning working companies and dividend

1.9 Out of the 29 working Government companies, only one company[#] finalised the accounts for 2006-07 by 30 September 2007 and earned profit of Rs.53.93 crore for the year but did not declare any dividend.

In case of remaining 26[*] companies which finalised their accounts for previous years by 30 September 2007, 13 companies earned an aggregate profit of Rs.401.07 crore. Out of these, 12 companies earned profit for two or more successive years. Although Grid Corporation of Orissa Limited had earned profit of Rs.25.82 crore, it had accumulated loss of Rs.1,002.32 crore which exceeded its paid-up capital of Rs.432.98 crore.

The State Government had accepted (August 1996) the recommendations of the Tenth Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, promotional and commercial and promotional public enterprises at the rate of six *per cent*, one *per cent* and four *per cent* respectively, as dividend on equity. As per the latest finalised accounts of 14 profit earning companies, interim dividend of Rs.177.81 crore was declared by three working Government Companies viz. Orissa Mining Corporation Limited (Rs.60.00 crore), Orissa Power Generation Corporation Limited (Rs.117.65 crore) and Orissa State Cashew Development Corporation Limited (Rs.0.16 crore).

Loss incurring working Government companies

1.10 Out of 13 loss incurring working Government companies, 8[**] companies had accumulated losses aggregating Rs.260.69 crore, which exceeded their aggregate paid-up capital of Rs.31.86 crore. None of these companies was extended any financial support by the State Government during the year 2006-07.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.11 None of the working Statutory corporations finalised its accounts for 2006-07 by September 2007. The three working Statutory corporations (viz. Orissa State Road Transport Corporation (OSRTC), Orissa State Financial

[#] Orissa Hydro Power Corporation Limited.

[*] Excluding two companies (Agriculture Promotion & Investment Corporation of Orissa Limited and Orissa State Civil Supplies Corporation Limited) which are functioning on 'no profit and no loss' basis.

[**] Orissa Agro Industries Corporation Limited, ELMARC Limited, Orissa Forest Development Corporation Limited, Orissa Bridge & Construction Corporation Limited, Orissa Power Transmission Corporation Limited, Orissa Small Industries Corporation Limited, Kalinga Studios Limited and Konark Jute Limited.

Corporation (OSFC) and Orissa State Warehousing Corporation (OSWC)) which finalised their accounts for previous years by September 2007 earned an aggregate profit of Rs.7.91 crore as per their latest finalised accounts. Though two working Statutory corporations (viz. OSRTC and OSFC) earned profit of Rs.0.34 crore and Rs.2.22 crore respectively, they had accumulated loss of Rs.234.74 crore and Rs.381.58 crore which exceeded their paid-up capital of Rs.136.49 crore and Rs.87.57 crore respectively.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**. In case of Orissa State Road Transport Corporation, as against a loss of 60 paise per kilometre in 2004-05, the loss had decreased to 55 paise per kilometre in 2005-06 and again increased to 60 paise per kilometre in 2006-07 mainly due to decrease in effective kilometre operated. In respect of Orissa State Warehousing Corporation, profit per tonne was Rs.5.83 in 2004-05 which increased to Rs.10.75 in 2005-06 and further increased to Rs.14.82 during 2006-07 mainly due to increase in average capacity utilisation and decrease in other expenses.

Return on capital employed

1.13 As per the latest finalised accounts of 29 working companies (up to 30 September 2007), the capital employed[*] worked out to Rs.8,199.12 crore and total return[**] thereon amounted to Rs.952.36 crore which was 11.62 *per cent* as compared to total return of Rs.1,385.10 crore (15.69 *per cent*) in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to 30 September 2007) worked out to Rs.486.44 crore and Rs.19.96 crore (4.10 *per cent*) respectively against the total return of Rs.20.46 crore (4.24 *per cent*) in the previous year (accounts finalised up to September 2006). 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**.

State Electricity Regulatory Commission

1.14 Orissa Electricity Regulatory Commission (Commission) was formed (12 June 1996) under the Orissa Electricity Reform Act, 1995[***] with the object of regulation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. The Commission is a body corporate and comprises of three members including a Chairman who are appointed by the State Government. The audit of accounts of the Commission has been entrusted to the CAG under

[*] Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in finance companies/corporations where it represents a mean of aggregate of opening and closing balance of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).
[**] For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss, as disclosed in the profit and loss accounts.
[***] Since replaced with Section 82(1) of the Electricity Act, 2003.

Section 104(2) of the Electricity Act, 2003[*]. The Commission, however, had not submitted any of its accounts for audit and the same are in arrears since inception.

Non-working Public Sector Undertakings (PSUs)

Investment in non-working Government companies

1.15 As on 31 March 2007, the total investment in 32 non-working Government companies was Rs.154.71 crore[**] (equity: Rs.60.43 crore, long-term loans: Rs.70.32 crore and share application money: Rs.23.96 crore) as against the total investment of Rs.149.23 crore (equity: Rs.60.43 crore, long-term loans: Rs.64.84 crore and share application money: Rs.23.96 crore) as on 31 March 2006.

The summarised statement of Government investment in non-working Government companies in the form of equity and loans is indicated in **Annexure-1**. The classification of the non-working PSUs was as follows:

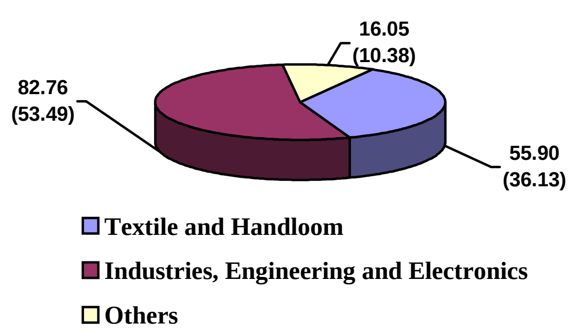
(Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long-term loans
(i)	Closed[#]	15	48.53	9.25
(ii)	Under liquidation[$]	17	35.86	61.07
	Total	**32**	**84.39**	**70.32**

Sector wise investment in non-working Government companies

1.16 The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2007 and 2006 are indicated below in the pie charts:

Investment as on 31 March 2007 (Rs.154.71 crores)
(Rupees in crore)



(Figures in brackets indicate percentage)

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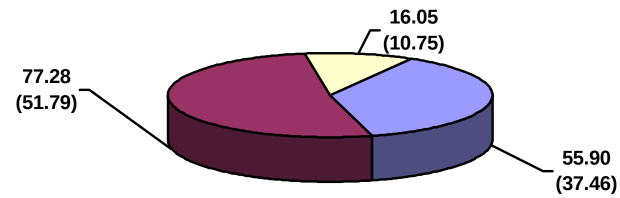
[*] Erstwhile Schedule of the Orissa Electricity Reform Act, 1995 repealed by the Electricity Act, 2003.
[**] State Government investment was Rs.93.35 crore (others-Rs.61.36 crore). Figure as per the Finance Accounts, 2006-07 was Rs.88.53 crore. The difference is under reconciliation.
[#] Companies at Sl Nos.C-2,3,8,11,12,16,19,20,22,24,25,26,30,31 and 32 of Annexure-2.
[$] Companies at Sl.Nos.C-1,4,5,6,7,9,10,13,14,15,17,18,21,23,27,28 and 29 of Annexure-2. In respect of Sl.Nos.C-6,13,14,28 and 29 though Government has decided for liquidation, no liquidators have been appointed.

Investment as on 31 March 2006 (Rs.149.23 crores)
(Rupees in crore)



(Figures in brackets indicate percentage)

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

1.17 During the year 2006-07, the Government had not given any grant/subsidy to any non-working company. There was no budgetary outgo from the State Government to non-working companies. There was also no waiver of dues for non-working companies in 2006-07.

Total establishment expenditure of non-working PSUs

1.18 The year-wise details of total establishment expenditure incurred by non-working PSUs and the sources of its financing during the last three years up to 2006-07 are given below:

(Rupees in crore)

Year	Number of PSUs (Government companies)	Total expenditure	Sources of financing			
			Disposal of investment/assets	Government by way of		Others
				Loans	Grants	
2004-05	3	0.33	--	--	--	0.33
2005-06	5	0.20	--	--	--	0.20
2006-07	2*	0.35	0.35	--	--	--
Total	**--**	**0.88**	**0.35**	**--**	**--**	**0.53**

Finalisation of accounts by non-working PSUs

1.19 Seventeen companies out of 32 non-working Government companies were in the process of liquidation/under liquidation and remaining 15 companies were defunct. The accounts of 14 defunct companies were in arrears for periods ranging from three years to 36 years as could be seen from **Annexure-2**. During the period October 2006 to September 2007, only one defunct company viz. Kalinga Steels (I) Limited had finalised its accounts for the year 2006-07 and four non-working companies finalised six accounts for previous years.

* Out of 32 non-working companies, only two companies (Sl.Nos. C-24 and 25 of Annexure-1) furnished information on establishment expenditure for 2006-07.

Financial position and working results of non-working PSUs

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

The summarised details of paid-up capital, net worth*, cash loss and accumulated loss of 15** out of 32 non-working PSUs as per their latest finalised accounts are given below.

(Rupees in crore)

Particulars	Paid-up capital	Net worth	Cash loss	Accumulated loss
Non-working Companies	67.51	-138.29	28.79	248.79

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

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of the Statutory corporations as issued by the Comptroller and Auditor General of India in the State Legislature by the Government.

Sl. No.	Names of Statutory corporations	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1	Orissa State Road Transport Corporation (OSRTC)	2003-04	2004-05	19 January 2007
2	Orissa State Financial Corporation (OSFC)	2004-05	2005-06	22 December 2006
3	Orissa State Warehousing Corporation (OSWC)	2003-04	2004-05	22 December 2006

Disinvestment, Privatisation and Restructuring of Public Sector Undertakings

Restructuring Programme of Government of Orissa

1.22 The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed (October 1995) for 36 Public Sector Enterprises (PSEs) and Co-operative Enterprises for disinvestment/ privatisation/ restructuring/ liquidation. The private investors, however, did not show much interest and little progress was made on reforms. As per the record notes of discussions held (15 April 1999) between the Union Ministry of Finance and the State Government for a fiscal reform programme, the State Government was to take up a time bound reform programme for disinvestment and restructuring of certain State level Public Sector Enterprises. A Task Force on Public Enterprises Reform was constituted (10 October 2000) for framing a clear policy frame work on Public Enterprises Reform. In accordance with the recommendations of the Task Force, the State Government and the Department of Expenditure, Union Ministry of Finance signed (11 October

* Net worth represents paid-up capital plus free reserves less intangible assets.
** Information in respect of 14 companies was not available and three companies had not started commercial activities.

2001) an MOU to achieve fiscal sustainability in the medium term in accordance with the Orissa Medium Term Fiscal Reform Programme in two phases (first phase 2002-2005 and second phase 2005-2007) which included Public Sector Restructuring Programme. In pursuance to the programme, three State Government companies (viz. IDCOL Cement Limited, IDCOL Rolling Mills Limited and Hirakud Industrial Works Limited) were privatised through disinvestment of shares during the period December 2003 to July 2006.

The present status (September 2007) of the Reform Programme in respect of other Public Sector Enterprises of first phase (2002-2005) is given below:

Name of the enterprise	**Action to be taken**	**Date by which action to be completed**	**Present status**
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999*	Entire moveable assets of Stainless Tube Division has been sold to a private entrepreneur with the approval of Hon'ble High Court. Steps are being taken for sale of other assets with the approval of Hon'ble High Court.
IDCOL Ferro Chrome and Alloys Limited	Partial privatisation	October 1999*	The Government has decided to divest at least 51 *per cent* of the IDCOL's shareholding in the Company without mining right, in favour of a central PSU. The proposal has been sent to the concerned central PSU.
Orissa State Textile Corporation Limited	Closure	March 2000*	Action for privatisation was held up as the acquisition of Bhaskar Textile Mills (a unit of the Company) was challenged by the erstwhile owner and the judgment of the Court was awaited.
Orissa State Road Transport Corporation	Formal closure of the Corporation and restructuring by transfer of assets	Not fixed*	Restructuring plan approved by the State Government. Action initiated on the restructuring plan. Voluntary Separation Scheme was in operation to get rid of the surplus staff.
Kalinga Studios Limited	Privatisation	2002-05	Privatisation process in progress.
Orissa Lift Irrigation Corporation Limited	Restructuring	2002-05	Restructuring plan approved by the Government. VR financial assistance provided for 5,452 employees by the State Government. A total of 8,675 Pani Panchayats have been formed and 6,867 Lift Irrigation points have been handed over to Pani Panchayats.
Orissa State Financial Corporation	Restructuring	2002-05	UTI Bank Limited has been selected as consultant for restructuring of the Corporation.

Necessary action to be taken in respect of the above PSUs in terms of privatisation/ restructuring/ closure has not been completed (September 2007).

* Included in the first phase.

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

1.23 During October 2006 to September 2007, the accounts of 24 Government companies (20 working and 4 non-working) and one working Statutory corporation were selected for audit. The net impact of important audit observations issued as a result of audit of their accounts is as follows:

(Rupees in crore)

Details	Number of accounts		Government companies	Statutory corporations
	Government companies	Statutory corporations		
(i) Increase in loss	5	--	14.85	--
(ii)Decrease in profit	4	1	13.51	0.20

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

Errors and omissions noticed in case of Government companies and Statutory corporations

Orissa Forest Development Corporation Limited (2004-05)

1.24 Understatement of accumulated loss by Rs.10.16 crore due to non-accountal of expenses incurred towards interest, guarantee commission and bank charges in connection with kendu leaf (KL) trade for the years 2000-01 to 2004-05.

Orissa Rural Housing and Development Corporation Limited (2002-03)

1.25 Understatement of loss by Rs.1.75 crore due to non-provision for doubtful investment in non-convertible bonds of Uttar Pradesh State Yarn Company Limited (Rs.1.10 crore) and accountal of interest income on the same (Rs.0.65 crore).

Grid Corporation of Orissa Limited (2005-06)

1.26 Overstatement of profit by Rs.4.83 crore due to non-accountal of demand raised (February 2006) by NTPC towards fixed charges which had already been admitted by the Company.

Orissa Bridge and Construction Corporation Limited (2004-05)

1.27 Understatement of accumulated loss by Rs.1.41 crore due to non-provision of liabilities towards Provident Fund and allied dues for the period from February 1986 to January 2003.

Recoveries at the instance of Audit

1.28 In paragraph 2.13 of the Report of the Comptroller and Auditor General of India (Commercial) for the year 2005-06, Government of Orissa, non-collection of Entry Tax of Rs.2.35 crore from the buyers of mineral by Orissa Mining Corporation Limited was reported. In compliance to the Audit observation, the Company re-assessed the actual Entry Tax dues at Rs.1.86 crore and recovered Rs.1.64 crore from the buyers during 2006-07.

In paragraph 3.9 of the Report of the Comptroller and Auditor General of India (Commercial) for the year 2003-04, Government of Orissa, undue favour to Rathi Ispat Limited by IDCOL Ferro Chrome and Alloys Limited resulting in outstanding dues of Rs.1.10 crore and non-levy of interest on defaulted amount was reported. As a result thereof, the Company took corrective action and recovered Rs.1.10 crore from the party by the end of 2006-07.

In paragraph 3.6 of the Report of the Comptroller and Auditor General of India (Commercial) for the year 2002-03, Government of Orissa, non-realisation of sale proceeds of Rs.12.62 lakh by Industrial Development Corporation of Orissa Limited from Haryana Steel and Alloys Limited was reported. As a result thereof, the Company took action and recovered the full amount by September 2006.

Internal audit/ Internal control

1.29 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which need improvement. An illustrative resume of major recommendations/ comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 13 State Government companies is indicated in **Annexure-7**. It would be noticed from the Annexure that the comments in respect of these companies were of the following nature:-

- Internal Audit System was not commensurate and adequate with the size and nature of business of Government companies.
- There was no system of monitoring timely recovery of dues.
- Fixed Assets Register was either not maintained or maintained but not updated.
- There was no specific policy with regard to provision for bad and doubtful debts.
- Stores management system was not adequate and according to the prescribed principles.

Recommendation for closure of PSUs

1.30 Even after completion (January 2007) of 17 years of existence, the turnover of Elmarc Limited remained less than Rs.5 crore for each of the preceding five years. The Company continued to incur losses for the last five years. In view of the poor turnover and continuous losses, the Government may either take steps to improve the working of the Company or consider its closure.

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

1.31 During October 2006 to September 2007, the Committee on Public Undertakings (COPU) held nine meetings and discussed 16 paragraphs and one review (partly) pertaining to the Audit Reports (Commercial) for the years 1993-94 to 2004-05. The year-wise position of reviews/paras appearing in the Audit Reports (Commercial) and discussed by the COPU as on 30 September 2007 is detailed below:

Period of Audit Report	Number of reviews and paragraphs			
	Appeared in the Audit Report		Discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	4	24	4	21
1994-95	3	21	2	19
1995-96	3	20	3	15
1996-97	4	23	3	19
1997-98	1	14	1	6
1998-99	4	22	--	14
1999-00	4	25	--	13
2000-01	3	22	--	9
2001-02	3	14	1	6
2002-03	3	21	--	6
2003-04	3	24	--	4
2004-05	3	14	2	1
2005-06	4	17	--	--
TOTAL	**42**	**261**	**16**	**133**

619–B Companies

1.32 There were two companies (both non-working) within the purview of Section 619-B of the Companies Act, 1956 as on 31 March 2007. The details of paid-up capital, investment by way of equity, loans, grants and summarised working results of these companies based on their latest available accounts are indicated in **Annexure-8**.

Chapter-II

Performance reviews relating to Government companies

Orissa Bridge and Construction Corporation Limited

2.1 Construction activities

Highlights

Orissa Bridge and Construction Corporation Limited was incorporated (January 1983) with the aim of constructing bridges, buildings, roads, irrigation projects, channels and other structures. The Company largely depended on works allotted by the State Government. However, the value of works secured through open tenders was negligible.

(Paragraphs –2.1.1 and 2.1.6)

Out of 75 works obtained (including 47 spill over works), the Company could complete 33 works during five years period ending March 2007. Out of 25 works completed after scheduled date of completion, eight works were completed with delay of more than three years.

(Paragraphs –2.1.6 and 2.1.8)

The targets for execution of works were fixed disregarding the contracted schedule of completion of works. The gap between the value of works that should have been completed as per the commitments and actual work executed ranged between 56.70 to 80.36 *per cent*.

(Paragraph – 2.1.7)

The Company lost Rs.13.04 crore towards overhead charges in respect of 19 works surrendered or withdrawn by the clients due to delay in execution of works.

(Paragraph – 2.1.9)

Allotted works were split into piece work and offloaded to sub-contractors in violation of the prescribed procedure.

(Paragraph – 2.1.12)

In the absence of enabling clause in agreement with the sub-contractors, the Company could not recover service charges of Rs.2.05 crore.

(Paragraph – 2.1.15)

The Company failed to realise sales tax of Rs.1.40 crore from the sub-contractors.

(Paragraph – 2.1.16)

Introduction

2.1.1 Orissa Bridge and Construction Corporation Limited (Company) was incorporated (January 1983) as a wholly owned Government Company with the main objectives of constructing bridges, buildings, roads, irrigation project channels and other structures.

However, the Company has been primarily executing the works allotted by the Department of Works (DoW) of the State Government. The Company also undertakes deposit works from other Government agencies. The Company also collects toll from vehicles on behalf of the State Government for the use of the bridges and approach roads.

The Management of the Company is vested in a Board of Directors (BoD) consisting of eight Directors including the Chairman and the Managing Director (MD). The MD, who is the only functional director, is the Chief Executive of the Company and is assisted by General Manager (Civil) and General Manager (Finance) besides three Senior Managers at the Head Office for carrying out day to day works.

The Head Office is located at Bhubaneswar and there are six[*] unit offices headed by Senior Project Managers, who are responsible for monitoring and execution of works. The Company also has a Quality Control Division headed by a Senior Manager.

During the period 2002-03 to 2006-07, there were 15 Managing Directors, with tenures ranging from one day to nine months. Frequent changes of the incumbent in the post of the Chief Executive impeded the pursuit of the organisation for stable and consistent approach in management.

A review on the working of the Company was included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Orissa for the year ended 31 March 1999. Another performance review focusing on the monitoring aspects in respect of the works entrusted by the State Government to the Company was included in the Report of the Comptroller and Auditor General of India (Civil), Government of Orissa for the year ended 31 March 2003. Findings appearing in these Reports are yet to be discussed by COPU/PAC (October 2007).

Scope of audit

2.1.2 The present performance review covers the construction activities of the Company for the period from 2002-03 to 2006-07. Audit examined the records maintained at the Corporate Office, five[**] out of six unit offices and the Quality Control Division. Further, nine contracts (Rs.148.32 crore) out of 12 contracts (Rs.186.39 crore) of value more than Rs.5 crore and 26 contracts (Rs.51.45 crore) out of 63 contracts (Rs.97.08 crore) of value less than Rs.5 crore were examined in audit.

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[*] Bhubaneswar, Cuttack, Choudwar, Berhampur, Bolangir and Balasore

[**] Bhubaneswar, Balasore, Bolangir, Cuttack and Choudwar.

Audit objectives

2.1.3 The performance review on the construction activities of the Company with regard to execution of works was carried out to assess whether:

- targets for execution of works were fixed with reference to completion schedule of works;
- the planning for the execution of works was consistent with the targets;
- reasonable care was taken in preparation and timely submission of the estimates to the Technical Committee for approval in respect of allotted works and for submission of offers for securing works through tender;
- the works were executed efficiently and effectively to achieve economy and an effective monitoring system was in place; and
- the internal control systems in the Company were adequate and sufficiently sensitive to lack of documentation of various transactions and compliance with the controls and procedures prescribed.

Audit criteria

2.1.4 The audit criteria considered for assessing the achievement of audit objectives were:

- Targets for turnover set by the Company;
- Time schedule for various contracts/works as prescribed by the clients;
- Cost estimates prepared by the Company;
- Recommendations of the Technical Committees;
- Instructions/ guidelines issued by the State Government/Company;
- Various terms and conditions provided in the contracts;
- Budget estimates of the State Government and the Company; and
- Provisions of Orissa Public Works Department Code and Central Public Works Department Code.

Audit methodology

2.1.5 The methodologies adopted to achieve the audit objectives with reference to audit criteria were:

- Scrutiny of minutes and agenda papers of the meetings of the Board of Directors, estimates and offers, contract documents, correspondences with administrative department, budget files, bill of quantity register, measurement books, etc. and Monthly Progress Reports from the field offices to the Head Office.

- Examination of circulars and office orders, instructions of the Government of Orissa and Government of India with reference to the relevant issue/activity, reports relating to physical inspection of work sites and internal audit reports; and
- Interaction with the Management and issue of audit queries.

Audit findings

Audit findings as a result of performance review of the Company were reported (June 2007) to the Government/Management and also discussed (26 July 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE) which was attended by the Financial Advisor-cum-Joint Secretary, Department of Works of the State Government and the MD of the Company. The views expressed by the members have been taken into consideration while finalising the report. The major audit findings are discussed in the succeeding paragraphs.

Position of works in hand

2.1.6 The works executed by the Company are broadly divided into three categories:

- Works allotted by the Department of Works, Government of Orissa;
- Tender works; and
- Deposit works.

As per the Accounting Procedure issued (May 2001) by the Department of Works (DoW), **the Department allotted works valuing Rs.10 crore per year directly to the Company without call of tenders**. As such, the Company gets these works directly from DoW without participating in tenders. Besides, the Company also participates in tenders and also obtains other deposit works.

The details of different types of work received, executed and remaining in hand during the five years ending 31 March 2007 were as follows:

(Rupees in crore)

Year	**Spill over from the previous year**		**Works allotted/ obtained during the year**		**Total**		**Works withdrawn/ surrendered**		**Total works being executed**		**Works completed**		**Spill over to the next year**	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
2002-03	47	158.74	8	69.28	55	228.02	4	3.23	34	16.62	4	3.72	47	208.17
2003-04	47	208.17	4	11.33	51	219.50	--	0	31	22.20	7	11.13	44	197.30
2004-05	44	197.30	4	5.17	48	202.47	6	25.03	32	37.48	12	40.70	30	139.96
2005-06	30	139.96	5	13.12	35	153.08	5	47.26	32	22.33	6	7.46	24	83.49
2006-07	24	83.49	7	25.83	31	109.32	4	47.21	21	9.87	4	19.35	23	61.80
Total			**28**	**124.73**			**19**	**122.73**			**33**	**82.36**		

It would be seen from the table that during the period 2002-03 to 2006-07, the Company secured 28 works valued at Rs.124.73 crore. Of these, 22 works

(Rs.120.76 crore) were directly allotted by DoW and only one work (Rs.1.33 crore) was obtained through open tender. The remaining five works were deposit works (Rs.2.64 crore). Out of 75 works (including 47 spill over works) obtained by the Company, the Government withdrew 15 works valued at Rs.102.27 crore due to slow progress in execution and the Company surrendered four works valued at Rs.20.46 crore. As against 28 works allotted during 2002-07, 19 works (68 *per cent*) were withdrawn/surrendered. Thus, the business received was only for Rupees two crore during the above period. Further, out of 23 works valued at Rs.61.80 crore pending for execution as on March 2007, 20 works were due for completion by March 2007. It was observed that out of 33 works (valued at Rs.82.36 crore) completed during 2002-03 to 2006-07, the Company could complete only eight works within the scheduled period of completion. The remaining 25 works were executed with delays ranging from two to 94 months as discussed in paragraph 2.1.8 *infra*. Thus, the track record of the Company for completing works within the stipulated period was far from satisfactory.

Targets and achievements

2.1.7 For execution of works, budget containing work-wise annual targets based on the progress of work reported by the field units is prepared. The targets set by the Company vis-à-vis the targets required to be fixed considering the contracted schedule of completion and the achievement there against for the last five years ending 2006-07 were as follows:

(Rupees in crore)

Year	Target fixed for value of work to be done	*Required target as per completion schedule	Shortfall in fixation of targets	Percentage of shortfall in fixation of targets	Value of works executed	Percentage of shortfall in achievement vis-à-vis target fixed	Percentage of shortfall in achievement vis-à-vis required target as per schedule
1	**2**	**3**	**4 (3-2)**	**5**	**6**	**7**	**8**
2002-03	21.93	76.64	54.71	249.47	16.62	24.21	78.31
2003-04	20.68	91.83	71.15	344.05	22.20	Nil	75.82
2004-05	30.70	86.56	55.86	181.95	37.48	Nil	56.70
2005-06	21.07	113.70	92.63	439.63	22.33	Nil	80.36
2006-07	35.94	41.37	5.43	15.10	9.87	72.51	76.12

The following points were noticed:

- The targets were not fixed as per the contractual schedule of completion of works. The gap between the value of works that should have been completed as per commitments made to the clients and the value of works actually completed ranged between 56.70 to 80.36 *per cent*.
- Further, the availability of funds was not properly considered while fixing the targets.

* The target that should have been fixed by the Company by taking into account the scheduled period of completion of the works.

- In respect of 15 works, budget provision of Rs.14.38 crore was made against fund allotment of Rs.36.41 crore by the client. In case of six works, budget provision was made on higher side by Rs.16.98 crore compared to the provisions made by the DoW, whereas in case of 13 works, though the DoW made a provision of Rs.17.73 crore, no provision was made by the Company in the budget.

Targets were fixed disregarding contractual schedule of completion as well as budgetary provisions.

It is obvious that the targets were not fixed on realistic basis as neither the commitments made to the clients nor availability of funds were factored in. As the targets for the year are an outcome of the planning process, unrealistic targets reflected faulty planning.

The Management/Government stated (August 2007) that the changes made in the supplementary budget of the State Government could not be carried out in the budget prepared by the Company. Hence, the target and achievement varied from work to work. The reply is not tenable as the audit observations made are based on the original budget of the State Government on the basis of which the Company fixed the targets and not on the basis of the supplementary budget of the State Government.

Delay in completion of works

2.1.8 During 2002-2007, the Company completed execution of 33 works including 11 works received during the period. Of these, 25 works were completed after the scheduled date of completion and the delay in respect of eight works was more than three years. The maximum delay in execution was more than seven years over the scheduled date of completion. Even in respect of on-going works, the scheduled period of completion was already over in respect of 20 works. The extent of delay in execution of works is detailed below:

	Total no. of works	Delay in months						
		1-6	7-12	13-18	19-24	25-30	31-36	More than 36 months
Completed works	25	2	4	3	4	1	3	8
On-going works	20	6	-	2	-	-	1	11

The extent of delays at various stages was analysed in audit in respect of both completed and ongoing works and the same is depicted in the following table:

	Total no. of works	Delay in months						
		1-6	7-12	13-18	19-24	25-30	31-36	More than 36 months
Delay in commencement*	34	18	5	2	2	-	-	7
Delay in submission of estimates**	36	16	8	2	6	-	2	2
Delay in approval by TC***	34	6	7	4	2	2	3	10

* After allowing two months time for preliminary work for commencement of work.
** After allowing one month time from the date of allotment for preliminary preparation.
*** After allowing four months time from the date of allotment.

Audit scrutiny revealed that the following were the main reasons causing delay in execution of works:

- Delay in commencement of work;
- Delay in submission of estimates for obtaining approval of rates from the Technical Committee;
- Improper selection of sub-contractors on the basis of quotations instead of open tenders;
- Deployment of one sub-contractor in more than one work;
- Poor monitoring and supervision of works; and
- Delay in release of funds by the client.

The delay in completion of works was up to seven years leading to delay in creation of infrastructure.

Thus, the delay in completion of works can be attributed to faulty planning as well as poor supervision and monitoring. This resulted in cost overrun and loss of socio-economic benefits from the projects. Further, the Company receives 15 *per cent* of the value of works executed as overhead charges to meet its fixed overhead charges. Delay in execution resulted in delay in inflow of revenue, thereby causing financial deficiency in meeting Company's fixed overheads. Failure in completion of work also led to withdrawal of works by the client, besides loss of credibility, as discussed in the succeeding paragraphs.

Withdrawal/surrender of works

Delay in execution of works led to withdrawal and surrender of works resulting in loss of Rs.13.04 crore to the Company.

2.1.9 During the period 2002-07, DoW withdrew 15 works valued at Rs.102.27 crore due to slow progress, delay/non-execution of works, lack of monitoring and control over the sub-contractors, etc. Similarly, during the said period, the Company surrendered (July 2004) four works valued at Rs.20.46 crore. It was observed that one out of four works was surrendered (July 2004) even before its commencement and three works were surrendered between May to July 2004 after execution of works partly, the value of which ranged between Rs.24.56 lakh to Rs.2.90 crore (i.e. 5.40 *per cent* to 48.92 *per cent*). Due to withdrawal and surrender of works, the Company lost overhead charges of Rs.13.04 crore[#] on the balance unexecuted works.

Further, it was observed that out of the withdrawn and surrendered works, three surrendered works and two withdrawn works were awarded by the DoW to private contractors at Rs.26.06 crore against the balance work of Rs.14.92 crore (detailed in **Annexure-9**). The State Government was, thus, put to extra financial burden of Rs.11.14 crore which was mainly attributed to the failure of the Company to execute the works in time.

The Government/Management stated (August 2007) that owing to denial of market rates and non-cooperation from the DoW for execution of works, the Company was forced to abandon and surrender some of the works. It was further stated that the Company would have suffered financial loss had the

[#] 15 *per cent* of value of work withdrawn/surrendered Rs.122.73 crore less work executed Rs.35.79 crore.

work been executed at the original rates. The reply is not tenable because the DoW was already taking care of the increase in the cost of the works by allowing the revised schedule of rates from time to time. Moreover, the Company executed the works through sub-contractors in contravention of the prescribed procedures and the delay in completion of works was mainly due to improper selection and deployment of sub-contractors.

Execution of works

Successful implementation of a project depends upon efficient contract management, maintenance of quality, sound financial management and financial propriety while incurring expenditure. Scrutiny of the execution of works by the Company revealed that the contract management was deficient and failed to protect the interest of the Company as discussed in the succeeding paragraphs.

Sources of funds

2.1.10 In respect of works allotted by DoW, the Company executes the works through sub-contractors and funds are also arranged by the sub-contractors. The Company receives payment from the DoW on submission of Running Account (RA) bills. In respect of works of DoW executed departmentally and tender works, funds are met from the advances released by DoW, the overhead charges received for the works executed and margin from toll collection. In respect of deposit works, the Company executes the works from the funds deposited by the client.

Preparation of estimates

2.1.11 In respect of allotted works, the plan, tentative estimates and designs of the works are finalised by the DoW and allotment orders for works are issued. On receipt of allotment order for a work, the Company executes an interim agreement with the DoW for getting the order for commencing the execution of work. The validity of the interim agreement is for four months within which the Company is required to finalise the rates with the approval of Technical Committee (TC) of the State Government and draw up the final agreement.

Audit scrutiny revealed that in case of 19 allotted works, the Company submitted (between February 2003 to April 2006) detailed estimates after a delay of one to 42 months. This led to delay in approval of rates by TC, delay in signing of agreement and delay in finalisation of bills of the sub-contractors. Out of 23 ongoing works as on 31 March 2007, final agreements had not been drawn up in 10 cases despite lapse of the validity of the interim agreements. Similarly, out of 33 completed works, final agreements were not drawn up in six cases due to non-approval of rates by TC. Thus, reasonable care was not taken in preparing the estimates and submitting these timely to the TC for approval.

Execution of allotted works

2.1.12 As per the accounting procedure issued (August 1983, March 1990 and May 2001) by the State Government, **the Company is not allowed to sub-contract the work allotted by DoW except for piece work**. In the five units test checked by Audit, it was observed that out of 42 works executed during the period 2002-2007, 40 works were offloaded to the sub-contractors in contravention of the prescribed procedures. Only two works were executed departmentally.

Audit scrutiny further revealed the following:

The Company off-loaded works to the sub-contractors by splitting up the entire work without inviting open tenders.

- Rates approved by the DoW (as prepared by the Company and approved by TC) includes 15 *per cent* as overhead charges to be received by the Company *plus* inflation percentage on the Schedule of Rates (SR). When the sub-contractor quotes, he also quotes his margin hence, the costs of works are overloaded to that extent to be borne by the DoW. By sub-contracting the works the Company has undergone loss/excess expenditure incurred by the DoW to the extent margin of profit of sub-contractors.
- Costs of the works further gets inflated due to service charges payable to the Government of Orissa on the total value of the works executed by the sub-contractors.
- While offloading the works to the sub-contractors, the Company split the entire work into different parts limiting each to Rs.5 lakh for timely commencement and completion as per the decision (November 1998) of the BoD. The Company awarded (November 1998 to February 2006) the works on quotation basis without calling for competitive rates through open tender as required under OPWD code. Thus, on the one hand the rates were not competitive and on the other there was no transparency in award of works. In respect of 33 works, the Company split the works into parts ranging from six to 328 parts, limiting each part to Rs.5 lakh. However, out of 33 works, 25 works were completed with delays ranging from two months to almost eight years as discussed in para 2.1.8 *supra.*
- The Company engaged (between April 2002 to April 2006) six contractors for execution of 16 works i.e. more than one work was awarded to a single contractor. This led to delay in completion. Thus, the intended objective for splitting the works i.e. completion of works in time could not be achieved.
- Of the 23 works (Rs.61.80 crore) continuing as of March 2007, five *per cent* works were being executed through piece work contractors and 95 *per cent* through sub-contractors. It was noticed that in some cases the sub-contractors had, in turn, further sub-contracted the allotted works.
- Due to sub-contracting of works, the manpower, machine and equipment of the Company remained idle.

The Government/Management stated (August 2007) that it was not possible to do the entire work either by open tender or departmentally in view of the long time taken by DoW for finalisation of rates. It was further added that they were searching for an alternative method like introduction of vendor system, departmental execution, etc. to make the system more transparent and efficient for execution of works. The reply is not tenable as the Company did not take up the matter with DoW either for the approval of rate within the scheduled time or for redefining the objective clause/revision of accounting procedure to allow for competitive rates and transparency in award of contracts.

Non-verification of antecedents of sub-contractors

2.1.13 The BoD decided (October 2001) to introduce vendor system for execution of works and a pre-qualification Vendor Evaluation Committee (VEC) was formed (February 2004) to scrutinise the applications received from the vendors. Based on the recommendations (March 2004 to March 2005) of the VEC, the BoD approved a list of 67 vendors till March 2007 for offloading of works by the Company. It was, however, observed that the Company did not verify essential details such as the capability of the contractors, registration with State PWD and its subsequent renewals, labour license, etc. before offloading the works to them. It was, further, noticed that the Company appointed (March 2004 to March 2005) six construction firms without verifying their turnover for the past three years. The Company also did not cross-check the antecedents of the applicants from other sources and relied entirely on the information furnished by the applicants.

The Management/Government stated (August 2007) that the applicants who had executed their works earlier and those who participated in their tenders were given preference. It was further stated that the vendor system has not yet been adopted by the Company. The reply is not tenable since the Company had failed to follow the prescribed essential parameters while selecting sub-contractors. The fact thus remains that there were instances where the sub-contractors could not execute the works and had offloaded the same to other sub-contractors.

Non-recovery of earnest money deposit and initial security deposit

The Company did not collect earnest money and initial security deposits amounting to Rs.1.31 crore from the sub-contractor.

2.1.14 As per PWD Contractor's Registration Rules, 1967, all contractors for the purpose of participation in tender have to deposit one *per cent* of the bid amount as earnest money deposit (EMD) at the time of submission of tender and another one *per cent* of the bid amount at the time of signing of agreements as initial security deposit (ISD). It was noticed that in respect of 12 works, the Company did not collect EMD and ISD amounting to Rs.1.31 crore from the sub-contractors during the period 2002-03 to 2006-07 and also lost interest thereof.

The Government/ Management stated (August 2007) that out of 12 works, 11 works had since been completed without any defect and the other work which was partly completed had been withdrawn by the Government. The fact, however, remains that the Company failed to collect EMD and ISD and it has neither stated whether EMD/ISD will be collected in future.

Execution of agreements with sub-contractors

2.1.15 The Company enters into agreements with sub-contractors for execution of works. The following deficiencies were noticed:

- There was no uniformity in the terms and conditions of the contracts executed with different sub-contractors.
- No penal clause was incorporated in the terms and conditions of the contracts/ agreements for timely completion of works. Further, no clause regarding execution of works at the risk and cost of the contractors in case of poor performance, etc. was included in the contracts. As a result, the Company was at the mercy of the contractors.

Due to absence of enabling clause in the agreement with the sub-contractors, the Company could not recover service charge of Rs.2.05 crore.

- The DoW decided (April 2003) to collect service charges @ 5 *per cent* of the estimated cost from the Company which would not be included in the estimated cost. As the Company executes works through sub-contractors, it should have collected the service charges. During the period 2003-04 to 2006-07, the Company executed 18 works valued at Rs.40.91 crore but, in the absence of any enabling clause in the agreement, the Company could not recover service charges amounting to Rs.2.05 crore.

The Government/ Management stated (August 2007) that the service charges prescribed by DoW was not applicable to the Company as the Company executed the works of the parent department (DoW). It was also assured that the Government would issue an order containing a clarification to that effect. The reply is not tenable as the service charges are payable to the Government and so far no exemption has been granted by the Government.

Non-recovery of sales tax

2.1.16 Under the Orissa Sales Tax Act, the principal contractor is to be assessed for the liability of sales tax and not the sub-contractor. The Technical Committee (TC) fixes the rate including the sales tax component. The Company, therefore, is required to reduce the sales tax element from the TC rate while offloading the works to the sub-contractors. In case of failure to do so, the Company has to meet the same from its overhead charges. The Company, instead of reducing the sales tax component from the TC rate, included a clause for deduction of sales tax in the agreement while awarding the works to the sub-contractors. Meanwhile, the Managing Director (MD) of the Company instructed (July 2005) not to deduct sales tax from the sub-contractors on the ground that sales tax should be deducted from the principal contractor (i.e. the Company) and not from the sub-contractors.

Audit scrutiny revealed the following:

Non-reduction of sales tax component from the rates offered to the sub-contractors resulted in loss of Rs.1.40 crore.

- In five cases (July 2005 to March 2007), the Company neither revised the rates nor recovered sales tax from the sub-contractors. As a result, the Company could not realise sales tax of Rs.1.40 crore from the sub-contractors.

- The Company procured 13,770 quintals[*] of steel through the sub-contractors for executing five works during the period 2002-03 to 2006-07. As the steel was not procured by the sub-contractors in the name of the Company due to non-inclusion of enabling clause in the agreement, refund for sales tax of Rs.34.99 lakh already paid could not be claimed by the Company at the time of final assessment. As a result, the Company had to pay double sales tax i.e. to the sub-contractors as well as to the Sales Tax Authorities.
- In respect of ten works, the Company recovered sales tax of Rs.19.26 lakh from the sub-contractors as per the agreements and deposited the same with the sales tax authorities although DoW had already recovered the sales tax from the bills of the Company against these works. This resulted in double deposit of sales tax against the same works. The Company was not legally authorised to deduct sales tax from the sub-contractor. Thus, due to lack of proper procedure for recovery and deposit of sales tax, the Company could not claim refund and sustained loss of Rs.19.26 lakh.

The Government/Management, while admitting the above facts, stated (August 2007) that the Company was negotiating with sub-contractors to bear the sales tax burden and would also appeal before the appropriate authority for relief against sales tax paid on material procured by the sub-contractors. Further developments are awaited (October 2007).

Undue favour to the sub-contractor

Construction of Jokadia Bridge

2.1.17 The work of construction of High Level Bridge and approach road over river Kharasuan near Jokadia was allotted (May 2001) to the Company at Rs.7.83 crore with stipulation to complete the work by March 2004. The Company sub-contracted (December 2001) the work to SSM Construction (P) Limited for completion by March 2004. The sub-contractor commenced the work in December 2001. However, no penalty clause was incorporated in the agreement for timely completion of work. The work could not be completed in time and the DoW withdrew (January 2007) the work. The Company also rescinded (January 2007) the contract with the sub-contractor after execution of work valuing Rs.4.26 crore (54.41 *per cent*) upto December 2006. In the absence of the penalty clause, the Company could not claim penalty of Rs.0.71 crore as applicable under the OPWD rules. Due to termination of the contract, the Company also failed to earn overhead charges of Rs.20.87 lakh on balance work.

Similarly, the Company deployed (April 2002) one of its cranes at the work site of the sub-contractor without entering into a formal agreement for hire-charges. The crane remained in the custody of the sub-contractor (August 2007). As a result, the Company could not claim the hiring charges of

[*] Orders were placed in quintals instead of MTs.

Rs.78.15 lakh (excluding Rs.1.05 lakh already recovered) for the period April 2002 to March 2007 from the sub-contractor.

The Management/Government stated (August 2007) that the crane of the Company was engaged as and when required in the work and the sub-contractor supplied the operator and POL for the crane and hire charges of Rs.1.05 lakh has been recovered. The reply is elusive. Reasons for sub-contracting, not binding the contractor for delays in execution through penal clause in agreement and non-signing of agreement for recovering hire charges for crane were not furnished to audit.

Construction of High Level bridge over river Birupa

Adoption of revised schedule of rates from the retrospective effect resulted in loss of Rs.75.17 lakh to the Company.

2.1.18 DoW allotted (December 2002) the work of construction of High Level Bridge over river Birupa at Paga-Gopinathpur at a cost of Rs.12.85 crore for completion by July 2004. The Company engaged (January 2003) a sub-contractor to execute the work at Schedule of Rate (SR)-2000. The BoD, however, decided (March 2004) to allow SR-2003 plus 7.5 *per cent* to the contractor from January 2003 subject to reimbursement of Sales Tax by DoW to the Company. Subsequently, the Company, without approval of BoD, negotiated (July 2006) for 3.5 *per cent* over SR-2003, but Sales Tax was to be borne by the Company. As the SR-2003 was effective from 1 October 2003, allowing the sub-contractor SR-2003 plus 3.5 *per cent* from 1 January 2003 retrospectively was not justified. Thus, the sub-contractor was extended undue benefit of Rs.26.82 lakh towards excess payment due to revision of rates and the Company had to bear the Sales Tax liability of Rs. 48.35 lakh not paid by the DoW.

The Management/Government stated (August 2007) that the negotiation with the sub-contractor was for 3.5 *per cent* excess over SR-2003 instead of 7.5 *per cent* and the excess payment was reduced to Rs.26.82 lakh. The reply is not tenable since the Company adopted SR-2003 with retrospective effect without considering the financial implications. Further, the reply is silent as to why the Company accepted the Sales Tax liability.

Excess release of payments

Payment to the sub-contractors were made in excess of actual value of work executed ranging between Rs.0.45 lakh to Rs.2.97 crore.

2.1.19 As per the terms of agreement, the Company was receiving payments from DoW against Running Accounts bills and payment to sub-contractors was to be made on the basis of check measurement. From the payments received from DoW, the Company after retaining 15 *per cent* towards overhead charges makes payment to the sub-contractors as per the actual value of work done. Audit scrutiny in respect of four works revealed that though the actual work done by the sub-contractor was far less, higher measurements were taken and payments released to the sub-contractors although the work done was far less. The excess payments on this account ranged between Rs.0.45 lakh to Rs.2.97 crore during the period from October 2002 to September 2005.

The Management/Government replied (August 2007) that in respect of Kandarpur-Machgaon Road, less amount was released by DoW/paid to sub-contractor as compared to the actual work executed. It was further stated that all the payments were made to the job workers in respect of Solapur bridge and Ballavighat bridge after execution of work by them and release of funds against running bill by the client department. The reply was factually incorrect as the value of work actually executed by the sub-contractor up to 31 March 2003 was Rs.54.15 lakh. While DoW released Rs.1 crore, the Company paid Rs.96.38 lakh to the sub-contractor.

Construction of High Level Bridge over river Kelua

2.1.20 The work of construction of High Level Bridge over Kelua river at Kaima-Narasinghpur-Niraghat Road was allotted (October 2000) to the Company at an estimated value of Rs.6.08 crore for completion by January 2003. The Company sub-contracted (January 2001) the work to SSM Construction (SSM). The sub-contractor started the work (January 2001) and executed 25 *per cent* of the work valued at Rs.1.50 crore (June 2001). Thereafter, SSM offloaded the work to another sub-contractor (ECMM) who did not have the required infrastructure. As a result, 48 *per* cent of the work valued at Rs.2.90 crore could be executed by both the contractors. Due to poor financial condition of the Company and incapability of the sub-contractors to execute the work, the work was withdrawn by the DoW at the request (July 2004) of the Company. The Company was, thus, deprived of earning overhead charges of Rs.41.55 lakh.

The Government/ Management stated (August 2007) that the executing agency (SSM – ECMM) was a joint venture of the firms SSM and ECMM which had taken up the work. Due to poor financial status of the Company, the progress of work was not up to the mark for which the work was withdrawn. The reply is not tenable as the Company did not verify the capability of the sub-contractor before award of the work.

Construction of High Level Bridge over river Baitarani

2.1.21 DoW allotted (December 2002) the work of construction of High Level Bridge over Baitarani River at Ballavighat for Rs.17.59 crore, for completion by June 2006. Though the bridge was completed (June 2005), the approach roads remained incomplete (March 2007). Audit scrutiny of the work revealed the following:

- Out of the quotations received from the three firms, the lowest quotation (B.V. Subba Reddy Construction) was on original letter head whereas the quotations of the other two sub-contractors, viz. Tirumala Constructions and Sree SSM Constructions were on the photocopy of letter heads. However, the Company did not confirm the genuineness of these quotations. **As these two firms did not deposit EMD/ISD, they were not eligible for bidding.**
- The Company split the work into 328 parts limiting the value of each part to Rs.5 lakh each so as to complete the work as per schedule but awarded all the 328 parts to B.V. Subba Reddy Construction on quotation basis without adopting the normal open

tender procedure for obtaining competitive rates and ensuring transparency.

- As per the agreement with the sub-contractors, measurements were to be taken at least once in a month by the unit. As the measurements in Measurement Book (MB) were not recorded regularly, the actual value of work done in each month could not be vouchsafed in audit. The Government/ Management stated (August 2007) that measurements had been recorded in the MB as and when it was taken by the DoW as per work executed at the site. The reply indicates that the measurements were not recorded regularly as per the prescribed procedure.

- Though there was no clause in the agreement for revision of the rates, the Company submitted (April 2006) a proposal for revision of rates to TC. The Company, in anticipation of approval of TC for the proposed rates, paid advance of Rs.1.35 crore to the sub-contractor. These advances were still to be adjusted. The Government/ Management stated (August 2007) that advance given to the contractor will be adjusted after executing the agreement as per instructions (September 2006) of Head Office. The reply is not tenable since advances were given in violation of OPWD rules.

