REPORT
OF THE
COMPTROLLER
AND
AUDITOR GENERAL OF INDIA
FOR THE YEAR
1983-84

(COMMERCIAL)

GOVERNMENT OF ORISSA

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PREFACE

Government commercial concerns, 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 including Orissa State Electricity Board and has been prepared for submission to the Government of Orissa under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to departmentally-managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil)—Government of Orissa.

3. There are, however, certain companies where Government have invested funds, but the accounts of which are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 *per cent* of the shares. Particulars of such undertakings in each of which Government investment was more than Rs. 10 lakhs as on 31st March 1984 are given below :

Name of the Company	Total Investment up to 1983-84 (Rupees in lakhs)	Percentage of Government investment to the total paid-up capital
1. Orissa Cement Limited, Rajgangpur	40.00	12·9
2. Orissa Textile Mills Limited, Choudwar	18.51	25.1

Besides, there is one Statutory Corporation (Orissa Industrial Infrastructure Development Corporation) formed by the State Lagislature, the accounts of which are not subject to audit by the Comptroller and Auditor General of India. As on 31st March 1984, the Corporation was financed by Government by way of loans to the extent of Rs. 6,73.00 lakhs (48.8 *per cent* of the total long-term loans). The Corporation does not have share capital.

4. In respect of the Orissa State Road Transport Corporation and the Orissa State Electricity Board which are also statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Orissa State Financial Corporation and Orissa State Warehousing Corporation he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The audit reports on the annual accounts of all these corporations are being forwarded separately to the Government of Orissa.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1983-84 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports : matters relating to the period subsequent to 1983-84 have also been included wherever considered necessary.

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

1.1. Introduction

There were 62 Government companies (including 8 subsidiaries) as on 31st March 1984 as against 60 Government companies (including 7 subsidiaries) at the close of the previous year. One company (Orissa Agrico Limited) ceased to be a Government company consequent upon sale of Government shares. The details of the 3 new companies are given below :

Name of company	Date of incorporation	Authorised capital (Rupees in lakhs)
(1) Orissa State Textile Corporation Limited (a Wholly-owned Government company)	10th September 1981	1,00.00
(2) Orissa Pump and Engineering Company Limited (a subsidiary of Orissa Small Industries Corporation Limited)	27th March 1982	10.00
(3) Orissa Bridge Construction Corporation Limited (a wholly-owned Government company)	1st January 1983	5,00.00

1.2. Compilation of accounts

Two companies (including one subsidiary) finalised their accounts for the year 1983-84. In addition, 11 companies (including one subsidiary) finalised their accounts for earlier years. A synoptic statement showing the summarised financial results of 13 companies (including two subsidiaries) based on the accounts made available subsequent to the earlier Report is given in Appendix 'A'. The accounts of 66 companies (including 6 companies which had ceased to be Government companies earlier after sale by Government of the shares held by them in the previous years) were in arrears for the periods noted against each in Appendix 'B'.

The position of arrears in the finalisation of accounts was last brought to the notice of Government in September 1984.

1.3. Paid-up capital

Against the aggregate paid-up capital of Rs. 92,10.05 lakhs in 60 Government companies (including 7 subsidiaries) as on 31st March 1983, the aggregate paid-up capital as on 31st March 1984 increased to Rs. 115,90.21 lakhs in 62 companies (including 8 subsidiaries) as detailed below:

Particulars	Number of companies	Invested by: State Government	Central Government	Others	Total
		(Rupees in lakhs)			
(i) Companies wholly-owned by State Government	23	99,14.05	..	..	99,14.21
(ii) Companies jointly owned with Central Government/others	31	4,91.37	1,10.48	16.34	6,18.19
(iii) Subsidiaries of Government companies	8	..	..	10,57.97	10,57.97
	62	*104,05.42	1,10.48	10,74.31	115,90.21

*The figure as per Finance Accounts was Rs. 106,91.78 lakhs. The difference of Rs. 2,86.36 lakhs is under reconciliation.

1.4. Loans

According to the information received from 56 companies, 23 companies (including 3 subsidiaries) had a balance of long-term loans outstanding as on 31st March 1984 amounting to Rs. 117,48.04 lakhs (State Government : Rs. 24,43.55 lakhs and others : Rs. 93,04.49 lakhs) as against the balance of Rs. 40,57.62 lakhs (State Government : Rs. 20,06.75 lakhs and others : Rs. 20,50.87 lakhs) in respect of 14 companies (including one subsidiary) as on 31st March 1983.

1.5. Guarantees

1.5.1. The State Government had guaranteed the repayment of loans and payment of interest thereon raised by 9 companies. The amounts guaranteed and outstanding there against as on 31st March 1984 were detailed below :

Name of company	Amount guaranteed	Amount outstanding
	(Rupees in lakhs)	
(1) Orissa State Handloom Development Corporation Limited	40.00	32.24
(2) Orissa State Cashew Development Corporation Limited	4,09.22	..
(3) Orissa Maritime and Chilka Area Development Corporation Limited	65.94	24.87
(4) Orissa Lift Irrigation Corporation Limited	34,68.78	15,85.89
(5) Orissa Mining Corporation Limited	22,04.27	22,04.27

Name of company	Amount guaranted	Amount outstanding
	(Rupees in lakhs)	
(6) Orissa Road Transport Company Limited	2,14.50	2,25.00
(7) Orissa State Seeds Corporation Limited	81.01	81.01
(8) Spark Battery and Manufacturing Works Limited	2.00	2.00
(9) Cuttack Iron and Steel Products Limited	0.50	0.50
	64,86.22*	41,55.78*

1.5.2. In consideration of the guarantees, the companies have to pay guarantee commission (rates ranging from 0.25 to one *per cent* per annum) to Government. In five cases, the guarantee commission was in arrears as on 31st March 1984 as per details given below :

Name of company	Amount in arrears
	(Rupees in lakhs)
(1) Orissa State Handloom Development Corporation Limited	0.32
(2) Orissa Road Transport Company Limited	1.12
(3) Spark Battery and Manufacturing Works Limited	0.16
(4) Cuttack Iron and Steel Products Limited	0.03
(5) Orissa Construction Corporation Limited	1.95
	3.58

* The figures as per Finance Accounts are Rs. 25,61.44 lakhs and Rs. 9,44.63 lakhs; the differences are under reconciliation.

1.6. Performance of companies

The two companies which finalised their accounts for 1983-84, *viz.,* Orissa State Electronics Development Corporation Limited and SN Corporation Limited (paid-up capital : Rs. 2,04.50 lakhs) and Orissa Mining Corporation Alloys Limited which finalised its accounts for 1982-83 (paid-up capital : Rs. 4,38.94 lakhs) were in the stage of construction.