Irregularities in the construction of Kandarpur- Machgaon Road work

2.1.22 The Company was allotted (March 2003) the work of repairs and reconstruction of Kandarpur-Machgaon Road for Rs.16.47 crore for completion by June 2006. The sub-contractor engaged (March 2003) by the Company executed only a certain portion of the work valued at Rs.1.16 crore up to May 2003 and thereafter stopped the work. The District Collector complained (April 2003) that the quality of works done by the sub-contractor was very poor and the thickness of the black topping was not as per the estimates. In the meantime, nine other sub-contractors were engaged (between October 2003 and January 2005) by the Company for execution of the balance works (value: Rs.15.31 crore). The total cost of the work was revised (July 2006) to Rs.38.57 crore due to change in schedule of rates and also increased scope of work. Further, as per advice of the State Government, the work was withdrawn (December 2006) from the Company after completion of 55 *per cent* of the work (value: Rs.21.27 crore as per revised estimate). The Vigilance Department filed (December 2006) an FIR and seized (January 2007) related records of the Company. As per the details recorded in the FIR, the sub-contractors were extended undue benefit of Rs.25.34 lakh by way of the payments made to them against substandard works. The final results of the Vigilance case were awaited (August 2007). Splitting of the works in contravention of the prescribed procedure did not help in completion of works as per schedule.

Loss due to execution of work without prior approval to deviation of work

2.1.23 DoW allotted (January 1996) the work of construction of High Level Bridge over Brahmani River on Dhenkanal- Kamakhyanagar Road at a cost of

Rs.55.70 lakh for completion by June 2001. The Company engaged (December 2000) a sub-contractor and executed work valued at Rs.27.35 lakh. Due to non-payment, the sub-contractor moved (July 2004) the court and as per the court order (February 2006) the Company paid the dues to the sub-contractor. The DoW, however, did not release payment of Rs.27.35 lakh to the Company as there was no budget provision and the Company executed the work without prior approval of the deviations. The Management/ Government stated (August 2007) that though there was no budget provision, the work was executed to make the bridge motorable and steps were being taken for approval of extension of time, deviation and release of dues. The reply confirms that the work was executed without taking prior approval for deviations in work and disregarding budgetary provision.

Works obtained through participation in tenders

The Company could secure only one work through participation in tender for 34 works.

2.1.24 The Company also secures works from other Government agencies/ Departments through negotiation and participation in open tenders. For participating in tenders of Government works, the Company was exempted from Earnest Money Deposit (EMD). During the period from 2002-03 to 2006-07, out of 34 tenders valued at Rs.116.03 crore in which the Company participated, it could secure only one contract of Rs.1.33 crore. The success ratio in bidding was only 3 *per cent*. This indicated that the Company was not able to compete with other tenderers.

Audit scrutiny revealed the following:

- The Company did not analyse reasons for its failure to secure work orders through tenders and take remedial measures.
- No feed back was taken from the Company nominees who attended tender finalisation meetings.
- Rates quoted by the Company were not based on the market trend and varied with the prevailing rates in respect of steel and RCC work which ranged between (-) 98.84 to 206.60 *per cent* of SR-2006. Thus, the Company did not have a uniform policy for preparation of estimates, hence, bids were lost.
- The offers submitted by the Company were substantially higher than the estimated cost, hence, the bids were lost.
- Scrutiny of tender files relating to construction of road works under Prime Minister Gramin Sarak Yojana (PMGSY)* revealed that though the Company was the single bidder, it lost the order as the tender documents were wrongly submitted to Superintendent Engineer (SE), Rural Works (RW) Circle, Angul instead of SE (RW), Keonjhar. No responsibility was fixed by the Company for this lapse. The Management stated (August 2007) that the box in which the tender was submitted was ultimately transferred to Keonjhar RW Circle.

* Package No.OR-28- ADB –09

- Though the Company participated (October 2002) and pre-qualified for construction of HL Bridge over Baitarini River, it did not participate in the tender for no recorded reasons. The Management/Government stated (August 2007) that another work, "Construction of HL Bridge over Baitarani River at Ballavighat", with an estimated cost of Rs.14.72 crore was awarded to the Company by the Government. Due to shortage of technical personnel to look after the tender works, it was decided not to participate in the tender for the above work. The reply is not acceptable as the Company sub-contracts its work and this work was also on Baitarani River and it could have cut costs to execute both the works.

As regards the low success in obtaining the tender works by the Company, the Management/Government admitted (August 2007) that the percentage of success in participation of tender was low as the rate quoted by the Company was high in comparison to private bidders. The reply substantiates the fact that the offers submitted by the Company were not based on any realistic analysis of market trend.

Deposit works

2.1.25 Though the Company executes construction works on deposit basis, it did not get any deposit work during 2002-03 to 2005-06. In 2006-07, it undertook five deposit works valued at Rs.2.64 crore from Utkal University, Bhubaneswar (UU) on the basis of an MOU signed (August 2006) for completion by February 2007. The UU was to pay 50 *per cent* of the project cost to the Company within a week from receipt of the estimate of the project, another 20 *per cent* of the project cost after receipt of utilisation certificate (UC) against the deposited funds, 25 *per cent* on receipt of UC against previous deposits and the balance 5 *per cent* kept towards performance security which was to be released after one year from the date of completion of the project.

Audit scrutiny revealed the following:

- Out of the five works, the Company submitted (August 2006) estimates for three works only as a result, the advances against the value of other two works (Rs.0.21 crore) were not released (March 2004) by UU. The reasons for not submitting estimates for the other two works were not on record.

- Against three works valued at Rs.2.43 crore, the Company received (August 2006) Rs.1.22 crore (50.21 *per cent*). The process for procurement of material was, however, initiated after a delay of four months (December 2006) and the major portion of material was procured (February 2007) (i.e. the scheduled date of completion). The Company could execute the work valued at Rs.0.46 crore only (including Rs.0.45 crore being the value of material) by February 2007 and submitted (March 2007) UC. The balance amount of Rs.1.21 crore had not been released by the UU due to delay in completion of work by the Company (August 2007).

Thus, due to delay in submission of estimates and despite availability of funds and material, the works remained incomplete. Further, though the physical progress of completion was almost nil, the work valuing Rs.0.46 crore (including Rs.0.45 crore being the value of material) shown as executed appears to be doubtful.

Inadequate financial management

2.1.26 As on 31 March 2006[#], the accumulated loss of the Company was Rs.12.81 crore as against paid up capital of Rs.5 crore on that date. Following deficiencies were noticed in the financial management of the Company:

Advances

Advances to suppliers

2.1.27 An amount of Rs.28.82 lakh advanced to 199 suppliers between 1987-88 to 2000-01 for supply of material remained outstanding (March 2007). Steps for recovery of outstanding advances from the suppliers was, however, not taken (August 2007). The Management/Government stated (August 2007) that the cases were very old and necessary steps were being taken by the Company for recovery/ adjustment of advances.

Outstanding advances against contractors

2.1.28 The Company released advances to the sub-contractors in contravention of provision in the agreements. Scrutiny of the records of five divisions revealed that an amount of Rs.13.37 crore was outstanding against the sub-contractors pertaining to the period 1989-90 to 2006-07. It was further observed that in case of four works, an amount of Rs.21.89 lakh was given (from April 2002 to August 2003) as advance over and above the work executed by the sub-contractors.

Irregular adjustment of long outstanding advances

2.1.29 Deputy Project Manager (DPM), under Senior Project Manager (SPM), Bhubaneswar who was on deputation from DoW during the period from December 1987 to December 1995 did not hand over the charge for Rs.13.75 lakh (cash account of Rs.0.69 lakh and stores account of Rs.13.06 lakh) when he was relieved (December 1995) and failed to do so even after several reminders. Consequently, a draft charge sheet was submitted (August 1996) to the State Government. Since the Company did not send the supporting documents, no action was taken by the Government.

The above officer subsequently joined (January 2005) as Managing Director of the Company and submitted (May 2005) accounts for an amount of Rs.3.47 lakh. It was noticed that the division, however, adjusted (up to May 2005)

[#] Accounts for the year 2006-07 had not been compiled by the Company.

Rs.10.28 lakh through journal vouchers without supporting vouchers. The SPM, Bhubaneswar submitted (June 2005) 'no dues certificate' to the Head Office stating that ex-DPM (present MD of the Company) had already submitted the cash and stock accounts which had also been adjusted and there was no outstanding advance against him. On verification of the concerned journals and ledger, it was, however, noticed that neither the journals had been numbered nor the same were adjusted in the accounts.

The Management/Government stated (August 2007) that the amount of Rs.13.75 lakh as shown by audit is not correct. Every year the amount was adjusted against the GL and vouchers submitted by the Deputy Project Manager. At last, the above accounts were submitted by the Ex-DPM and adjusted in the year 2005. The reply is not acceptable as no records in support of adjustment of advances were produced to audit for verification.

Advances to staff

2.1.30 As on 31 March 2007, an amount of Rs.22.46 lakh was outstanding against 180 ex-officials of four units since 1991-92. The concerned SPMs did not mention the amount of outstanding advances in their LPCs when these officials were relieved from the Company. The Company did not take any action against these ex-officials for realisation of outstanding advances.

Further, it was noticed that though the works were awarded to sub-contractors, instances were noticed where advances were given to DPMs/APMs and the same were adjusted against the expenditure incurred by them towards work which was irregular. The following instances are worth mentioning:

- The DPM, Bhubaneswar unit received (April 2005) advance of Rs.0.80 lakh. The entire amount was booked on the same day against procurement of material and wages for the work (construction of service road) which had already been completed (March 2005) by the sub-contractor. As the DPM was empowered to pass the payments up to Rs.500, he regularised the payments of the entire amount of Rs.0.80 lakh by splitting the same into 162 transactions limiting each to Rs.500. The Management/Government replied (August 2007) that some works were also taken up departmentally depending on the urgency and the DPM was empowered to pass the vouchers up to Rs.500. The reply is not tenable as the work for which the advance had been drawn, had already been completed and the vouchers were deliberately split up limiting each to Rs.500, which the DPM was authorised to pass.
- In Cuttack unit, the DPM/APMs in charge of three[*] works booked Rs.6.22 lakh during the year 2003-04 to 2006-07 towards maintenance of these works though these works were under execution by the sub-contractors. The Management/Government stated (August 2007) that out of the above expenditure, Rs.2.21

[*] Construction of Bridge over river Chitrotpala at Narendrapur, Birupa Bridge at Paga-Gopinathpur and Kandarpur- Machgaon Road.

lakh was spent for maintenance related to vehicles used by DPM/APM, which was mainly for inspection of works and expenditure were charged to the above works. The Management, however, did not contest for the balance amount of Rs.3.87 lakh drawn by the DPM/APMs and adjusted against the works under construction by the sub-contractors.

Security Deposit

2.1.31 As per the guidelines (March 1997) of the State Government, the DoW was to deduct security deposit at the rate of two *per cent* from each Running Account (R.A.) bill. Scrutiny of records of Bhubaneswar and Choudwar unit revealed that during the period of five years from 2002-03 to 2006-07, DoW deducted five *per cent* security deposit of Rs.85.63 lakh from the R.A. Bills in respect of eight works. Though DoW deducted security deposit at the rate of five *per cent* from the R.A. Bills, the Company did not lodge any claim for refund of the excess deduction of security deposit of Rs.50.59 lakh. DoW, however, refunded Rs.15.72 lakh between March 2006 and September 2006 against these works. The balance excess security deposit of Rs.34.87 lakh had not been released by DoW nor did the Company pursue to get the same.

Delay in finalisation of bills

2.1.32 Sundry debtors as on 31 March 2007 stood at Rs.267.22 crore towards 253 works against which the Company received Rs.237.40 crore as advance from the DoW. The Company did not maintain work-wise details of funds received from the clients and adjusted against each work. The Company had not obtained project completion certificate in respect of completed works.

Audit observed the following:

- In respect of 41 old works (completed-24, withdrawn-17) executed during the period between March 1992 and August 2001, balance unspent amount of Rs.8.44 crore had not been refunded to DoW till date (March 2007). The Company had not finalised the pending bills for these works.
- In case of eight works, final bills were not raised though these projects were completed (November 2003 to November 2006).
- The Company had no system of periodical reconciliation of dues of the Company with the clients.

The Management/Government stated (August 2007) that the adjustment of deposit for works against sundry debtors was not made for want of completion certificates to be issued by the clients. In most of the cases, the final bills raised by the Company had not been accepted and passed by the Department due to which delay was occurring in adjustment of sundry debtors against deposits. The Company was constantly pursuing the matter and was able to realise its dues and adjust the same against the works in which the Company had received excess payment. The reply is not tenable since the Company not only delayed the raising of final bills of completed works but also failed to carry out the periodical reconciliation of dues.

Delay in application for extension of time

2.1.33 The application for extension of time (EoT) should be made to DoW one month before the stipulated date of completion of the concerned work. In respect of 20 works (executed between April 2002 to March 2007), there was delay in submitting application for EoT ranging from two to 67 months. DoW withheld (between April 2002 to February 2007) an amount of Rs.40.71 lakh from the RA bill of the Company due to non-approval of EoT in eight works. The Management/Government while accepting the fact stated (August 2007) that EoT had been sanctioned in respect of four works and action was being taken by the Company to obtain sanction of EoT in respect of other works.

Maintenance of works accounts

2.1.34 As per the Accounting Procedure prescribed (March 1990) by DoW, the Company was to be treated as a contractor. It further envisaged that the Company had to maintain all initial accounts and measurement books (MB) as required under Central Public Works Department (Amendment) and Orissa Public Works Department code. Scrutiny of records maintained at five units revealed that there was improper/non-maintenance of initial accounts like site account, bill of quantities registers etc. by the Company.

Maintenance of Measurement books

2.1.35 Measurement book (MB), which records the quantity of works executed periodically, had not been maintained properly. The following deficiencies/irregularities were noticed in the maintenance of MB:

- The name of the officer in charge of MB, index of measurement taken, name of the work, period of work, date of measurement and dated initials of the concerned officers were not recorded.
- The dates of first entry and last entry in respect of rescinded or withdrawn works had not been mentioned.
- Over-writings were not attested by the competent authority.
- Check measurement of the works executed were not taken at the end of each month. The gap between one measurement date to next measurement date in respect of three works ranged between 3 to 54 months.

Monitoring of works

2.1.36 The Company introduced (July 1996) a system of submission of Monthly Progress Reports (MPR) by the units to Head Office for monitoring the progress of works being executed by them. Scrutiny of records revealed the following deficiencies:

- The units were not submitting MPR every month. Non-submission of reports ranged from 19 to 49 months.
- The MPR for rest of the period submitted by the units were incomplete and not in the prescribed form.

- The Planning and Design Division, which was in charge of monitoring the works, neither insisted for submission of information by the due dates nor in the prescribed proforma. After being pointed out (February 2007) in audit, the division instructed (February 2007) the units to submit the MPR in the prescribed proforma.
- As per Clause-14 of the agreement with the DoW, the works were to be opened for inspection and supervision of the Chief Engineer. The Company, however, did not include any such clause in the agreement with the sub-contractors.

Internal control

2.1.37 Internal control system is an essential part of the Management activity. An efficient and effective Internal Control System helps the Management to achieve the objectives. Its function, *inter alia*, include examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control system. The following deficiencies were noticed in the internal control system being followed by the Company:

Functional Manuals

2.1.38 The Company had not prepared any functional manuals since inception (January 1983) and the activities were managed on the basis of executive instructions and circulars issued from time to time. The Company compiled its Accounting Manual in 1985-86 which had not been updated since then.

Budgetary Control

2.1.39 In addition to Works budget, the Company prepares Revenue budget annually containing the income and expenditure during the year by collecting data from the units. In order to have a better and effective financial control, the annual budgets should be prepared and got approved well in advance before commencement of the year concerned.

During the course of audit, the following points were noticed:

- During 2002-03 to 2006-07, the budgets for the particular years were approved by the Board of Directors between June 2002 and December 2006. The delay in approval of annual budget ranged from three (2002-03 in June 2002) to 12 months (2003-04 in March 2004);
- There were variances ranging from (-)50 to 316.40 *per cent* between the Works budget and actual work executed during the period 2002-03 to 2006-07. Variances between revenue budget and actual expenditure in respect of toll gate was between (-)19.70 and 100 *per cent*. No variance analyses were, however, done by the Company so as to know the reasons for variance and take corrective action.

- The approved budgeted targets were not communicated to the unit offices responsible for executing the works thereby defeating the very purpose of budgeting.

Thus, the Company failed to use budget as a means of internal control.

Stores and Inventory control

2.1.40 In the maintenance of accounts for stores and inventory of various materials, the following deficiencies were noticed in audit:

- During 2002-03 to 2006-07, on 65 occasions, the mechanical wing did not send the duplicate copy of Goods Transfer Issue (GTI) to Bhubaneswar Division resulting in non-claiming of hiring charges of Rs.83.10 lakh from the sub-contractors.
- During the period between April 2003 and December 2006, in 13 cases, second copy of the gate pass was not given by the Central store to the receiver of the goods for handing over the same to the gate keeper.
- Gate passes were issued without the signature of the Assistant Manager (Finance) (78 cases) and construction equipments and machinery (116 cases) was issued through hand receipt without entry in the stock register.
- Though goods (construction machinery) were received from site offices, these were not accounted for in the stock book since June 2006.
- One concrete mixer was issued (29 November.2006) from the Central store for Toshali Plaza work without approval of the competent authority.

Stock lying at closed work site

2.1.41 It was noticed that as on 31 March 2006, stock worth Rs.2.25 crore was lying at closed work sites in six units[*]. There was theft of materials worth Rs.15.85 lakh in two units[**], shortage of materials worth Rs.1.21 crore was noticed in four units[@] and obsolete and unserviceable stores and equipments worth Rs.59.64 lakh were lying in four units[f]. Further, in Choudwar unit, value of surplus stock of Rs.12.94 lakh received from closed work sites was assessed at Rs.0.65 lakh.

The Management/Government stated (August 2007) that in respect of shortage of materials of Rs.83.46 lakh of Bolangir Division, departmental proceedings had already been initiated (July 2007) against some officials. Further progress is awaited (August 2007).

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[*] Choudwar, Cuttack, Bhubaneswar, Berhampur, Bolangir and Balasore.
[**] Bolangir and Choudwar.
[@] Berhampur, Bolangir, Balasore and Cuttack.
[f] Berhampur, Bolangir, Balasore and Choudwar.

Physical verification of store and stock

2.1.42 Physical verification of stores/ equipments, etc. had not been conducted though required under OPWD code. Due to non-conducting of annual physical verification, the following deficiencies were noticed:

- The ex-DPM, in charge of Central store, Bhubaneswar, from November 1997 to May 2001 was caught red handed (March 2001) shifting some store materials unauthorisedly from the Central store. He was repatriated (May 2001) to his parent Department. An F.I.R. was lodged only six months later (November 2001). As per the enquiry report of the SPM, Bhubaneswar (January 2002), the Ex. DPM had neither submitted accounts for an amount of Rs.2.09 crore nor handed over the stock lying in three godowns. The Company, however, issued his LPC and no departmental proceedings were initiated.

The next DPM took over charge (August 2003 to January 2007) of 78 out of 112 machinery/vehicles. The whereabouts of the balance 34 machinery/vehicles valued at Rs.48.30 lakh (book value) were not available in the records maintained by the Company. Even though the handing over and taking over of stock in the three godowns was not completed, the SPM auctioned (August 2003 to January 2007) 19 items from the godown stock.

- The APM, under Choudwar unit, received (February 2001) three concrete mixers from the Central store for use in construction work of school building and received (April 2003) channels of different sizes (165.24 meters), 'H' frame (200 numbers) and cross bracing (182 pairs) for use in Rana Bridge. The receipt of these machinery and equipment was neither entered in the stock register nor the hire charges were realised. The Management did not take any action for recovery of the hire charges as well as the accounts of machinery and equipment from the APM.

The above deficiencies indicate absence of proper internal control mechanism for maintenance of stores and inventory records and system of physical verification in the Company.

Quality control

2.1.43 Scrutiny of records relating to quality control revealed the following deficiencies:

- The Quality Control Division never selected the samples independently from the work site.
- Tests could not be conducted as either sample materials were not received along with the request letter (nine works) or samples were received very late (three works).
- In case of Phirphiraghat Bridge, the DPM sent the materials for mix design test of M-30 after execution of work. The Management/Government stated (August 2007) that the Division provided the test result when necessitated by the DPM in charge of

the work. The fact, however, remained that the materials for the mix-design test were sent after execution of work defeating the objective of the exercise.

- Due to lack of proper compaction and field testing in respect of Nandini Nallah Bridge, concrete grouting had developed cracks. The Management/Government admitted (August 2007) that the necessary tests for the particular work had not been done by the Quality Control Division.

Restructuring of the Company

2.1.44 The State Government, while reviewing the progress of works of the Company decided (October 2003) to restructure the Company to make it an efficient organisation. Accordingly, the BoD decided (December 2003) to restructure the Company. The Company appointed (May 2004) National Productivity Council (NPC) to study and submit a restructuring proposal. Although NPC submitted its report in July 2004, its recommendations were pending for approval and implementation by the Company (August 2007).

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and the Management of the Company at various stages of conducting the performance audit.

Conclusion

The Company was incorporated to function as a civil construction agency. The Company, however, largely depended on the works allotted by the Department of Works of the State Government and could secure only one work through participation in tenders. The targets for works set by the Company were deficient as the same were fixed disregarding the contractual schedule of completion as well as the budgetary provisions for the works.

The Company also failed to adhere to the scheduled dates of completion of works in most of the cases. During the period of review, the Company could complete 33 works out of which 25 works were completed after the scheduled dates. The time overrun was mainly due to faulty planning, delay in commencement of works, deficiencies in selection of sub-contractors, delay in execution of agreements with them and delay in submission of estimates for approval of rates by Technical Committee, etc. As a result of delay in completion of works, 19 works were surrendered or withdrawn by the Government during the five year period. The Company, instead of executing the allotted works departmentally, split the same into piece-works and offloaded to the sub-contractors in violation of the prescribed procedure. There were deficiencies in respect of budgetary control, stores and inventory control, quality control and monitoring mechanism which indicate weakness in the internal control system of the Company.

Recommendations

The Company needs to:

- **strengthen and overhaul their works wing to ensure that:**
  - **estimates are prepared realistically and expeditiously;**
  - **works are completed within targeted dates;**
  - **works estimates are not exceeded;**
  - **works strictly supervised and monitored.**
- **ensure that splitting of contracts are avoided;**
- **register contractors for undertaking on strict norms and black list non-performers. Contractors should also be categorised according to their experience and financial capacity;**
- **strictly follow OPWD norms for advances/recoveries;**
- **base its financial and stores management on sound principles and commercial practices; and**
- **tighten Internal Control System and maintenance of records.**

Orissa Tourism Development Corporation Limited

2.2 Hotel and transport activities

Highlights

The Company's share of domestic and foreign tourists was insignificant and ranged between 1.54 to 4.70 *per cent* during 2002-03 to 2006-07 as compared to total tourists who visited the State during the above period.

(Paragraph-2.2.7)

The Company could not achieve overall occupancy targets in any of the years during 2002-03 to 2006-07. The overall occupancy never exceeded 49 *per cent* during the period. The low occupancy was due to poor business generation through travel agents, inadequate publicity and absence of essential amenities and standard service norms in the hotels of the Company.

(Paragraphs-2.2.7, 2.2.9, 2.2.14 and 2.2.15)

The Company incurred extra expenditure of Rs.15.18 lakh in purchasing kerosene and diesel from unauthorised sources for its boating operations.

(Paragraph-2.2.25)

Despite recommendations of COPU, the Company extended credits to various customers resulting in increase in sundry debtors from Rs.1.04 crore as on 31 March 2002 to Rs.2.47 crore as on 31 March 2006.

(Paragraph-2.2.29)

Introduction

2.2.1 Orissa Tourism Development Corporation Limited (OTDC) was incorporated (September 1979) as a wholly owned Government company with the main objectives of developing tourism in the State by providing accommodation to tourists, developing places of tourist interest, providing transport services to tourists, creating different facilities for the interest and convenience of tourists and adopting methods and devices necessary to attract tourists in large numbers.

The Company took over (1980) eight hotels by way of transfer of assets and two other units on management lease* basis from the State Government and one unit from the Municipality. Subsequently, the State Government transferred (February 2005 to November 2006) 11 hotels to the Company on management lease basis. The Company constructed only one unit at Rourkela. After take over, one hotel unit (Yatrinivas, Konark) was merged with Panthanivas, Konark.

* The Company is authorised to run the hotels without any ownership right.

The Company has its Head Office in Bhubaneswar. As on 31 March 2007, the Company had 26 units in the State consisting of 22 accommodation and catering units with a total capacity of 1017 beds, one restaurant, two transport units and one air ticket division.

The management of the Company is vested in a Board of Directors (BoD) comprising the Chairman, Managing Director and three Directors nominated by the State Government. The Managing Director is the Chief Executive Officer of the Company. The organisation chart of the Company is given in **Annexure-10**.

The performance of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1995, Government of Orissa. Committee on Public Undertakings (COPU) discussed (September 2001) the Report and issued (December 2001), *inter alia*, the following recommendations:

- Periodical review of the working of existing Panthanivases by Company officials to see that rules and procedures formulated and circulated to field units for better management are being followed strictly;
- Stringent action against officials accountable for extending unlimited credit without any authority;
- Maintaining cleanliness of the units;
- Analysis of loss in detail;
- Providing facilities to foreign tourists in order to increase the percentage of Company's share in the incoming foreign tourist traffic.

The recommendations of COPU had, however, not been placed (August 2007) before the BoD for appraisal and necessary action.

Scope of Audit

2.2.2 The present Performance Audit covers the performance of the Company in respect of its hotels and transport activities (both surface and water) for the period 2002-03 to 2006-07. Besides examining the records maintained at the Corporate office of the Company, audit also test-checked the records of eight* out of 26 units of the Company selected on the basis of volume of business and nature of activities like accommodation, catering, bar services, conference facilities, water transport and surface transport.

Audit objectives

2.2.3 The Performance Audit was conducted with a view to ascertain whether:

- the Company had prepared a strategy for implementation of State Tourism Policy, 1997;

* Six hotel units (Barkul, Bhubaneswar, Puri, Rourkela, YN Konark and Satapada) and two transport Units (Bhubaneswar and Puri).

- the hotel units were able to achieve the targets of occupancy;
- adequate infrastructural facilities, amenities and manpower existed in the hotel and transport units;
- there was a well defined marketing strategy to tap prospective tourists;
- the Company had managed its hotels, catering and transport units economically, efficiently and effectively; and
- the Company had formulated an effective credit policy and implemented it efficiently;

Audit criteria

2.2.4 The audit criteria adopted for assessing the achievement of audit objectives were as follows:

- State Tourism Policy, 1997;
- Guidelines/instructions issued by the State Government;
- Statistical bulletin published by the Department of Tourism, Government of Orissa;
- Occupancy targets fixed for different hotels;
- Norms and standards fixed by the Company for food quality and catering service; and
- Norms for fuel consumption in water and surface transport.

Audit methodology

2.2.5 The audit methodologies adopted for achieving the audit objectives with reference to audit criteria were as follows:

- Examination of agenda papers and minutes of meetings of the BoD;
- Examination of budgets, targets and monthly reports submitted by the units;
- Verification of the records of the selected units; and
- Interaction with Management and issue of audit queries.

Audit findings

Audit findings were reported (June 2007) to the Company/Government and discussed (27 July 2007) in the meeting of the Audit Review Committee on Public Sector Enterprises (ARCPSE). The meeting was attended by the Commissioner-cum-Secretary, Department of Tourism, Government of Orissa (who is also the Managing Director of the Company) and Financial Controller-cum-Secretary of the Company. The views expressed by the members have been taken into consideration while finalising the report. The audit findings are discussed in the succeeding paragraphs.

State Tourism Policy

2.2.6 Orissa occupies a unique place in the domestic and international tourism on account of its important tourist destinations such as Puri, Konark, Bhubaneswar and Chilka. The State Tourism Policy, 1997 envisaged that the State would:

- act as a promoter and catalyst to create an environment for planned and sustained development of tourism;
- encourage the non-Government sector (including private organisations, local bodies, autonomous organisations and corporate sector) to participate in tourism development in sectors like transport (by air, road and water), accommodation, other infrastructure and service requirements, operation of inter-state and intra-state tours including package tours, etc.; and
- encourage the private sector for establishment of new hotels in important tourist centres and also for certain tourism-related activities as envisaged in the Industrial Policy, 1996.

It was noticed that pursuant to the declaration of the Tourism Policy, 1997 the State Government did not specify the role of the Company in the development of tourism in the State nor issued any instructions for implementation of the policy. In the Inter-Ministerial Review Meeting (September 2005), it was recognised that the existing set up of the Company would not be able to compete with the private entrepreneurs to provide the facilities required by the customers and steps should be taken to privatise the Panthanivases. It was also decided that the Company would appoint a consultant to prepare a Comprehensive Reform Plan keeping in view the role of the Company in the present market scenario. The Reform Plan should also reflect its business plan and plan for privatisation of Panthanivases.

The State Government did not specify the role of the Company in pursuance of the Tourism policy nor issued any instruction for implementation.

Accordingly, M/s Price Waterhouse Coopers were appointed as consultant for preparing the Business/Restructuring Plan, which broadly made (January 2007) the following suggestions:

- The Company should gradually back-out from its traditional business of hoteliering and tourist transport in a phased manner. Out of 22 hotels units operated by the Company, 14 hotel units which have good potential were proposed to be developed through Public Private Participation (PPP) and the remaining eight hotel units which have moderate or less potential would be operated by the Company.
- The Company, instead of promoting only its properties, should promote the destinations and play a lead role in development of tourism in the State.
- The Company should act as catalyst for development of tourism with private participation in the State.

The above Business/Restructuring Plan was approved (March 2007) by the BoD in principle. The implementation of the plan was, however, awaited (October 2007).

Performance of Hotel units

Company's share in tourist traffic

2.2.7 The year-wise details of tourist inflow to the State and tourists who availed the accommodation facilities of the Company's hotels for five years ending 2006-07 are tabulated below:

	2002-03	2003-04	2004-05	2005-06	2006-07	Total
Tourists who visited Orissa[#]						
Domestic	3429027	3805968	4326002	4695647	5377123	21633767
Foreign	23488	25556	30300	35731	39407	154482
Total	**3452515**	**3831524**	**4356302**	**4731378**	**5416530**	**21788249**
No. of tourists who availed accommodation in the Company's hotels						
Domestic	57347	60015	58018	74020	83468	332868
Foreign	1255	1260	1287	1592	1869	7263
Total	**58602**	**61275**	**59305**	**75612**	**85337**	**340131**
Tourists availing the facility (in per cent)						
Domestic	1.67	1.58	1.34	1.58	1.55	1.54
Foreign	5.34	4.93	4.25	4.46	4.74	4.70
Total	**1.70**	**1.60**	**1.36**	**1.60**	**1.58**	**1.56**

From the details in the above table, it would be observed that:

- out of 1.54 lakh foreign and 2.16 crore domestic tourists who visited Orissa during 2002-03 to 2006-07, only 0.07 lakh (4.70 *per cent*) foreign and 3.33 lakh (1.54 *per cent*) domestic tourists stayed in the Company's hotels. Thus, the Company's share was insignificant as compared to total inflow of tourists in the State; and
- while there was 56.89 *per cent* increase in tourists visiting the State in 2006-07 as compared to 2002-03, the increase in percentage of tourists who stayed in the Company's hotels was 45.62 *per cent* during the same period. Thus, there was decrease in percentage of the number of tourists who stayed in the Company's hotels.

The Company could secure only 4.70 *per cent* of foreign tourists and 1.54 *per cent* of domestic tourists due to ineffective marketing and inadequate amenities in the hotels.

The reasons for poor performance as analysed in audit were attributed to lack of proactive steps to attract tourists such as aggressive marketing, providing basic and essential amenities in the hotels and undertaking periodic renovation and upgradation of infrastructure. The COPU had also recommended (December 2001) for providing facilities to foreign tourists to improve the percentage of share of the Company in the incoming foreign tourist traffic. The Company, however, did not take any effective steps in this regard.

The Management/Government stated (July/August 2007) that the foreign tourists were normally high spending and they always preferred to stay in star hotels having better facilities. The share of the Company was low in the

[#] Source: Statistical bulletin published by Department of Tourism, Government of Orissa.

absence of ancillary facilities like swimming pool, health club, etc. The reply is, thus, indicative of the fact that the Company failed to create necessary facilities to attract tourists and to meet the challenges from the private sector.

Operational performance

2.2.8 The Company had 12 hotel units till January 2005. Subsequently, the State Government transferred (February 2005 to November 2006) 11 hotel units to the Company on management lease basis. After take over of the hotels by the Company, one unit (Yatrinivas, Konark) was merged (2005-06) with Panthanivas, Konark. Out of 22 hotel units as on March 2007, one hotel unit (Keonjhar) was transferred to the Company in November 2006 and one hotel unit (Mahodadhi Nivas, Puri) was leased out till September 2005 which has been lying vacant thereafter.

The operational performance of the remaining 20 hotel units for the four years ending 2005-06 is summarised below:

Year	Profit earning hotels			Percentage of profit to turnover	Loss incurring hotels			Percentage of loss to turnover	Overall profit/ loss
	No. of hotels	Turnover (Rs. in lakh)	Profit[&] (Rs. in lakh)		No. of hotels	Turnover (Rs. in lakh)	Loss[&] (Rs. in lakh)		
2002-03	6	255.09	18.93	7.42	6	160.80	23.96	14.90	(-)5.03
2003-04	4	224.85	16.49	7.33	8	219.16	36.63	16.71	(-)20.14
2004-05	4	269.67	24.13	8.95	8	221.15	30.33	13.71	(-)6.20
2005-06	11	379.37	23.31	6.15	9	324.31	37.36	11.52	(-)14.05

Note: Figures for 2006-07 have not yet been compiled.

It would be seen from the above table that the Company incurred overall loss in the operation of the hotel units in all the four years ending 2005-06. Audit scrutiny revealed that two[#] units incurred losses for all these years. Four units which incurred losses during 2002-03 to 2004-05, earned profit in 2005-06 due to increase in turnover because of earnings from bar operations (Rourkela), merger of two units (Panthanivas and Yatrinivas at Konark), increase in occupancy (Gopalpur) and reduction in repair and maintenance expenses (Taptapani).

[&] The profit/loss has been derived after charging repair and maintenance expenditure incurred by Head Office and proportionate Head Office overhead.
[#] Panthanivas Bhubaneswar and Sambalpur.

Occupancy of Hotels

2.2.9 The overall occupancy targets and achievements of all the hotels of the Company and the range of targets and achievements of individual hotels for the five years ending 2006-07 were as follows:

(in per cent)

Year	Overall average		Individual hotels target/Achievement range	
	Target	Achievement	Target	Achievement
2002-03	47	43	28 - 72	22 - 72
2003-04	48	45	28 - 81	22 - 68
2004-05	48	46	17 - 74	8 - 70
2005-06	50	46	26 - 65	27 - 64
2006-07	52	49	20 - 77	27 - 73

The Company could not achieve targeted occupancy in any of the five years ending 31 March 2007.

It would be seen from the above table that the Company did not achieve its targeted occupancy in any of the years during 2002-03 to 2006-07. Audit noticed that though the targets fixed were on the lower side in case of some of the hotels, the same could not be achieved. The targeted occupancy of Panthanivas, Sambalpur and Gopalpur for the year 2003-04 and Panthanivas, Gopalpur for the year 2004-05 was fixed as low as 28 and 17 *per cent* respectively, which also could not be achieved.

Audit further observed that as against the average all-India occupancy of 70.8 *per cent* during 2005-06 reported by the Federation of Hotel and Restaurant Association of India, the targeted occupancy for hotels of the Company was fixed at only 50 *per cent*. Audit analysis of occupancy in respect of individual hotels revealed the following:

- Out of 21[^] operational hotel units as on 31 March 2007, the occupancy of two units (Panthanivas, Puri and Rambha) exceeded 60 *per cent* during the period 2002-03 to 2006-07 while occupancy figures of six hotel units[*] were consistently below the overall average occupancy.
- The percentage occupancy of Panthanivas, Bhubaneswar during 2004-05 and 2005-06 was 34 and 52 *per cent* respectively while the occupancy[@] of private hotels at Bhubaneswar, having similar tariff structure and facilities, ranged between 51 to 68 and 58 to 66 *per cent* during the same period. Similarly, the percentage occupancy of Panthanivas, Rourkela during 2002-03 to 2006-07 was 30, 29, 56, 37 and 43 respectively as compared to occupancy of 40 to 60[@] *per cent* in private hotels.
- None of the hotels of the Company had star-grade facilities to attract high spending foreign tourists. As such, more than 75 *per cent* of the 30,189 foreign tourists (viz. around 22,641 tourists) who came to Bhubaneswar during January 2004 to September 2006 stayed in hotels having tariff range of Rs.950 to Rs.14,000 per day. During the same

[^] Excluding one Hotel unit (Mahodadhinivas, Puri) which was leased out till September 2005 and was lying vacant thereafter.
[*] Barkul, Gopalpur, Konark, Lulung, Sambalpur and Taptapani.
[@] Source: Tourist Offices, Bhubaneswar and Rourkela, Government of Orissa.

period, the total number of foreign tourists who stayed in Panthanivas, Bhubaneswar was only 831 (2.75 *per cent*), although the highest tariff of the unit was Rs.790 per day.

- Panthanivas, Rourkela could attract only 13 foreign tourists (1.06 *per cent*) out of 1221[∇] foreign tourists who stayed in hotels in Rourkela during the years 2003-2007.
- As per the hotel guide published (April 2006) by the Department of Tourism, Government of Orissa, none of the hotels of the Company had essential facilities like safety measures (fire extinguisher), doctors on call, credit cards, laundry service, parking space, Train Ticket Booking and On Line Booking facility.
- The monthly occupancy reports submitted by the units to the Head Office did not indicate the reasons for low occupancy. These were also not insisted upon by the Head Office. Thus, there was inadequate monitoring system at the Head Office level to analyse and take corrective action to improve the room occupancy. Even when the performance was reviewed during the Board meetings, causes for low occupancy were not analysed in-depth to take remedial action.

The Management accepted (July 2007) the fact of low occupancy and attributed the same to non-availability of facilities at par with the hotels in private sector, seasonal trafficking and huge discount allowed by private hotels. The reply is not tenable as creation of necessary facilities to attract high spending domestic and foreign tourists is not impossible if they have to continue in the business of tourism. In fact the consultants had recommended for PPP. The fact is that the customer is willing to pay high tariffs provided the Company provides the best of facilities and hospitality. Audit scrutiny revealed that the reasons for low occupancy were also due to inadequate marketing strategy, lack of essential facilities and lack of repair and maintenance of hotels which are discussed in paragraphs 2.2.14 and 2.2.18 *infra*.

A few interesting cases of poor performance of individual hotel units are discussed in the succeeding paragraphs.

Performance of hotel at Panchalingeswar

2.2.10 The Company took over (July 2005) the Panthasala at Panchalingeswar from the State Government on management lease basis pending fixation of lease rent. The unit had 10 rooms with 40-bed capacity and subsequently it was expanded (April 2006) to 19 rooms with 46-bed capacity. The expansion cost of Rs.66.59 lakh was met out of funds released by the Central Government (Rs.45 lakh) and the State Government (Rs.21.59 lakh). The occupancy of the unit was 47 *per cent* in 2001-02 when the State Government was running this hotel and 35 *per cent* in 2005-06 against the target of 51 *per cent*. The occupancy, however, decreased to 29 *per cent* in 2006-07.

[∇] Source: Statistical bulletin published by Department of Tourism, Government of Orissa.

The Unit management attributed (April 2006) poor infrastructure, inadequate marketing through advertisement, non-provision of intercom facility, TV sets, EPABX, generators and want of quality services as the reasons for low occupancy. The Management, however, failed to take corrective action to increase the occupancy.

Leasing out of Mahodadhinivas, Puri for other than tourist purpose

2.2.11 The Mahodadhi Nivas complex at Puri is a heritage property situated at a prime location on the sea beach. The occupancy of the unit was above 80 *per cent* since 1992-93 and the unit was earning profit. The Company, without obtaining the approval of the State Government, leased out (December 2001) the unit to Biju Pattanaik National Steel Institute (BPNSI), a GOI body, for running its training centre. BPNSI vacated the building in September 2005.

Audit observed the following:

- Leasing out the tourist resort for non-tourism purposes defeated the main objective of promotion of tourism.

The Company leased out the hotel unit for non-tourist purpose in violation of its objective.

- Despite instructions (May 2002) from the State Government, the Company failed to revoke the agreement as per the contractual provisions. Further, the Company also extended (March 2004) the lease period for another year from December 2003.

- The building was lying in an inhabitable condition since October 2005 as the Company failed to take timely action for renovation and repair of the building.

The Management/Government stated (July/August 2007) that the unit was leased out to the institute on commercial considerations, as the lease rent was higher than the revenue being earned at that time and, thus, financially justified. The reply is not acceptable in view of the fact that leasing out the heritage building for purposes other than tourism was not in compliance with the objective of the Company.

Loss due to taking over tourist unit at Gopalpur

2.2.12 The Berhampur Development Authority (BDA) submitted (November 1999) a proposal to the Company for take over of the hotel unit at Gopalpur on hire by the Company. The preliminary study conducted (November 1999) by the Company indicated 35, 45 and 50 *per cent* occupancy in the first, second and third year of the lease period respectively, generating a net profit of Rs.7.75 lakh at the end of the third year. During discussions held (November 1999) with the BDA, the Company pointed out that the remnants of a partially collapsed building was lying in front of the hotel unit and requested BDA to remove the same in order to give a direct view of the sea from the hotel which would make it more attractive to tourists.

The Company, without getting the debris removed, took over (March 2000) the possession of the hotel unit for a period of six years (up to February 2005) at an annual rent of Rs.2 lakh for the first three years and Rs.2.30 lakh for the remaining three years. The unit, however, incurred losses in each year and the aggregate loss worked out to Rs.8.20 lakh during 2000-01 to 2004-05 (up to September 2004). The Company surrendered the hotel unit to BDA in September 2004.

Audit noticed that BDA did not demolish the collapsed building structure and also failed to maintain the hotel unit. In spite of this, the Company did not terminate the lease agreement earlier as per the terms of the agreement.

Thus, the Company had to sustain loss in the operation of the unit due to taking over the hotel unit without demolition of the collapsed structure and non-maintenance of the building.

Performance of restaurant unit at Nandankanan

2.2.13 The Company was running a restaurant unit at Nandankanan Zoological Park, Bhubaneswar since 1982. The unit was closed for a short period (October 1999 to May 2001) on account of damage occurred in the super cyclone.

The Company sustained cash loss due to inferior quality of services rendered.

It was observed that though the unit had been incurring cash loss upto March 2006, the Management did not analyse the reasons for the same. The Director, Nandankanan Zoological Park stated (July 2005) that complaints had been received from the visitors to the zoo that the services rendered by the restaurant were bad and highly deplorable, food was cooked under unhygienic conditions and the response from the staff to the complaints was poor. No remedial measures were, however, taken by the Company to improve the services.

The Management/Government stated (July/August 2007) that there was restriction on sale of non-vegetarian food, poly-pack covered food, etc. as the restaurant was in a zoo area which was affecting the potentiality of the restaurant adversely. The Management further stated that though the issue of poor profitability was discussed many times, it was, however, felt that the unit may be retained to provide minimum facility to the tourists visiting the zoo. The reply is not tenable as poor performance of the restaurant was due to inferior quality of services provided.

Marketing strategy

Inadequate marketing and publicity

Adequate and aggressive marketing steps were not taken to attract more tourists.

2.2.14 Advertisement and publicity is necessary for business promotion and competition. The press and the electronic media provide an easy mode of publicity for attracting tourists from abroad and different parts of the country. Despite having a full-fledged Marketing Division which was responsible for sales, marketing and public relations, the Company had not taken adequate and aggressive steps to promote its hotels and other facilities to attract tourists though it was required to gear up in the face of stiff competition from the private sector.

Audit noticed the following:

- Out of the Company's total budget of Rs.18.99 crore during 2003-06, the Company provided only Rs.8 lakh (0.42 *per cent*) for advertisement and publicity, against which only Rs.1.60 lakh was spent on printing of tariff cards, brochures, development of website, etc. Thus, the priority given to this area was very low. On an average, the Company spent only Rs.0.53 lakh per year on advertisement and publicity which was indicative of the fact that adequate attention was not paid towards business promotion.
- During meetings (July 2005 to October 2006) of the Unit Managers, it was regularly brought to the notice of the Senior Management that hoardings/sign boards projecting the Company's hotels were not available at important places like Railway stations, market places, bus stands, etc. at Bhubaneswar, Barkul, Konark, Puri, Paradeep, Sambalpur, Rambha and Gopalpur. The Company, however, failed to take any action thereon. The Management, while accepting the fact, stated (July 2007) that signage would be installed shortly.
- The system of obtaining assessment sheets from the customers was introduced (July 2005) in one unit (Yatrinivas, Konark) and scrutiny thereof revealed that the tourists came to know about the unit mostly through friends (71 *per cent*) and travel agents (24 *per* cent) while only 5 *per cent* knew from press advertisements. No such system of obtaining customers' comments on assessment sheets was in place in other units.

The Management/Government stated (July/August 2007) that during 2005-06, the Company spent Rs.4.15 lakh on advertisement and publicity. The reply is not tenable as further scrutiny revealed that out of the total expenditure of Rs.4.15 lakh, the Company spent Rs.3.64 lakh on publication of tenders which can not be regarded as expenditure on publicity.

Business through Travel agents

2.2.15 Travel and marketing agents play a pivotal role in the promotion of tourism by providing facilities of advance reservation of accommodation and travel facilities to tourist destinations. The Company enters into agreements with travel agents for promotion of business activities for booking of accommodation in hotels. The Company had 11 authorised booking agents (nine agents operating from outside the State and two operating inside the State) in the year 2002-03 which increased to 17 (15 outside and two inside the State) in 2006. In July 2006, the Company increased the minimum target of business to be generated from Rs.10,000 to Rs.50,000 by each travel agent. The eight travel agents, however, did not give their consent to the increase in targets and the Company cancelled (February 2007) their agency.

The objective of promoting tourism through travel agents got defeated since 11 out of 17 travel agents did not give any business.

The Company received a total business of Rs.44.42 lakh through the agents during the five years ending 2006-07. Audit scrutiny revealed that 11 out of 17 travel agents did not give any business during the said period. The Company neither forfeited the security deposit of these agents as per the agreement nor analysed the reasons for such dismal performance by the agents.

Performance of Gold Card scheme

2.2.16 The Company introduced (September 1999) a scheme for its regular customers/repeated visitors by issue of a special card called "Gold Card" available on payment of Rs.650. The holders of such cards were entitled to 10 *per cent* discount on room rent, food bill and transportation. The Company issued 959 Gold Cards during September 1999 to March 2007. Of this, 373 cards (38.8 *per cent*) were issued between April 2002 and March 2007. As on 31 March 2007, only 281 cards (202 new and 79 old cards) were valid.

Audit scrutiny revealed that:

- Out of 757 old cardholders, 678 cardholders (90 *per cent*) discontinued their membership.
- The Company neither worked out the total business received through the scheme nor analysed the reasons for non-renewal of Gold Cards by the existing customers for taking remedial action.

Thus, the Gold Card scheme, though introduced for promotion of business, did not achieve the desired objectives.

Assessment of customers' satisfaction

2.2.17 To assess the degree of satisfaction of customers with regard to accommodation facilities and quality of services rendered, the hotel units maintain visitors book/suggestion book. In respect of the hotel units selected for audit scrutiny, the following deficiencies were noticed:

The system of assessing the customers' satisfaction was inadequate.

- 631 complaints/suggestions were received (2002-03 to 2006-07), out of which in 122 cases adverse comments on reception service, room service, restaurant service, food quality, etc. were recorded.
- In Yatrinivas, Konark and Satapada, separate suggestion books were maintained to record suggestions of VIP tourists and dignitaries only.
- The action taken by the Management for redressal of these complaints/grievances received from the guests was not on record.

The Management/Government stated (July/August 2007) that they had designed pre-stamped customers complaint letters for the year 2007 alongwith arrangement for scrutiny and effective rectification measures.

Inadequate repair and maintenance of hotels

2.2.18 It is necessary that the Company's hotels are properly and aesthetically maintained, periodically refurbished and renovated if they are to compete with the private sector to attract more domestic and foreign tourists.

Audit scrutiny revealed the following:

- The Company did not have any annual strategic plan for routine and preventive maintenance of the hotel units.
- The expenditure on repair and renovation of tourist accommodation was only Rs.1.28 crore against the budgetary allocation of Rs.1.60 crore during 2001-02 to 2005-06. Despite the fact that the BoD also noted (March 2005) the requirement of further investment in order to make the hotels at par with private hotels, adequate attention was not paid on such an important aspect.

The repair and maintenance of hotel units were inadequate.

- During the period January 2005 to January 2007, the managers of three units (Konark, Rourkela and Puri) had requested for repair and maintenance work in 38 cases. Out of these, no repair and maintenance work had been done in 18 cases i.e. the work remained pending for a period up to 26 months (March 2007).

The Management, while accepting the fact, stated (July 2007) that during 2002-03 and 2003-04, there was considerable reduction in spending on capital account due to shortfall in revenue. The reply is not tenable as the Company ought to have arranged the funds from other sources for renovation which was essential to keep the hotels in proper shape to attract tourists. Even the budgetary provisions for the purpose were not fully utilised.

Performance of catering service

2.2.19 The Company provides self-managed catering service in the accommodation units and also runs one restaurant at Nandankanan zoo departmentally. Although the BoD decided (September 2000) to treat the catering units as profit centres, the Company did not work out the operating profit / loss of the catering units separately.

Audit scrutiny revealed the following:

- During 2002-03 to 2006-07, the Company revised (September 2006) the menu rates only once. The basis of determination of the menu rates was not made available to audit.
- The Company fixed the norm for food cost (46 *per cent*) and fuel cost (two *per cent*) of the sale price. The actual food and fuel cost in the six units selected for audit scrutiny ranged between 42 to 64 *per cent*. In respect of five[$] units, the food cost of 15 mostly commonly ordered items as per standard recipe, menu chart and the market price of ingredients was worked out by audit. It was noticed that the food cost of these items ranged between 14 and 42 *per cent* as against the norm of 46 *per cent* fixed by the Company. Thus, fixation of food cost was on the higher side.

The Management/Government stated (July/August 2007) that a cushion was allowed to cover up normal wastage and shrinkage. The reply is not tenable as

[$] Puri, Barkul, Satapada, Konark and Rourkela.

the norm was much higher than the food cost range computed in audit and the Management did not fix any criteria for wastage and shrinkage.

- Despite directions of the COPU (December 2001) to give emphasis on maintaining the cleanliness of the kitchen utensils and other dining accessories, there was nothing on record to indicate that any concrete steps had been taken by the Company in this direction.
- Further, no records were produced to audit regarding visit of public health authorities and their findings with regard to maintenance of hygiene in the kitchens of the hotels. It was noticed that complaints were also received from customers regarding lack of cleanliness in the units. Steps taken for redressal of such complaints were not on record.

Performance of Bars

2.2.20 The Company operates bars at Panthanivas, Rourkela and Sambalpur and two beer parlours at Panthanivas, Puri and Barkul. The turnover from bars constituted 5 to 8 *per cent* of the total turnover during 2002-03 to 2006-07. Though the Company earned profits on operation of bars, no norm for profit margin was fixed.

The cost percentage and the profit margin on bar sales in respect of three units selected for audit (out of four units having bar facility) for five years from 2002-03 to 2006-07 are given below:

(Rupees in lakh)

Name of unit	Particulars		2002-03	2003-04	2004-05	2005-06	2006-07#
Puri	Beer	Sale (Rs)	7.03	6.96	10.03	6.13	7.03
		Cost of Beer consumed (Rs)	3.36	3.51	5.31	3.67	4.70
		Cost percentage	47.80	50.43	52.94	59.87	66.86
		Gross profit margin (in *per cent*)	52.20	49.57	47.06	40.13	33.14
Barkul	Beer	Sale (Rs)	2.31	5.68	12.09	9.15	18.08
		Cost of Beer consumed (Rs)	1.31	3.26	7.16	5.08	11.23
		Cost percentage	56.71	57.39	59.22	55.52	62.11
		Gross profit margin (in *per cent*)	43.29	42.61	40.78	44.48	37.89
Rourkela	Beer	Sale (Rs)	2.29	5.87	8.64	10.76	12.12
		Cost of Beer consumed (Rs)	1.42	3.51	5.36	6.66	7.81
		Cost percentage	62.01	59.80	62.04	61.90	64.44
		Gross profit margin (in *per cent*)	37.99	40.20	37.96	38.10	35.56
	Liquor	Sale (Rs)	2.37	4.28	7.20	14.25	19.98
		Cost of liquor consumed (Rs)	1.01	2.01	3.48	7.11	10.33
		Cost percentage	42.62	46.96	48.33	49.89	51.70
		Gross profit margin (in *per cent*)	57.38	53.04	51.67	50.11	48.30

Figures are provisional and as provided by the management.

It would be seen from the table that:

- The profit margin on sale of beer at Puri and Barkul decreased over the years (except in 2005-06 for Barkul).
- The profit margin on liquor sale at Rourkela decreased from 57.38 *per cent* in 2002-03 to 48.30 *per cent* in 2006-07.

The Management had not analysed the reasons for declining margin on sale of beer and liquor. The reasons for reduction in the profit margin as analysed by audit were due to non-revision of sale prices since April 2002, except for the beer prices at Rourkela, which were revised in April 2006.

- In Panthanivas Barkul, records relating to beer stock, beer purchases and bar sales had not been maintained properly.

The Management/Government stated (July/August 2007) that the Company resorted to low margin to increase the sale volume. It further stated that action was, however, being taken to revise the rates. Fact is that to avoid decrease in profits, it is necessary to redefine overall strategy based on sound marketing principles and commercial practices and at the same time providing the customers the required comfort and ambience.

Penalty for short drawal of liquor

2.2.21 The Company obtains license from the State Excise Department for sale of Indian Made Foreign Liquor (IMFL). The Department, while issuing the license, fixes the Minimum Guaranteed Quantity (MGQ) for the bar unit. The Excise Rules provide for imposition of penalty against failure to lift MGQ. As the bar units of the Company failed to lift the MGQ during 1997-98 to 2004-05, the State Excise Department imposed[*] penalty of Rs.15.36 lakh. The Company paid Rs.11.03 lakh (March 2007) and balance Rs.4.33 lakh had not been paid (August 2007). The Management stated (July 2007) that since sale at Panthanivases was low, lifting was less compared to MGQ. The reply is not tenable as the Management should have conducted feasibility study before opening of bar.

Performance of transport services

Surface Transport

2.2.22 The Company had surface transport units[#] at Bhubaneswar and Puri to provide transport facility to tourists for sight-seeing and also to provide vehicles on hire on requisition from tourists or from other institutions.

[*] April 2004, March 2005 and May 2005.
[#] Besides, the Company had one vehicle operating from Panthanivas, Chandipur.

The performance of the surface transport units for the years 2002-03 to 2006-07 was as follows:

	2002-03	2003-04	2004-05	2005-06	2006-07$
	(Rupees in lakh)				
1. Revenue from transport sale	71.22	54.05	47.22	61.19	70.35
2. Expenditure					
(a) Employee Cost	27.63	25.60	22.92	23.57	26.61
(b) Running & Maintenance Cost	43.66	32.70	28.96	35.83	45.92
(c) Other Expenses	2.65	2.81	2.93	2.45	2.55
Total-2 (a+b+c)	**73.94**	**61.11**	**54.81**	**61.85**	**75.08**
Operational Profit/ (Loss) (1-2)	(2.72)	(7.06)	(7.59)	(0.66)	(4.73)

As would be seen from the above table, the Company had been incurring loss (excluding depreciation and Head Office overhead) consistently for five years up to 2006-07 in the operation of transport units. The BoD, while reviewing (March 2005) the performance of surface transport operation, observed that the recurring loss was attributable to deployment of old and aged vehicles, poor capacity utilisation and non-availability of medium-sized vehicles.

Audit analysis revealed that the following factors also contributed to loss:

Excess consumption of fuel and non-revision of rates were the other reasons for loss.

- During the period 2002-03 to 2006-07, there was excess consumption of 21,674 liters of diesel valued at Rs.5.81 lakh over the norms fixed for consumption of fuel for different types of vehicles operating in the transport units.

The Management/Government stated (July/August 2007) that sometimes actual fuel consumption was more due to traffic jam, bad road condition, engine condition and hilly roads. The reply is not acceptable since the norms were fixed considering all these factors.

- The Company is conducting sight-seeing tours through its transport units in Puri and Bhubaneswar covering different routes. In spite of increase in the cost of diesel every year, the Company did not increase the rates of the conducted tours operated from Puri during 2002-03 to 2006-07. The unit at Bhubaneswar increased the rate of conducted tours only in April 2005. The excess expenditure on procurement of diesel oil alone (over the rate of 2002-03) was Rs.8.52 lakh. The Company, however, did not revise the rates and had to sustain loss. It was also noticed that the Company did not follow any definite basis in fixation of rates of conducted tours.

The Management/Government stated (July/August 2007) that the rates were not revised due to market conditions and low occupancy. The reply is not tenable as the Company must run its transport services on sound principles and commercial practices. The fact is if its services were efficient, attractive and comfortable, tourists would not mind paying extra costs.

$ Figures are provisional and as provided by the Management.

Water transport (boating operations)

2.2.23 The Company provides boating facilities to the tourists in its four[#] hotel units, which are located near Lake Chilka and Sea Mouth (Chandbali). These units provide motor launches or country boats with different seating capacities[&]. The Company acquired (December 2002) one floating restaurant with 50 seater capacity and was operating it at Panthanivas, Barkul. The number of boats available with the Company varied between 15 and 18 during the five years ended 2006-07.

The location-wise availability of boats is given below:

Place	2002-03	2003-04	2004-05	2005-06	2006-07
Barkul	8	9	8	7	8
Satapada	4	5	6	7	7
Rambha	2	1	2	2	2
Chandbali	1	1	1	1	1
Total	**15**	**15**[*]	**16**[*]	**17**	**18**

The Company made operating profit of Rs.97.47 lakh from boating operations during the five years ended 2006-07.

Audit scrutiny revealed the following:

- The percentage utilisation of the big boats at Barkul was 68 in 2002-03 and 45 in 2003-04. The Company, however, without considering the utilisation of boats in Barkul, increased (April 2004) the number of big boats from two to three at a cost of Rs.19.34 lakh. Even after increase in the number of big boats, percentage utilisation did not improve and remained between 45 to 49 *per cent* during 2004-05 to 2006-07.
- In Barkul, the percentage utilisation of medium boats was 67 (2002-03) which increased to 84 in 2006-07; while the percentage utilisation of small boats was 48 (2002-03) which increased to 81 in 2006-07. In Satapada, only medium and small boats were in operation during 2002-03 to 2006-07. The percentage utilisation of medium sized boats and small sized boats at Satapada decreased from 76 (2002-03) to 59 (2006-07) and from 49 (2002-03) to 33 (2006-07) *per cent* respectively. This indicates that utilisation of medium and small size boats at Barkul was higher compared to the boats at Satapada. The Company, however, transferred one medium boat each in the year 2003-04 and 2004-05 from Barkul to Satapada unit.

Uneconomic operation of Floating Restaurant

2.2.24 The Floating Restaurant was purchased (December 2002) at a cost of Rs.43.85 lakh out of Government fund so as to promote tourist activities. It could contribute only Rs.2.64 lakh (after deduction of fuel cost, salary,

[#] Barkul, Satapada, Rambha and Chandbali.
[&] Big boats above 20 seating capacity, medium with 11 to 20 and small with up to 10 seating capacity.
[*] One boat is common between Barkul and Satapada. One boat each was transferred from Barkul to Satapada during the year.

During 2002-03 to 2006-07, the floating restaurant could be utilised only 14 *per cent* of the available days.

insurance, etc.) during 2003-04 to 2006-07. The break-even hours of the floating restaurant as worked out by audit on the basis of the fixed cost and contribution per running hour was 4.92 hours per month. Out of the total 48 months of operation (December 2002 to September 2004 and January 2005 to February 2007), it operated below break-even hours in 25 months. During the above period, the floating restaurant was operated for only 204 days against availability of 1435 days resulting in meager utilisation of 14 *per cent* only. Thus, the Company could recover only Rs.2.64 lakh out of cost of Rs.43.85 lakh paid for the floating restaurant. Hence, the investment in the floating restaurant for promotion of tourism was a non-starter.

The Management, while accepting the facts, stated (July 2007) that the Company was presently hiring out the floating restaurant to different customers to improve capacity utilisation.

Purchase of Kerosene oil from unauthorised sources

Excess expenditure of Rs.15.18 lakh due to purchase from unauthorised sources.

2.2.25 In Panthanivas Barkul and Satapada, kerosene is used as the primary fuel for running the boat engine. Mobil and petrol are used as supplementary fuel. The unit management was getting a quota of two - three thousand litres of kerosene per month from the District Administration. With the increase in inflow of tourists resulting in increase in boating operation, the unit management (Barkul) purchased upto 9,860 litres of kerosene oil in a month (December 2006) beyond the monthly allotment from the open market to meet the extra requirement. During the period 2002-07, these units purchased 1,36,553 litres of kerosene oil costing Rs.27.14 lakh from unauthorised sources paying extra amount of Rs.15.01 lakh (being the difference between open market rate and control price). Besides, Satapada unit also purchased 9,380 liters of diesel oil costing Rs.2.53 lakh from other than authorised outlets paying extra cost of Rs.0.17 lakh during 2002-03 to 2006-07 (January 2007).

The Management/Government stated (July/August 2007) that although the District Administration was requested several times for increasing the quota of kerosene, but on most of the occasions, the same was refused. The reply is not tenable as examination of records revealed that the Corporate office of the Company requested the District Collector for extra quota for Satapada only once in September 2004 and no pursuance was made thereafter.

Non-adherence to safety measures and statutory requirements

2.2.26 The operation of boats requires compliance to the Orissa Boat Rules, 2004, which were effective from 4 March 2004. The Company had not complied with various provisions of the said Rules as detailed below:

- None of the boats being operated at Barkul and Satapada had obtained registration certificate under Orissa Boat Rules, 2004.
- The maximum carrying capacity had not been displayed on the boats.
- As against the minimum required crew of 3 members, the boats had only 1 to 2 crew members.

The Company did not comply with the statutory safety measures.

- Fire extinguishers were available only in 1 out of 8 boats operating at Satapada and in 3 out of 8 boats operating at Barkul (March 2007).

The Management/Government stated (July/August 2007) that the concerned Managers had been instructed to register the boat with the appropriate authority and they were trying to fix fire extinguishers in each boat.

Financial management

Diversion of funds

2.2.27 The Company did not have any arrangement for short term borrowings to meet its working capital needs. It met its working capital needs from income from business activities. Further, it also resorted to temporary diversion of funds received for project work from the State Government. The diversion of fund ranged between Rs.0.27 crore to Rs.0.97 crore during the period 2002-03 to 2005-06.

Income from non-operational activities

2.2.28 During 2002-03 to 2005-06[#], the Company earned profit of Rs.1.09 crore during the years 2003-04 (Rs.15.70 lakh), 2004-05 (Rs.40.35 lakh) and 2005-06 (Rs.52.45 lakh). The profit was, however, earned from sources other than the core activity of the Company, as discussed below:

- The Company earned interest income of Rs.54.56 lakh during the period 2002-03 to 2004-05 on investment made out of funds received for project works in fixed deposits. This had been taken as revenue and appropriated towards working capital needs. The State Government instructed (June 2005) the Company to keep the interest income earned from such deposits separately and utilise the same only on project works.

The profit of the Company constituted earning from non-core activities.

- The Company also earned Rs.89.28 lakh towards administrative and supervision charges for execution of projects during the period 2002-03 to 2005-06 which was not the core activity of the Company.
- In the absence of finalisation of terms and conditions of lease with the State Government, the Company did not make any provision towards payment of lease rent.

The Management/Government stated (July/August 2007) that there was improvement in profitability for 2005-06 without taking into account the interest income. The reply is not correct as the improved profitability during 2005-06 was on account of revenue earned from sources other than the core activities.

Outstanding dues

2.2.29 The total outstanding dues of the Company, which were Rs.1.04 crore as on 31 March 2002, increased to Rs.2.47 crore as on 31 March 2006

[#] Figures for 2006-07 have not compiled by the Company.

including Rs.52.78 lakh relating to transport units. The COPU recommended (December 2001) that stringent action should be taken against officials extending credit sale without any authority and all out efforts should be initiated to recover the outstanding dues.

The following points were noticed in audit:

- Despite the BoD's decision (March 2002), the Company had not prepared a database of sundry debtors and had also not framed credit policy defining the time schedule for collection of dues and imposition of penalty in the shape of interest at 18 *per cent* per annum on defaulters.
- The Managers of 21 units allowed credit facilities to private and Government visitors for accommodation and transport services without the approval of the competent authority.
- The details of sundry debtors of Rs.0.82 crore relating to 17 units were also not made available to Audit.
- In respect of the other four units (Air ticketing division, Barkul, Rourkela and Transport unit, Bhubaneswar), against total outstanding dues of Rs.1.65 crore, party-wise details for Rs.16.56 lakh were not made available to audit. Out of the balance amount of Rs.1.48 crore, Rs.1.30 crore was due from the State Government Departments and Rs.18.77 lakh from private parties.
- The Company had no system for obtaining confirmation of dues from the private parties.

Deployment of manpower

2.2.30 Manpower management plays a significant role in the tourism service industry. Deployment of adequate and skilled manpower conforming to the nature of services is essential to run the tourist units profitably.

Audit scrutiny revealed the following:

- The Company took over 11 new tourist hotel units between February 2005 and November 2006. The sanctioned strength of 162 posts, however, was not revised accordingly. As on December 2006, 582[*] personnel (including 114 persons engaged through service providers) were in position.
- The Company had not fixed any norms of bed-staff ratio keeping in view the nature and volume of business in each unit. The ratio of bed to service staff[#] ranged from a minimum of 1:0.05 to a maximum of 1:0.41. Further, there was no rational deployment of service staff with reference to bed capacity and income of the unit.

[*] Managerial-55, Supervisory-92 and others-435.
[#] Service staff constitutes Shift supervisor, Receptionist, Waiter, Room boy, Sweeper and Bell boy.

- Out of 26 managers, only seven managers had professional qualifications in hotel and catering business of whom two were posted in Transport units at Puri and Bhubaneswar. During 2002-03 to 2006-07, the Company organised trainings for cooks, waiters, gardeners and supervisory staff, but no training programme was organised for the managerial staff.
- The hotels' front office should be manned by professionally trained personnel. In eight units[$] receptionists were not posted during the period 2002-03 to 2005-06 and the work was managed by deploying staff of other job descriptions.
- The Company had not verified the qualifications, experience and antecedents of the persons provided by the service provider and some of the units complained about the lack of skills and experience of the persons provided.

The Management/Government stated (July/August 2007) that uniform staff ratio was not possible due to capacity utilisation, scattered rooms, extra facilities like bars and restaurants and extra floor area. The reply is not tenable as the Management should have fixed norms for manpower for different hotels considering the above factors.

Internal Control

2.2.31 Internal control is a management tool used to provide reasonable assurance that the Management's objectives are being achieved in an efficient and effective manner.

The following deficiencies in internal control system were noticed:

- The Company had no Accounting Manual.
- During 2002-03 to 2006-07, the post of Managing Director was held by four incumbents with tenures ranging from eight to 31 months. Frequent change of the incumbent in the post of Chief Executive was not conducive to smooth management of the Company.
- During the five years ending March 2007, the BoD held only 11 meetings as against 20 meetings (one meeting in each quarter) required to be held during the period as per provisions of section 285 of the Companies Act, 1956.
- Out of the six hotel units selected for audit, meetings of the purchase committee were not being held at periodical intervals in five hotel units. In Yatrinivas, Konark the purchase committee was not constituted at all.
- Though the BoD decided (May 2000/ June 2005) to constitute a flying squad for surprise check of the units on regular basis to improve the

[$] Panthanivas at Konark, Chandipur, Rambha, Taptapani, Panchalingeswar, Paradeep, Lulung and Yatrinivas at Satapada.

standard of services, the Company had not yet constituted the same (August 2007).

- The cash book entries were neither attested nor the cash book countersigned by the Managers of the concerned units. Surprise verification of cash was also not done in any of the units. In Panthanivas, Rourkela, cash/bank receipts and disbursements were not recorded on the date of the transactions thereby giving an incorrect position of cash and bank balance. In Yatrinivas, Satapada, the Manager himself was handling cash, writing the cash book and countersigning it.
- No limits were prescribed for holding maximum cash balance by the units.
- Monthly and year-end bank reconciliation statement was not done in any of the units.
- Physical verification of crockery, cutlery and linen was not done.
- Advances were given to the staff for catering purchase, etc. without adjustment of the earlier advances. In PNS Barkul, advances amounting to Rs.2.34 lakh relating to the period 2002-03 to 2006-07 (up to January 2007) remained unadjusted. Advances were also paid without any requisition for the same and without approval of the competent authority.
- Norm for consumption of oil for boats was not fixed by the Management.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Management and staff of the Company at various stages of conducting the Performance audit.

Conclusion

Although the State has immense potential for becoming an important tourist destination, the tourist potential of the State remained largely untapped due to lack of planning and professional approach in the management of the business of the Company. Despite being in the business since 1979, the Company failed to meet the challenges from private operators. During the period of review, the Company's share of domestic tourists varied between 1.34 and 1.67 *per cent* and foreign tourists ranged between 4.25 *per cent* and 5.34 *per cent* indicating that the Company had not been able to attract tourists.

The Company incurred overall loss in the operation of hotels during the period 2002-03 to 2005-06. The targets were fixed on the lower side which also could not be achieved in most of the cases. The occupancy in the hotels never exceeded 49 *per cent* and in six units, the occupancy was consistently below the average occupancy. Poor occupancy was due to failure to provide necessary facilities to the tourists and to give adequate

attention to advertisement and publicity. Further, the Company had no system of redressal of complaints/grievances received from the customers. The profit margin in respect of bar sales declined over the years due to non-revision of sale prices of beer since April 2002. The surface transport wing incurred persistent loss due to deployment of aged vehicles, poor capacity utilisation and non-availability of medium-sized vehicles. Deficiencies in the internal control mechanism were noticed in crucial areas like maintenance of cash book and physical verification of inventories.

Recommendations

- **The Company should prepare a strategic Corporate Plan defining its role and activities as per the Tourism Policy of the State and indicating the long-term and short-term goals to be achieved.**
- **The terms of lease of the newly acquired units should be finalised with the Government.**
- **The Company should upgrade, refurbish and renovate all its properties in a phased manner.**
- **Hotel, restaurant and transport services should be professionalised to provide efficient, attractive and comfortable services to compete with the private sector. In addition, steps should be taken to:**
  - **improve occupancy;**
  - **revise tariff for rooms, food and beverages commensurate with efficient, effective and economic services;**
  - **adopt aggressive marketing and publicity practices; and**
  - **promote public private participation.**
- **The monitoring mechanism should be strengthened to ensure compliance with the rules and procedures.**
- **Internal Controls should be strengthened.**

Orissa Power Transmission Corporation Limited

2.3 Procurement, performance, repairs and maintenance of transformers

Highlights

Excess transmission loss over the OERC's benchmark during the last six years up to 2006-07 (except in 2002-03 and 2004-05) resulted in loss of Rs.42.43 crore.

(Paragraph-2.3.7)

Construction of substation despite being aware of fall in demand of load led to idle investment and consequential loss of interest of Rs.55.25 crore.

(Paragraph-2.3.9)

Non-commissioning of 18 transformers of total capacity of 2830 MVA by seven months to almost nine years of their receipt led to foregoing of revenue of Rs.139.43 crore per annum.

(Paragraph-2.3.10)

Due to delay in finalisation of contract, the Company suffered loss of Rs.35.14 crore towards cost overrun, loss of interest and wastage of materials.

(Paragraphs-2.3.13)

Delay in handing over of land and non-completion of the incoming line resulted in loss of interest Rs.10.27 crore.

(Paragraph-2.3.14)

Extra expenditure of Rs.10.92 crore was incurred towards re-ordering of auto and power transformers.

(Paragraphs-2.3.16 and 2.3.20)

Piecemeal placing of purchase orders deprived the Company of availing price benefit resulting in extra expenditure of Rs.2.86 crore.

(Paragraphs-2.3.23 and 2.3.24)

Load restrictions due to over-loading, voltage fluctuations, trippings and interruptions resulted in loss of revenue of Rs.2.34 crore.

(Paragraph-2.3.28)

Introduction

2.3.1 Orissa Power Transmission Corporation Limited (OPTCL) was incorporated (March 2004) under the Companies Act, 1956 as a company wholly owned by the Government of Orissa with the main objectives of effectively operating transmission lines and substations in the State, maintaining the existing lines and substations for power transmission, undertaking power system improvement by renovation, upgradation and modernisation of the transmission network, wheeling electricity and carrying on the functions of State Load Despatch Centre (SLDC).

The Company started commercial operations from 1 April 2005 as a transmission licensee and it became fully operational with effect from 9 June 2005, consequent upon issue of Orissa Electricity Reform (Transfer of Transmission and Related Activities) Scheme, 2005 under the provisions of the Electricity Act, 2003 and the Orissa Reforms Act, 1995 enacted by the State Government for transfer of transmission related activities from the Grid Corporation of Orissa Limited (GRIDCO) to OPTCL.

The Company is designated as the State Transmission Utility in terms of Section 39 of the Electricity Act, 2003. It is presently carrying on intra-state transmission and wheeling of electricity under a license issued by the Orissa Electricity Regulatory Commission (OERC). The Company owns Extra High Voltage[#] transmission system and operates about 9550 circuit kms of transmission lines at 400, 220, and 132 KV levels besides 81 substations with transformation capacity of 7000 MVA.

The management of the Company is vested with the Board of Directors (BoD) consisting of six Directors including the Chairman-cum-Managing Director (CMD) who is the only functional director in the BoD. The CMD is assisted by Director (Finance, not a member of the BoD) and three Chief General Managers (Construction, Human Resource Development, Operation and Maintenance) and a Senior General Manager (Information Technology).

The procurement activities are handled by various departments functioning under the overall control of the Chief General Manager (Construction). Prior to 1 April 2005, the award and execution of contracts for World Bank funded projects were looked after by Project Monitoring Unit (PMU), while contracts for other projects were handled by the Transmission Project (TP) wing. With effect from 1 April 2005, all contracts for procurement of transformers required for augmentation of new substations or for up-gradation of existing substations are awarded by the Central Procurement Cell (CPC) and the execution of the contracts is looked after by TP. The indents for the transformers are raised either by TP or Operation and Maintenance Department (O&M).

As on 31 March 2007, the Company had 194 working transformers comprising 165 Power Transformers (PTs), 27 Auto Transformers (ATs) and two Inter Connecting Transformers (ICTs). Besides, there were 29 damaged transformers (4 ATs and 25 PTs) awaiting repairs and 14 dismantled PTs in working condition but lying idle. In addition, there were 28 distribution transformers awaiting disposal.

[#] Voltage above 33 KV is termed as extra high voltage.

Scope of Audit

2.3.2 The present performance review covers the performance of the Company in respect of Procurement, Performance, Repairs and Maintenance of Transformers during the last five years ending 31 March 2007. The audit findings are based on test check of records at the Corporate Office, five[*] out of six circles and nine[#] out of 15 divisions of the Operation and Maintenance Wing, selected for detailed study on the basis of materiality, number and age of transformers, transmission capacity of substations and geographical coverage.

Audit objectives

2.3.3 The Performance Review was conducted with a view to ascertain whether:

- the performance of the transmission system met the standards of stability and availability, transmission losses, outages and voltage fluctuations were kept to the minimum;
- the Company had prepared plans for procurement of transformers after due consideration of the load demand forecast and changes in the load and generation capacity;
- appropriate procedure existed for the procurement of transformers and the procurements were made in a transparent, economical, efficient and effective manner; and
- the Company had devised and put in place a well-rounded maintenance policy/schedule and there was an effective mechanism for repair and preventive maintenance of transformers and associated equipment.

Audit criteria

2.3.4 The audit criteria considered for assessing the extent of achievement of audit objectives were as follows:

- the norms, standards, directions and guidelines of the Company, OERC and Orissa Grid Code;
- commissioning schedules of transformers, substations and transmission lines and terms and conditions of contracts;
- planning and security standards and manufacturers' guaranteed parameters/specifications;
- provisions in the Electricity Supply Act, 2003, schedule of maintenance of transformers as per the Company's repair and maintenance manual and recommendations of the laboratory test reports of transformer oil; and

[*] Berhampur, Burla, Chainpal, Cuttack and Jajpur-Keonjhar Road.
[#] Balasore, Bhanjanagar, Berhampur, Burla, Chainpal, Choudwar, Jajpur-Keonjhar Road, Rourkela and Theruvalli.

- benchmarks and directions of OERC on repair and maintenance, guidelines on overhauling and Government's directions on disposal of scrap and retrievals.

Audit methodology

2.3.5 The following methodologies were adopted for attaining the audit objectives with reference to audit criteria:

- Scrutiny of the agenda and minutes of the Board of Directors and of State Advisory Committee, reports submitted to various statutory agencies, progress and performance reports and analysis of data/information on forecasting, implementation plan, checking of basis for assessment of requirement, Consultant's recommendation on procurement of transformers.
- Examination of tender specifications, tender evaluation, files relating to purchase orders/contracts, execution of contracts, test reports, transformer related records at Head Office and O&M divisions/substations, budgets, targets, finance records and system performance records.
- Scrutiny of maintenance programme, cause-wise reasons of system disturbances and records relating to unused and dismantled transformers.
- Interaction with the Management and issue of audit queries.

Audit findings

The audit findings were reported (June 2007) to the Company/Government and also discussed (27 July 2007) in the meeting of Audit Review Committee for State Public Sector Enterprises. The meeting was attended by the Additional Secretary-cum-Financial Adviser, Department of Energy, Government of Orissa and the Chairman-cum-Managing Director of the Company. The views expressed by the members have been taken into consideration while finalising the report. The major audit findings are discussed in the succeeding paragraphs.

Transmission system

2.3.6 A transformer is a static equipment installed for stepping up or stepping down voltage in transmission of electricity. Power is usually generated at a very low voltage (11 KV to 15.75 KV) and thereafter it is stepped up (132 KV/ 220 KV/ 400 KV) through Inter-Connecting Transformers (ICT) and Auto Transformers (AT) for bulk transmission to the substations. At the receiving substation, voltage is stepped down to 33 KV through Power Transformers (PT) for supplying power to various distribution companies. The principal benefit of transmitting power at Extra High Voltages (33 KV and above) is to minimise transmission losses.

2.3.7 During the period from 1996-97 to 2006-07, the Company spent Rs.1953 crore on transmission projects completed (Rs.1093 crore) and under execution (Rs.860 crore) for the purpose of system improvement and reducing transmission losses. During 2000-01, the Company submitted a business plan to OERC to gradually reduce the percentage of transmission loss and to bring it down from 4.60 *per cent* to the level of 3.70 *per cent*. The following table indicates year-wise percentage of actual transmission losses vis-à-vis OERC's benchmark and consequential financial impact thereof during the years 2001-02 to 2006-07.

Year	**Total quantity transmitted (MU)**	**OERC's bench-mark (*per cent*)**	**Actual**		**Excess loss**		**Amount of loss at Rs.1.20# per unit (Rs. in crore)**
			Per cent	**in MU**	***Per cent***	**in MU**	
2001-02	13739.00	4.18	4.31	591.67	0.13	17.86	2.14
2002-03	13490.22	3.88	3.75	506.02	-	--	-
2003-04	14670.27	3.58	3.97	581.77	0.39	57.21	6.87
2004-05	15411.71	4.00	3.56	549.14	-	--	-
2005-06	15797.32	4.00	4.43	700.40	0.43	67.93	8.15
2006-07	20244.95	4.00	5.28	941.12	1.28	210.55	25.27
Total							**42.43**

Transmission loss was in excess of norm by Rs.42.43 crore.

As would be seen from the above table, the transmission losses were higher than the OERC's benchmark in all the years except during 2002-03 and 2004-05. The total impact of excess transmission loss over the OERC's benchmark in four years was Rs.42.43 crore. The State Advisory Committee expressed (February 2006) concern about high transmission losses in spite of huge investments made for system improvement.

The Management stated (August 2007) that the increased trend of transmission losses was mainly due to partial/non-completion of planned schemes. Thus, it is obvious that despite spending huge amount on system improvement works, the Company could not achieve the objective of reducing excessive transmission losses due to partial/ non-completion of planned schemes.

Identification of requirement of transformers

2.3.8 The Asian Development Bank (ADB) was providing technical assistance to the GOI and the Orissa State Electricity Board (OSEB) for study of power system planning in Orissa. ADB engaged (1995) Monenco AGRA Inc. (MA) as consultant to carry out the study on power system planning in Orissa. The requirement of transformers was identified on the basis of the long-term transmission system plan prepared by the consultants in March 1996. The Company used this plan as a basis for preparation of its transmission expansion project implementation plan (PIP). In the long-term plan and PIP prepared (September 1997) by the Company, it was clearly indicated that the plans recommended were by no means definitive and, therefore, cautioned that:

- the demand should be monitored closely and the transmission plans must be updated and revised whenever significant changes in the load and generation occur. All the relevant facts of the proposed High

Average rate per unit during 2001-02 to 2006-07.

Tension (HT) industries must be obtained before proceeding to update transmission plans.

- the programme for each aspect of the transmission schemes should be very closely coordinated and the delivery programmes of transformers should synchronise with installation programmes of the connected facilities like lines and substations.

2.3.9 The Company is required to prepare and submit every year to OERC the long-term load forecast for the succeeding ten years along with assumptions thereof. The Company started (October 2000) forecasting on a long-term basis (ten years) with effect from 2002.

Audit scrutiny revealed the following:

- As per earlier forecast (1996) the projected demand for 2006-07 was 3652 MW. The updated (May 2006) forecast and the actual peak demand (March 2007), however, came down to 2761 MW and 2574 MW respectively, which was mainly due to non-materialisation of the expected load (600 MW) from two major steel industries[*] which did not come up.

Construction of substation despite being aware of fall in demand of load led to idle investment and consequential loss of interest of Rs.55.25 crore.

- Despite being aware that neither of the two industries were committed for completion of their projects, the Company spent (September 1999) borrowed funds of Rs.100 crore on construction of 220 KV substation at Narendrapur with two 160 MVA auto transformers along with connected line to supply power to these two industries. As the industries did not come up, the facilities created could be utilised upto 25 *per cent* only (till September 2004) resulting in loss of interest of Rs.55.25[#] crore on the investment made on the construction of substation.

The Management stated (August 2007) that as funding was tied up it was not possible to drop the project half-way even if the load growth could not match as anticipated. The fact, however, remained that the investment had a deleterious effect on timely completion of other ongoing transmission projects as also admitted (February 2005) by the Company before OERC.

Procurement of transformers

2.3.10 The Company procures transformers through two types of contracts-either as a separate package involving supply and commissioning of transformers alone or as a composite package involving supply and commissioning of transformers as a part of erection and commissioning of the concerned substation. The Company is required to coordinate and synchronise the delivery of transformers with actual commissioning of connected substations and lines.

[*] TISCO and L&T.
[#] Interest @ 13 *per cent* on Rs.100 crore for two years and on 75 *per cent* of Rs.100 crore for three years.

The Company placed (1999-2001) orders for procurement of 57 transformers, of which 49 were to be commissioned by the beginning of the year 2001-02. Details of these transformers and others ordered/received/ commissioned between 2001-02 and 2006-07 are indicated in the following table:

Year	*No.* / *MVA*[#]	*ICT*			*AT*			*PT*			*TOTAL*		
		O	*R*	*C*	*O*	*R*	*C*	*O*	*R*	*C*	*O*	*R*	*C*
1999-00 and 2000-01	No.	8	4	0	12	8	2	37	12	6	57	24	8
	MVA	2520	1260	-	1320	920	320	873	433	240	4713	2613	560
2001-02	No.	-	2	-	-	-	-	-	10	12	-	12	12
	MVA	-	630	-	-	-	-	-	140	220	-	770	220
2002-03	No.	-	-	-	-	-	1	1	-	-	1	-	1
	MVA	-	-	-	-	-	100	20	-	-	20	-	100
2003-04	No.	-	2	-	-	-	3	3	16	5	3	18	8
	MVA	-	630	-	-	-	300	60	320	140	60	950	440
2004-05	No.	-	-	-	2	4	-	1	3	8	3	7	8
	MVA	-	-	-	320	400	-	40	60	160	360	460	160
2005-06	No.	-	-	2	-	-	-	4	-	5	4	-	7
	MVA	-	-	630	-	-	-	140	-	93	140	-	723
2006-07	No.	-	-	-	-	2	1	3	1	1	3	3	2
	MVA	-	-	-	-	320	100	60	40	20	60	360	120
Total	No.	**8**	**8**	**2**	**14**	**14**	**7**	**49**	**42**	**37**	**71**	**64**	**46**
	MVA	**2520**	**2520**	**630**	**1640**	**1640**	**820**	**1193**	**993**	**873**	**5353**	**5153**	**2323**

O = Ordered, R = Received and C =Commissioned

ICT: Inter-connecting Transformer, AT: Auto Transformer, PT: Power Transformer

Audit observed the following:

- The total cost of 71 transformers ordered (March 1997 to December 2006) was Rs.96.53 crore. Out of these, seven transformers of 200 MVA capacity costing Rs.14.81 crore were yet to be received (July 2007). Out of 64 transformers received (September 1998 to August 2007), 18 transformers of 2830 MVA capacity costing Rs.37.39 crore were awaiting commissioning for the last seven months to almost nine years of their receipt. The uncommissioned transformers constitute 27 *per cent* of the total number of transformers and account for 55 *per cent* of the transformer capacity.

Non-commissioning of transformers deprived the Company of earning revenue of Rs.139.43 crore

- Due to non-commissioning of 18 transformers of 2830 MVA capacity, the Company could not avail the opportunity of earning potential additional revenue of Rs.139.43 crore per annum (at Rs.4.927 lakh[*] per MVA).
- Purchase orders for procurement of 31 transformers (8 ICTs, 6 ATs and 17 PTs) were placed 11 months before the award (June 1999) of contracts for construction of the connected substations. The Company

[#] Mega Volt Ampere.

[*] Rs.344.89 crore being the income earned during 2006-07 / 7000 MVA being total installed capacity of transformers as on 31 March 2007.

did not coordinate the actual deliveries of the transformers with commissioning of the related substations/lines. The consequences of the delays in commissioning are discussed in the succeeding paragraphs.

Inter Connecting Transformers (315 MVA - 400/220 KV)

Procurement of transformers without awarding contract for substation

Non-finalisation of sources of funds led to non-completion of projects and consequential loss of interest of Rs.22.95 crore.

2.3.11 With a view to evacuate power from the two new generating units anticipated to be constructed[#] at Ib Thermal Power Station, the Company proposed (September 1997) to construct a 400 KV substation at Ib and 400 KV Double-Circuit (D/C) line from Ib to Meramundali. Accordingly, the Company awarded (July 1998) a contract to BHEL for procurement of two ICTs (315 MVA) to be commissioned in April/June 2001 at Ib substation. Though commissioning of the ICTs was dependent on completion of Ib substation and connecting 400 KV D/C line from Ib-Meramundali, the contract for construction of the substation was not awarded for installation of the two ICTs ordered. The Company awarded (September 1998) the contract for construction of the connected line. The line work was slowed down on the ground that the generating units did not come up. Subsequently, the work was held up (October 2004) due to non-finalisation of sources of funds and the contract was finally terminated (February 2005). As a result, the investment on the procurement of two ICTs (Rs.5.60 crore), conductors (Rs.45.99 crore) issued to the work and the payments made to the line contractor for supply of material (Rs.44.28 crore) and erection of services (Rs.14.74 crore) became unproductive (October 2004) resulting in loss of interest of Rs.22.95 crore till March 2007. Further, due to frequent thefts of conductors, towers and other line material (February 2002 to December 2004), the Company would have to incur additional expenditure of Rs.52 crore being the estimated cost of restoration of the damaged/lost material for completion of the line.

The Management, while accepting the facts, stated (August 2007) that problems relating to construction of substation at Ib were being sorted out. Thus, by procuring ICTs before finalising the substation contract and slowing down the execution of the line work, the Company suffered losses towards interest on borrowed funds blocked and cost of restoration material lost/damaged.

Delay in commissioning of transformers due to non-commissioning of connected substation

2.3.12 For procurement of two ICTs (315 MVA), the Company awarded (July 1998) the contract to BHEL with stipulation to commission the transformers by April-July 2000 at Meramundali substation. Supplies were received in February 2004 i.e. 44 months after the delivery schedule (March 2000).

[#] by AES Ib Valley Corporation.

Audit observed as follows:

Due to delay in commissioning of substation, the Company sustained loss of Rs.1.86 crore towards interest and theft of material.

- Due to delay in commissioning of the connected substation, these ICTs were commissioned in May 2005 i.e. after a delay of 15 months after their receipt. As a result, the borrowed funds of Rs.5.60 crore spent on procurement of two ICTs became unproductive and thereby the Company had to sustain a loss of interest of Rs.97.07 lakh.
- Further, despite being aware of the delay in completion of the substation, the Company neither took over the completed portion of the connected LILO* line nor safeguarded it against theft/damage. Consequently, the Company had to incur avoidable expenditure of Rs.89.20 lakh towards replacement of material lost due to theft.

The Management stated (August 2007) that the delays were due to various reasons and action for realisation towards cost of restoration and replacement was being taken. The reply is not tenable as despite the decision (February 2003) of the Board to recover the additional cost from the contractor, the Company could not recover the same so far (October 2007). Further, the chances of recovery are remote as the entire payment including security deposit had already been released to the line contractor.

Delay in commissioning of transformers due to non-completion of connected line

2.3.13 The Company awarded (July 1998) a contract to BHEL for procurement of two ICTs (315 MVA) for Duburi substation. The two ICTs were deemed to have been delivered (September 2000 for payment purpose) but were kept with the supplier, as the 400/220 KV Duburi substation was not ready. The commissioning of the ICTs and the substation were dependent on the connected incoming line viz. 400 KV Meramundali-Duburi, which was scheduled to be completed in April 1997 as per the contract awarded (May 1996) to the line contractor (Ranjit Singh and Co).

Audit scrutiny revealed the following:

Due to delay in finalisation of contract, the Company suffered loss of Rs.35.14 crore towards cost overrun, loss of interest and wastage of materials.

- Due to increase in scope and value of work (from Rs.43.42 crore to Rs.73.80 crore), the line contractor requested the Company (May 2002) for waiver of price variation ceiling of 20 *per cent* provided in the contract. As the Company did not agree to the same, the contractor stopped (October 2002) the work. The stalemate continued and finally the Company awarded (April 2006) the line work to Power Grid Corporation of India Limited (PGCIL) at an estimated cost of Rs.88.84 crore with a completion time of 30 months i.e. by September 2008. As a result, there would be cost over run of Rs.15.04 crore (Rs.88.84 crore – Rs.73.80 crore).
- In view of non-completion of the connected line due to the continued stalemate, the borrowed funds of Rs.71.48 crore spent on procurement of two ICTs (Rs.5.48 crore), on the construction of substation

* Loop in and Loop out (LILO) line of the existing 220 KV Balimela-Talcher (BTTLC) Line.

(Rs.28.78 crore) completed (January 2006) and on the line materials (Rs.37 crore) already received (February 2004) remained idle with consequential loss of interest of Rs.14.44 crore.

- Meanwhile, certain line material valued at Rs.5.66 crore (out of materials received for Rs.37 crore) and tower foundation work already completed at a cost of Rs.69.67 lakh became wasteful as they were found to be unsuitable for any of the works.

The Management, while accepting the delays and loss due to discarding of tower foundation work, stated (August 2007) that PGCIL did not agree to utilise certain materials already procured by the Company. Thus, the Company sustained loss towards cost over run, interest and wastage of materials due to delay in finalisation of the contract for line work.

Delay in handing over of land and non-completion of the incoming line resulted in loss of interest of Rs.10.27 crore.

2.3.14 The Company awarded (July 1998) a contract to BHEL for procurement of two ICTs for Mendhasal substation. The two ICTs were deemed to have been delivered as per the contractual schedule (June-September 2000) but were kept at the supplier's works, since the substation could not be charged. The substation and the connected line, to be commissioned (January 2002 and August 2001) had not been completed so far. The delay in commissioning of the substation was attributed to delay in handing over the land to the contractor for construction of the substation and non-completion of the incoming 400KV line viz. Meramundali to Mendhasal. Audit scrutiny revealed that even though 95 *per cent* of the line was completed by March 2006, it was not charged as the sub-contractor stopped the work due to non-receipt of payment from the main contractor. The balance work is yet to be completed (July 2007). As a result, the investment of Rs.98.36 crore on the two ICTs (Rs.5.48 crore) received (September 2000) and on the incoming line (Rs.69.15 crore) and substation (Rs.23.73 crore) substantially completed (January/March 2006) remained idle with consequential loss of interest of Rs.10.27 crore on such idle investment.

In reply, the Management accepted (August 2007) the delays. The Company, thus, sustained loss due to absence of close coordination and synchronisation of various activities for timely commissioning of transformers along with the connected line and substation.

Auto Transformers (100 or 160 MVA - 220/132 KV)

Ill-planned procurement of transformers

Procurement of transformers before making the substation ready resulted in loss of interest of Rs.0.83 crore.

2.3.15 The Company awarded (July 1998) a contract to APEX Limited for procurement of eight ATs (100 MVA) at an FOB Price of Rs.1.16 crore each to be commissioned between September 1999 and September 2000 in four substations (two each at Bidanasi, Burla, Bolangir and Khurda). As the substations were not ready, the Company extended (November 2000) the commissioning schedule of the ATs upto October 2002. In the meanwhile, the supplier delivered (September 2000) two ATs meant for Bidanasi substation. As the actual commissioning of the substation (September 2003) was delayed by 20 months from its contractual schedule (January 2002), the two ATs valued at Rs.2.32 crore remained idle for a period of 33 months (from January

2001 to September 2003). As a result, the Company had to sustain loss of Rs.82.94 lakh being interest on such idle investment till the date of commissioning of the substation.

The Management accepted (August 2007) that commissioning of ATs were delayed due to delay in commissioning of the substation. The reply confirms that the Company did not synchronise the actual delivery of the transformers with the actual commissioning of the substation resulting in blocking up of borrowed funds with consequential loss of interest.

Extra cost on purchase of ATs

2.3.16 After receipt (September 2000) of two out of eight ATs (100 MVA) ordered for Bidanasi substation, the Company terminated (October 2001) the unexecuted part (six ATs) of the contract with APEX on the ground that the firm was supplying transformers to other parties in preference to the Company though there was urgent requirement of the ATs by the Company.

Audit observed the following:

- At the time of termination (October 2001) of the contract, there was still 18 months' time for scheduled commissioning (April 2003) of the related substations. Besides, four similar ATs received under other contracts were lying idle for 38 to 54 months. Thus, the termination of the contract on the ground of urgency was not justified.

Injudicious decision to cancel the order for procurement of ATs (100 MVA) resulted in excess expenditure of Rs.3.16 crore on their procurement subsequently.

- Further, after termination of the contract, bids were invited (March 2002) and contract was awarded (October 2002) to another contractor viz. ABB for procurement of four ATs (100 MVA) at an FOB price of Rs.1.95 crore each. The total extra cost on purchase of the four ATs worked out to Rs.3.16 crore.

The Management stated (August 2007) that it cancelled the order and went for fresh bidding since APEX failed to keep its commitments. The reply is not tenable as the cancellation of the order was not justified and the ATs procured under the fresh bidding were also not commissioned as per the schedule. As such, the injudicious decision to cancel the contract and fresh procurement of ATs resulted in avoidable expenditure of Rs.3.16 crore.

Non-commissioning of transformers due to theft of line

2.3.17 As per contract with ABB, the four ATs (100 MVA) were scheduled to be commissioned (April/May 2003) at two substations (two each at Burla and Bolangir). These substations have, however, not yet been commissioned (May 2007) since the outgoing/incoming 220 KV line "Budhipadar-Burla-Bolangir" was not completed due to rampant theft of conductors and line material after partially taking over of the work (August 2005) from the line contractor (RPG Transmission Limited).

Audit scrutiny revealed the following:

- After taking over (August 2005 to November 2006) of the line, the Company did not revalidate the insurance coverage for the line till actual commissioning. As a result, despite spending Rs.1.28 crore towards watch and ward upto March 2007, the line material (viz. towers, conductors etc.) could not be safeguarded against loss by theft/damage and thereby the Company would have to incur expenditure of Rs.29.20 crore on restoration of damaged/lost material for completion of the line.

Due to non-completion of line, investment of Rs.89.61 crore on purchase of ATs, construction of substation and line remained blocked with consequential loss of interest of Rs.10.25 crore.

- Due to non-completion of the line, the investment of Rs.89.61 crore made on four ATs (Rs.7.80 crore) received (December 2003), on the two substations (Rs.45.14 crore) substantially completed (March 2006) and on construction of line (Rs.36.67 crore) since August 2005 was blocked up with consequential loss of interest of Rs.10.25 crore.

The Management stated (August 2007) that subsequent to rampant theft, the damaged and theft materials were replaced for one circuit and modalities for the restoration in other circles were being finalised. The reply establishes the fact that due to delay in finalisation of modalities, there was inordinate delay in commissioning of the line.

Abnormal delays in commissioning of transformers

Procurement of transformers before ensuring timely completion of substation led to loss of interest of Rs.3.38 crore.

2.3.18 The Company received (June 1997 and September 1998) one CGL-make AT (Rs.1.60 crore) and three BHEL-make ATs (Rs.1.67 crore each) for commissioning at Meramundali and Paradeep substations. Audit observed that one BHEL-make AT was commissioned (April 2002) after a delay of 42 months due to delay in completion of Meramundali substation. The CGL-make AT was also commissioned (May 2006) after keeping it idle for almost nine years due to delay in getting a minor defect rectified. Of the other two BHEL-make ATs meant for Paradeep substation, one was shifted and commissioned (March 2004) after a delay of 65 months to replace a failed AT at Jayanagar substation. The other AT had not been commissioned (March 2007) due to non-completion of the substation and the connected line. Consequently, the investment on four ATs (Rs.6.61 crore) was blocked for a period ranging between 42 and 106 months with consequent loss of interest of Rs.3.38 crore.