1.7. Two companies whose accumulated losses were in excess of their paid-up capital up to the period for which accounts had been finalised are detailed below :

Name of company	Year of accounts	Paid-up capital	Accumulated loss	Percentage of accumulated loss to paid-up capital
		(Rupees in lakhs)		
1 Orissa Road Transport Company Limited	1980-81	50.00	214.33	428.7
2 Orissa Fisheries Development Corporation Limited	1982-83	35.00	64.86	185.3

1.8. In addition, there were 6 companies covered under Section 619 B of the Companies Act, 1956 as on 31st March 1984. Only 3 companies finalised accounts for 1980, 1980-81 and 1983-84 as detailed below :

Name of Company	Latest year of accounts	paid-up capital	Investment by		Others	Profit (+)/ Loss (—)
			State Government	Central Government/ Companies/ Corporations		
		(Rupees in lakhs)				
1 Mamta Drinks and Industries, Limited	1980	19.41	2.50	10.37	6.54	(—)6.99
2 Orissa Tool and Engineering Company. Limited	1980-81	36.50	..	29.50	7.00	(—)7.56
3 IPITRON Times, Limited	1983-84	34.21	..	34.21	..	(—)4.97

Finalisation of the accounts of the remaining 3 companies, *viz.*, East Coast Breweries and Distilleries Limited (1980), Konark Jute Limited (1980-81) and IPITRON Resistors Limited (1983-84) was in arrears (March 1985).

1.9. The Companies Act, 1956 empowers the Comptroller and Auditor General to issue directions to the auditors of Government companies in regard to the performance of their functions. In pursuance of the directions so issued, supplementary reports of the company auditors on the accounts were received in respect of 3 companies during the year. The important points noticed in these reports are summarised below :

(*i*) Orissa Construction Corporation Limited

—Absence of accounting and internal audit manuals.

—Absence of budgetory control exercise.

—Non-fixation of maximum and minimum level of stores.

—Inadequate provision of depreciation.

(*ii*) Re-Rolling Mill (a unit of Industrial Development Corporation of Orissa, Limited)

—Non-verification of stores.

—Non-fixation of maximum and minimum levels of stores and spares.

(*iii*) Orissa Mining Corporation Limited

—Absence of perpetual system of inventory verification.

1.10. Under Section 619 (4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the audit reports of the company auditors. Under this provision, the audited annual

accounts of Government companies and Section 619 B companies were reviewed on a selective basis. Some of the comments in audit having a bearing on the working results of the companies noticed are detailed below :

(1) Method of accounting was changed from 'mercantile basis' to 'cash basis' resulting in reduction of profit by Rs. 30.79 lakhs. The accounting of transactions on 'cash basis' was contrary not only to the accepted principles of commercial accounting but also to the provisions of Sections 209 and 211 of the Companies Act. (Industrial Promotion and Investment Corporation of Orissa Limited, 1982-83).

(2) The profit for the year (Rs. 0.68 lakh) was understated by Rs. 1.44 lakhs due to erroneous adjustment of the value of trading stock (Rs.0.93 lakh) and non-accounting of value of pump-sets and maize shellers (Rs. 0.51 lakh).

(Orissa Agro Industries Corporation Limited, 1980-81)

(3) The cumulative loss was overstated by Rs. 2.60 lakhs due to non-accounting of income (leave salary and surrender leave salary of deputationists recoverable from Government) counter-balanced by non-accountal of expenditure incurred on travelling allowance, periodicals and legal charges.

(Orissa Construction Corporation Limited, 1980-81).

SECTION II

ORISSA CONSTRUCTION CORPORATION LIMITED

2.1. Introduction

The Company was incorporated on 22nd May 1962, in pursuance of a decision of the State Government to form a corporate body to break the monopoly of contractors in execution of departmental works, especially where large capital outlay and use of heavy machinery were involved. Its main objects are to construct and execute works of all kinds and to carry on business as quarry masters and stone merchants. The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1977-78 (Commercial). This was discussed by the Committee on Public Undertakings and its report (Fifth Report—Eighth Assembly) was presented to the Legislative Assembly on 23rd March 1982. The working of the Company for the subsequent years up to 1983-84 is reviewed and the findings thereof are given in the following paragraphs :

2.2. Organisational set-up

The affairs of the Company are managed by a Board of Directors, wholly nominated by Government, whose present strength is 12 (August 1984) including the full-time Chairman, the Managing Director and the Director, Finance, who is also the Financial Advisor and Chief Accounts Officer of the Company (FA & CAO). The Managing Director is assisted at the head office by 2 General Managers on technical matters (one for tenders, contracts, designs, *etc.* and the other for mechanical works, steel and equipment), one FA & CAO

on matters of finance and accounts and one Company Secretary on matters of law and establishment. In the field, each project is under the charge of a Project Engineer and a group of projects is managed by a General Manager who reports to the Managing Director.

An officer serving in the Ministry of Labour and Rehabilitation of Government of India, on his reversion to the State, was appointed by the State Government as the Chairman of the Company with effect from 28th June 1983. After availing of leave from 2nd May to 18th June 1983 and joining time up to 27th June 1983., the officer assumed the office of the Chairman on 28th June 1983. On the following day, a notification was issued by the General Administration Department conveying the sanction of the Governor for deputation of that officer for undergoing training in the ninth advanced professional programme in Public Administration at the Indian Institute of Public Administration, New Delhi from 1st July 1983 to 30th April 1984 (including tour to Sri Lanka as part of training programme) treating him as on tour. On completion of the training, the officer, returned to the State but was not posted to the Company.

In the meantime, another director of the Board was appointed the Chairman with effect from 24th July 1983 who continued to be so (August 1984). The former Chairman was paid Rs. 1.14 lakhs by the Company towards his remuneration from 28th June 1983 to 30th April 1984 including his travelling expences (Rs. 0.31 lakh) to Sri Lanka and on transfer to Bhubaneswar. The Company did not derive any benefit out of the expenditure since the officer was its Chairman virtually for 3 days only and did not return to the Company after the training. The Management stated (January 1985) that the two chairmen were continued as per the orders of competent authority and that reimbursement of the expenditure was being claimed from Government.

2.3. Activities

The main activities of the Company are construction of civil works in irrigation and power projects, bridges, *etc.* operation of stone quarries and fabrication of radial gates for irrigation dams and penstocks for hydroelectric projects.

2.4. Capital structure

The initial authorised capital of Rs. 2,50.00 lakhs was enhanced to Rs. 5,00.00 lakhs in July 1983. The paid-up capital as on 31st March 1984 was Rs. 4,77.14 lakhs wholly contributed by Government.