The Management stated (August 2007) that the delays in commissioning of ATs were due to rampant theft, prolonged right of way problems, etc. Thus, the borrowed funds spent on procurement of ATs remained idle for a period upto 106 months due to non-synchronisation of various activities.

2.3.19 For upgradation of capacity of Budhipadar substation from 200 MVA to 320 MVA to meet the increased industrial demand, a contract was awarded (March 2005) to BHEL for supply and commissioning of two ATs (160 MVA) at an FOB price of Rs.3.13 crore each with a delivery period of six months (September 2005). The ATs were received (January 2007) after a delay of 15 months. As the cable was not procured, the ATs were yet to be commissioned

(August 2007). Considering normal time for commissioning (from January to March 2007), the Company could not transmit the additional power of 4,66,600* KWH per month for three months (April-June 2007) and had to forego potential revenue of Rs.3.08 crore (at Rs.0.22/KWH).

While confirming the increased industrial demand the Management stated (August 2007) that it did not upgrade transformer capacity till June 2007 as it could not avail shut-down of existing ATs. The reply is not tenable since despite removal of one existing AT (100 MVA) after availing shutdown in April 2007, the Company could not commission the new AT for want of cable etc. resulting in foregoing of potential revenue.

Power Transformers (12.5/20/40 MVA - 132/33 KV or 220/33 KV)

Extra expenditure on procurement of Power Transformers

2.3.20 Two contracts were awarded (July 1998) on APEX Limited for supply and commissioning of 17 PTs (12.5/20 MVA) between July 1999 and November 2000. The delivery period was extended twice till March 2002, as the connected substations were not ready. After receipt of two transformers (April/May 2000), the Company, before expiry of the extended delivery period, terminated (October 2001) the contract for the balance 15 PTs on the ground that supplies of transformers to other parties were being done in preference to the Company. Subsequently, a new contract was awarded (February 2003) to another firm viz. ALSTOM initially for supply of 16 PTs which was later on increased to 19 PTs whose delivery period was extended till August 2004.

Audit scrutiny revealed the following

- There was no urgency of the requirement in view of the fact that two PTs (cost: Rs.0.75 crore) received (April/May 2000) under the first contract were actually commissioned at Sundargarh and Budhipadar substations in December 2003 and August 2005. Delayed commissioning resulted in blocking of funds for a period of approximately four to five years respectively with a consequential loss of interest of Rs.0.43 crore.
- The ex-works price (Rs.0.94 crore and Rs.1.00 crore each) of PTs as per the new order were higher than the prices (Rs.0.42 crore and Rs.0.50 crore each) of the terminated contract (July 1998) and the total extra cost on purchase of fifteen PTs worked out to Rs.7.76 crore@.
- Out of 19 PTs procured under the new contract, 15 were commissioned belatedly (March 2004 to July 2006), of which seven were commissioned in non-identified substations# which indicates that the identification of requirement was not prudent.

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* 120 MVA x 0.9 being power factor x 0.60 being ideal load x 24 hours x 30 days x 1000 KW.
@ 13 nos. (Rs.0.94 crore – Rs.0.42 crore) + 2 nos. (Rs.1 crore – Rs.0.50 crore).
\# Joda-2, Jajpur town-1, Jajpur Road-1, Jayanagar-1, Jaleswar-1 and Polasaponga-1.

- The remaining four PTs procured during December 2003 to January 2004 under the new contract were lying uncommissioned (August 2007) due to non-completion of substations*/transmission lines. As a result, the investment of Rs.36.47 crore made on four PTs (Rs.3.88 crore) and on the two substations (Rs.32.59 crore) which were completed (March 2006) remained blocked for a period ranging between 12 and 38 months with consequential loss of interest of Rs.3.49 crore.

The Management stated (August 2007) that the commissioning of PTs were delayed due to unavailability of interconnecting lines. It was further stated that since APEX failed to keep its commitments, the Company cancelled the order and went for fresh bidding. The reply is not tenable as the cancellation of the order five months before expiry of the extended delivery schedule was not justified as the new order was placed 16 months after cancellation of the first order and PTs procured under the new order were also not commissioned as per the schedule.

Diversion of transformers procured for cyclone restoration purposes

2.3.21 For immediate replacement of PTs in the substations damaged in the super cyclone (October 1999), the Company placed (January 2000) a repeat order on ALSTOM on the basis of order of November 1998 for supply and commissioning of ten PTs (40 MVA, 132/33KV) at an FOB price of Rs.0.88 crore each to be installed in ten substations with scheduled commissioning during April to July 2000.

Audit scrutiny revealed the following:

- Out of the ten PTs procured (January 2000), only four were commissioned (September 2000 to May 2001) in the envisaged/ proposed substations** and the balance six were commissioned (June 2000 to September 2003) in other substations# not envisaged. Thus, the very purpose of procurement (viz. restoration of the damaged substations) on urgent basis was defeated.
- Out of six PTs commissioned (June 2000 to September 2003) in non-envisaged substations, two were commissioned (September 2003) in Narendrapur substation with an abnormal delay of three years after the receipt of the PTs resulting in blocking of funds with consequential loss of interest of Rs.68.64 lakh.

The Management stated (August 2007) that the transformers were diverted to other substations due to rapid load growth in that area. The reply is not tenable as the transformers were procured for replacement in substations damaged in the super cyclone and the purpose, thus, was defeated. Further, diversion indicates deficiencies in planning and proper identification of requirements.

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* Balimela, Rengali, Baragad and Phulnakhara.
** Bhadrak, Kendrapara, Jajpur town and Cuttack.
# Balasore, Bolangir, Bhadrak-II, Cuttack-II, Narendrapur-I & II instead of Pattamundai, Jagatsinghpur, Paradeep, Jaleswar, Soro and Choudwar.

Piece meal placement of orders

2.3.22 The Company has not devised any system for periodical assessment of requirement of transformers for the purpose of upgrading the substations. It was observed that the Company placed orders on piece meal basis within a short period of time and had to incur additional expenditure as it could not avail the benefit of bulk purchase. Few interesting cases noticed in audit are discussed below.

Piecemeal placing of purchase order deprived the Company of availing price benefit resulting in additional expenditure of Rs.2.86 crore.

2.3.23 An order for procurement of one PT (40 MVA) was placed on 16 February 2005 on BHEL at a firm price of Rs.1.28 crore. Within a fortnight thereafter, the Management decided (3 March 2005) to place repeat order for two more PTs. Since BHEL did not agree to supply at the same price, a new order was placed on it for three PTs (December 2005) at a negotiated price of Rs.1.92 crore each (with Price Variable clause). Audit noticed that despite a large gap of 24 months between the notice for inviting tender (March 2003) and award of contract (February 2005), the Management failed to identify the additional requirement during the intervening period and to place order for the consolidated requirement. Consequently, the Company had to incur an extra expenditure of Rs.1.92[*] crore.

The Management stated (August 2007) that the repeat purchase order and consequent amendment thereof was placed after the proposal was thoroughly discussed by different units and decided by the Board. The reply is not acceptable as the extra expenditure due to piece meal purchase could have been avoided by making a system of proper assessment of requirement.

2.3.24 In another case, it was noticed that the Company placed (May 2006) an order on BHEL for one PT (20 MVA) at Rs.1.68 crore (ex-works) and in the same month a requisition was received from O&M Department for two more similar PTs to keep them as standby. The Company processed the latter requisition separately and placed another order on BHEL (December 2006) at negotiated price of Rs.2.15 crore (ex-works) for each PT. The Company could have saved Rs.0.94[#] crore, by consolidating the requirement before placement of each order.

The Management stated (August 2007) that the requisitions for additional requirements in the above cases were received and processed separately. The reply establishes the fact that there was no system of periodical assessment and consolidation of requirement of transformers for the purpose of upgrading the substations.

Additional cost in turnkey contracts compared to individual contracts

2.3.25 Project Monitoring Unit (PMU) issues tenders and awards contracts for procurement of transformers as separate packages. Audit noticed that in some of the cases the Transmission Project (TP)/CPC included the transformers in the turnkey contracts of the substation. Since the cost of transformers in the

[*] 3 nos. (Rs.1.92 crore – Rs.1.28 crore) (excluding actual price variation).
[#] 2 x (Rs.2.15 crore –Rs.1.68 crore).

turnkey contracts was higher than that of similar transformers procured separately during the same period, the Company had to incur extra expenditure as discussed in the succeeding paragraph.

2.3.26 The Company awarded (January 2006) a contract to ABB for supply and erection of one PT (20 MVA) at Rs.3.08 crore (inclusive of taxes) on turnkey basis at Balimela substation. In response to the offer received (January 2006) for a similar transformer for Barakote substation, a separate contract was awarded to BHEL at Rs.2.01 crore (inclusive of taxes). Thus, by procuring the PT under turnkey contract, the Company incurred extra expenditure of Rs.1.07 crore.

Performance of transformers

Voltage control

2.3.27 The transformers, *inter alia*, play a major role in controlling the system voltages. The Orissa Grid Code (OGC) and the operating standards of the Company require that the Company should make all possible efforts to ensure that the grid voltage always remains within the operating range i.e. not lower than 90 *per cent* (minimum level) and not higher than 110 *per cent* (maximum level) of normal voltage. Accordingly, the Company's standard technical specification for manufacturing of transformers specified the system voltage variation as ± 10 *per cent* of normal voltage.

Audit scrutiny revealed as follows:

- During 2001-02 to 2006-07, maximum system voltage ranged from 117 to 122 *per cent* (220 KV substations) and 110 to 114 *per cent* (132 KV substations) as against the maximum limit of 110 *per cent*. The minimum system voltage during the same period ranged from 73 to 80 *per cent* (220 KV side) and 62 to 71 *per cent* (132 KV side) as against the minimum limit of 90 *per cent.*
- Out of 12 major 220 KV substations, in four substations[>] the maximum voltage (between 113 to 120 *per cent*) during 2001-02 to 2006-07 was beyond the norm and in two substations (Balasore and Chandaka) the minimum voltage (between 73 to 89 *per cent*) was below the norm. The minimum voltage (between 62 to 71 *per cent*) in all the six major 132 KV substations was below the norm during 2001-02 to 2006-07.

Unplanned trippings and interruptions

2.3.28 As a result of overloading and high voltages, there had been increase in cases of tripping of transformers/feeders and system interruptions. The trippings and interruptions led to non-availability of transmission capacity, even though power was available for transmission.

[>] Jayanagar, Narendrapur, Theruvalli and Bhanjanagar.

Audit scrutiny revealed the following:

- The average rate of tripping per day was three in 2001-02 and it reduced to one during 2002-03 and 2003-04 but increased abnormally between 17 and 20 in the subsequent three years (2004-07).
- Total number of major interruptions increased progressively from 74 in 2003-04 to 127 in 2006-07. As a result, the objective of uninterrupted power transmission could not be achieved. OERC expressed (March 2007) grave concern about the interruptions occurring in the system due to snapping of conductors, burning of jumpers, insulation failure, damage to transmission towers and failure of substation equipment causing dislocation of power supply.
- As per the OERC norm, non-availability of transmission system should not exceed two *per cent* of the total time. While this was 4.43 *per cent* in 2002-03, the same had risen between 7.52 and 8.49 *per cent* in the subsequent four years (2003-07).

Load restrictions due to over-loadings, voltage fluctuations, trippings and interruptions resulted in loss of potential revenue of Rs.2.34 crore.

- Due to non-availability of transmission capacity despite availability of power for transmission, the Company resorted to unplanned load restrictions in all the five years (2002-07) resulting in non-transmission of 81.45 million units of power with consequential loss of potential revenue of Rs.2.34 crore[#].

The Management admitted (August 2007) that the system interruption and non-availability of transmission capacity were mainly due to overloading of the system, failure of equipment and non-completion of envisaged transmission schemes in targeted time.

Maintenance and Repairs of Transformers

2.3.29 The Maintenance and Repairs of Transformers by the erstwhile OSEB was reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1994 (Commercial). The report was discussed by the Committee on Public Undertakings (COPU) in March 2006 (4th Report 13th Assembly). COPU recommended that the Company should take preventive measures towards maintenance of transformers as per the prescribed schedule. Further, the Department of Energy should be vigilant towards maintenance of transformers by the Company and periodically check the maintenance records.

The Department of Energy and the Company in the compliance report stated (March 2006) that due to paucity of funds, maintenance work could not be done earlier and the situation was now improving. Audit scrutiny, however, revealed instances of not carrying out preventive maintenance of transformers as per the prescribed schedules, failure of transformers, non-conducting of repairs immediately after break-down/failure of transformers etc. which are discussed in the succeeding paragraphs.

[#] Calculated at transmission cost ranging between Rs.0.22 and Rs.0.32 per unit applicable for the years 2002-03 to 2006-07.

Inadequate infrastructure for maintenance at desired levels

2.3.30 The preventive maintenance of transformers is being carried out departmentally while the break-down repairs are being carried out through outside agencies. As per OERC norm, the Company is entitled to spend annually 5.4 *per cent* of the value of gross fixed assets at the beginning of each year towards repairs and maintenance. The details of actual expenditure vis-à-vis the norm, requirement projected and amount sanctioned and spent on repairs and maintenance are indicated in the following table.

Year#	***Opening balance of gross fixed assets (GFA)***	***R&M Expenses bench-mark at 5.4% of GFA***	***R&M expenses proposed by the Company***	***R&M expenses approved by OERC***	***R&M expenses actually spent by the Company***	***Percentage of Actual R&M expenses to***	
						Proposed by the Company	***Approved by OERC***
	(Rs. in crore)						
1999-00	666.22	35.98	48.00	19.84	9.51	20	48
2000-01	778.01	42.01	23.74	14.67	9.91	42	68
2001-02	912.11	49.25	27.16	15.99	8.81	32	55
2002-03	998.55	53.92	28.73	17.43	9.35	33	54
2003-04	1130.72	61.06	13.35	13.35	7.03	53	53
2004-05	1200.18	64.81	17.59	14.07	4.39	25	31
2005-06	1271.90	68.68	20.53	14.8	6.94	7	47

It is evident from the above table that the requirement proposed by the Company from 2000-01 onwards was not only below the benchmark, but the actual expenditure was also much below the amounts approved by OERC. As a result, the transmission system was not maintained at the desired levels. The adverse consequences of inadequate R&M expenses on maintenance and repairs of transformers are discussed in the succeeding paragraphs.

The Management accepted (August 2007) that inadequate infrastructure and less manpower under O&M were the reasons for less expenditure on repair and maintenance of transformers. The reply establishes that the transmission system was not maintained at the desired level.

Non-adherence to the preventive maintenance schedules

2.3.31 The transformer requires close monitoring of its auxiliaries like bushings, tap changers, cooling system, protective devices, etc. If these are maintained properly and repaired on time, the lifespan of the transformer can be increased. Preventive or periodic maintenance of transformers helps to deliver the expected performance. The R&M manual prescribes various preventive maintenance checks to be done periodically (daily, weekly, monthly, quarterly, half-yearly and yearly).

Figures for 2006-07 are not yet compiled by the Company.

Scrutiny of records relating to maintenance of transformers revealed the following:

The maintenance action was not in conformity with the prescribed guidelines and operating manual.

- As per the prescribed norm, the Company should ensure maintenance of transformers once in every month. Out of 115 transformers test checked, only nine to 20 transformers were maintained as per the prescribed norm. In respect of five to 21 transformers in a year, no maintenance was carried out and in respect of 63 to 90 transformers in a year, the maintenance was not carried out every month as per the prescribed norm. Even in the months where the maintenance was carried out, all the required tests/checks (like checking of bushings, insulation resistance, Buchholz relay) were not carried out and recorded.

- As per the Company's maintenance manual, transformer oil is required to be tested at least once in a six months span and in case the test results indicate violation of any parameter, the oil should be filtered or replaced as per the recommendations. Even though oil testing was carried out in respect of 76 running transformers, in none of the cases the prescribed time schedule of conducting the test at least once in six months was followed. Further, only in five out of 76 cases, the recommendations in the test reports were implemented and that too after a delay of 10 to 56 months. In the remaining 42 cases, even after lapse of periods up to 73 months from the date of recommendation, the filtration/replacement of oil had not been carried out so far (July 2007).

- As per maintenance manual of the Company and the maintenance schedules prescribed by the manufacturers, the transformers are required to be overhauled once in every 7-10 years. It was noticed that 71 running transformers which were more than 10 years old by March 2007, were due for overhauling. The Company, however, did not plan or undertake any overhauling of these transformers during the years 2002-03 to 2006-07.

The Management accepted (August 2007) the audit observations on non-adherence to preventive maintenance schedules and stated that the same was due to inadequate manpower/spare capacity/infrastructure at substations.

Premature failure of transformers

2.3.32 The Electricity Act, 2003 prescribes the normal period of power/auto-transformers as 35 years. In the event of non-adherence to maintenance schedules and non-implementation of recommendations of the oil test reports, premature failure of the transformers can not be ruled out. During 2002-03 to 2006-07, 15 auto/power transformers failed. Out of them, 14 transformers failed/broke down after rendering only six to 26 years of service due to various reasons like short circuit/failure of winding, puncture of bushing or higher tan value of transformer oil.

The Management admitted (August 2007) that though the transformer life is 35 years, transformers failed within their life span due to various unforeseen reasons and steps were being taken by the Company to keep the transformers in healthy operating condition.

Absence of mechanism to ensure prompt repairs

2.3.33 The damaged transformers can be made serviceable after repair. It was noticed that 29 damaged transformers (including 13 damaged during the period covered in the review) having a total rated capacity of 566 MVA were awaiting repairs for periods ranging from 6 to 214 months as on March 2007.

Audit observed the following:

- The effective usage of many transformers was 6 to 30 years only as against a normative standard of 35 years.
- The Company did not have any mechanism to ensure prompt repair of break-down transformers so as to make them fit for reuse. There was also no system of carrying out survey to ascertain whether the transformers were repairable or were to be declared obsolete and promptly disposed of to prevent further diminution in their value.
- One CGL-make AT (costing Rs.1.80 crore) commissioned (December 1988) at Jayanagar substation and one NGEF-make AT (costing Rs.2.80 crore) commissioned (June 1984) at Bhanjanagar failed (June 2003 and July 2004 respectively) within 15 and 20 years of their commissioning. Even after expiry of more than three years after their failure, the Company did not send these for repair so far (August 2007). As a result, the two auto transformers were lying idle for more than three years without yielding any benefit.

The Management stated (August 2007) that Master Maintenance Plan was under finalisation for replacement/installation of old equipments so as to enhance the transmission capacity availability.

Delay in repair of transformers

2.3.34 The Company did not prescribe any time limit/norms for finalisation of repair order from the date of failure of transformers. Audit scrutiny revealed that two 40 MVA transformers of Bharat Bijili make (costing Rs.1.28 crore each) commissioned in June/November 1995 at Bidanasi and Balasore substations failed prematurely (December/May 2000) within 5.5/4.5 years of their commissioning. The work orders of Rs.0.77 crore for repair of these two transformers were, however, issued (July 2004) after 42 and 49 months respectively of their failure. Further, against the contractual duration of four months (i.e. by November 2004), the transformers were repaired and delivered (August/ March 2005) belatedly by 9 and 5 months. There was a further delay of 8 and 4 months in commissioning (April 2006/ August 2005) of the repaired transformers. Considering even 12 months time required for award, repair and re-installation after break-down, the delay in placement of repair orders/receipt back after repairs of the two PTs resulted in blockage of inventory of Rs.2.56 crore for periods ranging between 52 and 47 months.

The Management stated (August 2007) that the delay was due to observing prescribed procedures. The reply is not tenable as the delays occurred due to not prescribing of any time limit/norms for finalisation of repair order from the date of failure of transformers.

Dismantled working transformers kept idle

2.3.35 The Company envisaged in the long-term plan that upgrading/ augmentation of substations would result in release of old working transformers. No procedure was, however, laid down for prompt reuse of removed transformers in other substations nor were the opportunities explored for earning income by hiring them out. Audit further observed as follows:

- Four 12.5 MVA transformers, which were removed (between March 1998 and September 2004) due to upgrading of substations, were reinstalled (between January 2003 and February 2007) in other substations after keeping them idle for periods ranging between 29 and 72 months.
- Further, 14 working transformers having rated capacity ranging from 5 MVA to 20 MVA, removed (June 1999 to December 2006) due to upgrading of the substations, were yet to be reinstalled. As a result, their effective life ranging from 15 to 81 months expired (by March 2007) after their removal from the fleet.

The Management stated (August 2007) that action was being taken for use/disposal of the working transformers.

Transformers not uprated

2.3.36 During 2002-03, one transformer (25 MVA) failed at Joda substation and was got repaired and uprated to 40 MVA through a private firm at a cost of Rs.0.52 crore. The repaired transformer was commissioned in September 2003 at Chend substation and has been working satisfactorily since then. Since the replacement cost of 20 and 40 MVA transformer was Rs.1.68 crore and Rs.1.92 crore respectively whereas uprating cost was Rs.0.52 crore only, the O&M Division requested (December 2005) the Central Procurement Cell (CPC) to float tenders for uprating of the existing idle 25 MVA and 10 MVA transformers to higher capacities viz. 40 MVA and 20 MVA respectively in anticipation of future requirement. Instead of uprating the idle transformers, as per the advice of O&M Division, CPC placed orders (May and December 2006) for procurement of transformers (20 and 40 MVA). The reason for not considering the advice was not on record. As a result, the Company incurred avoidable extra expenditure of Rs.2.56[#] crore.

The Management stated (August 2007) that as there was an urgent requirement of 20 MVA and 40 MVA transformers and repair/uprating of the old transformers was a very time consuming process, they decided to procure new transformers to meet the exigencies. The reply is not acceptable as the decision taken was not in accordance with the recommendation of the O&M

[#] (Rs.1.68 crore – Rs.0.52 crore) + (Rs.1.92 crore – Rs.0.52 crore).

Division. Further, the scheduled duration of repair/uprating PT was about three months, whereas the scheduled duration of delivery of new PT was six to eight months. Moreover, the old PTs were kept idle since March/July 2003 and new PTs have not been commissioned so far (August 2007).

Non-disposal of scrap, used/burnt transformer oil, etc.

2.3.37 The Company does not have a scrap disposal policy nor has it evolved an effective mechanism for expeditious disposal of irreparable transformers. In view of accumulation of scrap and retrievals at various locations for a period of more than five years, the Government of Orissa directed (March 2001) the Company to dispose them within the first six months of the financial year 2001-02 positively. Accordingly, the Company entered into a marketing agency agreement for two years with Metal Scrap Trading Corporation Limited (MSTC) in November 2002.

Audit observed that:

- Despite the directive of the State Government, 6206 items of scrap, 168 KL of used/burnt oil and 1373 used batteries valued at about rupees one crore could not be disposed of due to delay in collecting and furnishing the details of items to be disposed of to MSTC before expiry of the validity period of the agreement.
- Further, even after closure of the Transformer Repair Workshop (TRW) in September 2000, 28 distribution transformers (26 repaired and two not repaired) valuing approximately rupees two crore are awaiting disposal (May 2007) due to delay in finalisation of the upset price. Even after lapse of 58 months after closure of TRW, the Management could finalise (May 2007) the upset price of only five out of 28 transformers identified for disposal. The upset price for the remaining 23 transformers had not been finalised (July 2007).
- As a result of non-disposal of surplus transformers, scrap and other retrievals, a total sum of about rupees three crore remained blocked for a period of seven to 10 years.

The Management stated (August 2007) that instructions had been communicated to MSTC to issue delivery order to the qualifying firm for lifting of oil. The fixation of upset price of distribution transformers was under process and was expected to be completed soon. Thus, the Management could not finalise the modalities of disposal before expiry of the original agreement with MSTC by October 2004 and there was abnormal delay in finalising the upset price of the transformers identified for disposal.

Internal Control System

2.3.38 Internal control is an important management tool to provide reasonable assurance that Management's objectives are achieved in an economical, effective and orderly manner, assets are safeguarded and rules and procedures are complied with/ adhered to. The following deficiencies were noticed in the

Internal Control system relating to procurement, performance, maintenance and repairs of transformers and allied activities:

- The Company did not have a procurement manual to guide the departments dealing with procurement activities and ensure adoption of uniform standards.
- The Company did not evolve a vendor rating system nor maintain a data bank of vendors relating to the performance of the transformers supplied/repaired previously by various vendors and their manufacturing facilities based on site visits which could have helped for procurement/ repair/uprating of the transformers.
- Discrepancies noticed during physical verifications were neither quantified nor accounted for in the books of accounts of the Company with due approval of the competent authority.
- There was no system of timely investigation and adjustment thereof of loss/damage of materials due to thefts in completed and ongoing capital works.
- The Management did not ensure adequate insurance coverage by the contractors executing capital works as per the terms of contract so as to cover the risk of theft/damage of material till final acceptance of the works by the Company.
- There was also no system of timely identification and adjustment of obsolete, unserviceable and non-moving items.

The above matters were reported (June 2007) to the Government; their reply had not been received (October 2007).

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Management and staff of the Company at various stages of conducting the performance audit.

Conclusion

The Company did not consider changes in the load data from time to time based on the subsequent developments before assessing the requirement for award/ execution of contracts. As a result, huge amounts were invested on projects which were not completed. This had a deleterious effect on completion of the ongoing projects. Besides, lack of coordination to ensure delivery of transformers matching with the completion of connected substations/lines resulted in blockade of borrowed funds and loss of interest. Abnormal delays in completion of connected lines also led to theft of material and thereby increased the loss further. Due to non-completion/ partial completion of projects, there was over-loading on working transformers, which in turn had an adverse impact on the transmission system viz. voltage fluctuations beyond the prescribed norms, trippings and interruptions. The Company did not ensure

adherence to the maintenance schedules of transformers. Further, there was absence of adequate mechanism for ensuring prompt repairs, prompt identification of surplus transformers and disposal of scrap and retrievals. Internal Control mechanism was also found to be deficient in many areas.

Recommendations

The Company needs to:

- **evolve criteria for identification of realistic requirement of transformers for the purpose of up-gradation, replacement and stand-by;**
- **monitor the execution of projects closely so as to ensure proper synchronisation of activities;**
- **prepare a procurement manual including procedures/policies on amending the technical/commercial specifications, evaluation of price bids, incorporation of penalty clauses, enforcing the contractual clauses, awarding repeat orders, etc. and evolve a vendor rating system of both manufacturers and repair agencies;**
- **evolve a suitable mechanism to secure the material against losses due to theft or damage;**
- **put in place an effective mechanism to ensure preventive maintenance as per schedules for timely repairs;**
- **prepare guidelines for prompt identification of surplus transformers and ensure their effective redeployment;**
- **fix norms for retrieval of materials from failed transformers and prepare guidelines for timely disposal of unserviceable transformers, scrap and retrievals so as to realise maximum value; and**
- **strengthen the internal control system in areas like physical verification of lines and substations, equipment/ materials, etc. investigation and adjustment of loss of/ damage to materials.**

Orissa State Seeds Corporation Limited

2.4 Procurement, processing, storage and distribution of certified seeds

Highlights

The Company was incorporated (February 1978) with the main objectives of production of certified seeds and marketing it at reasonable price to the farmers. The Company could not achieve the targeted production of certified seeds during the period under review. The Company, therefore, had to procure seeds from outside agencies at a higher cost to meet the demand of the State.

(Paragraphs 2.4.1, 2.4.11 and 2.4.16)

During the period 2001-02 to 2006-07, there was shortfall in production of certified seeds by 8.42 lakh quintals valued at Rs.76.28 crore.

(Paragraph-2.4.11)

The Company fixed price at higher rates due to consideration of excess recovery towards dealers' commission, interest, cost of loading and unloading and transportation to the tune of Rs.2.97 crore.

(Paragraph-2.4.26)

Failure of the Company to sell substandard seeds during lean season resulted in loss of Rs.4.63 crore on its sale.

(Paragraph-2.4.28)

Delay in reconciliation of quantity of seeds sold to the Department of Agriculture and Food Production, dues amounting to Rs.11.77 crore remained blocked for over two to nine years leading to liquidity problem.

(Paragraph-2.4.29)

Introduction

2.4.1 Orissa State Seeds Corporation Limited (Company) was incorporated (February 1978) with the main objectives of implementing the State Seed Project forming part of the National Seeds Programme, increasing production of certified seed* and marketing it at a reasonable price to the farmers. In order to achieve these objectives, the Company organises seed production

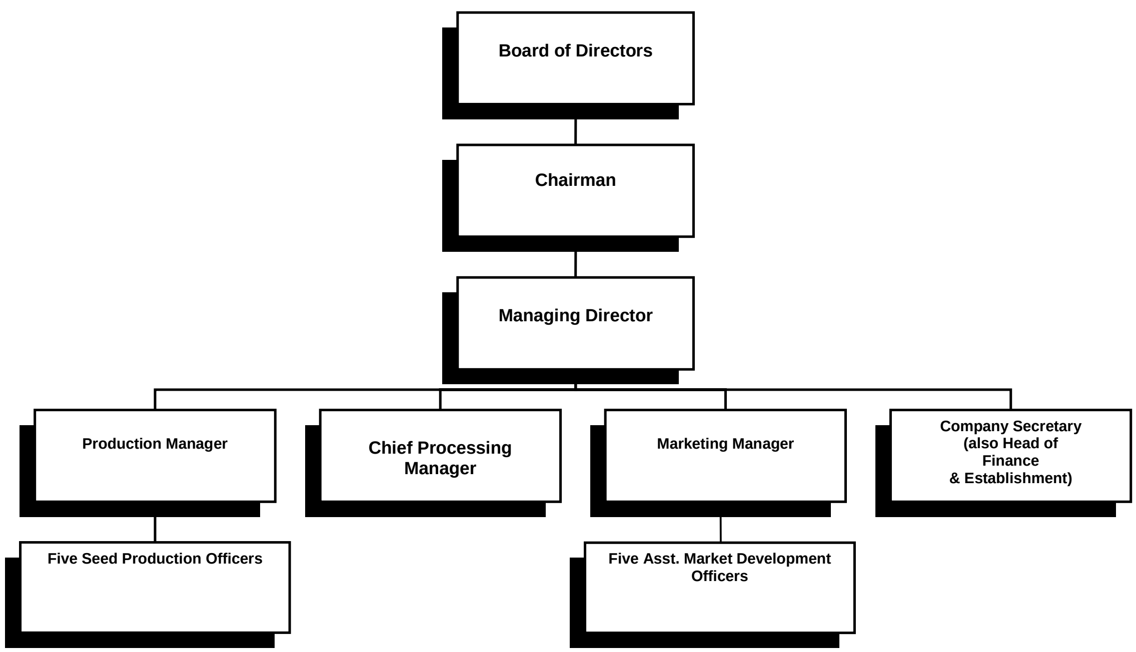
* Certified seed is the progeny of foundation seed which maintains specific genetic identity and purity according to specific standards for seed certification. It may also be progeny of certified seed provided this reproduction does not exceed two generations beyond foundation seed.

programmes through seed growers for production of 14 different types of crops of certified seeds[@].

The Company has its Head office in Bhubaneswar. It had five unit offices[>] along with 35 seed processing plants and 18 godowns as on 31 March 2007. The unit offices are under the supervision of Seed Production Officers (SPO). Production Manager looks after the field operations.

The management of the Company is vested in a Board of Directors (BoD) consisting of 12 Directors[#] including the Chairman and the Managing Director (MD). The management of the day-to-day affairs of the Company is vested with the MD, who is the only functional director.

The organisational chart relating to production, processing and marketing activities of the Company is depicted below:



The Company had finalised its accounts up to 2003-04 as of October 2007. Based on the provisional figures for the years 2004-05 to 2006-07, the financial position and working results of the Company for the five years' ending 2006-07 is given in **Annexure-11**. Against the authorised capital of Rs.10 crore, the paid-up capital of the Company was Rs.2.59 crore as on 31 March 2007, contributed by the State Government (Rs.2.11 crore), growers (Rs.0.09 crore) and National Seed Corporation Limited (Rs.0.39 crore). The

[@] Paddy, Maize, Ragi, Til, Groundnut, Moong, Biri, Arhar, Field pea, Mustard, Niger, Sunflower, Dhanicha and Gram.

[>] Balasore, Bargarh, Berhampur, Cuttack and Jeypore.

[#] Chairman, MD and six directors are from the State Government, one Director is from National Seed Corporation, one from GoI, one from GoO, University for Agriculture and Technology and one representative from the seed growers.

Company earned profits during the five years ended 31 March 2007 which ranged between Rs.0.12 crore and Rs.5.19 crore during the period. The Reserves and Surplus increased from Rs.7.27 crore in 2002-03 to Rs.11.45 crore in 2006-07.

Scope of Audit

2.4.2 The present Performance Review covers the activities of the Company in the area of procurement, processing, storage and distribution of certified seeds for the period of five years ending 2005-06[#]. The audit findings are based on the test check of records at the Head Office and three[*] out of five unit offices, selected on the basis of volume of certified seed procured/handled by each unit including 23 processing plants and 11 godowns attached to these units.

Audit objectives

2.4.3 The audit objectives of the performance review were to ascertain whether the:

- targets fixed for production of certified seeds for different crops were as per the approved programme and were achieved effectively and efficiently;
- procurement of seeds were made economically and as per the approved programme;
- seed processing plants were utilised to their optimum capacity;
- seeds were stored in a scientific manner to retain quality parameters;
- market for certified seed was explored fully and sale price of certified seed was fixed in such a way so as to provide seed to the farmers at reasonable prices; and
- internal control system was adequate and effective.

Audit criteria

2.4.4 The audit criteria used for assessing the achievement of audit objectives were:

- National Seeds Policy 2002, National Seed Plan and Perspective Plan 2003-04 to 2011-12;
- Targets fixed by the Company under production programme;
- Guidelines issued under different schemes like Oilseed Production Programme (OPP) and Integrated Scheme of Oilseed, Pulses, Oilpalm and Maize (ISOPOM).
- Installed capacity of seed processing plants and norms fixed for processing loss;

[#] Accounts of the Company for 2006-07 have not been finalised.
[*] Bargarh, Cuttack and Jeypore

- Seed certification standards;
- Recommendations of the Pricing Committee and guidelines issued by the Company in this regard; and
- Company's target for sale of seeds, minutes of the meetings of the State Seeds Pricing Committee (SSPC) and the basis adopted for fixation of the sale price.

Audit methodology

2.4.5 The following mix of audit methodologies were adopted for achieving the audit objectives:

- Examination of records relating to fixation of targets and production of seeds, fixation of sale price of certified seeds and sale of seeds;
- Examination of records relating to utilisation/hiring of storage space and operation of processing plants;
- Scrutiny of the agenda and minutes of the meetings of the Board of Directors, pricing circulars, cost structure details, etc.; and
- Interaction with the Management and issue of audit queries.

Audit findings

Audit findings, as a result of the performance review, were reported (May 2007) to the Company/Government and discussed (26 July 2007) in the meeting of the Audit Review Committee for State Public Sector Enterprises (ARCPSE). The meeting was attended by the Principal Secretary, Agriculture Department, Government of Orissa and the Managing Director of the Company. Views expressed by the members have been considered while finalising the report. The audit findings are discussed in the succeeding paragraphs.

Seed development process

2.4.6 Breeder seed[*] constitutes the basis of all seed production and is used in production of foundation seed[**]. Breeder seed is provided by the Government of India through Research Institutions and is sold to registered seed growers and Government farms for multiplication to get foundation seed. Orissa State Seed Certification Agency (OSSCA), an autonomous body of the State Government for seed certification, inspects the fields of the seed growers and issues the Threshing Floor Certificate (TFC) showing the expected yield (raw seeds) based on the condition of the crop. The grower submits the TFC to the Company at the time of processing of seeds and the Company procures quantity of seeds from the seed growers as per the TFC or per hectare target fixed, whichever is lower. The foundation seed is ultimately used for multiplication/production of certified seeds, which are sold to farmers for raising crops on a large scale.

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[*] Breeder seed is genetically pure seed used for producing foundation seed.
[**] Foundation seed has genetic purity of 99 per cent and is used for producing certified seed.

The seed development process is narrated below.

Procurement of 'Breeder Seeds' from agencies of Government of India[@]

↓

Multiplication of 'Breeder Seeds' to 'Foundation Seeds' through growers and in own farms

↓

Distribution of 'Foundation Seeds' to growers for multiplication to 'Raw Seeds'

↓

Receipt of 'Raw Seeds' from growers

↓

Processing of 'Raw Seeds' in seed processing plants

↓

Certification of 'Processed Seeds' for sale to farmers

National Seeds Policy

2.4.7 The National Seeds Policy, 2002 aimed at achieving food and nutritional security for which sustained increase in agricultural production and productivity is imperative. The policy envisaged, *inter alia*:

- raising of Seed Replacement Rates (SRR[*]) progressively with the objective of expanding the use of quality seeds;
- preparation of a perspective plan for seed production;
- distribution over a rolling (five to six years) period by the states;
- promoting the "Seed Village Scheme"(SVS) to facilitate production and timely availability of seed of desired crop/variety at the local level; and
- seed multiplication for building adequate stocks of certified/quality seeds by providing foundation seed to farmers.

Selection of seed growers for multiplication

2.4.8 The State Government promotes the Seed Village Scheme (SVS) to facilitate production and timely availability of quality seed of desired crops/varieties at the local level. The foundation seeds are supplied to seed growers for production of certified seeds under SVS. The guidelines of the State Government/Company relating to SVS envisages that experienced and innovative farmers should be selected and priority should be given to the growers holding shares of the Company. Further, the concerned Seed Production Officer (SPO)/ Assistant Seed Production Officer (ASPO) with the help of the officers of Agriculture Department should ensure registration of

[@] Procured from agencies like Orissa University of Agriculture and Technology (OUAT), Central Rice Research Institute, etc.
[*] The percentage of certified/ quality seed sown to total seed sown in the State in a particular period.

the farmers as seed growers with the OSSCA. The Company enters into formal agreement with the growers for supply of certified seed produced by them through multiplication of foundation seeds supplied by the Company.

Audit scrutiny revealed the following:

- No records were maintained by the Company as to whether preference was given to the growers holding shares of the Company in selection of seed growers.
- Although the agreement with the growers included the condition of production/certification and supply of seeds of prescribed quantity per hectare at procurement rates fixed by the Company, it did not include a binding clause for the growers to supply the entire quantity of seeds produced only to the Company. As a result, the growers were selling these seeds to the farmers/private competitors in the market as discussed in paragraph 2.4.15 *infra*.
- The Company did not review and consider the performance of the growers in preceding years while selecting them for seed multiplication.

The Government/Management stated (July 2007) that seed production and seed certification was completely voluntary, hence procurement of agreed quantity could not be enforced. The reply is not tenable as the Audit noticed that other agencies viz. National Seed Corporation Limited and State Seed Corporations of several other states[*] have this binding clause in their agreements with the seed growers. The Company did not review the performance of the farmers and their selection to ensure that seeds were produced in the vicinity of the processing plants.

Production performance

Company's contribution towards the requirement of seeds in the State

2.4.9 The following table indicates the contribution of the Company towards production of major certified seeds like paddy, moong, biri and groundnut in the State during the crop years 2001 to 2006.

Year		Production of major seeds in the State	Major seeds produced by the Company	
		(in lakh quintal)		*Percentage*
2001-02	Kharif[#]	1.76	1.44	
	Rabi[$]	0.28	0.30	
	Total	*2.04*	*1.74*	*85.29*
2002-03	Kharif	1.22	0.85	
	Rabi	0.29	0.24	
	Total	*1.51*	*1.09*	*72.19*
2003-04	Kharif	1.54	1.08	
	Rabi	0.24	0.20	
	Total	*1.78*	*1.28*	*71.91*
2004-05	Kharif	1.58	1.12	*70.43*
	Rabi	0.28	0.19	

[*] viz. Andhra Pradesh, Gujarat and Rajasthan.
[#] 1st April to 30th September.
[$] 1st October to 31st March.

Year		Production of major seeds in the State	Major seeds produced by the Company	
		(in lakh quintal)		*Percentage*
	Total	*1.86*	*1.31*	
2005-06[©]	Kharif	1.40	1.01	
	Rabi	0.26	0.17	
	Total	*1.66*	*1.18*	*71.08*

It can be seen from the above table that the Company's share was 85.29 *per cent* in 2001-02 which declined in subsequent years and remained around 70-72 *per cent* during 2002-06.

Low Seed Replacement Rate (SRR)

2.4.10 The Tenth Five Year Plan (2002-07) emphasised SRR enhancement along with quality improvement. The scientifically desirable level of SRR should be 25 *per cent* and 35 *per cent* in respect of self pollinated[*] and cross pollinated[**] crops respectively. The Government of India formulated the "National Seed Plan" (NSP) which also emphasised on raising productivity per unit of cultivable land as area under cultivation is unlikely to increase significantly. The Company resorted to multiplication of foundation seeds to certified seeds through identified seed growers under the guidelines of the Seed Village Scheme to accomplish an increase in SRR.

The Seed Replacement Rate varied between 0.15 and 28.74 *per cent* against the norm of 25/35 *per cent*.

It was observed that the SRR in respect of 11 crops varied between 0.15 to 28.74 *per cent* during the five year period from 2001-02 to 2005-06 as against the desired level of 25/35 *per cent*. The SRR in respect of major seeds like paddy, groundnut, moong and biri ranged between 0.59 to 17.17 *per cent* as given in the following table:

(Figures are in per cent)

Name of the crop	2001-02	2002-03	2003-04	2004-05	2005-06[©]
Paddy	9.44	5.39	5.37	4.73	5.96
Groundnut	14.59	15.96	16.45	6.18	17.17
Moong	1.46	0.59	0.84	0.69	0.90
Biri	1.86	1.66	1.65	1.05	0.62

One of the reasons attributable for low SRR was non-availability of quality seeds for seed replacement due to shortfall in production of certified seeds as discussed in the succeeding paragraph.

[©] Figures for the year 2006-07 was not available.
[*] Transfer of pollen grains within the same flower.
[**] Transfer of pollen grains from one flower to another flower.

Shortfall in production of certified seed

2.4.11 In pursuance of the National Seeds Policy, 2002, the State Government finalised (January 2003) a perspective plan for the period 2003-04 to 2011-12. The Company prepares annual production programmes for all types of certified seeds for each season (Kharif and Rabi) on the basis of the perspective seed plan and availability of foundation seeds. The annual production programme of the Company, duly approved by the BoD, is sent to the Director of Agriculture and Food Production (DA&FP) for final approval. The approved programme is implemented through seed growers under the SVS.

The table below indicates the targets for production of certified seeds vis-à-vis the actual production and the shortfall in production there against during the period 2001-02 to 2006-07.

Year	Season	Target	Actual production	Shortfall	Percentage of shortfall
		(In lakh quintal)			
2001-02	Kharif	3.81	1.52	2.29	60.10
	Rabi	0.85	0.31	0.54	63.53
2002-03	Kharif	2.27	0.94	1.33	58.59
	Rabi	0.29	0.25	0.04	13.79
2003-04	Kharif	2.11	1.17	0.94	44.55
	Rabi	0.31	0.22	0.09	29.03
2004-05	Kharif	2.00	1.13	0.87	43.50
	Rabi	0.34	0.20	0.14	41.18
2005-06	Kharif	2.19	1.24	0.95	43.38
	Rabi	0.35	0.18	0.17	48.57
2006-07	Kharif	2.39	1.46	0.93	38.91
	Rabi	0.54	0.41	0.13	24.07
Total		**17.45**	**9.03**	**8.42**	**48.25**

Shortfall in production of certified seeds by 8.42 lakh quintals valued at Rs.76.28 crore.

It would be seen from the above table that there was decline both in targets and actual production of seed during the period 2002-03 to 2005-06 as compared to 2001-02. However, there was increase in target as well as percentage of achievement in 2006-07 compared to the previous year. During 2001-07 the shortfall in Rabi certified seeds ranged between 13.79 *per cent* to 63.53 *per cent* and for Kharif between 38.91 *per cent* to 60.10 *per cent* as compared to targets. Further, against the total target for production of 17.45 lakh quintals of certified seeds during both the seasons, the actual production was only 9.03 lakh quintals. This resulted in short production of 8.42 lakh quintals (48 *per cent*) of certified seeds valued at Rs.76.28[*] crore. Due to shortfall in production, the Company had to resort to procurement of seed from outside agencies at higher cost to meet the shortfall as discussed in Paragraph 2.4.16 *infra*.

[*] Calculated for short production quantity of 8.42 lakh quintals considering cost of procurement of respective seeds in the respective period.

The reasons for shortfall in production as analysed in audit were as follows:

- Actual sowing area was less than the targeted area as per the approved plan. The shortfall in utilisation of land ranged from 1.71 to 94.17 *per cent*.
- Non-achievement of the targeted SMR.
- Due to non-distribution of available stock of foundation seeds to the growers for multiplication to certified seeds; the same became sub-standard and had to be sold at lower rates as discussed in paragraphs 2.4.12 and 2.4.28.
- The Company failed to ensure adequate control so as to avoid rejection of fields (due to isolation, disease, purity, etc.) and processed seed for certification (due to germination, physical purity, genetic purity, etc.) by OSSCA.
- Non-enhancement of procurement target of certified seeds per hectare, as done in Kharif 2002, despite the existence of production potential.

The Government/Management stated (July 2007) that the climatic factor and socio-economic constraints of the farmers resulted in low productivity. The reply is not tenable since the shortfall in production was due to low utilisation of area, non-achievement of targeted SMR, shortfall in procurement from the growers and rejection of both land and seed by OSSCA for certification.

Non-distribution of foundation seeds

2.4.12 A test check of records of three units (Cuttack, Bargarh and Jeypore) revealed that during the five year ended 2005-06, 3596 quintals of foundation seed valued at Rs.24.11 lakh remained unutilised due to non-distribution of the same to the growers for multiplication. Although the Company decided (April 2002) to request the DA&FP for giving concurrence to sell the surplus foundation seeds at the rate of certified seed, the proposal was not sent. These seeds were declared (October to December each year) substandard and sold (December to February each year) through tender at lower rates. Moreover, non-multiplication of this seed resulted in under production of 1,07,880 quintals[ϕ] of certified seed.

The Government/Management stated (July 2007) that the new variety of seed introduced by OUAT was not accepted by the farmers. It added that DA&FP did not lift the indented quantity fully during 2001-05. The reply is not tenable since the new variety constituted a meager portion (3.5 *per cent*) of unutilised foundation seed. The reply is also indicative of fact that production was made without assessing the demand for the new variety.

[ϕ] 3596 quintal x 30 (considering Seed Multiplication Rate (SMR) of 30 i.e. lower standard SMR among different varieties of paddy).

Production at Company's farms

2.4.13 The Company had five agricultural farms[*] with an area covering 109.40 hectares as on 31 March 2007. Out of this, 51.42 hectares was irrigated land and could be used during both Kharif and Rabi seasons. The remaining area of 57.98 hectares, being un-irrigated, remained unutilised in Rabi season. The Company utilised the farms mostly for production of foundation seed and the areas which could not be utilised for the production of foundation seed were being utilised for production of certified seed. The year-wise details of target vis-à-vis achievement of production of foundation and certified seeds for the five years ending 2005-06 is given in **Annexure-12**.

The Company incurred avoidable expenditure of Rs.83.19 lakh in procuring seeds from outside sources.

It would be seen from the Annexure that during 2001-06, there was shortfall of 11,334.38 quintal in the actual production of foundation seed (8,453.76 quintal) and certified seed (2,880.62 quintal) than the targeted yield. The Company, however, did not analyse the reasons for shortfall in yield. It also failed to take steps to increase the irrigated area which could have helped in increasing production. Audit observed that the Company, in order to meet the shortfall in production, procured foundation seeds and certified seeds valued at Rs.63.23 lakh and Rs.19.96 lakh respectively from outside sources[#]. Thus, the expenditure of Rs.83.19 lakh could have been avoided if the Company had produced foundation seeds/certified seeds as per targets.

The Government/Management stated (July 2007) that the yield was very low for want of proper irrigational facilities in those farms. The reply is not acceptable as the Company is controlling four farms since May 1991 and took no measures either to provide irrigation facilities or try growing crops like groundnut during rabi season. Further, the Management was aware of the un-irrigated land while fixing the targets. Even in case of irrigated areas, the yield was less than the targeted yield.

Procurement of seeds

Fixation of procurement price

2.4.14 In case of certified seeds procured from seed growers, the Company fixes the procurement price on the basis of the recommendations of the State Seed Pricing Committee (SSPC) and as approved by the BoD. While recommending the procurement price, the Pricing Committee considers the Minimum Support Price (MSP) fixed by the Central Government or prevailing market price, whichever is higher, and extra cost incurred towards certification of seeds. In case of oil seed and pulses, the Committee also considers production incentive given by the Central Government under Oilseed Production Programme (OPP)/ Integrated Scheme of Oilseed, Pulses, Oilpalm and Maize (ISOPOM).

[*] Babanpur, Paramanpur, Bargarh, Barikel (transferred in May 1991) and Barpalli.
[#] Orissa University of Agriculture and Technology, Government farms, etc. (for foundation seeds) and NSC, SFCI, NAFED, Seed growers, etc. (for certified seeds).

Procurement from seed growers

Absence of binding clause in the agreement with the growers led to shortfall in procurement resulting in loss of revenue of Rs.28.75 lakh.

2.4.15 The Company enters into written agreements with the seed growers for multiplication and procurement of certified seeds under SVS, who registered themselves with OSSCA voluntarily on the recommendation of the Company. The agreements provide for supply of certified seeds of prescribed quantity per hectare at procurement rate. Audit observed that although during Kharif 2004 there was bumper crop of groundnut, the Company could procure only 319.40 quintals from the farmers against the targeted quantity of 12,400 quintals. Shortfall in procurement of seed not only deprived the farmers the supply of quality seeds but also caused procurement of costlier seeds from outside sources. As the Company retains service charges at the rate of 10 *per cent* of the cost of the seed (cost: Rs.2,380.10 per quintal), it was deprived of potential revenue of Rs.28.75 lakh towards service charges due to shortfall in procurement of 12,080.60 quintal.

The Government/Management stated (July 2007) that seed certification was completely voluntary according to the Seed Act, 1966 and hence seed production could not be enforced upon the farmers. The reply is not tenable since the Company enters into the agreement with such growers who voluntarily opt for entering into agreement. Further, there was no justification for not incorporating an enabling clause in the agreement even though other organisations viz. National Seed Corporation Limited (NSC) and Seed Corporations of other States have such provisions in the agreements with the seed growers.

Procurement from outside seed producing agencies

2.4.16 The SSPC recommended (October 2004) that the requirement of seeds of the State should be produced within the State, as procurement from outside would make the seed costlier to the farmers. The Company, however, failed to achieve targeted production of certified seeds of groundnut, moong and biri during 2001-02 to 2006-07. As a result, it procured 2.22 lakh quintals of certified/ Truthfully Labeled[#] (TL) seeds of different varieties from outside agencies (viz. NSC, APSSDC, SFCI, NAFED)[*] during the period under review.

[#] Truthfully Labeled (TL) means that the quality of seeds is guaranteed by the seller for the prescribed minimum standards but the purity and quality of such seeds are not certified by any seed certification agency under the provision of the Seed Act, 1966.

[*] National Seeds Corporation Limited (NSC), Andhra Pradesh State Seeds Development Corporation Limited (APSSDC), State Farms Corporation of India (SFCI) and National Agricultural Cooperative & Marketing Federation (NAFED).

The following table depicts sales made vis-à-vis outside procurement during the period 2001-02 to 2006-07.

(Quantity in quintals)

Year	Groundnut			Moong			Biri		
	Outside procure-ment	Sale to DA&FP	Percentage of outside procurement to sales	Outside procure-ment	Sale to DA& FP	Percen-tage of outside procure ment to sales	Outside procure-ment	Sale to DA& FP	Percen-tage of outside procure-ment to sales
2001-02	37373	48909	76	1365	1964	70	1674	1895	88
2002-03	29342	41841	70	--	485	--	452	1431	32
2003-04	45439	56875	80	204	555	37	--	1600	--
2004-05	18997	21240	89	--	843	--	--	1042	--
2005-06	33621	56603	59	--	1199	--	66	450	15
2006-07	49092	76911	64	2562	3109	82	1896	2662	71
Total	**213864**	**302379**	**71**	**4131**	**8155**	**51**	**4088**	**9080**	**45**

Shortfall in production resulted in additional expenditure of Rs.11.40 crore in procuring from outside agencies.

The percentage of outside procurement in relation to the seed supplied for sale to the DA&FP ranged between 59-89 (groundnut), 37-82 (moong) and 15-88 (biri). The Company incurred an additional expenditure of Rs.11.40 crore on the procurement (groundnut-Rs.10.35 crore and moong and biri-Rs.1.05 crore) being the difference between the actual procurement cost (Rs.56.18 crore) and the cost if the Company had produced the seeds through seed growers (Rs.44.78 crore). This correspondingly increased the cost of the quality seeds supplied to the farmers.

The Government/Management stated (July 2007) that steps were being taken for increasing groundnut production through ISOPOM[$] during the year 2006-07. The fact, however, remains that OPP scheme was in force even in 2000-01 which was replaced by ISOPOM in 2004-05. The Company delayed to take steps to increase groundnut production under the above schemes.

Purchase of groundnut seed at higher cost

2.4.17 To meet the requirement of groundnut seed in Rabi 2004-05, the Company procured (November 2004) 7086 quintals of groundnut TL seed at Rs.2,700 per quintal from the SFCI and 8016 quintals at Rs.2,475 per quintal from NAFED. Though the procurement was for the same variety and during the same period, the price offered by NAFED was less than that offered by SFCI. Instead of procuring the entire quantity from NAFED, the Company procured 7,086 quintals of seeds from SFCI at higher rates for which no justification was found on record.

[$] Integrated Scheme of Oilseed, Pulses, Oilpalm and Maize.

Failure to purchase groundnut seed from the available cheaper source resulted in loss of Rs.15.94 lakh.

The Company did not devise the procurement plan in advance though it procured a sizeable quantity of groundnut seed from outside sources every year. Thus, failure to place the order in advance with NAFED resulted in incurring of additional expenditure of Rs.15.94[*] lakh on the procurement of 7086 quintals of seed.

Return of low quality Groundnut T.L seed by DA&FP

Failure of the Company in procuring quality seeds led to loss of Rs.22.96 lakh.

2.4.18 During Kharif 2005, the Company procured (October to November 2005) 22,379 quintals of unprocessed groundnut TL seed (at Rs.1,800 per quintal) from growers with a view to sell the seeds after processing to the farmers through DA&FP at a price determined by the SSPC. The entire quantity of seeds were supplied (during Rabi 2005-06) to DA&FP after processing for ultimate use by the farmers. It was observed that out of the seeds so supplied (October 2005 to March 2006), DA&FP returned (December 2005 to March 2006) 2,511.82 quintals of seed on grounds of poor quality caused by high moisture content. The Management, however, did not analyse the reasons for high moisture content for fixing responsibility. These seeds were subsequently disposed of as ordinary/substandard seed at a lower price (Rs.1,370 per quintal) resulting in loss of Rs.22.96 lakh[#] to the Company. This indicated the Management's failure in procurement of quality seeds for which the Company sustained loss.

The Government/Management stated (July 2007) that though the Deputy Directors of Agriculture (DDA) accepted the quality of seed, this could not be fully utilised (May 2005) because farmers got an opportunity to compare the stock with the stocks procured from outside the State. The reply is not tenable as the DDAs complained about the low quality of the seeds while returning the groundnut TL seed to the Company.

Incentive on production of certified seeds

2.4.19 The GOI, from time to time, announces incentives to the growers of certified seeds to meet the costs of production/certification, loss due to rouging and undersized seeds. The incentives so received by the canalising agencies should, thus, be passed on to the growers. The Company is, however, adopting two different methods for passing on the benefit of incentives so received in case of paddy, oilseeds and pulses. In case of paddy, the Company is passing on the incentives directly to the growers of the certified seed in addition to the procurement price paid. For oilseed and pulses, the Company is retaining the incentives received from the Government and deducting the same against the procurement cost of certified seeds, thereby, passing on the benefit of incentive to the farmers. Thus, different treatments of the production incentive extended by the Government with a single objective was not in order.

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[*] 7,086 x Rs.225/- (difference between Rs.2700/- and Rs.2475/-).

[#] Worked out on the basis of the procurement cost (Rs.1,800 per quintal) plus processing costs (Rs.484.40 per quintal) minus the disposal price (Rs.1,370 per quintal) for 2,511.82 quintal.

Non-availment of incentive

2.4.20 The GOI launched OPP in 2000-01 for oil seeds. The scheme was revamped (2004-05) and renamed as ISOPOM. Under these schemes, the GOI provided production incentive of Rs.500 per quintal (Company's share: Rs.125 and grower's share: Rs.375) on certified seeds of oil seed, pulses, oil palm and maize produced through SVP. In case of TL seed, the subsidy is available only when it is produced under Crash programme[&] under the supervision of NSC/SFCI, the nodal agency for implementation of Crash programme.

Procurement of groundnut TL seed under SVP instead of Crash programme deprived the Company incentive of Rs.60.50 lakh.

It was observed that during 2001-06, the Company procured 48402 quintals of groundnut TL seed under SVP instead of under Crash programme due to which the incentive of Rs.125 per quintal amounting to Rs.60.50 lakh[*] towards its own share could not be availed by the Company.

The Government/Management stated (July 2007) that the time period of supply was nearly one and a half months including the period for certification which was nearly one month. As the groundnut requirement of the State during Rabi was about 60,000-70,000 quintals, supply of groundnut certified seed of such a huge quantity was not possible and the Company supplied groundnut TL seed to meet the requirement of the farmers. The reply is not tenable as the requirement of groundnut during the period on which audit commented was only 319 quintals to 22,379 quintals; which the Company fulfilled from production within the State. Further, the Company also did not tie up with NSC/SFCI to get the benefit of incentive under OPP/ISOPOM scheme as TL seeds produced under Crash programme under the supervision of these agencies were also eligible for incentive.

Performance of processing plants

Utilisation of seed processing plants

2.4.21 The Company operated 35 processing plants[@] during the period 2001-02 to 2005-07. Out of these, 27 plants were owned by the Company and the remaining eight plants were owned by the State Government. Of these plants, two seed processing plants were being exclusively utilised for processing groundnut seed, while the rest (25) were being utilised for processing of other seeds. These plants had an annual installed capacity to process 3.72 lakh quintals of raw seeds (3.57 lakh quintal for paddy and other seeds and 0.15 lakh quintals for groundnut).

[&] Crash programme is a component under ISOPOM which has the objective of augmenting the production of quality seed to meet emergency/contingent requirement of seed.
[*] 48402 quintal X Rs 125 = Rs 60.50 lakh.
[@] Seed Processing Plants segregate foreign particles from the seeds through blowers and also segregate under-weight/ sized seeds from normal seeds.

The utilisation of plants in respect of groundnut and paddy/other seeds during the years from 2001-02 to 2006-07 ranged from 14 to 87 *per cent* and 33 to 51 *per cent* respectively as indicated in the following table.

(In lakh quintals)

	Paddy and other seeds			Groundnut		
Year	**Processing capacity**	**Processed quantity**	**Percen-tage utilisation**	**Processing capacity**	**Processed quantity**	**Percen-tage utilisation**
2001-02	3.57	1.81	51	0.15	0.021	14
2002-03	3.57	1.17	33	0.15	0.025	17
2003-04	3.57	1.27	36	0.15	0.022	15
2004-05	3.57	1.45	41	0.15	0.046	31
2005-06	3.57	1.51	42	0.15	0.075	50
2006-07	3.57	1.55	43	0.23	0.200	87

The utilisation of the seed processing plants were below the installed capacity which ranged between 14 and 87 *per cent*.

It was noticed that the plant utilisation was below the capacity in all the years during the period of review. The Company, however, had not taken steps for their optimum utilisation. In particular, the capacity of groundnut processing plants remained at 15,000 MT which was marginally increased to 23,000 MT, as against the requirement of 60,000 MT to 70,000 MT assessed by the Company.

The Government/Management while accepting the fact of under utilisation of processing plants stated (July 2007) that:

- the seed production programme was being taken up in each revenue district to make awareness to use quality seeds among the farming community and production was taken up based on the indent made by the DA&FP. The requirement of the districts was much less than the capacity of the plants; and
- the seeds produced in the district could not be procured due to rejection of crop in the field by OSSCA and non-procurement of seeds due to damage of seeds by natural calamities and other factors.

The reply is not tenable as the indent by DA&FP was not based on demand survey.

Processing loss

Groundnut TL seeds

Processing loss in excess of norm resulted in loss of Rs.18.11 lakh to the Company.

2.4.22 The BoD fixed (May 2003) norm of eight *per cent* for processing loss in respect of groundnut TL seed. If the actual loss exceeded the permissible norm, the Company proposed to recover the excess loss from the official(s) responsible. It was, however, observed that the actual processing loss on procurement of groundnut TL seed from seed growers under SVS during Kharif 2003 (220.92 quintals) and Kharif 2005 (751.39 quintals) was up to 25 *per cent*. The value of excess processing loss of 972.31 quintals worked out to Rs.18.11 lakh*. Though the Management initiated (December 2005) action to

* (220.92 quintal x Rs.1700 + 751.39 quintal x Rs.1910).

recover the loss from the concerned officials, no recovery was made even after expiry of 2 to 4 years.

The Government/Management stated (July 2007) that the representation of the employees to the demand notice towards excess processing loss of groundnut (TL) seeds during 2003 and 2005 was under examination and further action in the matter would be taken. It was further stated that the permissible loss was revised to 10 *per cent* for procurement of Kharif 2005 due to excess moisture at the time of procurement of groundnut (TL) seed during 2005. The reply is not tenable since the revision of norms was done without the approval of the Board and the recovery towards the loss in excess of norms is still pending despite lapse of considerable time.

Processing loss in farm production

2.4.23 During 2001-02 to 2005-06, a quantity of 17,321 quintals of seed was produced in the Company's own farms. After processing, the Company obtained only 15,205 quintals of certified seed and the processing loss ranged between 5.09 and 21.05 *per cent* during this period. The Company, however, did not fix any norm for the processing loss (except for groundnut TL Seeds) so as to fix responsibility for failure in production of foundation/ certified seed.

The Government/Management stated (July 2007) that they were taking steps to fix norms for processing loss in case of their farm production.

Storage Performance

2.4.24 For safe storage and preservation of seeds, periodical assessment of the condition of the stored seeds, regular monitoring of relative humidity and temperature of each godown and fumigation and spraying of insecticides at regular intervals is essential. The Company, however, did not prescribe any norms for these items of work. Audit scrutiny revealed the following:

Unscientific storage of seeds resulted in seeds becoming substandard much before the validity of nine months.

- Seed became substandard within four to five months which was much before the certified validity period of nine months, thereby indicating that seeds were not stored properly to retain their germination capacity during the validity period. The quantity of such seeds and reasons for these becoming substandard could not, however, be ascertained in audit due to non-maintenance of records by the Company in this respect.
- Seed Health Reports furnished by the State Seed Testing Laboratory from time to time indicated attack by fungus and recommended for seed treatment by using seed treating chemical (thiram), but no action was taken by the Company. This also indicates that seeds were not properly stored to avoid attack by fungus.

The Government/Management stated (July 2007) that relative humidity and temperature were the most important environmental factors which influence seed germination in addition to previous history of seed before storage e.g. weathering in field, mechanical injury during harvesting and cleaning, damage due to heat during drying, previous fumigation, etc. The fact, however, remained that Management had not taken preventive measures to avoid losses due to deterioration in quality of the stocks on account of controllable factors.

Sale Performance

2.4.25 National Seed Policy and Perspective Seed Plan envisaged gradual increase in production/distribution of certified seed to achieve the desired level of Seed Replacement Rate. Thus, mere production of certified seed will not increase SRR, if it is not distributed to farmers for cultivation in time. It was observed that the Company did not fix physical targets for sale of certified seed to the farmers. Instead, the actual indents for certified seeds made by DA&FP for distribution to the farmers were adopted by the Company as target of sales. The following table depicts the targeted sale of certified seeds as indented by DA&FP vis-à-vis the actual sales made by the Company during the last six years ending 2006-07:

Year	Targeted sale (in quintal)		Actual sale (in quintal) to			Percentage of actual sale to targeted sale
	Season	Seeds	DA&FP	Dealers	Total	
2001-02	Kharif	317723	146198	54188	200386	
	Rabi	102128	66612	5022	71634	
	Total	**419851**	**212810**	**59210**	**272020**	65
2002-03	Kharif	228449	131933	6397	138330	
	Rabi	59160	49533	1002	50535	
	Total	**287609**	**181466**	**7399**	**188865**	66
2003-04	Kharif	113349	108904	284	109188	
	Rabi	72872	69741	--	69741	
	Total	**186221**	**178645**	**284**	**178930**	96
2004-05	Kharif	79676	86896	--	86896	
	Rabi	62464	27834	--	27834	
	Total	**142139**	**114730**	**--**	**114730**	81
2005-06	Kharif	108065	109518	--	109518	
	Rabi	69112	61507	--	61507	
	Total	**177178**	**171025**	**--**	**171025**	97
2006-07	Kharif	124053	117315	--	117315	
	Rabi	98930	99729	--	99729	
	Total	**222983**	**217044**	**--**	**217044**	97

The Company could not achieve the targeted sales in all the six years up to 2006-07.

It would be seen from the above that the sales upto the year 2004-05 showed a decreasing trend and achievement of the supply to DA&FP against the indent ranged between 65 to 97 *per cent* due to decrease in indented quantity. The Board attributed (February 2004) the low sale to limited capacity of the Department's sales centres and felt the need to explore the setting up of a dealer network apart from its own distribution network for enhancing the sale. The State Seed Pricing Committee held (October 2004) a similar view in this regard.

Audit scrutiny revealed the following:

- The function of the marketing wing of the Company was limited to procurement of seed from outside and selling of substandard seed.

- No demand survey was made by the Company to ascertain the requirement of certified seed for preparing production programme accordingly. Market promotional activities taken up by the Company were completely inadequate.
- No marketing strategy/policy was devised by the Company so as to increase sales by supply of seeds to outside States.
- The Company was producing certified seed on the basis of production programme approved by the DA&FP. There was, however, no agreement with the DA&FP to take the entire production of the Company. The Company had also not explored alternate marketing channel to sell surplus seed in case of non-lifting of the entire quantity by the DA&FP.

The Government/Management stated (July 2007) that due to various natural calamities viz. drought and flood, the entire seed produced could not be fully liquidated. It was further stated that sale of seed by the Company was completely dependent upon the decision of the Government. When the sale of seeds through dealers network got a momentum, it was suddenly discontinued by the State Government without any recorded reasons. The dealer's network was, however, resumed from Kharif 2006 and steps had been taken for appointment of dealers and sale of seed at Gram Panchayat level. The reply is not tenable as it was noticed that during 2001-02 and 2002-03, the achievement of sale targets was only 65 and 66 *per cent* respectively although there was a dealer's network. Therefore, the Company needs to analyse the factors adversely affecting distribution of seeds and take corrective measures.

Fixation of sale price of certified seed

2.4.26 The main objective of the Company is to provide certified seeds to farmers at reasonable prices. The sale prices of seeds of various crops are proposed by the Company to the DA&FP. DA&FP, after considering the Company's proposals, sends its recommendations to the State Seed Pricing Committee[#] to decide the final sale price of the certified seed.

Audit analysis of sale prices fixed during 2001-06 revealed that there was excess recovery in respect of interest, dealer commission, transportation and loading and unloading cost which is discussed below:

- The Company loaded interest on working capital at a pre-determined rate of 12.5 *per cent* (for six months) up to Rabi 2003-04 and 10.50 *per cent* thereafter. The financing cost of the Company in terms of interest rates towards cash credit and other short term loans from the Government of Orissa (to finance its seed procurement activity), however, ranged between 8.50 and 10.50 *per cent* during the period 2001-06. The Company actually recovered an amount of Rs.4.93 crore towards interest through sale price against the actual financing cost of

[#] Constituted by State Government, headed by Secretary to Agriculture Department, Director of Horticulture, Director of OSSCA, Director of Agriculture and Food production, Dean Research OUAT, Managing Director, OSSC Limited as members.

Rs.3.57 crore. This resulted in excess recovery of Rs.1.36 crore towards cost of seeds from the farmers.

The Government/Management stated (July 2007) that the cost structure was based on certain principles which was submitted to DA&FP for approval of sale price and the State Seed Pricing Committee fixed the price considering different factors. The fact, however, remains that interest was charged at higher rates than actually paid by the Company.

- The SSPC increased (October 2004) the service charge of 10 *per cent* (included in the sale price of foundation and certified seed) to 15 *per cent* on the consideration that the same would be utilised to meet the expenditure on commission payable to dealers for sales made through them from Rabi 2004-05. The Company recovered an extra amount of Rs.66.36 lakh during the period Rabi 2004-05 to Rabi 2005-06 on account of five *per cent* increase in the service charges. The sale through dealers, however, commenced only from Rabi 2006-07. Thus, recovery towards dealer's commission was made without incurring expenditure which made the seed costlier.

The Management stated (July 2007) that since the Government decided to implement dealer sale from Rabi 2006-07, it implemented the same from 2006-07.

- While fixing the sale price, the Company considered the average distance between any two locations to be 250 kms and accordingly recovered the transportation costs at the rates mentioned in the following table:

Cost up to Department's godown towards	For groundnut (Rs. per quintal)		For other seeds (Rs. per quintal)	
	Up to Rabi 2004-05	From Kharif 2005	Up to Rabi 2004-05	From Kharif 2005
Transportation	57	71	40	50
Loading/unloading	5	5	5	5

The sale prices were fixed at higher rates by Rs.2.97 crore due to excess consideration of financial charges, supervision charges and transportation cost than actual.

Audit scrutiny revealed that as the actual distance to the sale location was less than the distance factored in the sale price, the actual costs of transportation, loading and unloading charges was lower than the recovery made through the sale price. The total transportation, loading and unloading charges recovered during the five years ending 31 March 2006 were Rs.4.64 crore. Against this, the actual amount spent by the Company during this period was Rs.3.69 crore. Hence, there was excess incidence of transportation charges in sale price by Rs.94.88 lakh.

The Government/Management stated (July 2007) that the rate of transportation, loading and unloading included in the cost structure was based on some standard which was accepted by the SSPC. Any under or over absorption of transportation, loading and unloading was due to management of internal diversion of seeds. The fact remains that there was excess recovery towards transportation. Further, this rate was fixed on the basis of calculation of the distance from godowns at Bhubaneswar though the Company is having godowns at other places and transportation of seeds is being made from these godowns also.

Inter-unit transfers of paddy

Failure in production to meet location-wise requirement led to avoidable expenditure of Rs.1.06 crore.

2.4.27 The Company transported paddy seed between its units to meet the requirement of the farmers of different locations. In some cases, this involved a distance of more than 500 kms. Since paddy is produced in all the production units of the Company, the inter-unit transfer of paddy could have been avoided by proper assessment of the requirement at the respective locations. Audit scrutiny revealed that an amount of Rs.1.06 crore incurred on transportation of paddy during 2001-06 could have been avoided. Although the Company recovers the transportation cost through the sale price, proper production planning at the required location would have reduced the ultimate sale price. The Seed Village Scheme (SVS) also envisaged that the production of seeds should have been at local level for timely availability of seed at minimum handling/transportation costs.

The Government/Management replied (July 2007) that it had not made any actual demand survey and attributed (February/May 2007) the following reasons for incurring higher transportation costs:

- Seed production is a five year plan and demand of the farmers changes every year with the performance of cultivation;
- The Company does not have an extensive network at the village level where actual demand survey can be made;
- The Company sells seeds to DA&FP according to their requirement; and
- The Company does not have any autonomy to sell its produce through its own outlet.

The fact, however, remains that the Company did not make any demand survey and this had adversely affected production and distribution of seeds and also did not follow the principle of SVS to produce seed locally.

Disposal of substandard seed

2.4.28 During the five years ending 2005-06, the Company sold 1.68 lakh quintal of substandard seeds costing Rs.13.28 crore through tenders and suffered a loss of Rs.4.63 crore.

Failure of the Company to sell substandard seeds during lean agricultural season resulted in loss of Rs.4.63 crore.

Audit scrutiny revealed the following:

- The sale of substandard seed was made during November to February when the Kharif produce is available in the market and the market price is lower due to excess supply. The Company did not take steps to sell the substandard seed during the lean agricultural season i.e. during July to October to get a better price. The sale of substandard seed during the lean season was also recommended (1995) by M/s Price Water House, the consultants appointed by the Government of India to report on business strategy, autonomy of operations and financial health of the Company. Although there was a proposal (February

2000) to the BoD to fix a time frame for sale of substandard seeds, the BoD did not deliberate on the proposal.

- The Company delayed (from 2 months to 12 months) in sending the samples for testing*. Consequently, there was delay in receiving the test reports. As the Company sold the substandard seed after receiving the test reports from the laboratory, there was delay in disposal of seeds. As a result, the quality of seed further deteriorated and fetched low price.
- The DA&FP did not accept revalidated seed. The Company, therefore, should have sold the seed as substandard immediately after the validity period of nine months was over which could have helped to realise higher value.

The Government/Management did not offer specific reply to the above audit observations.

Realisation of dues

Delay in realisation of dues

Delay in reconciliation of quantity of seed sold to the DA & FP led to blockade of Rs.11.77 crore for over 2 to 9 years.

2.4.29 It was noticed that there was delay in settlement of dues recoverable from DA&FP and the total outstanding as on February 2007 was Rs.28.64 crore. Of this, Rs.11.77 crore was outstanding for periods ranging from 2 to 9 years (viz. 1997-98 to 2005-06). The balance Rs.16.87 crore was outstanding for the year 2006-07 which included subsidy on sale through dealers amounting to Rs.2.99# crore.

Audit analysis revealed the following:

- The reasons for outstanding was attributed to delay in reconciliation of the quantity sold with DA&FP. The Company has, however, not taken any steps for timely reconciliation after each season though non-realisation of dues created liquidity problem.
- In the joint meeting (June 2006) of DA&FP and the Company for reconciliation of the dues outstanding since 1997-98, the latter agreed to pay Rs.6.04 crore only against outstanding dues of Rs.12.83 crore as on that date. The remaining amount of Rs.6.79 crore, was to be examined by DA&FP based on the merits of the bills.
- Of the unreconciled amount, Rs.3.43 crore pertaining to the period 1997-2002, the Company was unable to produce the bills though the same were called for by DA&FP.
- Against the dues of Rs.6.04 crore admitted by DA&FP, it released only Rs.3.12 crore. The balance amount of Rs.2.92 crore has been disputed and referred to the Government for approval for making payment.

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* Tested at State Seed Testing Laboratory, Government of Orissa to declare it substandard.
# Rs.0.25 crore pending for a period of less than 1 year and Rs.2.74 crore outstanding for periods ranging from 2 to 8 years.

Non-realisation of incentive under OPP and ISOPOM

2.4.30 In line with the arrangement under guidelines of OPP/ISOPOM, the Company claimed Rs.1.87 crore towards incentive during the period 2002-06. Against this, an amount of Rs.44.27 lakh was only received leaving an outstanding balance of Rs.1.43 crore which included claims relating to the period since 2002-03. Audit noticed that the production incentive under ISOPOM was released by DA&FP without providing the details for the same. On being pointed out by Audit, the Management worked out the details and took up (April 2007) the matter with the Department for release of the pending amount. This indicated that the Company's mechanism for realisation of dues needs improvement.

The Government/Management stated (July 2007) that the matter to settle the dues was being pursued at Government level and the Government was conducting a special audit to realise the outstanding dues of the Company. Further developments were awaited (August 2007).

Internal Audit and Internal Control

2.4.31 Internal control is an important management tool to ensure that the organisational objectives are achieved in an effective and orderly manner, assets are safeguarded and rules and procedures are complied with.

The following deficiencies in the Internal Control System in the Company were noticed:

- The Company has not formulated manuals like Seed Production manual, Seed Storage manual, Marketing manual, Purchase manual, Accounts manual, etc. for adherence/guidance of its employees in executing their responsibilities to achieve the Company's objectives.
- The Company did not have an Internal Audit Wing and had outsourced the internal audit activity to the firms of Chartered Accountants. The internal audit for the year 2001-02 was not taken up, internal audit for the years 2002-03 and 2003-04 had been completed and those for the years 2004-05 and 2005-06 were in progress. No significant observations were noticed in the reports of the Internal Auditor. However, the Internal Audit report was not placed before the Board of Directors for appraisal.
- Instance of stocks worth Rs.38.78 lakh being unaccounted/ misappropriated by two employees {employee of the Company - Rs.27.87 lakh (Procurement-cum-Sale Assistant), staff of the Department- Rs.10.91 lakh (Overseer)} during the year 2001-02 was noticed by the Management. No recovery had been made till date (October 2007) even after lapse of five years which reflects inaction of the Management.

The Government/Management stated (July 2007) that they were taking steps to compile the instructions issued from time to time besides preparing manuals of different activities.

Acknowledgement

Audit acknowledges the co-operation and assistance extended by the staff and Management of the Company at various stages of conducting the Performance Audit.

Conclusion

The production targets were not based on demand survey but fixed on the basis of availability of foundation seed and perspective plan. Production of certified seeds was far below the target during the period under review resulting in non-achievement of the desired level of Seed Replacement Rates. The Company, therefore, had to procure certified seeds from outside agencies at a higher cost so as to meet the requirement of the State. The processing plants operated by the Company also remained underutilised due to low production.

Prices were also fixed at higher rates due to excess recovery towards dealers' commission, interest, cost of loading and unloading and transportation which led to higher cost being borne by the farmers. Thus, the primary objective of the Company was defeated. The Company did not fix physical targets for sale of certified seeds and it solely depended on the indent of DA&FP for sale of its stocks. The Company did not achieve the targeted sale in any of the years during the period under review though the targets were reduced over the years. As a result, the seed became substandard and were sold at lower prices causing loss to the Company. There was delay in realisation of dues from the Department.

Recommendations

- **The Company should re-fix targets for production of certified seeds based on demands from growers, market and previous years' demand as per the guidelines of SVS.**
- **The Company should monitor production/procurement so that outside procurement at higher cost are curbed and seed processing plants can be optimally utilised.**
- **Steps should be taken for scientific storage of seeds so that quality of seeds does not deteriorate.**
- **Selling price needs to be rationalised and the excess recovery towards dealers' commission, interest, cost of loading and unloading and transportation needs to be corrected to make the price competitive. The marketing infrastructure should also be revamped.**
- **Timely reconciliation of dues with the DA&FP should be made and proper follow-up done to realise the claim towards production incentive for early realisation of sundry debts.**

Chapter-III

Transaction Audit Observations

Government companies

Orissa Mining Corporation Limited

3.1 Undue benefit to the contractor

The Company extended undue benefit of Rs.14.82 crore to the contractor due to payment of dewatering charges disregarding the actual deployment of pumps.

The Company was executing the work of excavation, drilling, blasting and dewatering for raising of chrome ore in South Kaliapani 'D' quarry through a contractor, Arvind Construction Company (ACC) since January 1985 continuously. The contractor had been awarded the work from time to time without inviting tenders.

The Company renewed (April 1998) the agreement with ACC for excavation of 60 lakh cum of chrome ore and removal of overburden in South Kaliapani 'D' quarry, effective from 1 January 2000 for a period of five years upto December 2004. The agreement was again extended (June 2002) for one year up to December 2005 for excavation of revised quantity of 94.60 lakh cum (±10 *per cent*) of chrome ore. The contractor was to be paid excavation charges at the rate of Rs.64.10[*] per cum with escalation formulae for wages, POL and spare parts introduced since April 1992. The Board of Directors of the Company decided (September 2005) to extend the contract for a further period of two years with effect from 1 January 2006 at the same rates and terms and conditions. Though there was changes in quarry dimension causing extra time and efforts due to higher lead and lift, the Company did not increase the basic rate on the ground that ACC had a permanent set up of machineries and infrastructure at site which enabled it to absorb such nominal increase in cost within the basic rate. ACC excavated 92.18 lakh cum between January 2000 and March 2006 and was paid Rs.129.38 crore which included Rs.21.40 crore towards dewatering charges.

[*] The rate of excavation of Rs.64.10 per cum includes basic rate of Rs.51.50 per cum with effect from 1 April 1992 (considering running of 605 HP pumps for 20 hours per day for 365 days) *plus* Rs.6.60 with effect from 1 April 1995 towards dewatering (for running additional 735 HP) *plus* Rs.4.00 with effect from 1 July 1997 (for running of additional 920 HP) *plus* Rs.2.00 per cum towards extra hauling cost with effect from 1 July 1997.

Audit scrutiny revealed the following:

- The annual returns submitted[*] by the Company to Indian Bureau of Mines indicated that ACC actually engaged 1,121 HP (10 pumps) from January 2000 to March 2003, 1,181 HP (10 pumps) from April 2003 to March 2005 and 1,994 HP (12 pumps) from April 2005 to March 2006 for dewatering. Considering the actual deployment of pumps by ACC, the dewatering charges worked out to Rs.6.58 crore. Hence, the extra payment towards dewatering on excavation of 92.18 lakh cum worked out to Rs.14.82 crore (Rs.21.40 crore less Rs.6.58 crore).
- The Company did not take steps to revise the rate of excavation despite being aware that ACC was utilising pumps in the range of 1,121 HP to 1,994 HP as against 2,260 HP pumps considered for computing the rate of excavation i.e. Rs.64.10 per cum.

The Management stated (August 2006/July 2007):

- The contract did not provide for calculating actual cost of each individual operation like excavation, transportation, disposal of overburden, dewatering, stacking of ore, etc. which comprised the composite work for evaluation of the running bills. ACC was paid only on the final output i.e. cubic metre excavated from the mines observing all contractual stipulations. In the contract, there was no provision for recovery/extra payment for variation in the cost of any activity forming part of the composite work during the course of execution.
- Elaborate information on additional pumps, which were kept as standby and those which were under repair, were generally not reflected in IBM returns. A correct picture on use of the pumps could be obtained from the information submitted by ACC and certified by the Mines Manager, which indicated that during the period 1995-2005, pumps of 2,340 HP were in operation. At the same time, it was also stated that the Mines Manager was not required to record the hours of each pumps utilised by ACC throughout the year as the same did not form part of contractual requirement and for settlement of running bills. Besides, pumps sent for repairs, down time date, etc. maintained by ACC were not inspected by the Mines Manager as a matter of routine.

The reply is not tenable in view of the following:

- The cost of dewatering has been considered separately and was included in the basic rate though the work was a composite work.
- In the case of dewatering, the basic rate has been calculated for 2,260 HP pumps working on an average of 20 hours a day for 365 days in a year. So there should be a mechanism to watch that the pumps were used for the estimated hours. In its absence, use of pumps for the estimated hours can not be ensured and there is scope for excess payment being made. Thus, non-provision for payment to be made on

[*] Submitted under Rule-45 of Mineral Conservation and Development Rules, 1988.

operation of pumps for the estimated basis is a deficiency in the contract.

- As the returns are submitted to IBM to give information on use of pumps under the Mineral Conservation and Development Rules, 1988, these should reflect the true picture to comply with the rules. If the statutory returns do not give the true picture, as replied by the Management, it is irregular and liable to attract penalty.
- Management in reply, stated that the correct picture on use of pumps can be obtained from the information submitted by ACC and certified by the Mines Managers. At the same time, it also stated that the Mines Managers were not required to record the hours of each pump utilised by ACC. Thus, both the statements given by the Management are contradictory.
- It was further noticed that despite a comment relating to the same contract on extension of undue benefit to ACC on payment towards higher wage component under paragraph 3.7 of the Report of the Comptroller and Auditor General of India (Commercial), Government of Orissa for the year ended 31 March 2005, the contract has not been reviewed. The Company only obtained (July 2005) a legal opinion from an advocate of the Supreme Court on an order (27 October 1990) of Hon'ble Orissa High Court and extended the contract for two more years in September 2005. Being a Government company, the matter has neither been referred to the Law Department nor the opinion of the Advocate General of the State obtained.

Thus, failure of the Company to revise the basic price despite knowing the fact that the contractor is engaging pumps of less capacity for dewatering was tantamount to extension of undue favour to the contractor which resulted in excess expenditure of Rs.14.82 crore.

The above matter was reported to the Government (April 2007); their reply had not been received (October 2007).

3.2 Loss of revenue due to delayed action

Failure of the Management to make timely arrangement for transportation of chrome ore led to loss of revenue of Rs.2.30 crore.

The Company exports high grade chrome ore through Mines and Mineral Trading Corporation Limited (MMTC) from Paradeep port. MMTC allocates the quantity to be exported on a quarterly basis and shipment of chrome ore is carried out from the port as per agreement entered into with MMTC from time to time. Through a tender (January 2004), the Company engaged (1 March 2004) Paradeep Cargo Carriers (PCC), being the L_1 tenderer, for transportation of 2 lakh MT of ore to Paradeep from 1 March 2004 to 31 August 2004. PCC transported only 627.62 MT up to 18 March 2004 and discontinued the transportation thereafter.

MMTC allocated (24 March 2004) a quantity of 13,000 MT of 50-52 grade chrome ore to the Company for export at a rate of US$ 214.17 per MT pertaining to the first quarter of 2004-05. Since the Company could not confirm the cargo readiness by 29 April 2004, MMTC diverted the quota (29 April 2004) to other producers.

The Company, through a fresh tender, awarded (5 May 2004) the work of transportation to Kandoi Road Lines (KRL[#]) for two months with a target of 30,000 MT. KRL transported 35,959 MT to Paradeep during 10-26 May 2004. The transported quantity of stock was exported in October/ December 2004 when the price came down to US$ 175 per MT. As a result, the Company could not export 13,000 MT of chrome ore at US$ 214.17 per MT as allocated by MMTC on 24 March 2004 and was deprived of revenue of Rs.2.30[*] crore.

Audit scrutiny revealed the following:

- The Company awarded the work to PCC without signing any agreement though there was shortfall of Rs.11.06 lakh in initial security deposit by PCC. Further, although PCC discontinued transportation from 18 March 2004, the Company did not expedite the process of making alternative arrangements for transportation to meet its export commitment.
- In spite of the urgency of the work, the Company did not negotiate with L_2 or L_3 party of earlier tender of January 2004 for carrying out the transportation work and instead went in for a fresh tender. Further, though the fresh tender was opened on 6 April 2004, the contract was finalised and awarded only on 5 May 2004 i.e. after lapse of a month during which the stock could have been transported.

The Management stated (July 2007) that due to hike in rates by the local truck association, PCC discontinued the transportation of ore. It was also stated that the work was awarded to KRL after observing the required formalities which should not be construed as delay. The reply is not acceptable, as the steps taken by the Company were not sufficient considering the urgency of the work, which reflected the lackadaisical attitude of the Management.

Thus, failure of the Management to make timely arrangement for transportation of chrome ore resulted in loss of revenue of Rs.2.30 crore.

The above matter was reported to the Government (May 2007); their reply had not been received (October 2007).

[#] The L_3 tenderer in the earlier tender of January 2004.

[*] 13,000 MT x (US$ 214.17-US$ 175) x Rs.45.24 (exchange rate).

3.3 Loss of revenue

Sale of lump iron ore by the Company without crushing resulted in loss of additional revenue of Rs.61.12 lakh.

The Company awarded (June 2003) the contract for excavation/raising and transportation of lump iron ore from the Company's SGBK Mines to a private contractor, K.D. Sharma, for a period of three years. In terms of the contract, the contractor was required to convert the excavated quantity of lump iron ore into Calibrated Lump Ore (CLO) of 5-18 mm size. The scope of work also included installation of own crusher and screening unit by the contractor. It was further stipulated that the contractor would raise 2.52 lakh MT of lump ore in the first year of contract, out of which it would crush 1.52 lakh MT at its own crusher and transport the balance 1 lakh MT to the designated crusher of the Company for converting into CLO.

During July 2003 to June 2004, as against the target of 2.52 lakh MT, the contractor raised 1.10 lakh MT of lump ore and transported 85,520 MT. Of this, it transported 36,778 MT to the Company's designated crusher and 27,450 MT to its own crusher for converting into CLO. The Company sold the balance 21,292 MT of lump ore at a price ranging from Rs.855 to Rs.921 per MT without converting into CLO. During the same period, the price of CLO ranged from Rs.1,875 to Rs.1,980 per MT. Considering the additional cost of Rs.180.60 per MT towards crushing expenses, it was a favourable proposition to sell CLO instead of lump ore.

Audit scrutiny revealed the following:

- During July 2003 to June 2004, the Company sold 21,292 MT of lump ore which could have been crushed into 13,840[*] MT of CLO. Considering the higher prices of CLO and additional cost of crushing, the Company was deprived of additional revenue of Rs.61.12 lakh due to sale without crushing.
- Though there was shortfall in excavation/ raising and transportation by the contractor, the Company recovered only Rs.1.11 lakh towards penalty from the contractor against Rs.31.56 lakh leviable as per the terms of the agreement for non-fulfilment of contractual obligations.

The Management stated (July 2007) that the shortfall in achieving targeted quantity by the contractor was due to delay in installation of crusher, space constraints for handling ores, labour problems and dispute between the raising and the crushing contractors. The reply is not tenable since the Company awarded the work without ensuring installation of crusher by the contractor.

Thus, due to sale of lump iron ore without crushing despite keeping the crusher idle, the Company sustained loss of Rs.61.12 lakh.

[*] Being 35 *per cent* (7,452 MT) is generated as fines and 65 *per cent* (13,840 MT) is CLO.

The above matter was reported to the Government (April 2007); their reply had not been received (October 2007).

3.4 Excess payment of wages

Failure of the Company in ensuring actual quantity of production before making payment led to excess payment of Rs.41.16 lakh towards wages.

The Company undertakes the work of excavation, breaking, sorting, sizing and stacking of iron ore in Jagar quarry of Gandhamardan Iron ore mines departmentally through engagement of workers. The workers were paid on the basis of piece rate. The Company fixed (July 2002) piece rate of Rs.87.50 per 36 cubic feet (cft) for the above work which was made effective retrospectively from 1 October 2001. In actual practice, the Company measures the work done by the workers through a box of 18 cft and payment was made at Rs.43.75 per box.

In December 2003, the Company constituted a Committee for determining the weight-volume ratio with a view to ascertain and record the figures of actual production of iron ore. The Committee determined (January 2004) the weight of one cubic meter of iron ore as 2.5 MT. As such, the weight of iron ore of one box is worked out to 1.275* MT.

Audit scrutiny revealed the following:

- Although the Committee had determined (January 2004) the weight-volume ratio, the Company had never made any effort to reconcile the actual output vis-à-vis the payments made for number of boxes.
- The actual production of iron ore in Jagar quarry was 3,84,739 MT (January 2004 to March 2007), which in terms of boxes worked out to 3,01,921 boxes.
- As against the actual production of 3,01,921 boxes, the Company made payment for 3,96,000 boxes resulting in excess payment for 94,079 boxes amounting to Rs.41.16 lakh (at a rate of Rs.43.75 per box).

The Management stated (July 2007) that the weight-volume ratio might have been determined for use in various technical aspects and there would be gap between volumetric figure and actual weight due to unavoidable reasons like unevenness of the ground on which boxes are kept, varying degree of void in the ore, etc.

The reply is not tenable since the weight-volume ratio had been determined for the purpose of recording production figure. This fact has also been confirmed by the Management. Thus, there can not be any bias in the weight-volume relationship established by the Committee. It is the responsibility of the Management to ensure proper measuring of boxes to avoid excess payment of wages.

* Since 1 cubic meter is 35.31338 cubic feet.

Thus, failure of the Company in ensuring actual quantity of production before making payment led to excess payment of wages of Rs.41.16 lakh.

The matter was reported to the Government (April 2007); their reply had not been received (October 2007).

Orissa State Beverages Corporation Limited

3.5 Loss of revenue due to delayed/non-implementation of revised price

Delay in implementation of upward revised prices of 180 ML size IMFL and non-revision of prices of 375 ML size IMFL by the Company led to loss of revenue of Rs.48.73 lakh.

The Company was incorporated (November 2000) for implementing the Excise Policy formulated by the State Government from time to time with a view to check evasion of Excise Duty and Sales Tax. The wholesale trade of Indian Made Foreign Liquor (IMFL) was also entrusted to the Company by an amendment of Bihar and Orissa Excise Act, 1915. The State Government constituted (April 2003) a Price Fixation Committee (PFC) for fixation of price of IMFL supplied through the Company. For arriving at the issue price of IMFL, Entry Tax, State Excise Duty, margin of the Company and Sales Tax are added to the price fixed by PFC. The Company remits Entry Tax, State Excise Duty and Sales Tax to the State Government. Audit scrutiny of price fixation and its implementation revealed the following:

- The PFC observed (June 2005) that the cost of sale of 180 ML of IMFL should be more in comparison to the cost of sale of 750 ML size and 375 ML size packs due to incidence of additional packing cost[*] in smaller size bottles.
- Based on the above analogy, PFC increased (18 July 2005) the offer price of 375 ML size of only one supplier (viz. Kaleast Bottling (P) Limited) by 1.4745 *per cent* compared to the offer price of same brand of 750 ML size packs. The PFC, however, did not revise the offer prices of 375 ML size packs of all other suppliers of IMFL. Though the Chairman-cum-Managing Director of the Company was the convenor of the PFC, he did not bring this fact to the notice of PFC. As a result, the Company sustained loss of Rs.36.77 lakh during the period 19 July 2005 to 31 March 2006 on sale of IMFL of 375 ML size of other suppliers.
- The PFC also increased (6 August 2005) the offer price of 180 ML size by 1.7831 *per cent* compared to the price of 375 ML. The Company, however, implemented the enhanced price only from 1 September 2005 causing loss of revenue of Rs.11.96 lakh.

[*] Cost of bottles, labels, caps, stickers, etc.

The Government/ Management stated (April/ July 2007) that the process of implementation of the revised price took time for complying with the procedural formalities viz. preparation of minutes, authentication by the members of the PFC, computerisation of the data and communication to depots for implementation. It, however, assured for speedy implementation henceforth. Regarding non-revision of price of 375 ML size bottles, it was replied that the decision to hike the landing price of 375 ML size bottles of only Kaleast Bottling (P) Limited was taken considering various factors which was the prerogative of PFC.

The reply is not tenable in view of the fact that there should not have been any delay in implementation at the cost of the Government exchequer. Further, the price of smaller size bottles of all suppliers should have been increased in proportion to the price of bigger size bottles, considering PFC's own observation in this regard. The Company also failed to bring this fact to the notice of PFC.

Thus, delay in implementation of upward revised prices of 180 ML size IMFL and non-revision of prices of 375 ML size uniformly in respect of all the suppliers resulted in loss of Rs.48.73 lakh to the Company.

Orissa Hydro Power Corporation Limited

3.6 Loss due to injudicious decision

Non-acceptance of bonds for Rs.250 crore by the Company in the first instance led to loss of interest of Rs.127.50 crore.

Orissa Hydro Power Corporation Limited (OHPC) generates electricity from its various hydroelectric projects and has been selling the same to the Grid Corporation of Orissa Limited (GRIDCO) since 1 April 1996. GRIDCO, however, could not pay the energy bills to OHPC and the dues on this account accumulated to Rs.149.50 crore as of October 1998. To enable part liquidation of the dues, GRIDCO allotted (February 1999) bonds worth Rs.50 crore to OHPC carrying interest at 15 *per cent* per annum. The rate of interest, however, was reduced to 8.5 *per cent* retrospectively from April 2001 as per the orders (June 2003) of Orissa Electricity Regulatory Commission (OERC).

In accordance with the recommendations of the Committee of Independent Experts[*] and corrective measures suggested by OERC, the State Government decided (January 2003) for securitisation of all outstanding dues payable to OHPC by GRIDCO till 31 March 2001 through issue of power bonds. As per the records of OHPC, the outstanding dues payable by GRIDCO as on 31 March 2001 amounted to Rs.278.39 crore (excluding Rs.50 crore for which bonds had already been issued by GRIDCO). The figure of the outstanding

[*] Sovan Kanungo Committee.

dues is, however, yet to be reconciled between OHPC and GRIDCO due to disagreement over dues towards hydrology failure[∇] and secondary energy[∇∇].

Audit scrutiny revealed that GRIDCO proposed (July 2003) for issuing bonds worth Rs.250 crore towards outstanding dues payable (subject to reconciliation) as on 31 March 2001 at interest rate of 8.5 *per cent* per annum. OHPC, however, refused (September 2003) the proposal on the ground that the value of the bond was less than the outstanding dues as on 31 March 2001 and insisted for Government guarantee on bonds as given by GRIDCO to National Thermal Power Corporation Limited earlier (October 2000 and October 2001) in issuing bonds.

Although in its revised proposal, GRIDCO offered (October 2003) bonds for Rs.310 crore covering the outstanding dues up to 31 March 2003, the proposal offered zero interest on the bond amount citing the orders (23 June 2003) of OERC. OHPC did not accept the proposal and requested (28 October 2003) the State Government to issue directions to GRIDCO to issue interest bearing bonds equal to the outstanding receivable as on 31 March 2001. No direction had so far been issued (October 2007) by the State Government. As a result, the outstanding dues of OHPC as on 31 March 2001 were yet to be cleared/ securitised.

It was observed that since the contentious issues of hydrology failure and secondary energy were still under the consideration of OERC, it was in the financial interest of OHPC to accept the bonds for Rs.250 crore offered by GRIDCO in first instance as this was subject to reconciliation of dues as on 31 March 2001 at a later stage. Thus, non-acceptance of the offer of GRIDCO resulted in loss of Rs.127.50[*] crore towards interest for the period 1 April 2001 to 31 March 2007.

The Government/ Management stated (May/July 2007) that the matter regarding non-reconciliation of accounts had been taken up with GRIDCO and would be settled at the earliest. The fact, however, remained that the Administrative Department was yet to issue any direction to GRIDCO to issue interest bearing bonds equal to outstanding dues of OHPC as on 31 March 2001 and the reconciliation was pending (October 2007).