2.5. Borrowings

Apart from share capital, the main sources of finance were, loans from Government and commercial banks, advances on the security of machinery/materials brought to site of work and works advances from the agencies entrusting works to the Company. The position of the loans from Government and works advances is discussed below :

(*i*) *Loans from Government*

The Company obtained two loans of Rs. 10.00 lakhs each in June 1972 and January 1975 from Government for its working capital requirements. The first loan carrying interest at $8\frac{1}{2}$ *per cent* per annum was repayable in 5 equal annual instalments *i. e.* by June 1978 and the second loan with an interest at 9 *per cent* per annum was repayable by February 1975. In respect of both the loans a concession of 2 *per cent*

per annum each in the interest rate was available to the Company for prompt payment of the instalments of the principal and/or interest. These loans were discharged in full by March 1981. There was, however, an outstanding liability of Rs. 9.04 lakhs towards interest on these loans (March 1984). The concessional interest forgone by the Company due to delay in repayment of the principal and interest was Rs. 2.14 lakhs. The Company did not obtain any further loans from Government.

(*ii*) *Works advances*

The advances granted to the Company for execution of works carrying interest at 10 to 12 *per cent* per annum were recoverable from running account bills for works measured. Quantum of recovery depends on the value of work measured and paid. Delay in execution of works, therefore, results in prolonged interest charge to the Company. Principal amount of the advances outstanding, further receipt, repayment and balance for the 3 years up to 1981-82 are tabulated below :

	1979-80	1980-81	1981-82
	(Rupees in lakhs)		
Opening balance ..	5,97.72	6,25.48	11,92.99
Advances drawn during the year	1,86.06	9,23.54	2,76.13
Total ..	7,83.78	15,49.02	14,69.12
Repayments ..	1,58.30	3,56.03	2,52.38
Closing balance ..	6,25.48	11,92.99	12,16.74

The amounts of principal and interest outstanding as on 31st January 1984 were Rs. 9,06.67 lakhs and Rs. 1,06.29 lakhs respectively.

2.6. Working results

The Company has so far finalised the accounts up to 1981-82 only. The figures mentioned in this paragraphs for 1982-83 are, therefore, provisional. The working results of the Company for the 3 years up to 1982-83 are summarised below :

	1980-81	1981-82	1982-83
		(Rupees in lakhs)	
(i) Contract works			
Income ..	869.31	1094.58	1921.28
Works expenditure ..	772.32	1059.86	1475.93
Gross profit on works ..	96.99	34.72	445.35
Miscellaneous receipts ..	6.33	1.96	10.04
	103.32	36.68	455.39
Field establishment ..	43.00	64.30	88.98
Interest on works advances	72.33	93.07	107.50
Other expenses ..	11.53	18.69	28.01
	126.86	176.06	224.49
Net profit (+)/Loss (—)(A)	(—)23.54	(—)1,39.38	(+)230.90
(ii) Quarry			
Income			
Expenses ..	2.41	2.31	23.91
Net loss on quarry (B) ..	7.54	8.37	28.70
(iii) Head office ..	5.13	6.06	4.79
expenses (net) (C)	7.61	15.46	41.04
Over-all profit (+)/loss(—)	(—)36.28	(—)160.90	(+)185.07

The cumulative loss (31st March 1983) was Rs. 70.98 lakhs. It was noticed in audit (August 1984) that the losses were mainly due to delays in execution of the works in turn leading to prolonged establishment expenditure and interest on works advances and engagement of job workers at rates higher than what the Company was entitled to under the works

contracts. While applying for increase in share capital in June 1982, the Company explained to Government the following reasons for its losses :

(*i*) quoting the works on the basis of existing rates and owing to inflation, the expenditure on works becoming higher than the receipts ;

(*ii*) execution of complicated works in remote and unhealthy areas like Potteru, Indravathi and Harabhangi ;

(*iii*) delays in execution of works mainly due to posting of inexperienced engineers on deputation to the Company and delays in acquiring the requisite plant and machinery ;
and

(*iv*) high incidence of head office expenditure and interest on works advances.

It was only in June 1984, the Board decided, while considering the provisional accounts for 1981-82, to appoint an internal sub-committee to examine and analyse the reason for the losses where the loss is above 20 *per cent* of the income. The sub-committee appointed in July 1984 was yet to submit its report (December 1984).

2.7. Execution of works

The year-wise position of the works awarded to the Company, works completed and the balance work on hand during the 5 years up to 31st March 1984 is tabulated below :

	Opening balance		Works awarded during the year		Works completed		Balance works	
	Number	Cotnract value	Number	Contract value	Number	Contract value	Number	Contract value
				(Rupees in lakhs)				
1979-80	333	34,01.03	14	22,39.53	4	51.48	43	55,89.08
1980-81	43	55,89.08	12	17,43.48	4	25.26	51	73,07.30
1981-82	51	73,07.30	14	41,74.31	3	1,27.84	62	1,13,53.77
1982-83	62	1,13,53.77	12	24,31.25	2	46.06	72	1,37,38.96
1983-84	72	1,37,38.96	1	17.80	..	..	73	137.56.76

The 73 works on hand as on 31st March 1984 were 1 to 5 years old.

Execution of few of the works is discussed in the succeeding paragraphs :

2.7.1. *Mahanadi barrage work*

For construction of Mahanadi Barrage with 2 head regulators (a project of the Irrigation and Power Department) involving construction of 96 bays of 18 metres each, the Company quoted (May 1981) Rs. 33,32.27 lakhs anticipating a net profit of Rs. 1,60.61 lakhs. The Company's tender was the lowest. However, the tender was finalised at Rs. 32, 33.41 lakhs (10·31 *per cent* excess over departmental estimate) after negotiation and the work was awarded (November 1981) to the Company. The contractual agreement was executed in November 1981 and the Company was given the work order on 1st December 1981. The work was required to be completed within 50 calendar months from the date of issue of the work order *i.e.* by the end of January 1986.

The work was taken up in December 1981 and work valued Rs. 7,78.20 lakhs only was done during the period of 28 months up to March 1984. Physical targets for the work were being fixed annually by the Company for each working season (October to June). Concreting was the main component of the work in 1982-83 and 1983-84 for which targets have been fixed by the Company at 0.59 lakh cubic metres for 1982-83 and 0·89 lakh cubic metres for 1983-84. The achievement was only 0·28 lakh cubic metres in 1982-83 and 0.58 lakh cubic metres in 1983-84 (up to March 1984), leaving a backlog of 0.62 lakh cubic metres (Rs. 1,58.22 lakhs). According to the General Manager (September 1984), the envisaged target of 1982-83 was not achieved due to delay in receipt of working drawings from the Department, inundation of the work site twice in 1982-83 and frequent power-cuts and power shut-down.

The work site was visited (October 1983) by the Member, Central Water Commission (CWC) for reviewing the progress of the work. It was observed by him that the 2 batching plants employed by the Company were giving an out-put of 300 cubic metres only per day *i. e.* half of their rated out-put (30 cubic metres hour each), the transportation of the aggregates by the Company's trucks to feed the batching plants was not adequate and that the plant and machinery deployed by the Company was too inadequate to cope with the job. Keeping in view the scheduled date of completion of the barrage and the Company's progress of work, targets for concreting work were indicated by him for the working years 1983-84 (1·12 lakh cubic metres), 1984-85 (1.25 lakh cubic metres) and 1985-86 (0.52 lakh cubic metres) and for achievement of these targets, he advised, *inter alia*, (*i*) improving the daily concreting out-put to 700 cubic metres, (*ii*) introducing belt conveyer system to carry the aggregates to the batching plants and (*iii*) deployment of diesel pump-sets in place of electrical pumps to tackle the power problem, Item (*iii*) was implemented but (*ii*) was not acted upon, the reasons for which were not on record. However, the daily out-put of concreting work achieved in 1983-84 (up to March 1984) was only 320 cubic metres on an average. Because of the inadequate out-put given by the 2 batching plants, the Company had to engage labour additionally as discussed in the following paragraphs :

(*i*) *Labour for concrete mixing*

In the working estimate (October 1982) approved by the Managing Director (February 1983), provision was made towards labour for mixing concrete at the batching plants at a rate of Rs. 2 per cubic metre on the basis that the 2 batching plants acquired in February and May 1983 (Rs. 19·16 lakhs) for the work were having an attachment (scraper boom) for loading metal, chips and sand and that the requirement of labour was only for loading cement. But in actual operation, the system of loading by attachment was found inadequate to meet the demand of concreting and hence labour had to be engaged for loading metal, chips and sand also in addition to cement. For this purpose, piece-rate workers were engaged during the working season of 1982-83 for 40,000 cubic metres of concrete mixing at a rate of Rs. 8.50 per cubic metre. This involved an extra expenditure of Rs. 2.60 lakhs for 1982-83 and the position continued even subsequently.

(ii) De-watering

The contractual rates (per cubic metre) for 3 items of cement concrete work were Rs. 360 (1:5:10 proportion for base work), Rs. 405 (M-100 grade) and Rs. 515 (M—150 grade). These were inclusive of a provision for de-watering made on an average basis before receipt from the department of detailed working drawings by the Company. The over-all provision so made for de-watering was Rs. 226 lakhs. However, according to the detailed drawings received later (February 1983), the Company was required to go deeper by 0.3 metre in spillway portion and by 0.6 metre in under-sluice bays for excavation. In actual execution, this meant an extra burden of Rs. 60.25 lakhs towards de-watering on the work executed up to March 1984. The over-all extra expenditure on the work on this count was estimated by the Company at Rs. 6,40.00 lakhs including Rs. 226.00 lakhs already provided for. The Chief Engineer of the Department, however, recommended (May 1984) to Government for sanction of an over-all extra expenditure of Rs. 4,10 lakhs (Rs. 6,36.00 lakhs *minus* Rs. 2,26.00 lakhs). Government's decision was yet awaited and the expenditure already

incurred by the Company up to March 1984 remained unpaid (November 1984) affecting its ways and means position and also the profitability on the work. Computed at the rate of 12 *per cent*, the Company was liable to pay interest on the works advances, the interest on the differential value of work done in 1982-83 (Rs. 24.99 lakhs) alone worked out to Rs. 3 lakhs (July 1984).

2.7.2. *Upper Kolab Project Work*

(*a*) The work of construction of head race tunnel, gate shaft, expansion gallery and penstock tunnel of upper Kolab Project was entrusted (June 1979) to the Company at its quoted value of Rs. 10,74.60 lakhs. The anticipated profit on the work was Rs. 73.14 lakhs. The work order was issued on 23rd July 1979, which was deemed to have been the date of commencement of work, and the work was required to be completed in 31 months *i e.* by the end of February 1982. According to the Additional Chief Engineer (September 1980) incharge of the Project, the scheduled period of construction was quite realistic based on all-India standards. However, the work was not completed (September 1984) and up to March 1984 work valued Rs. 2,98.74 lakhs only was executed. The scheduled date of completion was extended up to February 1985.

(*i*) *Interest burden*

As against the contractual value of Rs. 10,74.60 lakhs, the Company obtained from the Department, works advances amounting to Rs. 2,96.20 lakhs in March 1980, February 1981 and February 1982 bearing interest at 12 *per cent* per annum. Of this, Rs. 1,12.43 lakhs were adjusted up to March 1984 leaving a balance of Rs. 1,83.77 lakhs.

The total interest charge up to March 1984 was Rs. 83.19 lakhs (including an outstanding liability of Rs. 12.00 lakhs) which included Rs. 48.00 lakhs for the period beyond the original scheduled date of completion (February 1982).

(ii) Establishment charges

The working estimate for the contractual value (Rs. 10,74.60 lakhs) included a provision towards salaries and wages at Rs. 28.00 lakhs. As against this, the expenditure already incurred up to 31st March 1984 was Rs. 49.96 lakhs. This included Rs. 23.68 lakhs for the period beyond the scheduled date of completion originally contemplated. The Management stated (February 1985) that the excess establishment charges were due to (i) statutory increase in wages and increase in dearness allowance from time to time and (ii) augmentation of work force, at the instance of the department, in addition to what was envisaged in the original estimate resulting in excess expenditure of the order of 25 *per cent*.

(iii) Loss in excavation of tunnel

In terms of the agreement, underground excavation to an extent of 1.96 lakh cubic metres was to be done at a rate of Rs. 180 per cubic metre. As against this, the Company was actually incurring expenditure at a rate of Rs. 256 per cubic metre since January 1981. The increase was mainly due to increase over estimate in the rate of job workers engaged by the Company. However, Government approved (June 1983) a revised rate of Rs. 300 per cubic metre payable for the work done from 1st March 1983. On the quantum of 1.14 lakh cubic metres excavated up to the end of February 1983, the expenditure incurred in excess of the agreemental rate worked out to Rs. 86.52 lakhs.

(iv) Extra expenditure on electricity charges

In terms of the agreement (August 1979) entered into with the Executive Engineer of the project for the entire work of the Project entrusted to the Company, the Department was to arrange supply of electricity to the Company at 3 points and the Company was to be charged at the rates prevailing from time to time. In the working estimate, the unit rate of electricity charges was provided at 40 paise. At the time of commencement of the work, the prevailing rate per unit was 24 paise excluding additional charges towards electricity duty, fuel surcharge, *etc.*

The unit rates actually charged to the Company had escalated from 24 paise in October 1979 to 29.5 paise in June 1980 and to 51 paise in June 1981. The energy charges billed to the Company were Rs. 30.03 lakhs (excluding Rs.8.35 lakhs towards the extra elements mentioned above) since inception of the contract (October 1979) to March 1984. The average electricity charges borne by the Company up to March 1984 (including for the extra elements) worked out to 76 paise per unit as against the provision of 40 paise made in the working estimate. The expenditure already incurred up to March 1984 was in excess (Rs. 18.19 lakhs) of the provision made in the working estimate. There was no enabling provision in the agreement to guard against such statutory increases in costs. Absence of such a provision in the contract affected the profitability of the work taken up by the Company. While confirming the facts and figures, the Management stated (February 1985) that the matter was being taken up with the Department.