3.7 Loss due to delay in installation of transmission line

Failure of the Company in taking timely action to install its own transmission line for drawing power from its generating station for use in its colonies resulted in loss of Rs.7.01 crore.

The Company sells its generated power to GRIDCO who, in turn, sells the same to the four power distribution companies for retail distribution of

[∇] Failure to generate quantum of energy as committed during fixation of tariff due to scarcity of water.

[∇∇] The quantum of energy generated in excess of the design energy on per year basis at the generating station. As such, the generation of secondary energy is a matter of incidence.

[*] Calculated at 8.5 *per cent* from 1 April 2001 to 31 March 2007 on Rs.250 crore.

electricity to the ultimate consumers. Prior to June 2005, the Company was not authorised to draw and supply electricity from its own generation for consumption in the housing colony and township of its staff. The Union Ministry of Power (MoP) issued (June 2005) a notification that a generating company shall not be required to obtain license under Electricity Act, 2003 to supply power to its housing colonies and townships. As such, the Company could meet the requirements of its housing colony and township after June 2005 from its own source.

3.7.1 The Company draws power from Southern Electricity Supply Company of Orissa Limited (SOUTHCO) for consumption in its housing colony and township through its distribution network at general tariff of Rs.3 per unit. On the other hand, the Company sells the power generated in its hydro power station at Mukhiguda to GRIDCO at Re.0.4638 per unit.

Audit scrutiny revealed the following:

- It was economical for the Company to use its own power. The Company, however, after a lapse of one year, assessed (July 2006) that drawing of 2 KMs long 11 KV line along with some minor modifications to the existing line would be required. The cost of the work was estimated (August 2006) at Rs.5.20 lakh.
- Giving three months for construction of the proposed 2 KMs of 11 KV line, the Company could have started using its power from October 2005 onwards. During the period October 2005 to March 2007, the Company purchased 23.79 million units for Mukhiguda colony @ Rs.3 per unit. As a result, the Company incurred avoidable expenditure of Rs.6.03[*] crore.

The Management/Government while accepting the fact stated (July 2007) that they were taking steps to segregate and hand over the load of non-OHPC consumers[#] for the existing transmission line to the concerned power distribution company after which they would meet their power requirement from their own generation.

3.7.2 In respect of power requirement for Bariniput staff colony, the Company was drawing power @ Rs.2.30 per unit. The Company belatedly decided (May 2006) to retain the distribution network for exclusive supply of electricity from its own generation. Accordingly, it was agreed (May 2006) in a meeting of the Company, SOUTHCO and GRIDCO that SOUTHCO would carry out the necessary technical modifications in transmission lines for this purpose within three months (i.e. by 1 October 2006). However, the modifications had not yet been carried out (October 2007).

[*] Being the difference of cost of power purchased (Rs.3 per unit) and cost of generation (Re.0.4638 per unit for 2,37,92,901 units consumed.

[#] Represent the consumers not among Company's staff but drawing power through the transmission line of Company's housing colony/township.

Audit scrutiny revealed the following:

- OHPC took up (May 2006) the issue with GRIDCO and SOUTHCO after almost one year after MoP notification. However, OHPC did not execute any formal agreement with SOUTHCO nor pursued the matter after expiry of agreed period of three months in October 2006. OHPC also failed to take steps on its own to modify the system.
- Supply of power from its generation would have been possible at the rate of Re.0.1372 up to March 2006 and Re.0.1635 per unit thereafter. OHPC, however, paid @Rs.2.30 per unit to SOUTHCO and the extra expenditure on this score worked out to Rs.98.19 lakh for the period from July 2005 to March 2007.

The Management stated (May 2007) that OHPC had constantly pursued the issue with SOUTHCO to take up the work but SOUTHCO did not respond. It was further stated that the estimate for carrying out the necessary modifications by the Company itself had already been approved (May 2007) by the competent authority. The reply is not acceptable as the Company should have taken the timely action for carrying out the necessary technical modifications by itself instead of waiting long for SOUTHCO's response as the saving involved on this account was significant.

Thus, failure of the Company in taking timely action to install its own transmission system for drawing power from its generating station for use in the staff colonies resulted in loss of Rs.7.01 crore. These units of the Company would continue to incur extra expenditure till the distribution system for its colonies is taken over from SOUTHCO and timely action is not taken for carrying out the technical modifications.

The above matter was reported to the Government (April 2007); their reply had not been received (October 2007).

3.8 Loss due to defective tariff proposal

Failure to claim Electricity Duty on auxiliary consumption for secondary energy coupled with non-inclusion of Electricity Duty at the enhanced rate in the tariff proposal resulted in loss of Rs.47.14 lakh to the Company.

As per Orissa Electricity Duty Act, 1961, the consumption of electricity attracts Electricity Duty (ED) payable to the State Government. The Company is required to pay ED on its auxiliary consumption[#] and to get it reimbursed from the Grid Corporation of Orissa Limited (GRIDCO) in addition to the approved tariff. The auxiliary consumption is allowed at 0.5 *per cent* of gross generation (actual quantum of generation before adjustment of auxiliary consumption) by the Orissa Electricity Regulatory Commission (OERC). The rate of ED was Re.0.12 per unit up to 9 October 2001 and Re.0.20 per unit

[#] Energy consumed for generation of electricity by power generating companies.

thereafter. The tariff proposals for primary* energy as annually submitted by the Company for the years 2001-02 to 2005-06 were approved by OERC. Further, OERC approved (July 2001) the tariff of secondary$^{\nabla}$ energy (inclusive of ED) at 5 *per cent* of average rate of tariff of primary energy in respect of old power stations.

During the period 2001-02 to 2005-06, gross generation of the Company was 27,430.968 MU including 2,261.784 MU of secondary energy. The auxiliary consumption for generating secondary energy was 11.31 MU. The ED payable by the Company on the auxiliary consumption in respect of gross generation worked out to Rs.2.61 crore, out of which, the Company paid Rs.2.42 crore to the State Government. As against this, the Company could recover Rs.2.14 crore through tariff from GRIDCO resulting in short recovery of Rs.47.14 lakh.

It was observed that the Company, while submitting the tariff proposals for the years 2001-02 to 2005-06 to OERC, included ED on auxiliary consumption on primary energy only and failed to include ED on auxiliary consumption on generating secondary energy and therefore, it remained excluded from the tariff. The Company also failed to include ED at the enhanced rate of Re.0.20 per unit in the tariff proposal for the years 2001-02 and 2002-03. In the absence of any provision for raising bills towards ED on secondary energy, the Company could not raise a claim of Rs.22.30 lakh towards ED on 11.31 MU of auxiliary consumption for generating secondary energy. The Company also could not claim the amount towards enhanced ED for the period 10 October 2001 to 31 March 2003 on its gross generation amounting to Rs.24.84 lakh as it had not included the same in the tariff proposal.

Since OERC had already approved tariffs of GRIDCO and distribution companies for the years up to 2006-07 based on the approved tariffs of the Company, chances of recovering the differential ED for prior periods from GRIDCO are remote.

The Management stated (July 2007) that GRIDCO had been requested to reimburse the balance ED. The reply of the Management indicates the undue burden of ED on the Company which was due to submission of faulty tariff proposal.

Thus, due to failure to claim ED on auxiliary consumption for secondary energy coupled with non-inclusion of ED at the enhanced rate in the tariff proposal, the Company sustained loss of Rs.47.14 lakh.

The above matter was reported to the Government (June 2007); their reply had not been received (October 2007).

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* The quantum of energy generated up to the design energy on per year basis at the generating station

$^{\nabla}$ The quantum of energy generated in excess of the design energy on per year basis at the generating station. As such, the generation of secondary energy is a matter of incidence.

Orissa Power Transmission Corporation Limited

3.9 Loss in letting out feeder bays

Absence of any defined policy of the Company in letting out its assets for use by the consumers resulted in loss of Rs.1.44 crore.

The power transmission activities in the State were managed by the Grid Corporation of Orissa Limited (GRIDCO) up to 31 March 2005. The Orissa Power Transmission Corporation Limited (Company) was incorporated (29 March 2004) and the activities of GRIDCO relating to the power transmission in the State were transferred to the Company with effect from 1 April 2005.

Jindal Stainless Limited (JSL) entered (November 2003) into an agreement with GRIDCO to utilise feeder bay Nos.9 and 10 of 400/220 KV New Duburi substation for drawing electricity. As per the agreement, JSL was required to construct and hand over two feeder bays viz. No.11 and 12 to the Company before availing power supply from 400/220 KV New Duburi substation. At the request of JSL, the Company allowed (12 September 2005) power supply through feeder bay No.10 with an undertaking from JSL to complete the above bays (11 and 12) by 30 September 2005. The Company, however, did not fix any hire charges payable by JSL for use of bay No.10. JSL completed and handed over the two feeder bays (No.11 & 12) on 20 November 2006.

In another case, it was observed that Rohit Ferro Tech Limited (RFTL) requested (October 2006) the Company for use of a feeder bay of the above transmission line as per the conditions to be laid down by the Company. The Company allowed (21 November 2006) use of bay No.12 for two months with an undertaking from RFTL that bay no.13 would be completed and handed over by them within two months from the date of power supply, but without fixing the hire charges for use of the bay. RFTL continued to use the feeder bay of the Company through periodic requests and was yet to complete the construction of bay No.13 (October 2007). The Company asked (20 March 2007) RFTL to deposit the hire charges of Rs.49.48[*] lakh for the period 21 November 2006 to 30 April 2007. RFTL, however, deposited (31 March 2007) Rs.12.29 lakh only for the period 22 March 2007 to 30 April 2007 and requested to waive the hire charges of Rs.37.19 lakh for the period 21 November 2006 to 21 March 2007 as they had not received any prior intimation to this effect while receiving permission to use the feeder bay of the Company.

Audit scrutiny revealed the following:

- The Company did not have any laid down policy including charges recoverable for letting out its assets for use by outside parties. It allowed JSL and RFTL to use the Company's bays before construction of bays by them.

[*] Hire charges of Rs.30,734 per day based on rate of depreciation and interest on capital cost of the feeder bay as allowed by Orissa Electricity Regulatory Commission in fixation of tariff.

- The Company did not impose any hire charges on JSL for the period of 435 days (viz. 12 September 2005 to 20 November 2006) it used bay no.10. Considering the methodology adopted in calculating per day charges in respect of RFTL, JSL should have been charged Rs.1.07 crore (Rs.24,491 per day) as hire charges.
- In case of RFTL, in the absence of any provisions in the agreement, the possibility of recovery of hire charges of Rs.37.19 lakh for the period 21 November 2006 to 21 March 2007 was remote.

Thus, absence of any policy for letting out its assets for use by the consumers and deficiency in terms and conditions in letting out the feeder bay resulted in loss of Rs.1.44 crore to the Company.

The above matter was reported to the Management/ Government (June/ July 2007); their replies had not been received (October 2007).

3.10 Loss due to sharing of cost of a deposit work

Acceptance of deposit work on 50 *per cent* cost sharing basis in deviation from its standard practices would result in avoidable expenditure of Rs.87.25 lakh.

One of the towers of 132 KV line running from Paradeep grid substation to Paradeep Port Trust (PPT) was located inside the premises of Paradeep Phosphate Limited. Due to deposit of chemical effluent emitted from PPL around the conductor, there was frequent power interruption. PPT requested (June 2003/February 2004) the Company to relocate the tower and further submitted (May 2005) a revised proposal for re-routing of the 132 KV line in view of its expansion plan. While submitting the drawing of the work, PPT requested (May 2005) the Company to share 50 *per cent* of the cost of the work. The Company estimated (November 2005) the cost of the work at Rs.1.74 crore. The Company agreed (April 2005) to bear 50 *per cent* of the cost of the work on the ground that PPT had provided (February 1996 to June 2000) interest free advance of Rs.15 crore for construction of a different line from Duburi to Paradeep. The Board of Directors approved (May 2006) the sharing of 50 *per cent* of the cost of the work. PPT deposited (July 2006) Rs.87.25 lakh (being 50 *per cent* of the estimated amount). The tendering of the work was yet to be finalised (August 2007).

Audit scrutiny revealed the following:

- The re-routing was proposed by PPT considering its expansion plan and for its own convenience. Hence, as per the Company's standard practice, the work was falling under the category of deposit work and PPT was liable to bear the full cost of the work.
- For construction of 220 KV Duburi-Paradeep line, PPT had deposited Rs.13 crore upto August 1998 and Rs.2 crore (June 2000). The Company, however, could not complete the work and as per agreement, the Company adjusted (between September 1998 and August 1999) the advance of Rs.13 crore from the energy bills of PPT

and balance Rs.2 crore (between August and September 2000) against the cost of restoration of lines damaged in the super cyclone.

The Management/Government stated (July 2007) that since the commitment to construct 220 KV Duburi-Paradeep line could not be fulfilled despite deposit of interest free advance by PPT, sharing of cost was agreed to. The reply is not tenable in view of the fact that the interest free advance received by the Company from PPT had already been set off through adjustment against dues of PPT. Thus, the issue had already been settled without creating any further liability on the Company.

Sharing of cost of the deposit work subsequently in deviation from its standard practice not only lacked justification but also would result in avoidable expenditure of Rs.87.25 lakh.

3.11 Avoidable expenditure

Non-conducting of periodic inspection and maintenance of towers coupled with delayed action for the replacement of missing tower members resulted in avoidable expenditure of Rs.73.18 lakh.

The stability of a transmission tower (220 KV and 132 KV) mainly rests on the members attached to the tower and failure to take timely repair/replacement action of tower members could make the towers weak. The Company issued instructions* from time to time to the EHT (O&M) Divisions for carrying out the necessary repair/replacement work of tower members immediately after detection of defects.

Between April and September 2004, there were thefts of tower members valued at Rs.1.11 lakh at locations Nos.497 to 503 of Theruvali-Bhanjanagar 220 KV line. The EHT (O&M) Division, Bhanjanagar did not replace the tower members. In a whirlwind (April 2005) in the area, 13 towers at locations 493 to 505 collapsed causing disruption of power supply on the route. The General Manager (Electrical) attributed (May 2005) the collapse to theft of tower members. The Company executed (May 2005) the work of replacement of the towers at a cost of Rs.73.18 lakh.

It was observed that the EHT (O&M) Division, Bhanjanagar failed to replace the missing tower members on the identified locations despite repeated instructions by the Head Office. Further, though the laid down procedure of the Company envisaged periodic inspection and maintenance of towers, the same was not adhered to. The reasons for such deviations were not on record. The Company also did not fix the responsibility nor initiated action against the erring officials. As a result, the Company had to incur avoidable expenditure of Rs.73.18 lakh.

The Management stated (August 2007) that the ageing factor and the wind pressure design aspect might be the causes for twisting of the towers. The

* 19 July 2004, 4 August 2004, 18 August 2004, 27 August 2000, 8 September 2004, 27 September 2004 and 19 November 2004.

reply substantiates the fact that vigorous actions for replacement of tower members should have been taken considering the aging factor of these towers. Further, the tower members are meant to withstand the wind pressure by the tower irrespective of its age.

Thus, lack of timely action for replacing the missing tower members resulted in avoidable expenditure of Rs.73.18 lakh.

The above matter was reported to Government (June 2007); their reply had not been received (October 2007).

Orissa Hydro Power Corporation Limited and Orissa Power Transmission Corporation Limited

3.12 Avoidable burden on consumers due to short drawal of power

Shortfall in drawal of power by the State power sector companies resulted in avoidable burden of Rs.36.40 crore towards additional cost of power on the consumers.

The State Government was entitled to draw 30 *per cent* of the energy generated by Machkund Hydro Electric Project (MHEP) which was jointly owned by Orissa and Andhra Pradesh. The State Government entered (December 1978) into an agreement with the Government of Andhra Pradesh for purchasing 20 *per cent* of the energy generated in MHEP at Re.0.08 per unit in addition to its share. The erstwhile Orissa State Electricity Board (OSEB) was the operating agency for Orissa's share of the project since its inception and with effect from 1 April 1996, Orissa Hydro Power Corporation Limited (OHPC) became the operating agency. The Grid Corporation of Orissa Limited (GRIDCO) was holding the responsibility of monitoring the grid operations of the State up to 31 March 2005 when this work was transferred to Orissa Power Transmission Corporation Limited (OPTCL) as per the Electricity Act, 2003. Andhra Pradesh Generation Corporation Limited (APGENCO) off takes the power from MHEP and transmits the same to Andhra Pradesh Transmission Corporation Limited.

It was noticed that as against total net generation of 10,177.8505 MU during 1992-93 to 2006-07 by MHEP, 4,727.1584 MU could be drawn against Orissa's share of 50 *per cent* (5088.9253 MU) leaving a shortfall of 361.7669 MU. Out of this, the short drawal of power relating to the period 2003-04 to 2006-07 was 168.6845 MU.

Audit scrutiny revealed the following:

- There was difference in view between OHPC and OPTCL as regards responsibility for ensuring full drawal of power by the State from MHEP. OHPC was of the view that OPTCL, being the grid operator, should ensure full drawal of energy. OPTCL held that OHPC should furnish the hourly generation data and day ahead availability of power data of MHEP by fax to OPTCL on daily basis for enabling it to draw full share of power, which OHPC failed to comply with. GRIDCO, who was the grid operator prior to 1 April 2005, stated that the entitled power could not be drawn due to system constraints.

- APGENCO attributed (February 2006) the reasons for short drawal by Orissa to inadequate demand in grid since there was no control mechanism in the powerhouse to restrict drawal by Orissa. APGENCO, however, agreed (January 2006) to compensate the short drawal of power by Orissa for the year 2005-06 by the end of March 2006.
- A decision was taken (January 2006) in the meeting of Power Sector Co-ordination Committee to explore the feasibility of synchronisation of MHEP generation with the Eastern Region System and exchanging with APGENCO share through central sector allocation of power to Andhra Pradesh. This has not yet been finalised (October 2007).
- Since GRIDCO (the bulk supplier of the power) purchased power from National Thermal Power Corporation Limited at unit price ranging from Rs.2.2112 to Rs.2.3091 during 2003-04 to 2006-07, failure to avail 168.6845 MU during 2003-04 to 2006-07 resulted in additional expenditure of Rs.36.40 crore and consequential burden of differential cost of power on the consumers.

The Government/Management of OHPC stated (June/July 2007) that they had no role in drawal of power from MHEP. The reply is not tenable in view of the fact that the Company had failed to comply with the requirements of OPTCL in furnishing required data for facilitating drawal of State’s full share of power from MHEP.

Thus, shortfall in drawal of power by the power sector companies of the State from Machkund Hydro Electric Project resulted in additional expenditure of Rs.36.40 crore and consequential avoidable burden of differential power cost on the consumers.

The above matter was reported to OPTCL (May 2007); their reply had not been received (October 2007).

Industrial Development Corporation of Orissa Limited

3.13 Undue benefit to buyers

Non-adherence to the terms of the sales order by the Company and sale of chrome ore at price below the prevailing market price led to loss of revenue of Rs.2.11 crore.

After inviting (March 2006) open tenders, the Company issued (24 April 2006 and 6 May 2006) sales orders to 12 buyers for disposal of 27,500 MT chrome ores (30-32 *per cent*) at the highest rate of Rs.1,100 per MT. The terms of the sales orders, *inter alia*, envisaged that the buyers would deposit the full provisional value of the materials in advance and lift the materials within 30 days from the date of obtaining stack removal permission from the Deputy Director of Mines of the State Government, failing which no claim from the buyers would be entertained to lift the materials at the agreed price. In that situation, the sales order would be automatically cancelled and the amount deposited towards provisional sales value would be forfeited.

Accordingly, all the buyers deposited the full provisional sales value for 27,500 MT of chrome ores and stack removal permission was granted between 22 April 2006 and 12 May 2006. Hence, all the buyers were required to lift their respective allotted materials by 11 June 2006.

Audit scrutiny revealed the following:

- Within the stipulated date, five buyers did not lift 6,968 MT out of the allotted quantity of 14,000 MT. The Company, however, neither cancelled the sales order nor forfeited their deposits as per the terms of the sales order. Instead, it allowed (between July and October 2006) these five buyers to lift the unlifted quantity of 6,968 MT at the agreed price of Rs.1,100 per MT though the market price during this period was prevailing at Rs.2,282[*] per MT resulting in loss of Rs.82.36 lakh.
- The Company noticed (April 2006) additional chrome ore lying beside the stacks put to sale in the tender of March 2006. For selling these ores of 10,917 MT, the Company did not resort to open tender for sale, instead it sold (June-September 2006) the same to the six buyers of the earlier tender (March 2006) at a rate of Rs.1,100 per MT against the prevailing market price of Rs.2,282 per MT leading to loss of Rs.1.29 crore.

The Management/Government stated (June/August 2007) that due to operation of its weighbridge in a single shift, priority was accorded to despatch of chrome ores for export and captive consumption and hence the trucks of the parties were not allowed to operate. It also added that due to heavy rain and non-availability of sufficient number of trucks to the buyers, there was delay in lifting of chrome ore by the buyers. It was further stated that since the Company did not have the required capacity for beneficiation of low grade ore to chrome concentrate, the loss calculated in audit is hypothetical.

The reply is not tenable as the constraints in despatch of material adduced by the Management have no recorded evidence. The problems relating to heavy rain and insufficient trucks should have been taken care of by the buyers. Further, the loss was worked out by Audit on the same methodology as was adopted by the Management while fixing the reserve price of chrome ore.

Thus, non-adherence to the terms of the sales order and sale of chrome ore without inviting open tenders led to extension of undue benefit to the buyers resulting in loss of additional revenue of Rs.2.11 crore.

[*] Derived from the market price of chrome concentrate in the corresponding period.

3.14 Undue favour to buyers

Injudicious decision of the Company to increase the quantity and lifting period resulted in loss of Rs.2.10 crore.

The Company issued (January 2005) sales order for stack no.153/04 and stack no.154/04 of chrome ores (34.52 and 34.23 *per cent* chrome content respectively) in favour of Visa Industries Limited (VIL) and Pradhan Industries Private Limited (PIPL) for a quantity of 11,000 MT each at Rs.1,107 and Rs.1,105 per MT respectively. As per the terms of the sales order, the buyers would lift the entire quantity of ores in the allotted stack by 31 January 2005 even if ores were available in excess of 11,000 MT.

VIL and PIPL could lift only 7,800 MT and 7,183 MT by 31 January 2005. The Company subsequently found (February and March 2005) additional quantities in the stacks and allowed the buyers (February and March 2005) to lift the additional quantities. VIL and PIPL lifted total quantity of 19,800 MT and 16,043 MT respectively by the end of March 2005. Thus, the buyers were allowed to lift 20,860 MT beyond the stipulated period.

Audit scrutiny revealed the following:

- Though the buyers did not lift the allotted quantity by the stipulated date i.e. 31 January 2005, the Company did not terminate the contract nor forfeited the security deposit as per terms of the sales order. Instead, the Company increased (February and March 2005) the agreed quantity of sale to VIL and PIPL by 8,800 and 5,043 MT respectively.
- Since the price of identical grade chrome ore (34 *per cent* grade) was Rs.2,113 per MT in February 2005, the decision of the Company to increase the quantity as well as its lifting period was unjustified. As a result, the Company sustained loss of revenue of Rs.2.10 crore.
- The legal opinion obtained by the Company also suggested that the tenure of the contract ceased after 31 January 2005 and the buyer had no right to lift materials after such date.

The Management/Government stated (April 2006 and August/September 2007) that due to transporter's strike in January 2005 both the buyers could not lift the material within the due date and extension was granted at their request. It was also stated that since additional chrome ores were noticed, allotted quantities of the buyers were increased as per the terms of the sales orders. The reply is not factually correct as during the month of January 2005, ores from four stacks of the Company were transported by the respective buyers. Further, the buyers had no right to lift the additional quantities after the stipulated date as also suggested by the legal opinion obtained by the Company.

Thus, injudicious decision of the Company to increase sales quantity and lifting period disregarding the market price and in deviation from the terms of sales order resulted in loss of revenue of Rs.2.10 crore.

3.15 Extra expenditure

Non-acceptance of the lowest tender by the Company resulted in excess expenditure of Rs.1.06 crore.

The Company invited (October 2004) an open tender for excavation of ores from Quarry-I of its Tailangi Chromite Mines on turnkey basis including complete initial dewatering. After negotiation (March 2005) with the L_1 bidders, the rate was agreed at Rs.1,250 per MT of high grade ore to be raised with periodic escalation considering base date as 15 November 2004. The Company sent (May 2005) the proposal to the State Government for approval. The State Government sought (December 2005) compliances on certain procedural deficiencies in the tender, which the Company did not comply with nor awarded the contract.

Meanwhile, the Company engaged (November 2005) the contractor working in another quarry of the Company at Rs.124 per cubic meter (cum) of excavation (excluding cost of dewatering) with periodic escalation as an *ad hoc* arrangement. After a lapse of one year, the Company invited (November 2006) fresh tender in order to engage a contractor formally and awarded the work at Rs.163[*] per cum to the L_1 bidder for execution of an estimated quantity of 6 lakh cum. The approval of the Government for this rate, however, was not on record.

Audit scrutiny of the above case revealed the following:

- The contractor engaged on *ad hoc* basis excavated 3,45,477.620 cum during November 2005 and July 2006 which fetched 32,475 MT of high grade chrome ore. The Company paid Rs.4.85 crore to the contractor and also incurred expenditure of Rs.0.47 crore towards initial dewatering. The Company did not use the option to get the work done through the tenderer of October 2004, on *ad hoc* basis, at the then agreed price of Rs.1250 per MT. In that case, the Company would have to incur Rs.4.26 crore (including cost of dewatering) for raising 32,475 MT of high grade chrome ore. As a result, the Company incurred extra expenditure of Rs.1.06 crore.
- Further, the Company awarded the work to the lowest bidder in November 2006 at Rs.163 per cum of excavated quantity. Correspondingly, the rate worked out to Rs.1,365.94[**] per MT of high grade ore raised. As against this, the rate per MT of the previous lowest bidder of October 2004 worked out to Rs.1,272.62 per MT after applying periodic escalation as on March 2005. Thus, the Company had to bear excess expenditure of Rs.93.32 per MT towards cost of raising. Since the contractor had been entrusted to raise estimated quantity of six lakh cum, the Company would incur extra expenditure of Rs.66.82 lakh on the basic price only.

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[*] Excluding Rs.20 per cum towards Service Tax.
[**] At the ratio of ore to excavation at 1:8.38 as adopted by the Company for evaluation of offer.

The Management/Government stated (August/September 2007) that the average ratio of overburden to high grade ore after completion of the entire excavation work is expected to be about 6.75:1 as against 8.38:1 considered by audit. After completion of the entire excavation work, therefore, there would be no extra expenditure. The reply is not tenable as audit has considered the ratio adopted by the Company for evaluation and the ratio of 6.75:1 is based on assumption. Moreover, the Company while awarding the contract at first instance to the L_1 bidder of October 2004 referred it to the Government for approval which was not necessary and had caused awarding of contract at higher rate.

Thus, due to non-acceptance of the lowest tender, the Company incurred excess expenditure of Rs.1.06 crore and would incur further excess expenditure of Rs.66.82 lakh on execution of full awarded quantity.

IDCOL Ferro Chrome and Alloys Limited

3.16 Loss of revenue

Injudicious decision of the Company to utilise chrome concentrate in the production of HCFC instead of low cost HGCO resulted in loss of revenue of Rs.1.67 crore.

The main product of the Company was High Carbon Ferro Chrome (HCFC). The HCFC having chromium content of 60 *per cent* or above was easy to market and fetched a higher price. In order to produce HCFC of this grade, the chromium and iron (Cr and Fe) content in ore was required to be in the ratio of 2.5:1. High Grade Chrome Ore (HGCO) having chromite of 50 *per cent* and above fulfils this parameter and was suitable to produce HCFC having chromium content of 60 *per cent* or above. Tailangi Chromite Mine (TCM) was the captive mine for the Company's plant. When the chromite content of ore obtained from TCM was of 40 to 45 *per cent* (medium grade), the Company procured HGCO from outside sources for blending with its medium grade ore so as to obtain the required ratio of 2.5:1. The low grade chrome ore fines (having chromite content of less than 42 *per cent*) raised from TCM were utilised in the Chrome Ore Beneficiation Plant (COBP) of the Company to produce chrome concentrate for export. The Company had been using concentrate in place of HGCO for blending with medium grade ore since 2003-04.

The Company requested (August 2004) Orissa Mining Corporation Limited (OMC) for allotment of 5,000 MT of HGCO. OMC agreed to supply 5,000 MT of ore (50-52 *per cent* chromite) during December 2004 to March 2005. In addition, OMC further agreed (April/ June 2005) to supply 3,000 MT of HGCO per month for the year 2005-06. During the period January 2005 to November 2005, the Company procured only 10,385 MT of HGCO from OMC and utilised 9,995 MT of chrome concentrate generated from its COBP for production of HCFC.

Audit scrutiny revealed the following:

- The analysis of the Production Department of the Company revealed that blending of medium grade ore with chrome concentrate yielded low chromium-iron ratio (less than 2.5:1) leading to low power efficiency, less recovery of chromium, higher consumption of coke, damage to furnace lining, melting of ores and increase of slag volume in the furnace.
- The price of HGCO ranged between Rs.3,122 and Rs.5,742 per MT during January 2005 to November 2005. During this period, the Company exported 22,852 MT of chrome concentrate at prices ranging from Rs.6,238 per MT to Rs.7,635 per MT. As a result, the Company sustained loss of Rs.1.67 crore due to utilisation of 9,995 MT of chrome concentrate in production of HCFC, instead of HGCO.

The Management/Government stated (April/August 2007) that during January to March 2005 the short procurement of HGCO from OMC was due to its non-availability. It was further added that due to the declining market of chrome concentrate after July 2005, it was not economical to procure HGCO from OMC which was almost at par with the prevailing sale price of chrome concentrate. The reply is not tenable since there was no recorded evidence to substantiate the Company's plea of non-availability of HGCO. The Company also did not explore the possibility of procuring HGCO from TISCO. Further, even though there was fall in the market price of chrome concentrate from July 2005, its sale price was still higher by Rs.496 to Rs.674 per MT compared to purchase price of HGCO from OMC during July 2005 to November 2005.

Thus, the injudicious decision of the Company to utilise chrome concentrate in lieu of HGCO in the production of HCFC resulted in loss of revenue of Rs.1.67 crore.

3.17 Loss due to low power efficiency

Use of low grade ore resulted in unfruitful expenditure of Rs.1.16 crore towards cost of electricity charges.

The Company produces High Carbon Ferro Chrome (HCFC) in its plant at J.K. Road. The Company entered (June 2005) into an agreement with Northern Electricity Supply Company of Orissa Limited for supply of power to the said plant, which was valid for a period of three years with retrospective effect from 1 April 2005. As per the terms of the agreement, the Company would draw power at the contract demand of 10,700 KVA and also would maintain the load factor (units to be consumed) of at least 80 *per cent* with reference to the contract demand or the maximum demand, whichever was higher.

In the 13* months period from April 2005 to December 2006, the contract demand and maximum demand was in the range of 10,700 KVA to 12,192 KVA. During this period, although the Company consumed 58.4851 MU of electricity, it paid electricity charges for 63.5422 MU since the actual consumption was lower than the minimum guaranteed consumption by 5.0571 MU. As a result, the Company incurred unfruitful expenditure of Rs.1.16 crore for 5.0571 MU (@ Rs.2.30 per unit).

In this connection, audit scrutiny revealed the following:

- For production of HCFC, chrome ores having chromium-ferrous ratio of 2.5:1 (high grade ore) was the suitable grade not only for achieving higher quantity of production but also for obtaining qualitative output. On the other hand, low/medium grade chrome ores slow down production process and yield less quantity. Since the Company was to make payment for guaranteed units of electricity, use of high grade of chrome ore would enable it to consume and utilise the guaranteed units towards higher quantity of qualitative production. The Company, however, used low grade chrome ores having chromium-ferrous ratio in the range of 2.15:1 to 2.42:1, after blending the same with the chrome concentrate, which was being produced in Company's Chrome Ore Benefication Plant for export.
- The Energy Audit Reports for the years 2005-06 and 2006-07 of the Company also attributed the reasons for low load factor to the inferior quality of raw materials and also recommended for use of high grade chrome ore.
- Despite availability of high grade chrome ore in the market, the Company did not procure the required quality of chrome ore disregarding the recommendations of the production department and the Energy Audit Team. As a result, the Company could not achieve the guaranteed load factor.

The Management/Government admitted (May/August 2007) that use of high grade ore, procured from outside sources, would have enabled them to attain the desired load factor. However, due to comparative higher cost of high grade ore, there would have been additional expenditure. The reply is not acceptable since the Management had not considered the extra revenue that would have been earned had the chrome concentrate been exported without using this at their plant. Further, the cost of high grade chrome ore actually used in the plant had also not been taken into account.

Thus, use of low grade ore by the Company disregarding the recommendations of the production department and Energy Audit Team led to unfruitful expenditure of Rs.1.16 crore.

* April 2005, August 2005 to February 2006 and August 2006 to December 2006.

3.18 Loss of revenue due to injudicious decision

Failure of the Company in putting the materials to tender despite increase in the market price resulted in loss of revenue of Rs.41.35 lakh.

The Company invited (October 2004) open tender for sale of four* stacks containing approximately 24,000 cum (6,000 cum in each stack) of Friable Chrome Ore (FCO) of 32-34 *per cent* grade from Tailangi Chromite Mines. The reserve price of the materials of all the stacks was fixed (November 2004) at Rs.1,100 per MT. The Company received (November 2004) offers from Visa Steels Limited (VSL) and Pradhan Industries Limited (PIL). During negotiations (December 2004), VSL and PIL agreed to lift stack nos. 153 and 154 (11,000 MT each) at the prices of Rs.1,107 and Rs.1,105 per MT respectively. During negotiations, VSL had also indicated their willingness to lift the materials of stack nos.151 (32.78 *per cent* grade) and 152 (32.85 *per cent* grade) at a mutually agreed price after lifting of the materials of stack no.153.

Audit scrutiny revealed the following:

- VSL, after lifting the material from stack no.153, requested (April 2005) the Company to sell two stacks (151 and 152) at a mutually agreed price. The Company, however, did not act upon the request of VSL, the reason for which was not on record.
- The Company sold (10 May 2005) 1,000 MT of chrome ore of 33.29 *per cent* (stack no.220) at Rs.2,400 per MT through open tender. Although the two unsold stacks of 151 and 152 were lying in the stack yard, the Company did not put these stacks in the said tender.
- VSL again requested (December 2005) the Company for lifting 5,000 MT from stack no.151 at a price of Rs.48 per MT for each percentage of chrome. The Company agreed to the request and sold 5,000 MT of chrome ore at a price of Rs.1,573 per MT (equivalent rate of 32.78 *per cent* of chrome content). The Company, however, did not resort to open tender for selling this stack. Thus, the Company suffered loss of Rs.41.35 lakh∇ by not selling through the open tender of May 2005.

The Management/Government stated (July/August 2007) that even if the stack nos.151 and 152 were put to tender, there might not have been any response as there was no buyer for this stack. The reply is not tenable as during the tender floated in May 2005 for sale of low-grade chrome ore (having chromium content of 29.77 to 35.76 *per cent*), the Company was able to dispose of 8,576 MT out of 13,000 MT put to tender including stack No.220 of 1,000 MT having chrome content similar to stack No.151 at a higher rate of Rs.2,400 per MT. Further, there was upward trend in the market price from first quarter (January to March 2005) to second quarter (April to June 2005) as observed

* Stack Nos.151, 152, 153 & 154 of 2004.
∇ 5000MT X (Rs.2400 –Rs.1573)= Rs.41.35 lakh.

from the selling price of chrome ore of OMC which increased from Rs.2,037 to Rs.3,463 per MT.

Thus, the Company sustained loss of Rs.41.35 lakh due to its failure to offer the materials for sale in the tender despite increase in the market price.

IDCOL Kalinga Iron Works Limited

3.19 Loss due to sale at lower rates

Acceptance of lower rates by the Company for supply of CI pipes ignoring the rise in the market price of pig iron resulted in loss of revenue of Rs.88.31 lakh.

The Company manufactures Cast Iron (CI) spun pipes of different sizes by using the pig iron as main input material. The prices of the CI pipes were governed by the rate contract of the Director General of Supplies and Disposal (DGSD) finalised from time to time. The rate contract of DGSD was finalised up to 30 November 2004 (validity effective from 20 July 2004). There was, however, no valid DGSD rate contract beyond 30 November 2004. Pending finalisation of rates by DGSD, the Company supplied CI pipes to Housing & Urban Development Department (HUDD), Government of Orissa during 2004-05 at a price less than 10 *per cent* of DGSD rates.

In May 2005, the Company quoted price of CI pipes to the Bhubaneswar Development Authority (BDA) at less than 17 *per cent* of approved rate of DGSD of July 2004. The order, however, could not materialise. The Company offered (3 August 2005) price of CI pipes at a rate less than 12 *per cent* of the approved DGSD rate of July 2004 to HUDD. HUDD, however, requested (12 August 2005) the Company to reduce the offer price at par with the rate offered to BDA. The Company reduced (16 August 2005) the price to 17 *per cent* less than the DGSD rates.

Audit scrutiny revealed the following:

- The Company participated in tender floated by the Government of Bihar/Jharkhand in March 2005 and supplied CI spun pipes at the DGSD rates effective from July 2004.
- The Company offered price at less than 17 *per cent* of DGSD rate to BDA considering the market price of pig iron, being used as main raw material, at Rs.12,500 per MT in anticipation of fall in the price of pig iron. The Company's presumption, however, proved wrong and the market price of pig iron stood at Rs.14,300 per MT. The Company, despite being aware (3 August 2005) of the facts, did not bring these aspects to the notice of HUDD before agreeing to the request of HUDD for lowering the price of CI spun pipes at less than 17 *per cent* of DGSD rate. Thus, reduction of price to 17 *per cent* on the basis of rates quoted to BDA was against the financial interest of the Company.
- During 2005-06, the Company supplied to HUDD 4,832.489 MT of CI pipe at a reduced price of 17 *per cent* of DGSD rates. Comparing these

prices with the prices (10 *per cent* less than that of DGSD rates) at which supplies were made to HUDD during 2004-05 and 2006-07, the Company lost revenue of Rs.88.31 lakh.

The Management stated (April 2007) that keeping in view the then market price and blocking entry of competitors, the price quoted to BDA was less than 17 *per cent* of DGSD approved rates, which was adopted by the Government as the base price for the year 2005-06. It was further stated that due to increase in the price of pig iron, the rate was revised to 10 *per cent* less than DGSD price for the year 2006-07.

The reply is not tenable in view of the fact that the price to BDA was quoted expecting a fall in price of pig iron, but the fall was not to the expected extent. Though the Company was aware (3 August 2005) of the fact that falling of price of pig iron was not to the expected extent, this fact was not brought to the notice of HUDD and the Finance Department of Government of Orissa for fixation of price for the year 2005-06.

Thus, acceptance of lower rates by the Company for supply of CI pipes ignoring the rise in the market price of pig iron resulted in loss of revenue of Rs.88.31 lakh.

The above matter was reported to the Government (July 2007); their reply had not been received (October 2007).

Industrial Promotion and Investment Corporation of Orissa Limited and Orissa State Financial Corporation

3.20 Doubtful recovery

Failure of IPICOL and OSFC in taking timely and appropriate recovery measures led to recovery of Rs.7.05 crore doubtful.

Aqua Resin (P) Limited (ARL), Balasore was jointly financed by Orissa State Financial Corporation (OSFC) and Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) for manufacturing epoxy resin. OSFC disbursed two term loans of Rs.39.67 lakh between December 1993 and March 1998. IPICOL disbursed (March 1995) a term loan of Rs.45 lakh, the terms and conditions of which envisaged that the loan would be secured by first charge on the fixed assets of ARL ranking *pari passu* with OSFC. ARL, however, could not start regular production for want of working capital. Both IPICOL and OSFC, therefore, rephased the loans and funded (August 1998 and February 1999) the overdue interest to facilitate the unit to get working capital from bank. ARL, however, still could not arrange adequate working capital and therefore, production was not regular. The plant and machinery of the unit were damaged in the super cyclone of October 1999. For restoration of damaged assets and smooth production from the unit, IPICOL and OSFC advised (April 2000) the promoter of ARL to induct a resourceful private promoter, which was not complied.

Due to unsatisfactory repayments by the promoter and failure to have regular production, IPICOL issued (November 2000) recall notice to the promoter for payment of total outstanding dues of Rs.97.89 lakh (Principal: Rs.45.00 lakh, funded interest: Rs.18.25 lakh and interest Rs.34.64 lakh). OSFC also issued (February 2001) notice under section 29 of the State Financial Act, 1951 for seizure of the unit. It, however, did not seize the unit for reasons not on record.

On the other hand, in addition to the term loan, OSFC sanctioned (March 2001) a flood loan of Rs.18.51 lakh of which Rs.4.51 lakh was disbursed. The balance amount of Rs.14 lakh was adjusted towards outstanding interest of term loans. Although IPICOL issued (19 October 2001) an advertisement in the Economic Times for sale of the unit and responses were received from six firms, the unit could not be disposed of due to absence of any prospective buyer. Further, the request of IPICOL (December 2001 and October 2002) to the promoter to avail One Time Settlement (OTS) also did not yield any response. The Company issued another recall notice only in August 2004 for payment of dues of Rs.2.17 crore outstanding as on 15 May 2004. The promoter informed (February 2005) of the occurrence of theft/ dacoity in the factory in the third week of January 2005. IPICOL, however, inspected the factory in July 2005 only. Meanwhile, OSFC also asked (December 2003) the unit to repay the defaulted dues (as on September 2003) of Rs.1.72 crore within 15 days, failing which the entire outstanding loan would be recalled. It issued notice recalling the entire liability only on 4 October 2006 and seized (December 2006) the unit. The land and building was valued at Rs.38 lakh. The assets were put to sale in February/March 2007, but could not be disposed of.

Audit scrutiny revealed the following:

- The promoter had not paid any amount towards repayment of loan of both the financers since inception. OSFC recovered Rs.23.20 lakh only by way of adjustment. Even after non-response by the loanee to the recall notice of August 2004, IPICOL did not take steps for seizure of assets. OSFC also did not take steps for seizure of the assets though it asked the promoter for payment of defaulted dues. Thus, none of the two PSUs took timely action under Section 29 and 31 of SFC Act, 1951.
- OSFC informed (20 October 2004) the promoter that they had abandoned the unit leaving the financial assets vulnerable to damage which was a breach of agreement and endorsed a copy to IPICOL for information and necessary action. Both the PSUs, however, did not take action to protect the mortgaged assets which were vandalised in third week of January 2005. OSFC proposed only follow-up inspection of the unit on 26 October 2004 and on 6 January 2005.
- The Management of OSFC issued (October 2004) instructions to take action under the Recovery of Dues due to Banks and Financial Institutions Act (RDBFI), 1993 as an alternative measure in addition to the recovery measures under SFC Act, 1951. As per these instructions, it was necessary for proceeding against promoters/ directors/ mortgagers/ guarantors in enforcing their personal liability by attaching

and sale including attachment of bank account as the loanee had defaulted in repayment of loans and the value of the mortgaged assets had eroded due to removal or efflux of time. The Corporation, however, did not take recourse to this measure though these conditions had been fulfilled in the instant case.

- Due to failure to take timely action, the assets became obsolete. As a result, OSFC did not get offers to purchase the assets when these were put to sale in February/ March 2007.
- In case of IPICOL, the outstanding amount rose to Rs.2.50 crore as on 31 March 2007 and in case of OSFC the outstanding amount stood at Rs.4.55 crore as on 30 June 2007. Since appropriate timely recovery measures were not taken by both the PSUs, the prospects of recovery of Rs.7.05 crore are remote.

IPICOL/OSFC/Government stated (August/October 2007) that they did not take over the unit earlier as the promoter was trying to revive the unit. It was also stated by them that their efforts for disposing the assets of the unit were in vain due to technical obsolescence of the plant and machinery. IPICOL further stated that since the RDBFI Act is not applicable, action would be taken for recovery of balance dues after disposal of the immovable property. The reply is not tenable as IPICOL failed to seize the assets till the seizure was done by OSFC in December 2006 though they were aware of the diminution in value of assets.

Thus, failure of both the PSUs in taking timely and appropriate recovery measures led to recovery of Rs.7.05 crore doubtful.

GENERAL

3.21 Analytical study of loss making companies

Introduction

3.21.1 The State Government formed large number of public sector undertakings (PSUs) with the objective of assisting in acceleration in economic growth, reducing economic imbalance, preventing the growth of monopolies, etc. There were 68 Government companies (33 working and 35 non-working) in the State at the end of 31 March 2002. As against this, at the end of 31 March 2007, there were 61 Government companies comprising 29 working companies and 32 non-working companies.

As per the latest finalised accounts as on 30 September 2007, 17 working Government companies registered accumulated losses aggregating to Rs.1,427.89 crore as against their paid up capital of Rs.756.55 crore. The position of finalisation of accounts, working results, etc. of these companies are detailed in **Annexure-13**. Of these, six[*] companies have been incurring losses continuously for more than five years while 11 companies have registered losses for one to four years as per their five latest audited accounts.

[*] Sl. Nos.1, 3, 4, 5, 11 and 12 of Annexure-13

Due to continuous losses, nine[@] companies have fully eroded their paid up capital.

Reform measures

3.21.2 In October 1995, the State Government constituted a Committee to examine the functioning of the loss making PSUs and recommend various measures including privatisation/joint venture, if necessary, for improvement in their performance. The Government of Orissa (GoO) and the Department of Expenditure, Ministry of Finance, Government of India signed (11 October 2001) a Memorandum of Understanding to achieve fiscal sustainability under the Medium Term Fiscal Reform Programme for 2001-05 which included the Public Enterprise Restructuring Programme (PERP). The measures chalked out included disinvestment/privatisation and restructuring of the PSUs. For taking up reform measures, the Government categorised the State PSUs into core and non-core enterprises and scheduled the reform programme in two phases with the time frame 2002-05 as the first phase and 2005-07 as the second phase.

3.21.3 Out of the 17 companies having accumulated losses, the GoO identified (October 2001) five[∇] companies for disinvestment up to 74 *per cent* or more and two companies (namely, Kalinga Studios Limited and hotel units of Orissa Tourism Development Corporation Limited) for privatisation during 2002-05. Further, two companies viz. Orissa Lift Irrigation Corporation Limited and Orissa Forest Development Corporation Limited were scheduled for substantial restructuring during 2002-05 and 2005-07 respectively. No material progress had, however, been made in this regard so far (October 2007).

The reasons for losses incurred for five consecutive years by four companies (Orissa Small Industries Corporation Limited, Orissa Forest Development Corporation Limited, Kalinga Studios Limited and Orissa Agro Industries Corporation Limited) were analysed in audit and the findings are discussed in the succeeding paragraphs. The reasons for incurring losses by the other 12[#] companies out of 17 companies having accumulated losses are summarised in **Annexure-14**. The remaining two out of six companies which incurred losses for five consecutive years were excluded from detailed audit analysis since one company (ELMARC Limited) had finalised its accounts only up to 2000-01 (as on 31 March 2007) and performance of the other company (Orissa Bridge and Construction Corporation Limited) was separately reviewed and findings included in this Audit Report.

Orissa Small Industries Corporation Limited

3.21.4 The main objective of the Company was to provide raw material assistance and necessary marketing support to small-scale industries. The main

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[@] Sl. Nos. 1, 3, 4, 5, 7, 8, 11, 12 and 13 of Annexure-13.
[∇] Sl.Nos.1, 13, 15, 16 and 17 of Annexure-13.
[#] Orissa Power Transmission Corporation Limited was excluded since the Company was incorporated only on 29 March 2004 and finalised only one year's accounts.

source of income of the Company was sale of iron/steel material and plastic materials. The Company finalised its accounts upto 2004-05 till 30 September 2007. The audited accounts for five years from 2001-02 to 2004-05 revealed that the Company incurred losses each year ranging from Rs.1.98 crore to Rs.3.10 crore. The accumulated loss of Rs.14.62 crore as on 31 March 2005 completely eroded the paid up capital of Rs.9.66 crore. The reasons for the losses as observed in audit are as follows:

Heavy interest charges

3.21.5 The Company had outstanding loan of Rs.42.10 crore as on 31 March 2002 which increased to Rs.49 crore at the end of 31 March 2005. As against this, the annual interest burden against these loans was Rs.5.77 crore in 2001-02 which decreased[>] marginally to Rs.5.07 crore in 2004-05. During this period, however, the net operating income of the Company ranged between Rs.2.24 crore and Rs.3.30 crore which was far less than the actual annual interest liability. Thus, the income of the Company was not enough even to service the borrowings.

The increase in borrowings was mainly due to non-realisability of old outstanding dues amounting to Rs.11.69 crore from private parties and its own units, which the Company was in the process of writing off. The extension of non-selective credit and subsequent poor management in the recovery were the major reasons leading to non-realisability of debts. Besides this, out of total loan and advances of Rs.38.90 crore as on 31 March 2005, an amount of Rs.16.62 crore (42.72 *per cent*) was also non-recoverable. Though the Company had initiated a number of certificate cases against the defaulters, in most of the cases there had not been any recovery for want of property details.