Thus, due to abnormal delay in completion of the work, incurring expenditure on sub-contracting (job workers) at rates more than what it was entitled to under the contract and accepting a fixed rate in respect of electricity charges, the Company had already suffered a loss of Rs.1,74·67 lakhs as against the anticipatad profit (Rs. 73.14 lakhs).

(b) De-watering

According to the special conditions of the contract, de-watering was to be done at the quoted rate of Rs. 2.50 per h. p. hour. De-watering done by 2 pumps for 22,326 h. p. hours (value : Rs. 0.56 lakh) during November 1982 to March 1983 was not got noted by the Department in the relevant log books. The bill of the Company (March 1983) for Rs. 0.56 lakh was rejected (April 1983) by the Department as the work is not susceptible of verification in the absence of such an evidence. The Management stated (February 1985) that the matter was in correspondence with the Department.

(c) Purchase of cranes

The Company placed a purchase order (August 1981) on a firm of Calcutta for supply of 2 cranes (75 tonne capacity each) at a cost of Rs. 51.25 lakhs (including Rs. 4.16 lakhs towards accessories) *ex*-works, Calcutta, excluding taxes and duties stipulating completion of supply by the end of January 1982.

According to the purchase order, the crane was to be inspected at the works by a representative of the Company before despatch. As per the warranty clause, the warranty of the supplier covered the products to be free from defects of materials or workmanship for a period of 9 months from the

date of despatch or 6 months from the date of commissioning or 1000 hours of operation whichever expired earlier and it was undertaken to make good by replacement or repairs of any such defect, free of charge. Against the stipulated date of delivery of the cranes *i. e.* 31st January 1982, the cranes were supplied in March and June 1982. The actual landed cost per crane inclusive of accessories, taxes and duties as per invoice worked out to Rs. 30.99 lakhs. The supplier was paid Rs. 58.79 lakhs in six instalments from April 1982 to March 1983 for both the cranes.

Although as per terms of supply, the cranes were to be inspected at the supplier's works by the Company's representatives "any time before despatch" no such inspection at works was arranged by the Company. Immediately on arrival also the cranes were not tested for want of adequate length of boom hoist rope and other accessories.

One crane was deployed for placement of boulders at the Upper Kolab Dam site on 8th November 1982. While working with a load of 3.86 tonnes, the crane lost balance and toppled. On 18th November 1982, the second crane while working at the Upper Kolab Power House site with a load of 2.5 tonnes also lost balance and toppled. Both the machines were seriously damaged involving replacement of a number of components and went out of order. The Project Engineer sent a telegram to the supplier on 5th January 1983 for replacement of damaged parts.

By the time the claim for damaged parts was sent, the warranty period was over. The supplier did not agree to replace the damaged parts on the ground that the crane met with accident due to faulty operation. Thereafter, the Company placed a supply order (June 1983) on the same supplier for parts in replacement of damaged parts at a total cost of Rs. 2.99 lakhs, which was paid to the supplier in July 1983 and February 1984. while conducting the load test on one crane on 25th February 1984, the crane toppled again. The representatives of the supplier were not present at the site at that time, although they had come to a nearby town (Jeypore) specifically for that purpose. They disowned any responsibility for the toppling of the crane on behalf of the supplier on the ground that they were not present during the test.

Having failed to persuade the supplier to accept responsibility for the failure of the cranes, the Managing Director in his letter (17th April 1984) to the Secretary, Ministry of Industries (Heavy Industries), Government of India, New Delhi requested to put pressure on the firm for supply of quality materials. The Managing Director had also stated that the two cranes had hardly been utilised during the last 2 years even though 98 *per cent* of the value had already been paid through bank.

Even before the second crane was put to operation on 8th November 1982, consequent on the lack of crane facilities because of the immobilisation of the first crane, the Managing Director offered (July 1982) to the Chief Engineer of the Project the first crane for outright sale on the ground, as stated by him, that only one crane was required at the Project and the crane was sold by March 1983, thus, clearly establishing the defective assessment of requirement of two cranes *ab-initio*.

2.7.3. *Rengali Irrigation Project*

Samal Barrage

In response to the tender call (July 1979) for construction of Samal Barrage, the Company quoted Rs. 16,71.45 lakhs which was the lowest of 5 tenders received. On negotiation, the offer was reduced by the Company to Rs. 15,94.53 lakhs. The tenders were cancelled (May 1980) by the Department as the Rengali Irrigation Project was proposed to be sponsored for World Bank financing. However, as per the decision (May 1980) of Government, work on a portion (3 bays) of the barrage was entrusted to the Company in June 1980 for Rs. 3,00.51 lakhs. The work was required to be completed within 12 calendar months thereof. Work valued Rs. 1,50.53 lakhs was completed up to January 1982. Government felt (February 1982) that though the World Bank assistance for the Project was not expected to be available prior to 1983-84, completion of the Barrage excluding bridge and gates before June 1984 was essential so that the water flow of Rengali Power House would not be a hindrance in completion of the Barrage. It was, therefore, decided to award the balance work also to the Company. It was asked to quote the rate with the exclusion of the bridge, coffer dam and de-watering as it was proposed to utilise the departmental machinery, materials, and man-power available for the purpose. Cost of cement and steel was also required to be excluded to avoid complication in consumption and recovery. The Company quoted Rs. 7,77.69 lakhs as against the departmental estimated cost of Rs. 4,03.53 lakhs. On negotiation, the value was determined at Rs. 7,32.15 lakhs and the work was awarded to the Company in February 1982. The work was required to be completed in 20 calendar months thereof. The first contract awarded in June 1980 against which work was done partly by the Company was terminated by Government in December 1983 without any liability to it by way of any compensation to the Company. The following points were noticed in the execution of these 2 contracts:

(a) Expenditure on removal of flood deposits which is a normal feature in the case of long-enduring barrage works was not estimated and included in the tender for the works, nor was the rate for such expenditure got settled before taking up the works. The Company incurred an expenditure of Rs. 37.97 lakhs during 1980 to 1982 and 1983-84 towards removal of flood deposits. In a meeting held (November 1983) in the office of the Commissioner-*cum*-Secretary, Irrigation and Power Department, it was decided to pay at the rate of Rs. 37 per cubic metre for the year 1980 and 1981 and at Rs. 20 per cubic metre for 1982. For 1983-84, payment was made at a provisional rate of Rs. 30 per cubic metre as per the orders (February 1984) of the Chief Construction Engineer of Rengali Irrigation Project. However, Government's approval for the years 1980 to 1982 was awaited (July 1984). Even if the Company is compensated as per these decisions, there would still be a balance of Rs. 14.25 lakhs left without being compensated.