Swapping of high cost borrowings

3.21.6 The borrowings (besides cash credit availed from banks, loan from Government of Orissa and SIDBI) included Rs. 20 crore raised through issue of bonds with the Government guarantee in 1999-2000 for a period of five years ending 15 March 2005 at an interest rate of 13.75 and 13.90 *per cent* per annum. In order to take advantage of the fall in market rate of interest, the Company decided (March 2003) to go for swapping of bonds exercising the call option that was available after expiry of three years i.e. with effect from 16 March 2003. The swapping of bonds was to be done through issue of fresh bonds at a lower rate of interest. The Company, accordingly, sought (August 2003) the permission of the Government to utilise the existing guarantee against fresh issue of bonds for swapping of principal of Rs.20 crore and unpaid interest. The Government however, permitted (December 2003) to utilise the guarantee only for principal. Thus, issue of fresh bonds could not materialise in the absence of adequate Government guarantee. It, therefore, again approached (December 2003) the Government for unconditional irrevocable guarantee for both principal and interest but the Government turned down (January 2004) the request. The Company's proposal (July 2004) for issue of fresh guarantee of Rs.26 crore for swapping the existing bonds

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[>] The decrease in annual interest charges was due to fall in interest rate on the borrowed funds.

was also not agreed to (December 2004) by the Government. The entire amount of Rs.20 crore (principal) remained outstanding (July 2007) alongwith the interest of Rs.11.64 crore as on 31 March 2007. Thus, for want of adequate Government guarantee the swapping of high cost bonds could not materialise and the Company continued to shoulder the interest burden at a higher rate. The differential amount of interest that the Company could have saved by swapping the bonds with effect from 16 March 2003 to 31 March 2007 worked out to Rs.3.34 crore.

Lower margin due to competition

3.21.7 The sales turnover of the Company from its trading activities constituted 71.82 to 84.51 *per cent* of its total turnover during the period 2001-02 to 2004-05. Despite increase in the sales turnover of the Company from Rs.49.50 crore in 2001-02 to Rs.72.33 crore in 2004-05, the gross margin on sales decreased from Rs.3.39 crore in 2001-02 to Rs.2.76 crore in 2004-05. The decrease in gross margin was mainly due to retention of low margin to compete with the private traders who allowed attractive credit facilities and discounts.

High establishment expenses

3.21.8 The percentage of employee cost to the gross margin during the years 2001-02 to 2004-05 varied from 78 to 107. This indicated that there was disproportionately excess manpower. The Company appointed (June 2005) SRB & Associates, Chartered Accountants, to prepare a comprehensive financial restructuring plan of the Company. The firm in their report, *inter alia*, recommended (December 2005) reduction of the staff strength to 155 as against the then existing strength of 246. However, as on 31 March 2007, the actual staff strength of the Company was 242, which indicated that the Company had not taken any action to downsize the manpower.

The Management stated (May 2007) that they were changing the market strategy viz. introducing project and retail sales and appointing more dealers in different places to boost the turnover so as to face competition from private parties. It also added that though the Government had approved to swap bond amount of Rs.20 crore after paying accrued interest thereon, the Company could not materialise the option due to fund constraints. Regarding high employee cost, the Management stated that the recommendation of the consultant would be submitted to the State Government for necessary action at their end. The fact, however, remained that the Company had not taken timely action for arranging funds for swapping of loans for reduction in the interest burden, increasing the gross margin and reducing the manpower for improving its financial performance.

Orissa Forest Development Corporation Limited

3.21.9 The main activities of the Company were trading in timber, kendu leaf, sal seed, bamboo and mahua flower besides creation of plantations for regeneration of forests. The main source of income was trading of the forest produce as well as marketing of kendu leaves on commission basis. The

Company finalised its accounts up to 2005-06. The accumulated loss of the Company was Rs.140.12 crore as on 31 March 2006, which fully eroded the paid-up capital of Rs.1.28 crore. Audit analysis revealed the following reasons for persistent losses:

Decrease in sales turnover

3.21.10 The sales turnover of the Company relating to timber and timber products decreased from Rs.27.58 crore in 2001-02 to Rs.20.11 crore in 2005-06. The ban on felling of trees by the Government of Orissa and subsequent permission (November 1994) for only salvage operation of dead and fallen trees reduced the timber and firewood operations by 90 *per cent* of its capacity.

Delay in lifting/disposal of forest products

3.21.11 Delay in lifting and disposal of various forest products led to deterioration in the quality of products with the passage of time and consequential sale at lower price. In case of kendu leaves, crops produced during the period 1997 to 2004 valued at Rs.333.64 crore were sold belatedly during 2000-01 to 2005-06 at Rs.195.43 crore only due to deterioration in their quality. As a result, the Company lost income of Rs.5.53 crore towards commission besides loss of revenue of Rs.138.21 crore to the Government.

In respect of round timber, stocks pertaining to the period upto 2001-02 valued at Rs.9.78 crore were lying unsold. Similarly, bamboo stock relating to the crop years 1995 to 2001 valued at Rs.72.29 lakh remained unsold and was assigned zero value in the accounts.

Surplus unskilled manpower

3.21.12 Following the merger of three[*] forest based companies and a subsidiary with the Company in October 1990 and April 1992, a large number of unskilled employees continued on the pay roll of the Company. On account of shortage of work for their productive utilisation, these employees remained idle. The Company was having total staff strength of 4,931 as on 31 March 2002 which reduced to 4,035 as on 31 March 2006. The employee cost of the Company in 2000-01 amounted to Rs.35.90 crore, which decreased to Rs.32.07 crore in 2005-06. The percentage of employee cost to total turnover, however, increased from 56.23 in 2000-01 to 73.17 in 2005-06. Hence, the reduction in employee cost did not yield the desired result due to inadequate turnover.

The Company submitted (February 2006) a restructuring plan to the Public Enterprises Department, Government of Orissa which was approved only in April 2007. The approved plan, *inter alia*, contained extension of VRS to 1,132 employees in the first phase by March 2007 and 250 to 400 employees in the second phase by September 2007 considering these employees as

[*] Orissa Plantation Development Corporation Limited, Similipahar Forest Development Corporation Limited and Orissa Composite Board Limited.

redundant. As of May 2007, the Company approved separation of 403 employees in the first phase leaving a surplus staff of 729. Thus, delayed action on the restructuring plan contributed to the loss of the Company.

Kalinga Studios Limited

3.21.13 The Company was incorporated with the objective of promoting the growth and development of the film industry in the State. The main source of income of the Company was hire charges from infrastructure facilities. Its accumulated loss amounting to Rs.2.70 crore fully eroded its paid-up capital of Rs.1.75 crore as per latest audited accounts for 2004-05. Audit analysis revealed the following:

- The earnings of the Company decreased from Rs.37.53 lakh in 2000-01 to Rs.24.33 lakh in 2004-05. The decline in income of the Company was mainly due to severe competition and easy availability of latest technical facilities to the producers from other parties and inadequate production of films in the State.
- The employee cost was Rs.27.36 lakh in 2000-01, which was reduced to Rs.18.19 lakh in 2004-05 due to implementation of VRS. Despite the said decrease in employee cost, its percentage to income of the Company remained at 75. Hence, the objective of implementation of VRS did not yield the desired result.

As against the Cabinet sub-committee's recommendation (1996) for converting the Company into a Joint Venture with private participation for better performance, no material steps were taken for almost five years. In November 2002, the Cabinet approved the sale of assets and business of the Company within a time bound programme by 31 March 2003. This had, however, not been implemented so far (October 2007) for want of Record of Right (RoR) of land with the Company. In spite of the fact that the Company took advance possession of the land, where its studio complex has been constructed, between September 1980 and December 1982 and the Government decision for sale of the Company's assets and business, neither the Company nor the Administrative Department had taken timely action for obtaining RoR of land in the Company's favour. The Company, only in July 2006, submitted the application to the Industries Department.

Since the process of disinvestment was getting delayed, the employees were getting idle salary without any work. The Board of Directors of the holding Company suggested (November 2006) for taking steps to downsize the manpower under Industrial Disputes Act, 1947 but no action had been taken so far (October 2007). The salary and wages and other dues to the employees of the Company for the last five years ended March 2005 amounted to Rs.1.12 crore.

Thus, due to delay in implementing the reform measures either through privatisation or restructuring, the Company continued to incur losses year after year.

Orissa Agro Industries Corporation Limited

3.21.14 The main objectives of the Company were to manufacture and distribute agricultural machinery, equipment and tools, manufacture and market cattle and poultry feeds and bio-fertilisers and distribute agricultural inputs. The main source of income of the Company was from sale of farm machineries, cattle feed and fertilisers. The Company had finalised its accounts only upto 2001-02. As per its latest finalised accounts, the accumulated loss of Rs.43.64 crore had completely eroded its paid-up capital of Rs.7.15 crore. Audit scrutiny revealed the following:

- During the period 1997-98 to 2001-02, the annual interest liability payable by the Company was in the range of Rs.1.84 crore to Rs.1.98 crore. The low equity base, non-availability of adequate working capital and blockade of dues were the compelling factors for the Company to resort to borrowings leading to higher interest charges.
- Though the Company made a gross profit for the years 1997-98 to 2001-02, ranging from Rs.3.08 crore to Rs.4.58 crore, the employee cost during this period was in the range of Rs.4.02 crore to Rs.4.93 crore. Thus, high incidence of employee cost put the Company into loss.

As part of the reform measures for state PSUs, the State Government identified (October 2001) the Company for privatisation through disinvestment of 74 *per cent* or more of its shares in 2002-05. The Company, however, submitted the restructuring proposal to the Government only in October 2005.

As it was not possible to get a strategic entrepreneur to acquire its shares, the State Government decided (November 2005) to improve the performance of the Company through financial and organisational restructuring. It was decided to appoint one specialist advisor by December 2005 to submit a report on the probable financial and organisational strategies to be adopted. The State Government again reviewed (December 2006) the matter of disinvestment of the Company and decided to get the reform option study conducted by the project consultant. Besides, the Company was asked to notify VRS for its employees. The Company invited (February 2007) applications from employees intending to avail voluntary retirement scheme on or before 31 March 2007 against which no application was received. As regards the proposed reform option study, no further progress had also been made (October 2007).

To sum up

The State PSUs operating in almost all the sectors have been incurring losses mainly due to:

- excess manpower,
- heavy interest burden,
- low turnover due to lack of strategic marketing,

- stiff competition from the private sector.
- delay in implementation of reform measures as to restructuring (financial/business and organisational/right sizing manpower).

The above matter was reported to the Government (June 2007); their reply had not been received (October 2007).

3.22 Follow-up action on Audit Reports

Explanatory Notes outstanding

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

Though the Audit Reports for the years 1993-94 to 2005-06 were presented to the State Legislature, seven out of 18 departments which were commented upon did not submit explanatory notes on 30 out of 303 paragraphs/reviews as on 30 September 2007, as indicated in the following table.

Year of the Audit Report (Commercial)	Date of Presentation	Total Paragraphs/ Reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
1993-94	September 1995	28	1
1994-95	March 1996	24	Nil
1995-96	March 197	23	Nil
1996-97	July 1998	27	Nil
1997-98	July 1999	15	Nil
1998-99	July 2000	26	Nil
1999-2000	August 2001	29	2
2000-01	March 2002	25	1
2001-02	March 2003	17	2
2002-03	December 2003	24	2
2003-04	March 2005	27	7
2004-05	February 2006	17	2
2005-06	March 2007	21	13
Total		**303**	**30**

Department-wise analysis is given in **Annexure 15**. PSUs under the Industries, Public Enterprises and Steel & Mines Departments were largely responsible for non-submission of explanatory notes. The Government did not respond to even reviews highlighting important issues like system failures, mismanagement and non-adherence to extant provisions.

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

3.22.2 Action Taken Notes (ATNs) to 87 recommendations pertaining to five Reports of the COPU presented to the State Legislature between April 1999 and July 2007 had not been received as on 30 September 2007 as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of recommendations where ATNs not received
1999-2000	2	34
2000-01	1	44
2001-02	1	8
2007-08	1	1
Total	**5**	**87**

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

Response to Inspection Reports, Draft Paragraphs and Reviews

3.22.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued up to March 2007 pertaining to 30 PSUs disclosed that 2,745 paragraphs relating to 658 Inspection Reports remained outstanding at the end of 30 September 2007. Of these, 352 Inspection Reports containing 1,511 paragraphs had not been replied to for one year to five years. Department-wise break-up of Inspection Reports and Audit observations outstanding at the end of September 2007 is given in **Annexure-16**. Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 22 draft paragraphs and four draft performance reviews forwarded to the various departments between April and July 2007, as detailed in **Annexure-17**, replies to one performance review and 10 draft paragraphs were awaited (October 2007). It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to Inspection Reports/ draft paragraphs/ performance reviews and ATNs to recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/ overpayments in a time bound schedule, and (c) the system of responding to audit observations is revamped.

Bhubaneswar	**(Atreyee Das)**
The	**Accountant General**
	(Commercial, Works & Receipt Audit), Orissa

Countersigned

New Delhi	**(Vijayendra N. Kaul)**
The	**Comptroller and Auditor General of India**

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 2007 in respect of Government companies and Statutory corporations

(Referred to in Paragraphs 1.4, 1.5, 1.6 and 1.15)

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

Sl. No.	Sector and Name of the company	Paid-up capital as at the end of the current year					Equity/loans received out of Budget during the year		Other loans received during the year	Loans* outstanding at the close of 2006-07			Debt equity ratio for 2006-07 (Previous years) 4(f)/3(e)
		State Government	Central Government	Holding companies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A.	**WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED												
1.	Orissa Agro Industries Corporation Limited	609.28	105.27	--	0.60	715.15	--	--	--	1535.82	79.23	1615.05	2.26:1 (2.18:1)
2.	Orissa State Seeds Corporation Limited	211.00	…	--	48.11	259.11	--	--	--	--	--	--	-- (--)
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***	***..***	***48.71***	***1239.30***				***1535.82***	***79.23***	***1615.05***	***1.30:1 (1.26:10***
	ELECTRONICS					…							
5	IDCOL Software Limited (Subsidiary of Sl. No.A- 19)	…	--	60.05	40.02	100.07	--	--	--	--	--	--	-- (--)
6	ELMARC Limited (Subsidiary of Sl. No.C-12)	…	--	101.57	--	101.57	--	--	--	56.92	--	56.92	0.56:1 (0.56:1)
	Sector wise total	***..***	***..***	***161.62***	***40.02***	***201.64***	***…***	***…***	***…***	***56.92***	***…***	***56.92***	***0.28:1 (0.28:1)***

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	FOREST												
7	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	--	--	--	--	– (–)
	Sector wise total	***128.00***	***…***	***…***	***…***	***128.00***							
	MINING												
8	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--			28.89	28.89	0.01:1 (0.13:1)
	Sector wise total	***3145.48***	***…***	***…***	***…***	***3145.48***	***…***	***…***	***…***	***…***	***28.89***	***28.89***	***0.01:1 (0.13:1)***
	CONSTRUCTION												
9	Orissa Construction Corporation Limited	1150.00	--	--	--	1150.00	--	--	--	--	--	--	-- (--)
10	Orissa Bridge and Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***1650.00***	--	--	--	***1650.00***	--	--	--	--	--	--	-- ***(--)***
	PUBLIC DISTRIBUTION												
11	Orissa State Civil Supplies Corporation Limited	978.32	--	--	--	978.32	--	--	--	--	--	--	-- ***(--)***
	Sector wise total	***978.32***	--	--	--	***978.32***	--	--	--	--	--	--	-- ***(--)***
	TOURISM												
12	Orissa Tourism Development Corporation Limited	962.16	--	--	--	962.16	--	--	--	--	--	--	-- (--)
	Sector wise total	***962.16***	--	--	--	***962.16***	--	--	--	--	--	--	-- ***(--)***
	POWER												
13	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.65	49021.74	--	--	--	--	5134.22	5134.22	0.10:1 (0.16:1)
14	Orissa Hydro Power Corporation Limited	32080.07	--	--	--	32080.07	--	--	--	178260.40	25462.69	203723.09	6.35:1 (6.27:1)
15	Grid Corporation of Orissa Limited	43298.14	--	--	--	43298.14	--	--		136558.00	137220.00	273778.00	6.32:1 (7.13:1)
16	Orissa Power Transmission Corporation Limited	6007.00	--	--	--	6007.00	--	--	—	57583.72	89814.09	147397.81	24.54:1 (26.37:1)
	Sector wise total	***106386.30***			***24020.65***	***130406.95***				***372402.12***	***257631.00***	***630033.12***	***4.83:1 (5.18:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	FINANCING												
17	Industrial Promotion and Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	--	--	--	1538.74	1290.00	2828.74	***0.34:1 (0.42:1)***
	Sector wise total	***8314.29***	--	--	--	***8314.29***	--	--	--	***1538.74***	***1290.00***	***2828.74***	***0.34:1 (0.42:1)***
	MISCELLANEOUS												
18	Orissa State Police Housing and Welfare Corporation Limited	563.01	--	--	--	563.01	--	--	--	--	--	--	-- (--)
19	Industrial Development Corporation of Orissa Limited	5711.79	--	--	--	5711.79	--	--	--	2109.98	12243.00	14352.98	2.51:1 (--)
20	Orissa Small Industries Corporation Limited	965.86	--	--	--	965.86	--	--	--	173.00	162.40	335.40	0.35:1 (0.38:1)
21	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	--	--	64.73	--	64.73	0.12:1 (--)
22	Kalinga Studios Limited (Subsidiary of Sl. No.A-21)	--	--	174.50	--	174.50	--	--	--	--	10.64	10.64	0.06:1 (0.06:1)
23	Konark Jute Limited (Subsidiary of Sl. No.A-19)	--	--	413.00	180.99	593.99	--	--	--	876.80	43.49	920.29	1.55:1 (1.55:1)
24	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	--	6.62	238.77	245.39	0.03:1 (0.03:1)
25	Orissa Rural Housing and Development Corporation Limited	4816.00	--	--	--	4816.00	--	12242.00	–	12242.00	32256.30	44498.30	9.24:1 (8.24:1)
26	Orissa State Beverages Corporation Limited	100.00	--	--	--	100.00	--	--	–	--	--	--	-- (1:1)
27	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. A-19)	--	--	4510.00	--	4510.00	--	---	–	--	--	--	-- (--)
28	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. A-19)	--	--	1881.36	--	1881.36	--	--	–	--	--	--	-- (--)
29	Orissa Pisciculture Development Corporation Limited#	217.79	--	--	--	217.79	--	--	--	217.79	32.78	250.57	-- (0.72:1)
	Sector wise total	***20387.75***	--	***6978.86***	***180.99***	***27547.60***	--	***12242.00***	--	***15690.92***	***44987.38***	***60678.30***	***2.20:1 (1.77:1)***
	TOTAL (A) WORKING GOVERNMENT COMPANIES	**143037.62**	**105.27**	**7140.48**	**24290.37**	**174573.74**	--	**12242.00**		**391224.52**	**304016.50**	**695241.02**	**3.98:1 (4.33:1)**

(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)
B.	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT												
1.	Orissa State Road Transport Corporation	12055.83	1592.27	--	0.80	13648.90	--	--	--	3617.24	130.20	3747.44	0.27:1 (0.27:1)
	Sector wise total	***12055.83***	***1592.27***	***--***	***0.80***	***13648.90***	***--***	***--***	***--***	***3617.24***	***130.20***	***3747.44***	***0.27:1 (0.27:1)***
	FINANCING												
2.	Orissa State Financial Corporation	4852.50	--	--	3904.81	8757.31	--	11170.00	--	20870.15	22126.30	42996.45	4.91:1 (5.54:1)
	Sector wise total	***4852.50***	***--***	***--***	***3904.81***	***8757.31***	***--***	***11170.00***	***--***	***20870.15***	***22126.30***	***42996.45***	***4.91:1 (5.54:1)***
	CO-OPERATION												
3.	Orissa State Warehousing Corporation	180.00	--	--	180.00	360.00	--	--	--	--	542.39	542.39	1.51:1 (2.61:1)
	Sector wise total	***180.00***	***--***	***--***	***180.00***	***360.00***	***--***	***--***	***--***	***--***	***542.39***	***542.39***	***1.51:1 (2.61:1)***
	TOTAL (B) ALL WORKING STATUTORY CORPORATIONS	**17088.33**	**1592.27**	**--**	**4085.61**	**22766.21**	**--**	**11170.00**	**--**	**24487.39**	**22798.89**	**47286.28**	**2.08:1 (2.34:1)**
	TOTAL (A) + (B)	**160125.95**	**1697.54**	**7140.48**	**28375.98**	**197339.95**		**23412.00**		**415711.91**	**326815.39**	**742527.30**	**3.76:1 (3.92:1)**
C.	**NON WORKING GOVERNMENT COMPANIES**												
	INDUSTRY												
1.	ORICHEM Limited (Subsidiary of Sl.No.A-19) Under liquidation	--	--	229.12	47.53	276.65	--	--	--	201.20	924.50	1125.70	4.07:1 (4.07:1)
2.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-20)	--	--	9.32	--	9.32	--	--	--	--	--	--	-- (--)
3.	Kalinga Steels (India) Limited (Subsidiary of Sl.No.A-17)	--	--	5.08	--	5.08	--	--	--	--	--	--	-- (--)
	Sector wise total	***--***	***--***	***243.52***	***47.53***	***291.05***	***--***	***--***	***--***	***201.20***	***924.50***	***1125.70***	***3.87:1 (3.87:1)***

(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)
	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 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.A-19). (Under liquidation.)	--	--	12.28	--	12.28	--	--	--	--	--	--	-- (--)
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.A-19)	--	--	193.16	--	193.16	--	--	--		2933.07	2933.07	15.18:1 (12.35:1)
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl. No.A-20)	--	--	30.00@	--	30.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***110.07***	***--***	***235.44***	***1.74***	***347.25***	***--***	***--***	***--***	***--***	***2933.07***	***2933.07***	***8.45:1 (3.87:1)***
	ELECTRONICS												
12	Orissa State Electronics Development Corporation Limited	2003.50	--	--	--	2003.50	--	--	--	--	19.69	19.69	0.01:1 (0.01:1)
13	Manufacture Electro Limited$ (Under process of liquidation; assets are disposed of)	0.36	--	--	0.10	0.46	--	--	--	--	--	--	-- (--)

(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)
14	Modern Electronics Limited$ (Under process of liquidation)	4.27	--	--	0.10	4.37	--	--	--	--	--	--	-- (--)
15	IPITRON Times Limited (Subsidiary of Sl.No.C-12). (Under liquidation since 1998)	--	--	80.83	--	80.83	--	--	--	168.33	--	168.33	2.08:1 (2.08:1)
16	Konark Television Limited (Defunct since 1999-2000)	606.97	--	--	--	606.97	--	--	--	200.75	--	200.75	0.33:1 (0.33:1)
17	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-12)	--	--	158.51	--	158.51	--	--	--	200.00	--	200.00	1.26:1 (1.26:1)
18	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-12)(Under liquidation since 1998)	--	--	63.80	--	63.80	--	--	--	72.00	--	72.00	1.13:1 (1.13:1)
	Sector wise total	***2615.10***	***--***	***303.14***	***0.20***	***2918.44***	***--***	***--***	***--***	***641.08***	***19.69***	***660.77***	***0.23:1 (0.23:1)***
	TEXTILES												
19	Mayurbhanj Textiles Limited	3.79	--	--	--	3.79	--	--	--	--	--	--	-- (--)
20	New Mayurbhanj Textiles Limited	17.22	--	--	--	17.22	--	--	--	--	--	--	-- (--)
21	Orissa Textile Mills Limited (Under liquidation since 2001)	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 Orissa Limited (Subsidiary of Sl. No.A-19). (Under liquidation)	--	--	300.00	--	300.00	--	--	--	--	140.01	140.01	0.47:1 (0.47:1)
	Sector wise total	***2578.21***	***--***	***303.21***	***362.74***	***3244.16***	***--***	***--***	***--***	***1630.14***	***140.01***	***1770.15***	***0.55:1 (0.55:1)***
	HANDLOOM												
24	Orissa State Handloom Development Corporation Limited (defunct since 1997-98))	363.37	--	--	54.37	417.74	--	--	--	158.08	--	158.08	0.38:1 (0.38:1)
	Sector wise total	***363.37***	***--***	***--***	***54.37***	***417.74***	***--***	***--***	***--***	***158.08***	***--***	***158.08***	***0.38:1 (0.38:1)***
	MISCELLANEOUS												
25	Orissa State Commercial Transport Corporation Limited	234.00	--	--	376.00	610.00	--	--	--	119.63	51.21	170.84	0.28:1 (0.28:1)
26	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	-- (--)
27	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	0.53	--	--	0.08	0.61	--	--	--	--	--	--	-- (--)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
28	Orissa Boat Builders Limited$ (under liquidation)	4.72	--	--	0.51	5.23	--	--	--	--	--	--	-- (--)
29	Orissa Board Mills Limited$ (under liquidation)	3.67	--	--	0.41	4.08	--	--	--	--	--	--	-- (--)
30	Orissa State Leather Corporation Limited (closed since 18 June 1998)	396.63	--	--	28.41	425.04	--	--	--	37.00	--	37.00	0.09:1 (0.09:1)
31	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-30)	--	--	64.99	0.01	65.00	--	--	--	176.96	--	176.96	2.72:1 (2.72:1)
32	Kanti Sharma Refractories Limited (Subsidiary of Sl. No.A 20). (Closed since 5 December 1998)	--	--	75.00	--	75.00	--	--	--	--	--	--	-- (--)
	Sector wise total	***674.55***	***--***	***139.99***	***405.42***	***1219.96***	***--***	***--***	***--***	***333.59***	***51.21***	***384.80***	***0.32:1 (0.32:1)***
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES	**6371.30**	**--**	**1195.30**	**872.00**	**8438.60**	**--**	**--**	**--**	**2964.09**	**4068.48**	**7032.57**	**0.83:1 (0.66:1)**
	GRAND TOTAL (A)+(B)+(C)	**166497.25**	**1697.54**	**8335.78**	**29247.98**	**205778.55**	**--**	**23412.00**	**--**	**418676.00**	**330883.87**	**749559.87**	**3.64:1 (16.96:1)**

Note:
1. Except in respect of the companies at Sl. Nos.A-14 and C-3, which finalised the accounts for 2006-07, figures are provisional and as given by the respective companies/corporations.
2. State Government investment was Rs.5,851.73 crore (working PSUs:Rs.5,758.38 crore and non-working PSUs:Rs.93.35 crore) and other's investment was Rs.3,701.65 crore. Figure as per Finance Accounts 2006-07 was Rs.3,112.56 crore. The difference is under reconciliation.

* Loans outstanding at the close of 2006-07 represent long-term loans only.

\# As per Government decision, Orissa Maritime and Chilka Area Development Corporation Limited and Orissa Fish Seed Development Corporation Limited have been merged with Orissa Pisciculture Development Corporation Limited with effect from 15 October 1998 as going concern. The purchase consideration of Rs.4.36 crore for the purpose of merger was reflected in 50:50 proportion as Government's equity and loan.

$ In respect of Sl. Nos. C-6, 13, 14, 28 and 29 though Government has decided for liquidation, no liquidator has been appointed so far (October 2006).

@ As per the information furnished by the company the Share Capital of Rs. 30 lakh was written off during 2006-07

\## Includes Share application money of Rs.2,396.00 lakh.

ANNEXURE-2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to in Paragraphs 1.7, 1.8, 1.13, 1.19 and 1.20)

(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 incorpo-ration	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 employ-ed*	Total Return on capital employ-ed**	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turn over***	Man-power***
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A.	**WORKING GOVERNMENT COMPANIES**														
	AGRICULTURE AND ALLIED														
1.	Orissa Agro Industries Corporation Limited	Agriculture	20 December 1961	2002-03@	2007-08	-240.59	--	715.15	-4604.32	-1942.43	-50.12	--	4	10655.45	527
2.	Orissa State Seeds Corporation Limited	Agriculture	24 February 1978	2002-03 2003-04	2006-07 2007-08	29.95 0.29	--	259.11 259.11	727.07 727.36	3176.22 2681.18	144.24 71.38	4.54 2.66	3	5338.52	188
3.	Orissa State Cashew Development Corporation Limited	Agriculture	06 April 1979	2005-06	2007-08	93.77	--	155.04	1120.99	1416.15	93.77	6.62	1	750.46	673
4.	Agricultural Promotion and Investment Corporation of Orissa Limited#	Agriculture	01 March 1996	2005-06	2006-07	No profit and no loss	--	110.00	--	129.70	--	--	1	--	09
	Sector wise total					***-146.53***		***1239.30***	***-2755.97***	***2284.60***	***115.03***	***5.04***		***16744.43***	
	ELECTRONICS														
5	IDCOL Software Limited (Subsidiary of Company at Sl. No. A.19)	Industries	26 November 1998	2005-06	2006-07	-15.02	--	100.07	-54.30	45.77	-15.02	--	1	NA	7
6	ELMARC Limited (Subsidiary of Sl.No.C-12)	Information and Technology	23 January 1990	2000-01	2006-07	-7.34	--	101.57	-224.82	-56.20	-7.32	--	6	--	--
	Sector wise total					***-22.36***		***201.64***	***-279.12***	***-10.43***	***-22.34***	***--***		***--***	***7***

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	FOREST														
7	Orissa Forest Development Corporation Limited	Forest and Environment	28 September 1962	2004-05 2005-06@	2006-07 2007-08	-2321.62 -1834.77	Increase in Loss Rs. 392.37 lakh	128.00 128.00	-12177.60 -14012.37	-8583.90 -8929.91	--2332.10 -1834.77	--	1	26345.28	3566
	Sector wise total					***-1834.77***		***128.00***	***-14012.37***	***-8929.91***	***-1834.77***			***26345.28***	***3566***
	MINING														
8	Orissa Mining Corporation Limited	Steel and Mines	16 May 1956	2005-06	2007-08	21174.16	Decrease in profit Rs. 98.78 lakh	3145.48	54754.89	56503.80	21201.91	37.52	1	108100.00	5198
	Sector wise total					***21174.16***		***3145.48***	***54754.89***	***56503.80***	***21201.91***	***37.52***			
	CONSTRUCTION														
9	Orissa Construction Corporation Limited	Water Resources	22 May 1962	2004-05	2006-07	22.77	--	1150.00	221.93	8370.46	55.68	0.67	2	10230.00	782
10	Orissa Bridge and Construction Corporation Limited#	Works	01 January 1983	2004-05	2007-08	-74.26	Decrease in Profit Rs.58.46 lakh	500.00	-1226.40	-241.75	-77.41	--	2	1323.62	484
	Sector wise total					***-51.49***		***1650.00***	***-1004.47***	***8128.71***	***-21.73***	***--***		***11553.62***	***1266***
	PUBLIC DISTRIBUTION														
11	Orissa State Civil Supplies Corporation Limited #	Food Supplies and Consumer Welfare	03 September 1980	2002-03 2003-04@	2007-08 2007-08	No profit and no loss	--	978.32 978.32	--	2680.11 2484.44	--	--	3	NA	821
	Sector wise total					***--***	***--***	***978.32***	***--***	***2484.44***	***--***	***--***	***--***	***--***	***821***
	TOURISM														
12	Orissa Tourism Development Corporation Limited	Tourism and Culture	03 September 1979	2004-05 2005-06	2006-07 2007-08	40.35 52.45	--	962.16 962.16	-659.67 -607.22	291.66 344.04	40.35 52.92	13.83 15.38	1	1122.06	563
	Sector wise total					***52.45***		***962.16***	***-607.22***	***344.04***	***52.92***	***15.38***		***1122.06***	***563***
	POWER														
13	Orissa Power Generation Corporation Limited	Energy	14 November 1984	2005-06	2006-07	14784.81	--	49021.74	269.11	110804.75	15792.27	14.25	1	47609.00	600
14	Orissa Hydro Power Corporation Limited	Energy	21 April 1995	2006-07@	2007-08	5392.75	--	32080.07	27448.84	263523.78	7303.15	2.77	--	30365.19	3363
15	Grid Corporation of Orissa Limited	Energy	20 November 1995	2005-06	2006-07	2582.15	Decrease in Profit Rs.908.00 lakh	43298.14	-100232.29	131755.82	36973.59	28.06	1	289757.00	67

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
16	Orissa Power Transmission Corporation Limited	Energy	29 March 2004	2005-06	2006-07	-2494.97	--	7.00	-2494.97	186275.94	7757.53	4.16	1	NA	4345
	Sector wise total					***20264.74***		***124406.95***	***-75009.31***	***692360.29***	***67826.54***	***9.80***			
	FINANCING														
17	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	2005-06	2006-07	1007.38	--	8314.29	-4939.80	6408.44	1325.89	20.69	1	1513.76	133
	Sector wise total					***1007.38***		***8314.29***	***-4939.80***	***6408.44***	***1325.89***	***20.69***			
	MISCELLANEOUS														
18	Orissa State Police Housing and Welfare Corporation Limited	Home	24 May 1980	2002-03 2003-04@	2006-07 2007-08	31.55 229.69	--	563.01 563.01	-30.07 199.62	532.94 762.63	31.55 229.69	5.92 30.12	3	6962.95	258
19	Industrial Development Corporation of Orissa Limited	Industries	29 March 1962	2005-06	2006-07	72.41	Decrease in profit Rs.263.88 lakh	5711.79	-5147.23	11594.96	1590.98	13.72	1	8626.00	NA
20	Orissa Small Industries Corporation Limited	Industries	03 April 1972	2004-05	2006-07	-283.65	--	965.86	-1462.34	3434.26	223.53	6.51	2	15685.40	239
21	Orissa Film Development Corporation Limited	Industries	22 April 1976	2003-04 2004-05 2005-06@	2006-07 2006-07 2007-08	3.43 8.43 3.00	--	540.05 540.05 540.05	46.25 54.68 57.68	608.70 617.62 625.62	10.57 10.96 5.20	1.74 1.77 0.83	1	5.15	25
22	Kalinga Studios Limited (subsidiary of company at Sl. No. A-21)	Industries	20 July 1980	2003-04 2004-05	2006-07 2007-08	-9.39 -15.78	Increase in loss by Rs.7.32 lakh	174.50 174.50	-254.06 -269.84	40.93 30.95	-7.16 -13.32	--	2	719.90	1998
23	Konark Jute Limited (subsidiary of Company at Sl. No A-19)	Industries	27 January 1975	2003-04	2007-08	-19.83	--	593.99	-1774.41	-45.23	2.81	--	3	719.90	1998
24	Orissa Lift Irrigation Corporation Limited	Water Resources	1 October 1973	2003-04 2004-05	2006-07 2007-08	37.76 20.72	Decrease in profit by Rs.21.72 lakhs	7473.25 7473.25	-502.78 -482.06	27460.01 28572.51	80.69 54.65	0.29 0.19	2	N.A	1885
25	Orissa Rural Housing and Development Corporation Limited	Housing and Urban Development	19 August 1994	2002-03	2006-07	-90.45	Increase in Loss Rs.915.30 lakh	3340.00	154.25	1323.65	5517.91	416.87	4	N.A	108
26	Orissa State Beverages Corporation Limited	Excise	16 November 2000	2003-04	2006-07	63.32	--	100.00	242.48	441.75	63.32	14.33	3	3140.22	--
27	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. A-19)	Industries	26 March 1999	2005-06	2006-07	-675.55	Increase in loss Rs.81.02 lakh	4510.00	-3607.98	9774.85	-411.24	--	1	24135.71	1117

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
28	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. A-20)	Industries	26 March 1999	2005-06	2006-07	-712.54	--	1881.36	-1529.70	3060.92	-624.70	--	1	6020.60	419
29	Orissa Pisciculture Development Corporation Limited	Fisheries and Animal Resources Development	5 May 1998	1999-00	2007-08	-46.89	Increase in loss Rs.89.11 lakh	217.79	-121.40	760.82	-46.76	--	7	3132.00	271
	Sector wise total					***-1455.55***		***26071.60***	***-13740.93***	***60337.69***	***6592.07***	***10.93***		***4054.55***	
	TOTAL (A) WORKING GOVERNMENT COMPANIES					**38988.03**		**167097.74**	**-57594.30**	**819911.67**	**95235.52**	**11.62**			
B.	**WORKING STATUTORY CORPORATIONS**														
	TRANSPORT														
1.	Orissa State Road Transport Corporation	Commerce and Transport	15 May 1974	2004-05	2006-07	33.70	Decrease in profit Rs.20.14 lakh	13648.90	-23473.92	-6158.57	168.52	--	2	4054.55	1192
	Sector wise total					***33.70***		***13648.90***	***-23473.92***	***-6158.57***	***168.52***	***--***			
	FINANCING														
2.	Orissa State Financial Corporation	Industries	20 March 1956	2005-06	2006-07	221.88	--	8757.31	-38158.33	51045.49	1145.92	2.24	1	N.A	331
	Sector wise total					***221.88***		***8757.31***	***-38158.33***	***51045.49***	***1145.92***	***2.24***			
	CO-OPERATION														
3.	Orissa State Warehousing Corporation.	Co-operation	21 March 1958	2004-05	2006-07	535.57	--	360.00	0.23	3756.77	681.63	17.30	2	2368.73	419
	Sector wise total					***535.57***		***360.00***	***0.23***	***3756.77***	***681.63***	***17.30***			
	TOTAL (B) STATUTORY CORPORATIONS					**791.15**		**22766.21**	**-61632.02**	**48643.69**	**1996.07**	**4.10**			
	TOTAL OF (A) + (B)					**39779.18**		**189863.95**	**-119226.32**	**868555.36**	**97231.59**	**11.19**			
C.	**NON WORKING GOVERNMENT COMPANIES**														
	INDUSTRY														
1.	ORICHEM Limited (Subsidiary of Sl.No.A-19)	Industries	29 July 1974	2005-06	2006-07	-35.73	--	276.65	-1544.17	176.90	-35.73	--	Under liquidation		
2.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-20)	Industries	29 August 1978	1981-82	1996-97	-0.60	--	5.79	-0.96	5.09	-0.60	--	25		
3.	Kalinga Steel (India) Limited (Subsidiary of Sl.No.A-17)	Industries	09 January 1991	2006-07	2007-08	--	--	5.08	-	--	--	--	--	--	--
	Sector wise total					***-36.33***		***287.52***	***-1545.13***	***181.99***	***-36.33***	***--***			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ENGINEERING														
4.	Orissa Electrical Manufacturing Company Limited	Industries	31 March 1958	1966-67	1973-74	-0.46	--	4.54	--	4.72	-0.34	--	Under voluntary liquidation since 30 August 1976	--	--
5.	Gajapati Steel Industries Limited	Industries	15 February 1959	1968-69	1974-75	-0.44	--	4.00	--	2.25	-0.42	--	Under voluntary liquidation since 1974	--	--
6.	Premiere Bolts and Nuts Limited$	Industries	4 August 1959	1966	1973-74	-0.27	--	2.28	--	0.44	-0.27	--	In the process of liquidation	--	--
7.	Modern Malleable Casting Company Limited	Industries	22 September 1960	1972-73	1975-76	-0.36	--	4.20	--	3.08	-0.07	--	Under voluntary liquidation since 9 March 1976	--	--
8.	Orissa Instruments Company Limited	Industries	14 March 1961	1987-88	2000-01	-6.22	--	8.79	-0.79	35.80	-3.74	--	19	--	--
9.	Hira Steel and Alloys Limited (Subsidiary of Sl.No.A-19)	Industries	23 August 1974	1975-76	1976-77	--	--	12.28	--	27.39	--	5.73	Under liquidation	--	--
10.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl.No.A--19)	Industries	26 March 1993	2005-06	2007-08	-677.71	Increase in loss by Rs. 389.22 lakh	193.16	-2413.59	712.63	-677.71	--	Under liquidation	--	30
11.	General Engineering and Scientific Works Limited (Subsidiary of Sl.No.A-20)	Industries	11 January 1994	1997-98	2005-06	-3.08	--	30.00	-3.14	32.13	-3.08	--	9	--	--
	Sector wise total					***-688.54***		***259.25***	***-2417.52***	***818.44***	***-685.63***	--			
	ELECTRONICS														
12.	Orissa State Electronics Development Corporation Limited	Information and Technology	30 September 1981	2002-03 2003-04	2006-07 2007-08	13.59 -63.50	Increase in loss by Rs.70.02 lakhs	2003.50 2003.50	-241.81 -305.31	844.02 738.67	13.59 -63.50	--	3		
13.	Manufacture Electro Limited$	Industries	24 September 1959	1965-66	1982-83	-0.08	-	0.46	-	-	-0.08	--	In the process of liquidation	--	--
14.	Modern Electronics Limited$	Industries	22 March 1960	1965-66	1982-83	0.23	--	4.37	--	2.77	0.26	9.39	In the process of liquidation	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
15.	IPITRON Times Limited (Subsidiary of Sl.No.C-12)	Information and Technology	11 December 1981	1997-98	2005-06	-92.12	--	80.83	-947.38	-206.69	-92.12	--	Under liquidation since 1998	--	--
16.	Konark Television Limited (Defunct since 1999-2000)	Information and Technology	26 June 1982	1991-92	1998-99	-94.96	--	120.00	-603.52	600.04	46.15	7.69	15	---	--
17.	ELCOSMOS Electronics Limited (Subsidiary of Sl.No. C-12)	Information and Technology	12 January 1987	1997-98	2005-06	-50.08	--	158.51	-686.81	175.71	-50.08	--	Under liquidation since 1998	--	--
18.	ELCO Communication and Systems Limited (Subsidiary of Sl.No. C-12)	Information and Technology	8 March 1989	1997-98	2005-06	--	--	0.01	--	-145.55	--	--	Under liquidation since 1998	--	--
	Sector wise total					***-300.51***		***2367.68***	***-2543.02***	***1164.95***	***-159.37***	**--**			
	TEXTILE														
19.	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	-0.82	--	3.79	--	-0.62	-0.71	--	36	--	--
20	New Mayurbhanj Textiles Limited	Industries	1988	1981-82	2003-04	2.51	--	1.50	3.17	4.65	2.51	53.98	25	--	--
21.	Orissa Textile Mills Limited (Defunct since 2000-01)	Textile and Handlooms	25 January 1946	1997-98	1998-99	-1023.74	--	2470.23	-5340.61	516.81	-766.10	--	Under liquidation since 2001	---	--
22.	Orissa State Textile Corporation Limited	Textile and Handlooms	10 September 1981	1993-94	2003-04	-309.69	--	262.00	-1595.30	-545.14	-180.26	--	13	--	--
23.	ABS Spinning Orissa Limited (Subsidiary of Sl.No.A-20)	Industries	1 April 1990	2000-01 2001-02	2007-08 2007-08	-466.14 -106.70	Increase in loss Rs.256.00 lakh	300.00 300.00	-7811.92 -7918.61	-4114.59 -4203.37	-466.14 -106.70	--	Under liquidation	--	--
	Sector wise total					***-1438.44***		***3037.52***	***-14851.35***	***-4227.67***	***-1051.26***	**--**			**--**
	HANDLOOM														
24	Orissa State Handloom Development Corporation Limited (Defunct since 1997-98)	Industries	01 February 1977	2000-01	2006-07	-322.12	Increase in loss Rs.109.40 lakh	353.37	-1914.48	393.96	-324.86	--	6	--	7
	Sector wise total					***-322.12***		***353.37***	***-1914.48***	***393.96***	***-324.86***	**--**			
	MISCELLANEOUS														
25.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	7 January 1964	1996-97	2006-07	-97.16	--	234.00	-1313.39	-348.64	-55.81	--	10	--	5

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
26	Orissa Fisheries Development Corporation Limited	Fisheries and Animal Resources Development	8 August 1962	1982-83	1983-84	-3.75	--	35.00	--	19.78	-2.53	--	24	--	--
27.	Eastern Aquatic Products Limited	Industries	06 May 1959	1972-73	1975-76	--	--	0.61	--	0.31	--	--	Under voluntary liquidation since 22 February 1978	--	--
28	Orissa Boat Builders Limited$ (Company closed since 1987)	Industries	18 March 1958	1970-71	1977-78	-0.32	--	5.23	--	1.30	0.32	24.62	In the process of liquidation	--	--
29.	Orissa Board Mills Limited$	Industries	04 April 1960	1967-68	1976-77	-1.04	--	4.08	--	4.69	-0.53	--	In the process of liquidation	--	--
30	Orissa State Leather Corporation Limited (Closed under ID Act w.e.f 18 June 1998)	Industries	19 April 1976	1988-89	2004-05	-23.06	--	184.91	-246.42	171.18	-16.73	--	18	--	--
31.	Orissa Leather Industries Limited (subsidiary of Company at Sl.No.C-30)	Industries	26 July 1986	1991-92	1995-96	--	--	65.00	--	192.02	--	--	15	--	--
32.	Kanti Sharma Refractories Limited (subsidiary of company at Sl.No.A-21) (Closed under ID Act w.e.f 5 December 1998)	Industries	11 January 1994	1995-96	2005-06	-40.04	--	75.00	-45.18	262.11	-24.59	--	11	--	--
	Sector wise total					***-165.37***		***603.83***	***-1604.99***	***302.75***	***-99.87***	**--**			
	TOTAL (C) NON WORKING GOVERNMENT COMPANIES					**-2951.31**		**6909.17**	**-24876.49**	**-1365.58**	**-2357.32**	**--**			
	TOTAL OF (A) + (B) + (C)					**36827.87**		**196773.12**	**-144102.81**	**867189.78**	**94874.27**	**10.94**			

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

** Return on capital employed represents interest on borrowed fund plus net profit/ loss.

*** Figures in Col.15 and 16 relates to the year 2006-07.

@ Supplementary audit is in progress

Companies at Sl.Nos.A-4 and A-11 functioning on ‘No profit and no loss’ basis.

$ In respect of Sl. Nos. C-6, 13, 14, 28 and 29, Government has decided for liquidation.

ANNEXURE-3

Statement showing grants/subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2007
(Referred to in Paragraphs 1.6)

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

		Grants/Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year[⊗]					Waiver of dues during the year					
Sl. No.	**Name of the Public Sector Undertaking**	**Central Govern-ment**	**State Govern-ment**	**Others**	**Total**	**Cash credit from banks**	**Loans from other sources**	**Letters of credit opened by bank in respect of imports**	**Payment of obligation under agreements with foreign consultants or contracts**	**Total**	**Loans repay-ment written off**	**Interest waived**	**Penal interest waived**	**Total**	**Loans on which morato-rium allowed**	**Loans conve-rted into equity during the year**
(1)	**(2)**	**3(a)**	**3(b)**	**3(c)**	**3(d)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**4(e)**	**5(a)**	**5(b)**	**5(c)**	**5(d)**	**(6)**	**(7)**
A.	**WORKING GOVERNMENT COMPANIES**															
1.	Orissa Agro Industries Corporation Limited	--	--	--	--	(150.00)	--	--	--	(150.00)	--	--	--	--	--	--
2.	Orissa State Seeds Corporation Limited	11.54	42.21	--	53.75	--	--	--	--	--	--	--	--	--	--	--
3.	Agricultural Promotion and Investment Corporation of Orissa	--	20.00[#]	--	20.00[#]	--	--	--	--	--	--	--	--	--	--	--
4.	Orissa Forest Development Corporation Limited	--	--	--	--	--	2000.00 (2000.00)	--	--	2000.00 (2000.00)	--	--	--	--	--	--
5.	Orissa Lift Irrigation Corporation Limited	1000.00	1059.00	--	2059.00	--	--	--	--	--	--	--	--	--	--	--
6.	Orissa Rural Housing and Development Corporation Limited	--	--	--		--	(32256.30)	--	--	(32256.30)	--	--	--	--	--	--
7	Orissa Film Development Corporation Limited	--	4.80 64.00[#]	--	4.80 64.00[#]	--	--	--	--	--	--	--	--	--	--	---
8	Orissa State Civil Supplies Corporation Limited	10400.00	3500.00	--	13900.00	--	--	--	--	--	--	--	--	--	--	--
9.	Orissa Small Industries Corporation Limited	--	--	--	--	--	(3050.00)	--	--	(3050.00)	--	--	--	--	--	--

(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)
10.	Grid Corporation of Orissa Limited	--	--	--	--	--	(67444.97)	--	--	(67444.97)	--	--	--	--	--	--
11.	Orissa Construction Corporation Limited	--	--	207.03	207.03	(200.00)	--	--	--	(200.00)	--	--	--	--	--	--
12.	Orissa Power Generation Corporation Limited	--	--	--	--	--	(5134.22)	--	--	(5134.22)	--	--	--	--	--	--
13.	Orissa Hydro Power Corporation Limited	--	--	--	--	--	2601.07 (25462.69)	--	--	2601.07 (25462.69)	--	--	--	--	--	--
14	Orissa Power Transmission Corporation Limited	--	--	--	--	--	(67668.54)	--	--	(67668.54)	--	--	--	--	--	--
15	Industrial Development Corporation of Orissa Limited	--	--	--	--	--	(10500.00)	--	--	(10500.00)	--	--	--	--	--	--
16	Orissa Pisciculture Development Corporation Limited	200.00 100.00#	--	--	200.00 100.00#	--	--	--	--	--	--	--	--	--	--	--
Total (A) Working Government companies		**11611.54** **100.00#**	**4606.01** **84.00#**	**207.03**	**16424.58** **184.00#**	**(350.00)**	**4601.07** **(213516.72)**	**--**	**--**	**4601.07** **(213866.72)**	**--**	--	--	--	--	--
B.	**WORKING STATUTORY CORPORATIONS**															
1.	Orissa State Road Transport Corporation	--	160.00	--	160.00	(2.12)	--	--	--	(2.12)	--	--	--	--	--	--
2.	Orissa State Financial Corporation	--	75.59	--	75.59	--	(4661.25)	--	--	(4661.25)	--	--	--	--	--	--
Total (B) Working Statutory corporations		--	**235.59**	**--**	**235.59**	**(2.12)**	**(4661.25)**	**--**	**--**	**(4663.37)**	**--**	--	--	--	--	--
	TOTAL (A) + (B)	**11611.54** **100.00#**	**4841.60** **84.00#**	**207.03**	**16660.17** **184.00#**	**(352.12)**	**4601.07** **(218177.97)**	**--**	**--**	**4601.07** **(218530.09)**	**--**	--	--	--	--	--
C.	**NON-WORKING GOVERNMENT COMPANIES**				**Nil**	--	--	--	--	--	--	--	--	--	--	--

Note: Except in respect of Sl. No.A-13, which finalised the accounts for 2006-07, figures are provisional and as given by the companies/corporations

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

\# Grants received during the year.