(b) The contract of 1980-81 did not provide for compensating any escalation in wages. The company had actually paid enhanced wages to the labour engaged on the work and claimed Rs. 9.07 lakhs in October 1983 towards wage escalation. The Project Engineer stated (August 1984) that Government had accepted in principle the payment towards escalation pending receipt of certain clarifications from the Company. Further developments are awaited (November 1984).

(c) As already stated, the work awarded in February 1982 for Rs. 7,32.15 lakhs was exclusive, *inter-alia* of coffer dam and de-watering as Government proposed to utilise the existing machinery and man-power for these items. However, for facilitating the execution of this work, the Company spent Rs. 1.66 lakhs towards keeping the existing coffer dam (provided in respect of the work awarded in 1980-81) watertight through sheet piling. Since, however, the sheet piles were driven in boulder media, they became absolutely ineffective as stated by the General Manager of the Company. The coffer dam had therefore, to be strengthened by back filling with earth and sand bags and controlling leakage of water through it. Accordingly, the Company spent a further sum of Rs. 4.42 lakhs towards de-watering. However, the Company claimed reimbursement of the expenditure on sheet piling only (though the above expenditure of Rs. 6.08 lakhs was in respect of work awarded in February 1982 and was outside the scope of work) which was rejected by the Department on the ground that the work awarded in 1980-81 was inclusive of coffer dam and de-watering. The Company did not pursue the matter. The expenditure (Rs. 6.08 lakhs) on strengthening the coffer dam was, thus, a clear loss to the Company.

2.7.4. *Upper Indravati Project*

Between September 1980 and January 1981, the Company commenced the execution of 8 works valued Rs. 5,76.21 lakhs of Upper Indravati Project awarded to it on negotiation basis. The works which were commenced between September 1980 and January 1981 were withdrawn subsequently (August 1981 and April 1983) from the Company as Government wanted to avail of World Bank assistance for which awarding of works on competitive tender basis was one of the requirements.

Execution of one of those works (Excavation for foundation of power house) is discussed below :

The work (contract value : Rs. 222.10 lakhs) involved excavation of 5 lakh cum. in soil, rock, *etc.* After stoppage of the work, final bill was preferred by the Company in November 1982 for 3.73 lakh cubic metres of excavation (gross value : Rs. 1,65.45 lakhs) which was paid by the Department in June 1984 as per the measurements recorded by it (3.63 lakh cubic metres amounting to Rs. 147.37 lakhs; gross). The work was got done through the job workers and therefore, the quantity measured by the Company was the quantity for which the job workers were paid for. The following are the itemwise variations between measurements of the Company and the Department :

	As per final bill preferred by the Company		As per final bill paid by Department		
	Quantity (cum.)	Amount (Rupees in lakhs)	Quantity (cum.)	Rates	Amount (Rupees in lakhs)
(1) Earth work	25,634	4.87	30,180	19	5.73
(2) Disintegrated rock	1,50,000	46.50	1,97,377	21	61.19
(3) Medium ..	1,45,000	78.30	83,370	54	45.02
(4) Hard rock	48,700	34.58	48,274	71	34.27
(5) Silt clearance	4,000	1.20	3,866	30	1.16
	3,73,334	165.45	3,63,067		147.37

There was, thus, an under-payment to the Company to the extent of Rs. 18.08 lakhs. The manner in which the Company was satisfied with the settlement done by the Department was not available on

record. However, it was seen from a letter addressed (May 1982) by the Project Engineer-in-Charge of the work to the Deputy D. I. C. II, Jeypore, that some defects were found out in the measurements and the calculations and about 20,000 cubic metres of work was feared to have been paid for in excess to the job workers. Further details and developments were not on record.

2.7.5. *Fly-over bridge at Balasore*

Designing and construction of fly-over bridge at Balasore was entrusted (December 1979) by the Works Department to the Company on a lumpsum payment of Rs. 57.00 lakhs quoted by it. The quotation was based on only skeleton drawings obtained from a consulting firm. The work order was issued in December 1979. The work which was commenced in May 1980 was required to be completed within 14 months thereof *i. e.* by the end of June 1981. In terms of the agreement, the Company was to prepare the detailed plans, designs and drawings and get them approved by the Chief Engineer (Roads and Buildings). The Company got these prepared by August 1981 by a consultant and got approved by the Chief Engineer. The work was completed and the bridge was opened for traffic in March 1984.

While quoting the offer of Rs. 57.00 lakhs based on the skeleton drawings, the requirement of concrete with the quality of M—200 strength was estimated at 3,270 cubic metres and that of steel at 544 tonnes. As against these, the actual requirements of concrete and steel had increased to 4,360 cubic metres and 950 tonnes respectively and the quality of concreting had changed to M—250 strength in the case of substructure (columns, frames and padestals) in the light of the detailed designs and drawings. The extra contractual value of these modifications was Rs. 18.96 lakhs. Acknowledging its mistake in tendering without detailed designs and drawings, the Company requested (August 1982), the Chief Engineer to compensate it with the expenditure on the extra steel and cement used in the work. The claim was also recommended by its Administrative Department to the Works Department in November 1982. The decision of Government is still awaited (December 1984). The Management stated (January 1985) that it had no comments to offer.

2.7.6. *Income-tax deducted at source*

In terms of the provisions of the Income Tax Act, income tax at 2 *per cent* of the gross amount of contractor's bill for work done is to be deducted at source by the disbursing authority and remitted to the account of the Central Government. This is adjustable against the total tax liability of the contractor or refundable in case of 'nil' assessment. Exemption from such deduction at source is available under the Act, where the Income Tax Officer is satisfied that the total income of the contractor justifies no deduction of the tax. The exemption is to be applied for and obtained from the Income Tax Department and on its production to the disbursing authority, no deduction is to be made while making payment of bills.

Though the Company was sustaining losses year after year, the cumulative loss as on 31st March 1982 being Rs. 3,44.19 lakhs, the exemption certificates for deduction of the tax at source were not obtained up to 1981-82 nor refund of the deductions made obtained. However, the Company obtained exemption certificates for 1982-83 and 1983-84. In spite of this, an amount of Rs. 2.67 lakhs was recovered from the bills in 1983-84 in respect of the Samal Barrage Project, the refund of which also is yet to be obtained (August 1984). Thus, in all Rs. 85.29 lakhs were awaiting refund affecting the

Company's ways and means position. Of this, Rs. 32.40 lakhs had accumulated during 1978-79 and earlier, Rs. 12.4 lakhs in 1979-80, Rs. 20.53 lakhs in 1980-81, Rs. 17.26 lakhs in 1981-82 and Rs. 2.67 lakhs in 1983-84. The interest burden on the amounts so blocked up worked out to Rs. 36.94 lakhs at 12 *per cent* per annum at which the Company was paying interest on the works advances. The Management stated (January 1985) that refund of the recoveries made up to 1979-80 was obtained in September 1984 and that the claims (Rs. 55.30 lakhs) from 1980-81 were outstanding as the assessment was not completed.

2.8. Workshop facilities

2.8.1. *Central Workshop*

The annual rated capacity of the workshop at Rasulgarh which manufactures radial gates, gates for pen stocks, *etc.* was augmented to 1500 tonnes in 1979-80 and to 1800 tonnes in 1980-81 at a cost of Rs. 80.15 lakhs. During the 6 years up to 1983-84, a production of 7,181 tonnes was achieved against the rated capacity of 9,900 tonnes, the percentage of achievement being 72.5. Out of 35 works entrusted to it since inception (1976), only 9 works were completed. Though the working of the workshop resulted in a profit of Rs. 67.35 lakhs in 1978-79 and 1979-80, there was a net loss of Rs. 59.32 lakhs in the subsequent 2 years (up to 1981-82) up to which the Company finalised its accounts.

Even now, there was no system of costing evolved for the Workshop to enable it to control its expenditure and to quote for tenders. Also, there was no system of preparation of working estimates (excepting in few cases) for the jobs entrusted to it. Data as to availability of machine and man-hours, their utilisation, idleness and analysis of idleness due to avoidable and unavoidable causes were also not being compiled.

A few works undertaken by it are discussed in the succeeding paragraphs :

(i) Radial gates for Kalo Irrigation Project

The work relating to designing, fabrication, supply, transportation and erection of five sets of radial gates (12,000 tonnes×600 mm. size) for Kalo Irrigation Project was entrusted (March 1978) to the Workshop at a cost of Rs. 27.08 lakhs and the necessary agreement was also entered into in March 1978. The work was required to be completed by April 1980 (within 25 months from the date of agreement). In terms of the agreement, price adjustment towards variation in the cost of labour and material was to the account of the Department provided the work was completed in the scheduled period. The work was, however, completed (June 1982) with a delay of over 2 years, reasons for which were not on record. The completion date was extended by the Superintending Engineer, Baripada up to July 1982 after the actual completion of the work without involving any liability to the Department. The total value of the work done was Rs. 33.96 lakhs (including excise duty) against which Rs. 29.40 lakhs only were paid-up to the eighth running account bill leaving a balance of Rs. 4.56 lakhs yet to be paid (August 1984). This included Rs. 3.68 lakhs towards variation in cost of labour and material.

(ii) Purchase of hydraulic hoist

The Company was entrusted with the work of manufacture, supply and erection of 6 sets of pen stock gates and a 60 tonne hydraulic hoist for Rengali dam projcect for a consideration of Rs. 89.66 lakhs.

Since the Company did not have the technical know-how and facilities for manufacture of the hoist, tenders were called for (August 1981) inviting offers for designing, manufacture and supply of the hoist. Of the 3 offers received, the lowest offer of a firm of Bangalore for Rs. 31.00 lakhs excluding transportation and erection at site was recommended (January 1982) by the Purchase Committee of the Company for acceptance subject to the condition that before placing the order, performance of similar equipment manufactured by the same firm in use elsewhere in the country should be examined by the Managing Director and the Additional Chief Engineer (Mechanical) of the Department and reported to the Committee for taking a final decision. However, a purchase order was placed (February 1982) without such assessment of the performance. The scope of the work was designing, manufacture, supply, transportation and erection at the site for a consideration of Rs. 33·20 lakhs. In terms of the purchase order, Rs. 10 lakhs were payable against bank guarantee as advance adjustable in the supply bills (unadjusted advance, if any, was to carry interest at 12 *per cent* per annum); the drawaings of the supplier were to be got approved by Company ; the materials were to be inspected by the Company before despatch ; and the supply was to be completed within 12 months of the order, *i. e.* by the end of February 1983. An advance of Rs. 10 lakhs was paid by the Company in March 1982 against bank guarantee valid up to the 25th May 1983. It was only thereafter, the Managing Director visited (April 1982) the Beas Sutlej Project where similar equipment was in use and found the performance sartisfactory. Between April and July 1983, 4, 815 metres of cables valued Rs. 8.91 lakhs including freight and insurance only were supplied by the firm without the pre-despatch inspection. Though the advance of Rs. 10 lakhs was outstanding, the Company did not get the validity of the bank guarantee extended beyond 25th May 1983. The cables being unsuitable, were rejected (October 1983) by the Chief Engineer of the Department. When the firm was asked to refund the cost of the cables, it refused (October 1983) to do so claiming that the supplies were according to the purchase order, and would meet the requirement.

The Company, therefore, filed (November 1983) a suit in the court of the Sub-divisional Judicial Magistrate at Bhubaneswar. The matter was *sub-judice* (March 1985).

(*iii*) *Spill way gates for Ramiala Project*

Designing, fabrication, supply, transportation and erection at site of spill way gates for Ramiala Project were entrusted (March 1977) by the Executive Engineer, Canals Division, Kamakhyanagar, to the Company's Workshop at a price of Rs. 21.51 lakhs. The work required to be completed by March 1979 was, however, completed (June 1983) with a delay of over 4 years the reasons for which were not on record. The records of the Workshop did not indicate whether extension of time for completion of the work was requested for and granted. The Workshop claimed (February 1984) Rs. 2.82 lakhs from the Department towards escalation in cost, which, however, remained unpaid (December 1984) for want of approval of the Department for the deviations in the work executed.

(*iv*) *Off-loading of machining work*

The workshop was off-loading certain jobs to outside agencies. One of the orders placed for a job work so off-loaded is discussed below :

For the job of machining trunion brackets and hubs valued Rs. 8.28 lakhs required for radial gates

of Rengali Irrigation Project, the Managing Director, alongwith the General Manager of the Workshop, visited (March 1983) several workshops at Calcutta and Kharagpur to assess the capabilities for the job and obtained quotations from three firms without calling for tenders. The rates of the first (M) and second (D) lowest offerers were Rs. 40,000 and Rs. 46,000 per pair respectively. On the proposal to order 18 pairs on 'D' and two pairs on 'M' the Managing Director approved only the rate 'M'. On the other hand, orders were placed (March 1983) by the Workshop on 'D' for 18 pairs and on 'M' for 2 pairs only.

'M' was to complete the work in 2 months and 'D' was to complete the work at the rate of 2 pairs per month.

Placing the order on 'D' against the orders of the Managing Director, thus, resulted in an extra commitment of Rs. 1.08 lakhs.