ANNEXURE-4

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

(Rupees in crore)

1. ORISSA STATE ROAD TRANSPORT CORPORATION			
Particulars	**2004-05**	**2005-06**	**2006-07**
A. LIABILITIES		**(P R O V I S I O N A L)**	
Capital (including loan capital and equity capital)	136.49	136.49	136.49
Borrowings (Government)	36.21	36.17	36.17
(Others)	1.38	1.30	1.30
Funds*	3.10	1.33	3.03
Trade dues and other current liabilities (including provisions)	93.17	93.54	93.66
Total (A)	**270.35**	**268.83**	**270.65**
B. ASSETS			
Gross Block	37.59	40.83	44.47
Less : Depreciation	17.65	20.62	23.45
Net fixed assets	19.94	20.21	21.02
Investment	4.03	3.75	1.92
Current assets, loans and advances	11.64	12.44	14.77
Accumulated losses	234.74	232.43	232.94
Total (B)	**270.35**	**268.83**	**270.65**
C. CAPITAL EMPLOYED**	**(-)61.59**	**(-)60.89**	**(-)57.87**

2. ORISSA STATE FINANCIAL CORPORATION			
Particulars	**2004-05**	**2005-06**	**2006-07**
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	213.60	178.21	46.61
(ii) Fixed Deposits	5.35	3.48	0.30
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	225.46	200.85	174.65
(iv) Reserve Bank of India	--	---	
(v) State Government	114.10	102.94	208.70
(vi) Loans in lieu of share capital:			
(a) State Government	6.23	6.23	10.27
(b) Industrial Development Bank of India	6.22	6.22	8.12
(vii) Others (subvention from State Government)	14.22	14.22	14.22
Other liabilities and provisions	341.00	367.54	368.72
Total (A)	**1015.12**	**968.63**	**920.53**
B. ASSETS			
Cash and Bank balance	22.30	20.27	13.67

* Excluding depreciation funds
** Capital employed represents net fixed assets (including capital work-in-progress) plus working capital

Particulars	2004-05	2005-06	2006-07
Investments	--	--	--
Loans and Advances	553.92	511.53	472.00
Net fixed assets	3.69	3.42	3.14
Other assets	51.41	51.83	51.31
Miscellaneous expenditure (Loss)	383.80	381.58	380.41
Total (B)	**1015.12**	**968.63**	**920.53**
C. CAPITAL EMPLOYED*	**598.87**	**510.45**	**562.24**

3. ORISSA STATE WAREHOUSING CORPORATION			
Particulars	**2004-05**	**2005-06**	**2006-07**
A. LIABILITIES		**(Provisional)**	
Paid-up capital	3.60	3.60	3.60
Reserves and surplus	17.57	21.58	28.28
Borrowings	16.39	9.41	5.42
Trade dues and other current liabilities (including provisions)	14.85	16.00	15.25
Total (A)	**52.41**	**50.59**	**52.55**
B. ASSETS			
Gross Block	36.60	36.63	38.13
Less : Depreciation	4.56	5.31	6.50
Net fixed assets	32.04	31.32	31.63
Capital works-in-progress	0.02	0.02	0.02
Current assets, loans and advances	20.35	19.25	20.90
Total (B)	**52.41**	**50.59**	**52.55**
C. CAPITAL EMPLOYED**	**37.56**	**34.59**	**37.30**

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

ANNEXURE-5

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

1. ORISSA STATE ROAD TRANSPORT CORPORATION			**(Rupees in crore)**
Particulars	**2004-05**	**2005-06**	**2006-07**
OPERATING		**Provisional**	
a) Revenue	30.70	34.13	36.86
b) Expenditure	31.96	35.59	38.39
c) Surplus / Deficit (-)	(-)1.26	(-)1.46	(-)1.53
NON-OPERATING			
a) Revenue	3.43	3.68	3.69
b) Expenditure	1.83	1.29	1.29
c) Surplus / Deficit (-)	1.60	2.39	2.40
TOTAL			
a) Revenue	34.13	37.81	40.55
b) Expenditure	33.79	36.88	39.68
c) Surplus / Deficit (-)	0.34	0.93	0.87
Interest on capital and loans	1.35	1.29	1.29
Total return on Capital employed*	**1.69**	**2.22**	**2.16**
Percentage of return on Capital employed	--	--	--

2. ORISSA STATE FINANCIAL CORPORATION			**(Rupees in crore)**
Particulars	**2004-05**	**2005-06**	**2006-07**
1. INCOME			**Provisional**
(a) Interest on Loans	26.81	22.33	25.32
(b) Other Income	2.72	3.90	1.94
TOTAL - 1	**29.53**	**26.23**	**27.26**
2. EXPENSES			
(a) Interest on long-term and short-term loans	3.35	9.24	25.85
(b) Provision for non-performing assets	14.43	--	(-)7.08
(c) Other expenses	19.79	14.77	7.32
TOTAL - 2	**37.57**	**24.01**	**26.09**
3. Profit/Loss (-) before tax (1-2)	(-)8.04	2.22	1.17
4. Provision for tax	--	--	--
5. Profit (+) / Loss (-) after tax	(-)8.04	2.22	1.17
6. Other appropriations	--	--	--
7. Amount available for dividend	--	--	--
8. Dividend	--	--	--
9. Total return on Capital employed*	**(-)4.69**	**11.46**	**27.02**

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

3. ORISSA STATE WAREHOUSING CORPORATION			(Rupees in crores)
Particulars	**2004-05**	**2005-06**	**2006-07**
1. INCOME		**(Provisional)**	**(Provisional)**
Warehousing Charges	24.87	24.63	23.54
Other income	0.20	0.10	0.15
TOTAL – 1	**25.07**	**24.73**	**23.69**
2. EXPENSES			
(a) Establishment charges	4.61	4.97	4.94
(b) Other expenses	11.92	13.54	10.44
TOTAL - 2	**16.53**	**18.51**	**15.38**
3. Profit / Loss (-) before tax	8.54	6.22	8.31
4. Provision for tax	0.97	1.00	1.05
5. Prior period adjustment	2.21	--	--
6. Profit / Loss (-) after tax	5.36	5.22	7.26
7. Other appropriations	4.54	4.00	5.00
8. Amount available for dividend	0.82	1.22	2.26
9. Dividend for the year	0.81	0.22	0.22
10. Total return on Capital employed*	**6.82**	**5.22**	**7.26**
11. Percentage of return on Capital employed	18.16	15.09	19.46

* 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 1.12)

1. ORISSA STATE ROAD TRANSPORT CORPORATION

Particulars	2004-05	2005-06	2006-07
		(Provisional)	
Average number of vehicles held	258	259	269
Average number of vehicles on road	230	230	226
Percentage of utilisation of vehicles	89	89	84
Number of employees	1336	1243	1192
Employee-vehicle ratio	5.8:1	5.40:1	5.27:1
Number of routes operated at the end of the year	109	109	101
Route Kilometres	38572	40184	35187
Kilometres operated (in lakh)			
(a) Gross	258.71	265.90	258.16
(b) Effective	255.82	263.50	256.06
(c) Dead	2.89	2.40	2.10
Percentage of dead kilometres to gross kilometres	1.12	0.90	0.81
Average kilometres covered per bus per day	305	314	310
Average operating revenue per kilometre (Paise)	1197	1295	1439
Percentage of increase in operating revenue per kilometre over previous year's income	9.02	8.19	11.12
Average operating expenditure per kilometre (Paise)	1257	1350	1499
Increase /(-) Decrease in operating expenditure per kilometre (Paise) over previous year's expenditure (per cent)	7.80	7.40	11.03
Loss per kilometre (Paise)	60	55	60
Number of operating depots	14	14	14
Average number of break downs per lakh kilometre	3.4	2.8	2.61
Average number of accidents per lakh kilometre	0.11	0.14	0.20
Passenger kilometres operated (in crore)	82.96	84.21	81.84
Occupancy ratio (percentage)	69	68	68
Kilometres obtained per litre of :			
(a) Diesel	4.38	4.40	4.41
(b) Engine Oil	771	801	833

2. ORISSA STATE FINANCIAL CORPORATION

(Rupees in crore)

Particulars	2004-05		2005-06		2006-07 (Provisional)	
	Number	Amount	Number	Amount	Number	Amount
Application pending at the beginning of the year	23	7.68	4	1.91	--	--
Application received	47	3.58	--	--	--	--
Total	**70**	**11.26**	**4**	**1.91**	**--**	**--**
Application sanctioned	44	2.85	--	--		
Application cancelled/withdrawn/ rejected/reduced	22	6.50	4	1.91	--	--
Application pending at the close of the year	4	1.91	--	--	--	--
Loans disbursed	--	2.09	--	0.12		
Loan outstanding at the close of the year	NA	553.92	--	511.53		472.00
Amount overdue for recovery at the close of the year						
(a) Principal	15040	443.38	13264	425.67	12595	399.64
(b) Interest	--	1202.02	--	1050.36	--	1261.98
Total		**1645.40**	**--**	**1476.03**	**--**	**1661.62**
Amount involved in recovery certificate cases	--	--	--	--	--	--
Total			**13264**	**1476.03**	**12595**	**1661.62**
Percentage of default to total loans outstanding (Principal)		80.04	--	83.21	--	84.67

3. ORISSA STATE WAREHOUSING CORPORATION

Particulars	2004-05	2005-06 (Provisional	2006-07 (Provisional)
Number of stations covered	60	60	60
Storage capacity created up to the end of the year (tonne in lakh)			
(a) Owned	3.96	3.96	3.96
(b) Hired	0.09	0.11	0.20
Total	**4.05**	**4.07**	**4.16**
Average capacity utilised during the year (in lakh tonne)	4.07	4.05	4.08
Percentage of utilisation	100.49*	99.51	98.08
Average revenue per tonne per year (Rupees)	46.04	50.89	48.38
Average expenses per metric tonne per year (Rupees)	40.21	40.14	33.56
Profit / per MT (In Rupees)	5.83	10.75	14.82

* The over utilisation is due to storing of commodities beyond permissible capacity.

ANNEXURE-7

Statement showing the comments made by the Statutory Auditors on Internal Audit/Internal Control Systems.

(Referred to in Paragraph 1.29)

Sl. No.	Name of the Company	Year of Accounts	Supplementary Report under Section 619(3)(a)
1	Orissa Agro Industries Corporation Limited	2001-02	♦ The Internal Audit is not commensurate with the size and volume of business. Compliance mechanism on internal audit observations is not adequate and effective. ♦ The Company does not have any efficient system for monitoring and adjusting advance payments to suppliers/contractors. ♦ Fixed assets register has not been maintained.
2	Orissa Tourism Development Corporation Limited	2004-05	♦ The company has not conducted internal audit during the year 2004-05 though the same was conducted for earlier years. But the Company has not prepared the audit report in consolidated form and the compliance to the internal audit memos are not being made. The above has been commented persistently since 2000-01.
3	Grid Corporation of Orissa Limited	2005-06	♦ There is no specific policy with regard to provision for Bad & Doubtful Debts. ♦ Though an Internal Audit manual is prescribed, it is not being followed strictly.
4	Orissa Lift Irrigation Corporation Limited	2003-04	♦ The Audit Committee has not functioned during the year at all. ♦ Internal audit has not been conducted since long. This has been commented persistently since 2000-01.
5	Orissa State Cashew Development Corporation Limited	2005-06	♦ Fixed Assets register is maintained but not fully updated. This has been commented persistently since 2002-03.
6	Orissa Forest Development Corporation Limited	2004-05	♦ Own internal audit system exists which is not sufficient to cope up with regular audit of all the field offices and for physical verification work of the closing inventory. This has been commented persistently from 1997-98. ♦ Register maintained for Fixed Assets but not updated. This has been commented persistently from 1997-98. ♦ No clear credit policy is available. Bad debts provision is insufficient.
7	IDCOL Ferro Chrome and Alloys Limited	2005-06	♦ Internal Audit system needs to be strengthened. This has been commented persistently from 2002-03. ♦ System of physical verification, valuation, treatment of non-moving and slow moving items, their disposal and abnormal excess & shortage in respect of closing stock items is not adequate.
8	Konark Jute Limited	2003-04	♦ The compilation of accounts is abnormally delayed and most of the Control Accounts remain unreconciled though the accounts have been compiled after about three years. This was also commented on the accounts for the year 2002-03. ♦ Stores are treated as consumed on their issue. The closing stock at the year-end remaining un-consumed on the floor of the factory are not accounted for. This was also commented on the accounts for the year 2002-03. ♦ The Company does not have a system of monitoring timely recovery of dues. ♦ Internal Audit has not been conducted during the year 2002-03 and 2003-04.

Sl. No.	Name of the Company	Year of Accounts	Supplementary Report under Section 619(3)(a)
9	Orissa State Civil Supplies Corporation Limited	2002-03	♦ Bank reconciliation for Head Office is not done for the year 2002-03. ♦ Many of the Control Accounts and Subsidiary Accounts are not reconciled upto date for the year under audit. ♦ The Company though has maintained Assets registers, they have not been reconciled with financial books ♦ There have been lapses in timely recovery of dues resulting a large recoverable amount. This was also commented in the previous year (2001-02). ♦ There is no internal audit system in the Company for the year 2002-03.
10	Orissa Power Transmission Corporation Limited	2005-06	♦ There is no specific policy with regard to provision for Bad & Doubtful Debts. ♦ The system of monitoring the timely recovery of outstanding advances and receivables is not effective. ♦ The monitoring and realisation of claims with the outside parties needs to be improved. ♦ The system of physical verification and valuation of stock, stores and spares needs much improvement. ♦ There is no system of identification of slow moving/nonmoving items and the overall management and control of inventory needs much improvement. ♦ There is no procedure for survey of assets even though the assets are not in existence or lost due to, and are un-serviceable and unusable. ♦ The period of internal audit is not synchronised with the financial years followed by the Company. There is no adequate compliance mechanism in place to follow up the compliance of the irregularities reported by the internal/store auditors. Internal Audit Report had not been placed before the Audit Committee during the year.
11	Orissa Small Industries Corporation Limited	2004-05	♦ The Company has failed to keep detail records of its outstanding dues. ♦ Audit Committee constituted but not acting. This was also commented on the accounts of the previous years (2002-03 and 2003-04). ♦ Internal audit is being done by the own staff of the Company. But the scope of work and the reporting system and level of competence is not adequate.
12	Orissa Construction Corporation Limited	2004-05	♦ The Company does not prepare any cost accounts. This was also commented on the accounts of the previous years (2002-03 and 2003-04). ♦ The system of monitoring of advances is not effective. There are huge advances pending in the books of accounts. This was also commented on the accounts of the previous years (2002-03 and 2003-04). ♦ The scope of work in relation to internal audit of Head Office as well as projects/branches is not adequate. This was also commented on the accounts of the previous years (2002-03 and 2003-04).
13	Orissa Rural Housing and Development Corporation Limited	2002-03	♦ Periodical reconciliation of inter-office accounts needs to be prepared (this has been commented since 2000-01). ♦ Control accounts and subsidiary accounts are found to be reconciled on annual basis and needs to be reconciled periodically (this has been commented since 2000-01). ♦ There is no system of monitoring of the timely recovery of outstanding dues. The Company should focus heavily on

Sl. No.	Name of the Company	Year of Accounts	Supplementary Report under Section 619(3)(a)
			these areas to get back its huge receivables (this has been commented since 2000-01) ♦ The company has not prepared segment-wise accounts and profit/loss statement (this has been commented since 2000-01). ♦ The Company has made advance payment to various suppliers against which there is no proper system to monitor and adjust the same (this has been commented since 2000-01). ♦ Internal Audit System requires improvement commensurate with the size and nature of business of the company (this has been commented since 2000-01). ♦ The Company does not have Audit Committee of the Board of Directors (this has been commented since 2000-01). ♦ In most of the cases, the Company has not taken adequate steps against defaulted loanees (this has been commented since 2000-01). ♦ The system for monitoring loans and advances needs to be improved (this has been commented since 2000-01).

ANNEXURE-8

Statement showing paid-up capital, investment and summarised working results of 619-B Companies as per their latest finalised accounts
(Referred to in Paragraph 1.32)

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

Sl. No.	Name of company	Status (working/ non-working)	Year of account	Paid-up capital	Equity				Loans				Grants by				Total investment by way of equity, loans and grants				Profit/ loss-	Accumulated profit/ accumulated loss-
					State Govt.	State Govt. companies	Central Govt. and their companies	Others	State Govt.	State Govt. companies	Central Govt. and their companies	Others	State Govt.	State Govt. companies	Central Govt. and their companies	Others	State Govt	State Govt. companies	Central Govt. and their companies	Others		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(20)	(21)	(22)
1.	Orissa Tools and Engineering Company Limited	Closed	1982-83	44.00		44.00 (100)												44.00				-43.00
2.	S.N. Corporation Limited	Closed	2005-06	301.06		301.06 (100)				1760.57								2061.63			70.80	-2006.38

Note: Figures in the bracket are the percentage.

Annexure-9

(Referred to in Paragraph-2.1.9)

Statement showing the details of excess expenditure to the State Government due to offloading of works from or surrendered by Orissa Bridge and Construction Corporation Limited

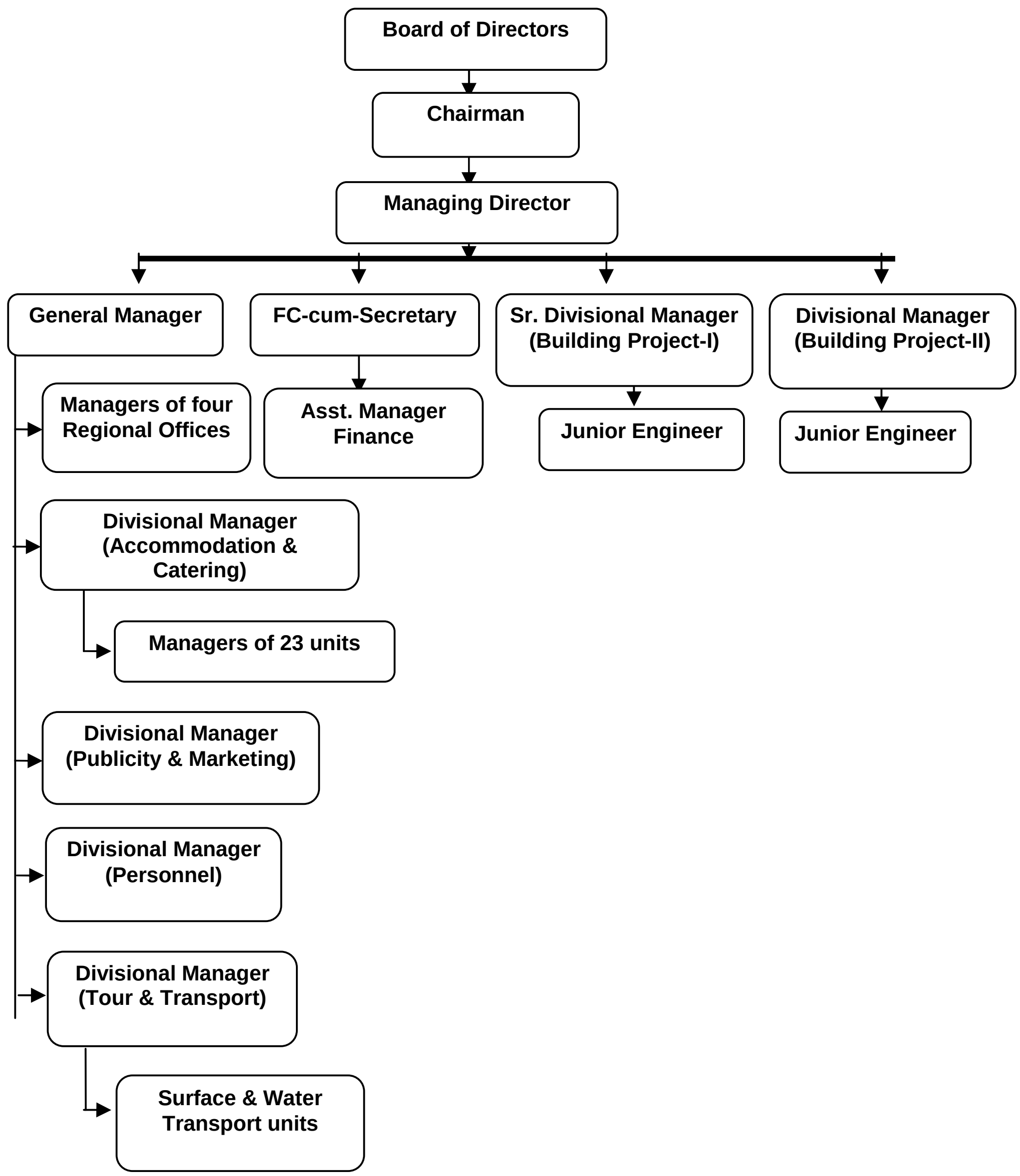
(Rupees in lakh)

Sl. No.	Name of the work surrendered	Estimated cost	Date of allotment	Date of surrender/ withdrawal	Value of work done by the Company	Value of work to be executed as per the estimate (3-4)	Offloaded to the contractor (Amount)	Excess expenditure to the Government (8-7)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
A. Work Surrendered								
1.	Chitrotpala Bridge at Kalaboda	456.23	10.10.2000	8.7.2004/ 30.7.2004	163.76	292.47	409.60	117.13
2.	Luna Bridge at Dasmouzi	454.64	20.8.2003	28.5.2004/ 30.7.2004	24.56	430.08	743.25	313.17
3.	Luna Bridge at Danpur	428.55	17.6.2003	14.7.2004/ 30.7.2004	Nil	428.55	720.17	291.62
	Total-A	**1339.42**			**188.32**	**1151.10**	**1873.02**	**721.92**
B. Works withdrawn								
1	Budhaballanga Bridge at Balighat	475.07	25.7.1998	27.10.2005	232.39	242.68	631.71	389.03
2	Trisulia-Baranga Road	97.84	28.3.2005	13.12.2005	Nil	97.84	101.49	3.65
	Total-B	**572.91**			**232.39**	**340.52**	**733.2**	**392.68**
	Grand Total (A + B)	**1912.33**			**420.71**	**1491.62**	**2606.22**	**1114.60**

Annexure-10

Organisational chart of Orissa Tourism Development Corporation Limited

(Referred to in Paragraph-2.2.1)



Annexure – 11

(Referred to in Paragraph-2.4.1)

A. Statement showing financial position of Orissa Seeds Corporation Limited for five years ending 2006-07

(Rupees in lakh)

	2002-03	2003-04	2004-05	2005-06	2006-07
			(Provisional)		
Liabilities					
Paid up capital	259.11	259.11	259.11	259.11	259.11
Reserves and surplus	727.07	727.36	739.03	807.68	1145.24
Grants-in-aid	1196.71	1184.12	1195.02	1191.67	1175.26
Secured loan	504.58	2.39	0.05	70.21	297.67
Unsecured loan	1138.3	1178.68	1237.84	0	0
Current liabilities	628.16	857.79	934.47	1706.83	1769.36
Provisions	115.57	163.40	175.40	187.40	189.23
Total	**4569.5**	**4372.85**	**4540.92**	**4222.9**	**4835.87**
Assets					
Gross Block	706.29	718.04	722.39	725.45	978.15
Less: Depreciation	285.96	312.23	334.73	362.06	394.11
Net fixed assets	420.33	405.81	387.66	363.39	584.04
Capital wok in progress	1.53	1.53	0	0	0
Current assets, loans and advances	4147.64	3965.51	4153.26	3859.51	4251.83
Miscellaneous expenditure including loss	--	--	--	--	--
Total	**4569.5**	**4372.85**	**4540.92**	**4222.90**	**4835.87**
Capital Employed	**3825.77**	**3351.66**	**3431.05**	**2328.67**	**2877.28**

B. Statement showing working results of Orissa State Seeds Corporation Limited in the five years up to 2006-07

(Rupees in lakh)

	2002-03	2003-04	2004-05	2005-06	2006-07
			(Provisional)		
Income					
Sale of seeds	3268.44	3359.19	2193.28	3621.5	5338.52
Other income	84.41	78.70	60.4	50.72	61.75
Increase(+)/decrease(-) in stock	(-)434.05	(-)88.07	113.19	2.24	173.27
Total	**2918.8**	**3349.82**	**2366.87**	**3674.46**	**5573.54**
Expenditure					
Production and purchase of seeds	2409.98	2825.30	1981.49	3079.41	4434.27
Employees' cost	195.50	237.68	203.65	206.07	273.69
Interest on loan	114.29	71.10	44.10	35.00	25.00
Others	153.57	185.34	125.96	250.50	321.26
Total	**2873.34**	**3319.42**	**2355.20**	**3570.98**	**5054.22**
Net Profit(+)/Loss(-)	**45.46**	**30.40**	**11.67**	**103.48**	**519.32**

ANNEXURE-12

(Referred to in Paragraph 2.4.13)

Farm-wise target, achievement and shortfall in production of foundation and certified seeds during 2001-06 of Orissa State Seeds Corporation Limited

(Quantity in Quintal)

Year	Babanpur			Bargarh			Barikel			Barpalli			Paramanpur			Total		
	Target	Achieve-ment	Short-fall	Target	Achieve-ment	Short-fall	Target	Achieve-ment	Short-fall	Target	Achieve-ment	Short-fall	Target	Achieve-ment	Short-fall	Target	Achieve-ment	Short-fall
2001-02	390.00	226.92	163.08	466.50	333.78	132.72	515.80	354.85	160.95	2202.70	1097.85	1104.80	1638.40	1037.81	600.63	5213.40	3051.21	2162.19
2002-03	689.00	562.40	126.60	395.50	279.03	116.47	2450	50.10	194.90	1750.00	1031.26	718.69	1583.30	721.29	861.96	4662.80	2644.08	2018.72
2003-04	667.50	508.61	158.89	472.30	307.05	165.25	443.00	327.35	115.65	2081.20	1040.80	1040.40	1897.50	682.50	1215.00	5561.50	2866.31	2695.19
2004-05	340.00	226.50	113.50	251.50	125.40	126.10	407.80	194.98	212.82	2339.20	1151.70	1187.50	1928.50	1170.90	757.60	5267.00	2869.48	2397.52
2005-06	665.00	500.40	164.60	373.50	268.62	104.48	523.00	300.80	222.20	2008.00	1011.52	996.48	1550.50	977.39	573.11	5120.00	3058.73	2061.27
Total	**2751.50**	**2024.83**	**726.67**	**1959.30**	**1313.88**	**645.02**	**2134.60**	**1228.08**	**906.52**	**10381.00**	**5333.13**	**5047.87**	**8598.20**	**4589.89**	**4008.30**	**25824.70**	**14489.81**	**11334.89**

ANNEXURE- 13

Statement showing paid-up capital, accumulated loss, net worth and extent of erosion of paid-up capital of companies having accumulated losses as per their accounts finalised up to 30 September 2007

(Referred to in Paragraph-3.21.1)

(Rupees in crore)

Sl. No.	Name of the Company	Date of incorporation	Latest year for which accounts finalised	Paid-up capital	Reserves & Surplus	Accumulated Loss as per the latest finalised accounts	Other intangible assets	Net worth {(5+6) -(7+8)}	Extent of erosion of paid-up capital	
									Amount (7-5)	Percentage of erosion (7/5 x 100)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1	Orissa Agro Industries Corporation Limited	20 December 1961	2002-03	7.15	2.00	46.04	–	-36.89	38.89	643.92
2	IDCOL Software Limited	26 November 1998	2005-06	1.00	--	0.54	-	0.46	-	-
3	ELMARC Limited	23 January 1990	2000-01	1.02	--	2.25	-	-1.23	1.23	220.59
4	Orissa Forest Development Corporation Limited	28 September 1962	2005-06	1.28	1.99	140.12	-	-136.85	138.84	10946.88
5	Orissa Bridge and Construction Corporation Limited	1 January 1983	2004-05	5.00	--	12.26	-	-7.26	7.26	245.20
6	Orissa Tourism Development Corporation Limited	03 September 1979	2005-06	9.62	--	6.07	-	3.55	-	-
7	Grid Corporation of Orissa Limited	20 November 1995	2005-06	432.98	--	1002.32	-	-569.34	569.34	231.49
8	Orissa Power Transmission Corporation Limited	29 March 2004	2005-06	0.07	476.95	24.95	1.21	450.86	24.88	35642.86
9	Industrial Promotion and Investment Corporation of Orissa Limited	12 April 1973	2005-06	83.14	1.35	49.40	-	35.09	--	--
10	Industrial Development Corporation of Orissa Limited	29 March 1962	2005-06	57.12	--	51.47	0.20	5.45	-	-
11	Orissa Small Industries Corporation Limited	03 April 1972	2004-05	9.66	0.09	14.62	--	-4.87	4.96	151.35

Sl. No.	Name of the Company	Date of incorporation	Latest year for which accounts finalised	Paid-up capital	Reserves & Surplus	Accumulated Loss as per the latest finalised accounts	Other intangible assets	Net worth {(5+6) -(7+8)}	Extent of erosion of paid-up capital	
									Amount (7-5)	Percentage of erosion (7/5 x 100)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
12	Kalinga Studios Limited	20 July 1980	2004-05	1.75	0.19	2.70	-	-0.76	0.95	154.29
13	Konark Jute Limited	27 January 1975	2003-04	5.94	-	17.74	0.33	-12.13	11.80	298.65
14	Orissa Lift Irrigation Corporation Limited	1 October 1973	2004-05	74.73	188.46	4.82	-	258.37	-	-
15	IDCOL Kalinga Iron Works Limited	26 March 1999	2005-06	45.10	--	36.08	-	9.02	-	-
16	IDCOL Ferro Chrome and Alloys Limited	26 March 1999	2005-06	18.81	49.33	15.30	-	52.84	-	-
17	Orissa Pisciculture Development Corporation Limited	5 May 1998	1999-2000	2.18	--	1.21	-	0.97	-	-
	Total			**756.55**	**720.36**	**1427.89**	**1.74**			

Annexure-14

Statement showing paid-up capital, accumulated losses as per latest finalised accounts up to 30 September 2007 and reasons for losses

(Referred to in Paragraph-3.21.3)

Sl No.	Name of the Company	Year of latest finalised accounts	Paid-up capital as per latest finalised accounts (Rs. in crore)	Accumulated loss as per the latest finalised accounts (Rs. in crore)	Reasons for losses
1.	ELMARC Limited	2000-01	1.02	2.23	Decrease in turnover, over dependence on Government work, and non-execution of capital intensive projects for lack of resources were the main reasons for the loss. In the Inter Ministerial Review on the performance of loss making companies (September 2005), it was assessed that the activity undertaken by the Company at present could be performed by private entrepreneurs. It was, therefore, decided that for arresting further loss, Information and Technology Department will prepare a memorandum to privatise the Company in consultation will Finance Department and Public Enterprises Department for placing the same before the Cabinet for approval. The process of privatisation is still pending.
2.	IDCOL Software Limited	2005-06	1.00	0.54	Out of six years for which the Company has finalised accounts since inception, the Company incurred losses for three years (2000-01, 2001-02 and 2005-06). The main reasons of losses were low turnover in all the activities for which the Company was established and lack of marketing strategy for obtaining assignments from the private sector. Decline in revenue from consultancy and supervision was the main reason for the loss in 2005-06. In the Inter Ministerial Review (September 2005) on the performance of cumulative loss making PSUs, it was decided to transfer the Company to Orissa Computer Application Centre (OCAC). Industries Department was to prepare a Memorandum in this regard for consideration of the Cabinet. The Company has submitted the related Memorandum to the Industries Department for placing before the Cabinet Committee on Disinvestment (CCD).

Sl No.	Name of the Company	Year of latest finalised accounts	Paid-up capital as per latest finalised accounts (Rs. in crore)	Accumulated loss as per the latest finalised accounts (Rs. in crore)	Reasons for losses
3.	Orissa Bridge and Construction Corporation Limited	2004-05	5.00	12.26	The Company incurred losses continuously for last ten years. In the Director's Report for 1999-2000, it has been stated that the Company roughly incurs Rs.2.50 crore per annum towards administrative and establishment expenses In order to absorb the high establishment expenses, the Company is required to execute works valued about Rs.20 crore. The turnover of the Company in terms of value of work done per annum varied between Rs.9.87 crore and Rs.37.48 crore and remained below Rs.20 crore upto 2002-03. The turnover of the Company improved in 2003-04 to Rs.22.20 crore. Further, non-completion of works within the scheduled time resulted in non-absorption of overhead charges leading to losses. In the Inter Ministerial Review meeting (September 2005), it was decided that the Company would prepare a Memorandum for placing before the Cabinet indicating its performance till date, requirement of Government support for its existence and organisational and financial restructuring required on or before 20 October 2005. As regards manpower restructuring, it was also suggested that in order to avoid further delay, the Company might implement their VRS Scheme by availing loan from banks or from its own resources as it was not included under DFID assisted Public Enterprises Reform Programme.
4.	Orissa Tourism Development Corporation Limited	2005-06	9.62	6.07	The Company incurred losses for five years from 1998-99 to 2002-03. Low turnover remained the main reason for losses. The Company, however, reduced the quantum of loss gradually through higher turnover to make a profit of Rs.15.07 lakh in 2003-04. In the subsequent year it improved upon its profitability and registered a profit of Rs.40.35 lakh and Rs.52.45 lakh in 2004-05 and 2005-06 respectively. The earnings of the Company was, however, from sources other than its core activities. The accumulated loss of the Company as per the latest finalised accounts i.e. for 2004-05 stood at Rs.6.60 crore. The Cabinet Sub-Committee in August 1996 while recommending various organisational restructuring measures for improvement in the performance of the Company had decided that the Panthanivases of the Company should be privatised which has so far not been done. In the Inter-Ministerial Review meeting on the performance of loss making Companies held on 13 September 2005, it was decided that the Company should appoint a

Sl No.	Name of the Company	Year of latest finalised accounts	Paid-up capital as per latest finalised accounts (Rs. in crore)	Accumulated loss as per the latest finalised accounts (Rs. in crore)	Reasons for losses
					Consultant through open advertisement to prepare a comprehensive Reform Plan keeping in view the role of OTDC in the present market scenario. The Reform plan should also reflect its Business plan and plan for privatisation of panthanivases. Tourism and Culture Department in consultation with Public Enterprises and Finance Department will prepare Memorandum basing on the Reform plan of OTDC for approval of the Cabinet. The developments in this regard have not been intimated to the nodal department i.e. DoPE.
5.	Grid Corporation of Orissa Limited	2005-06	432.98	1002.32	The Company was entrusted with the business of procurement, transmission, bulk Supply and retail supply of electricity since 1 April 1996. Retail supply was transferred from the Company with effect from November 1998. The transmission activity was transferred from the Company with effect from 1 April 2005. The Company incurred losses for six years and earned profits for four years 2001-02 and 2003-04 to 2005-06. Its losses were mainly due to high transmission loss, hydrology failures and consequent purchase of power at higher prices, interest burden of bonds issued during 1998 and prior period expenses.
6.	Investment Promotion and Investment Corporation of Orissa Limited	2005-06	49.39	83.14	The Company incurred losses continuously from 1995-96 to 2002-03. This was mainly due to heavy provisioning against non-performing assets as per IDBI guidelines. High cost of funds and competition from banks were the other reasons responsible for the Company's losses. The Company has, however, been registering profit thereafter for three years. These profits are mainly due to write back of the provisions earlier made against loans and investment and profit on sale of investment. The main sources of the Company's income namely interest on loans and advances and dividend are decreasing for the last five years. In the Inter Ministerial Review meeting on the performance of loss making companies held on 14 September 2005, it was appraised that a restructuring plan had been prepared by M/s Karvy Investors Services Limited, Hyderabad which amongst other things included suggestions to improve the performance with suitable organisational and financial restructuring of the Company. It was decided in this meeting that the Industries Department would prepare a Memorandum on the Report of M/s Karvy Investors Services Limited, after suitable modifications for consideration of the

Sl No.	Name of the Company	Year of latest finalised accounts	Paid-up capital as per latest finalised accounts (Rs. in crore)	Accumulated loss as per the latest finalised accounts (Rs. in crore)	Reasons for losses
					Cabinet.
7.	Industrial Development Corporation of Orissa Limited	2005-06	57.12	51.47	Interest charges on high cost borrowings and not getting returns from investments made in subsidiary companies and joint sector units were the main reasons for losses. The Company has taken steps for liquidating these high cost borrowings. In 2003-04 and 2004-05, it has liquidated high cost borrowings (13.75 *per cent*) against fresh borrowings at lower rates (8.5 *per cent* to 9.25 *per cent*). Diversification into non-core activities, absence of technological upgradation, absence of capacity expansion and non-diversification into value added products in core activities were the other major reasons for the Company's poor profitability.
8.	Konark Jute Limited	2003-04	5.94	17.74	Low production due to continuous labour unrest coupled with interest burden remained the main reasons for the loss. The lone profit made by the Company during 2002-03 was due to the gain (Rs.90.12 lakh) out of One Time Settlement of working capital loan from the Company. As part of the reform programme the Government identified the Company for 100% disinvestment/privatisation. This has so far not materialised. In the meanwhile, the Company operated under 'leave and license' arrangement by M/s Santana Commercial Private Limited from March, 2002. Before expiry of the licensing period on 31.03.2005, the licensee left the mill on 10.02.2005 without informing the Company. The due against the licensee amounting to Rs.2.05 crore is pending recovery. The Company operated the mill from February 2005 to June 2005 on its own and thereafter on conversion basis signing an agreement with M/s. Peckon Electronics Limited. Due to low production, lack of proper maintenance of plant and machinery, increase in absenteeism and lack of working capital, the Company suffered a cash loss of Rs.1.13 crore during the period February 2005 to March 2006.
9.	Orissa Lift Irrigation Corporation Limited	2004-05	74.73	4.82	The accumulated loss of the Company stood at Rs.3.07 crore in 1996 and it increased to Rs.4.82 crore in 2004-05. Out of the last ten years for which the accounts have been finalised the Company incurred losses from 1995-96 to 2003-04 and made profit only for the years 1999-2000, 2003-04 and 2004-05. The Company had registered profit before prior period adjustments. The profit generated was however mainly due to the interest

Sl No.	Name of the Company	Year of latest finalised accounts	Paid-up capital as per latest finalised accounts (Rs. in crore)	Accumulated loss as per the latest finalised accounts (Rs. in crore)	Reasons for losses
					income earned and not due to operational profit. The main reasons for the losses were attributed to high establishment expenses towards salary and wages and depreciation, under utilisation of drilling equipments and other machinery and high cost of RCC pipes manufactured in Spun Pipe factory.
10.	IDCOL Kalinga Irion Works Limited	2005-06	45.10	36.08	The Company has been incurring losses for all the years since it became a subsidiary Company (2002-03), except for 2003-04. The reasons for the losses, as revealed from the analysis of financial statements, were higher consumption of coke especially in 2004-05. This was due to non availability/ high cost of coke. The working capital crunch and fall in market price of iron and steel were the other reasons for the losses particularly in 2004-05. The Government of Orissa had identified the Company for privatisation upto 74 *per cent* of its shares in 2002-05. This could not materialise. The proposal for modernisation and diversification of its activities into steel making with private participation at a later stage also has not yet been finalised.
11.	IDCOL Ferro Chrome and Alloys Limited	2005-06	18.81	15.30	The Company incurred loss of Rs.9.56 crore in its first year of operation i.e. 2002-03. This was mainly due to low sales realisation of HCFC. Though it registered profits for the subsequent two years, it made a loss to the tune of Rs.7.12 crore in 2005-06 mainly due to increase in power cost on account of higher consumption of power. The Government of Orissa had identified the Company for privatisation upto 74 *per cent* of its shares in 2002-05. This has so far not been implemented. In the Inter Ministerial Review on the performance of cumulative loss making state PSUs held on 14 September 2005, it was decided to expedite disinvestment of the Company. Later on, as per the decision taken by the CCD in their meeting held on 01 October 2005 offers were invited from Central Public Sector Undertakings to acquire at least 51 *per cent* shares in the share capital of the Company. The process of disinvestment is still pending.

Sl No.	Name of the Company	Year of latest finalised accounts	Paid-up capital as per latest finalised accounts (Rs. in crore)	Accumulated loss as per the latest finalised accounts (Rs. in crore)	Reasons for losses
12.	Orissa Pisciculture Development Corporation Limited	1999-2000	2.18	1.21	The Company took over the activities of two erstwhile companies namely Orissa Fish Seed Development Corporation Limited and Orissa Maritime & Chilka Area Development Corporation Limited on 15 October 1998. The Company has finalised its accounts for the first year. The Company's business mainly consists of fish seed production and fuel trading in coastal districts. The main reasons for this year's loss was disproportionate establishment expenses towards salaries and wages (Rs.64.43 lakh) to the gross margin (Rs.23.09 lakh). Thus, the gross operating surplus was not even enough to meet the employee cost. As part of its reform measures for state PSUs the Government had identified the Company for privatisation upto 74 *per cent* of its shares in 2002-05. No progress has so far been made in this regard.

ANNEXURE-15

Statement showing paragraphs/reviews for which explanatory notes were not received as on 30 September 2007

(Referred to in Paragraph 3.22.1)

Sl. No.	Name of the Department	1993-94	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total
1	Industries	1	1	1	2	1	--	1	7	14
2	Public Enterprises	--	--	--	--	--	2	1	2	5
3	Steel and Mines	--	--	--	--	1	5	--	--	6
4	Energy	--	--	--	--	--	--	--	2	2
5	Commerce and Transport	--	1	--	--	--	--	--	--	1
6	Water Resources	--	--	--	--	--	--	--	1	1
7	Housing and Urban Development	--	--	--	--	--	--	--	1	1
	Total	**1**	**2**	**1**	**2**	**2**	**7**	**2**	**13**	**30**

ANNEXURE-16

Statement showing department wise outstanding Inspection Reports as on 30 September 2007
(Referred to in Paragraph 3.22.3)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which Paragraphs outstanding
1.	Industries	9	53	234	1994-95
2.	Steel and Mines	1	8	105	1996-97
3.	Home	1	3	27	2002-03
4.	Housing and Urban Development	1	6	49	1997-98
5.	Excise	1	4	34	2002-03
6.	Commerce & Transport	1	57	181	1998-99
7.	Tourism	1	2	4	2003-04
8.	Energy	4	312	1101	1995-96
9.	Water Resources	2	15	71	1997-98
10.	Fisheries and Animal Resources Development	1	7	28	1994-95
11.	Agriculture	4	16	109	1997-98
12.	Works	1	22	142	1994-95
13.	Co-operation	1	6	21	1997-98
14.	Food Supplies and Consumer Welfare	1	127	524	1997-98
15.	Forest and Environment	1	20	115	1997-98
	TOTAL	**30**	**658**	**2745**	

ANNEXURE-17

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

(Referred to in Paragraph 3.22.3)

Sl No.	Name of the Department.	No. of draft paragraphs	No. of reviews	Period of issues
1.	Industries	1	-	July 2007
2.	Energy	4	1	April to July 2007
3.	Steel and Mines	4	-	April to May 2007
4.	Public Enterprises	1	-	June 2007
	Total	**10**	**1**	

GLOSSARY

ABBREVIATION	EXPANSION
AAO	Assistant Agriculture Officer
ABB	Asea Brown Boveri Limited
AM(F)	Assistant Manager (Finance)
AMP	Assistant Project Manager
AO	Agriculture Officer
APSSDC	Andhra Pradesh State Seed Development Corporation
ARCPSE	Audit Review Committee for State Public Sector Enterprises
ASPO	Assistant Seed Production Officer
AT	Auto Transformer
BHEL	Bharat Heavy Electricals Limited
BoD	Board of Directors
CGL	Crompton Greaves Limited
COPU	Committee on Public Undertakings
CPC	Central Procurement Cell
CPWD	Central Public Works Department
DA & FP	Director of Agriculture and Food Production
DDA	Deputy Director of Agriculture
DoW	Department of Works
DPM	Deputy Project Manager
EMD	Earnest Money Deposit
EoT	Extension of Time
FIR	First Information Report
GEC	General Electric Company
GL	General Ledger
GRIDCO	Grid Corporation of Orissa Limited
GTI	Goods Transfer Issue
HL	High Level
ICT	Inter Connecting Transformer
ISOPOM	Integrated Scheme of Oilseed, Pulses, Oil Palm and Maize
KL	Kilo Litre
KV	Kilo Volt
LILO	Loop-in Loop-out
LPC	Last Pay Certificate
MB	Measurement Book
MCS	Multipurpose Cyclone Shelter
MD	Managing Director
MoU	Memorandum of Understanding
MPR	Monthly Progress Report
MSTC	Metal Scrap Trading Corporation Limited
MVA	Mega Volt Ampere

ABBREVIATION	EXPANSION
NAFED	National Agricultural Co-operative and Marketing Federation
NPC	National Productivity Council
NSC	National Seed Corporation Limited
NSP	National Seed Plan
O&M	Operation and Maintenance
OERC	Orissa Electricity Regulatory Commission
OPP	Oilseed Production Programme
OPTCL	Orissa Power Transmission Corporation Limited
OPWD	Orissa Public Works Department
OSDMA	Orissa State Disaster Mitigation Authority
OSEB	Orissa State Electricity Board
OSSCA	Orissa State Seeds Certification Agency
OUAT	Orissa University of Agriculture and Technology
PGCIL	Power Grid Corporation of India Limited
PIP	Project Implementation Plant
PMGSY	Prime Minister Gramin Sarak Yojana
PMU	Project Monitoring Unit
PT	Power Transformer
R&M	Repair and Maintenance
RA	Running Account
RRM	Renovation, Repair and Modernisation
SE	Superintendent Engineer
SFCI	State Farms Corporation of India
SLDC	State Load Despatch Centre
SMR	Seed Multiplication Rate
SPM	Senior Project Manager
SPO	Seed Production Officer
SR	Schedule of Rate
SRR	Seed Replacement Rate
SVP	Seed Village Programme
SVS	Seed Village Scheme
TC	Technical Committee
TFC	Threshing Floor Certificate
TL	Truthfully Labeled
TP	Transmission Project
TRW	Transformer Repair Workshop
UC	Utilisation Certificate
UU	Utkal University

DEFINITION

AT	*:*	Auto Transformer connecting EHV lines/bus bars of 220 and 132 KV voltages.
Auxiliary consumption	*:*	Energy consumed for generation of electricity by power generating companies.
Breeder seed	:	Genetically pure seed used for producing foundation seed.
Certified seed	:	The progeny of foundation seed which maintains specific genetic identity and purity according to specific standards for seed certification. It may also be progeny of certified seed provided this reproduction does not exceed two generations beyond foundation seed.
Cross pollinated	:	Transfer of pollen grains from one flower to another flower.
Dewatering	*:*	Drainage of water from mine for the purpose of extracting minerals.
Foundation seed	:	Seeds having genetic purity of 99 *per cent* and used for producing certified seed.
ICT	*:*	Inter Connecting Transformer connecting EHV lines / bus bars of 400 and 220 KV voltages.
Impedance Value	*:*	Impedance value of a transformer is indicated by the Manufacturer and it mainly related to withstanding capacity to short circuit current with corresponding voltage drop.
Overburden	*:*	The layer of non-mineral material forming crust of the mine which is removed for raising minerals.
Primary Energy	*:*	The quantum of energy generated up to the design energy on per year basis at the generating station.
PT	*:*	Power Transformer connecting EHV lines/bus bars of 132 and 33 KV voltages.
Secondary Energy	*:*	The quantum of energy generated in excess of the design energy on per year basis at the generating station. As such, the generation of secondary energy is a matter of incidence.
Seed replacement rate	:	Percentage of certified/quality seed sown to total seed sown in the State in a particular period.
Self pollinated	:	Transfer of pollen grains within the same flower.