(*v*) *Accounting of scrap*

The position of non-maintenance of records for scrap arisings in the Workshop though the returnable portion to the customers (*5 per cent*) was to be accounted for as per tender conditions as mentioned in paragraph 3.11 (*ii*) of the Report of the Comptroller and Auditor General of India for 1977-78 (Commercial) still continued as discussed below :

Circular instructions were issued (March 1982) by the officer in charge of the workshop, to the effect that the shift engineers were to indicate the scrap arising in daily progress report. These were neither followed not pursued. It was only during September to December 1983 that the scrap lying in and around the production shops of the Workshop was collected and stacked (784.5 tonnes) classifying it into useable (303.9 tonnes) and non-useable (480.6 tonnes). Of this, a quantity of 337.2 tonnes was returned to Rengali dam project authorities between February and May 1984 leaving a balance of 447.3 tonnes. It was stated (August 1984) by the Workshop management that the remaining quantity would also be transferred to that authority. It may be mentioned here that the Workshop had executed works of different divisions and in the absence of job-wise and customer-wise record for scrap due, the basis on which the entire scrap was proposed to be transferred to the account of a single customer was not clear.

2.8.2. *Regional Workshop at Jeypore*

The Company set up a Regional Workshop (April 1982) at Jeypore in pursuance of its decision (1978) to meet the increased demand in different parts of the State for fabrication work. The annual capacity of the Workshop is 3,000 tonnes. The Company, while proposing the establishment of the Workshop, envisaged a demand of 0.30 lakh tonnes over 10 years from 1980-81 onwards. The Workshop has been fabricating pen-stocks tunnel liners and radial gates for Upper Kolab Project against the works awarded (January and March 1980) to it. As against the ordered quantity of 0.18 lakh tonnes (value : Rs. 2,78.80 lakhs), 0.16 lakh tonnes were fabricated in 1982-83 and 1983-84 leaving a spill-over of 0.02 lakh tonnes for 1984-85. There were no further firm orders on hand of the Workshop. It was stated (January 1985) by the Management that works involving fabrication of 3,000 tonnes of steel of Upper Kolab and Upper Indravati Projects were expected.

2.9. Accounts and internal audit

2.9.1. (*i*) *Accounting system*

The accounting procedures followed in the Company are stated to be based on an old Accounting Manual. In January 1982, the Board approved the appointment of a firm of chartered accountants for preparing an Accounts and Audit Manual on a remuneration of Rs. 0.50 lakh. This decision was not implemented, the reasons for which were not on record and in December 1982 another firm of chartered accountants was appointed to render management and accounts consultancy services on a consolidated remuneration of Rs. 1.55 lakhs *plus* Rs. 0.20 lakh towards out-of-pocket expenses. It was stated by the Management (January 1985) that the latter firm was engaged as the former one did not appear to be adequate to the task. The firm submitted its final report in 4 volumes in June 1983. The Company decided in November 1983 to accept the recommendations with certain modifications but the recommendations have not been implemented (August 1984) except for issuing some orders regarding procedure of cash accounting and duties of Assistant Manager (Accounts) and Accounts Superintendents. A retired Assistant Manager of the Company was appointed on contract basis for six months with effect from March 1984 on a consolidated payment of Rs. 1,000 per month for several items of works including preparation of accounts manual keeping in view the recommendations of the consultants. Drafting of the manual was in progress (November 1984).

(*ii*) *Internal audit*

Though the Company has an Internal Audit Cell consisting of one senior accountant and two assistants under part time supervision of one assistant manager, no internal audit was undertaken since 1980-81, excepting in the Central Workshop in 1983-84 in respect of which the report was still due (November 1984).

These matters were reported to the Management/Government in October 1984 ; their replies were awaited (December 1984).

2.10. Summing-up

(*i*) The Company's main objective was to break monopoly of contractors in the execution of Departmental works. However, the Company engaged contract labour in work relating to Upper Kolab and Upper Indravati Projects. The working results of the Company to end of 1982-83 revealed a cumulative loss of Rs. 70.98 lakhs.

(*ii*) In view of the continuing losses, the Company was not liable to income-tax. It did not obtain exemption certificates from the Income-tax Department and consequently the tax was being deducted at source from the works' bills of the Company. Rs. 55.30 lakhs were blocked-up in such deductions made during 1980-81 to 1982-83, the refund of which was yet to be obtained.The interest burden on the amount so blocked up amounted to Rs. 36.94 lakhs.

(*iii*) The Upper Kolab Project work valued Rs. 10,74.60 lakhs taken up by the Company in July 1979 was required to be completed by February 1982. Up to March 1984, work valued Rs. 2,98.74 lakhs was only done.There was so far a loss of Rs.1,74.67 lakhs as against the anticipated profit of Rs. 73.14 lakhs due to abnormal delay in completion of the work, incurring expenditure on contract labour in excess of what the Company was

entitled to under the contract and non-provision of escalation clause in respect of statutory expenses like electricity charges.

(*iv*) The contractual value of the work of de-watering in Mahanadi Barrage work included Rs.2,26.00 lakhs in all towards the de-watering work which was revised to Rs.6,36.00 lakhs after receipt of the detailed drawings. Up to March 1984, Rs. 60.25 lakhs were spent and the Company's claim for Rs. 6,36.00 lakhs was awaiting approval of Government. The delay in acceptance of the claim was affecting the ways and means position and profitability of the work.

(*v*) The Company engaged contract labour for excavating the foundation of the power house of Upper Indravati Project. There were quantitative and qualitative variations between the Company's measurements paid to the job workers and the measurements accepted by the Department. This involved a loss of Rs. 18.08 lakhs to the Company.

(*vi*) Though the contracts for construction of Sarnal Barrage were long-enduring, the Company did not ensure any payment for removal of flood-deposits in the work site.There was a loss of Rs.14.25 lakhs (net) to the Company on removal of the flood deposits.

(*vii*) De-watering work valued Rs. 0.56 lakh got done by 2 water pumps was not got noted in the log books by the Department and the Company's claim was rejected as not being susceptible of measurement.

(*viii*) Without properly assessing the requirement and without pre-despatch inspection contemplated in the purchase contract, two 75 tonne cranes were purchased (March and June 1982) for Rs. 51.25 lakhs.On the day on which they were put to use, both the cranes toppled while lifting smaller loads (2.5/3.86 tonnes). The supplier did not agree to rectify, attributing the toppling to faulty operation.The damaged parts were replaced by the Company at a cost of Rs.2.99 lakhs. One crane was transferred to the Department.The other crane got toppled again (February 1984) while conducting the load test. The supplier disowned the responsibility claiming that they were not present at the load test. The crane was lying idle.

(*ix*) Contrary to the decision of the Purchase Committee, without examining the performance of similar equipment in use in other places of the country, an order (Rs. 31.00 lakhs) was placed for the supply of a hydraulic hoist for Rengali Dam Project. Rs. 10.00 lakhs were paid as advance against bank guarantee.Part supply was only made (Rs. 8.91 lakhs) that too without pre-despatch inspection contemplated in the order, which was, however, rejected by the Department as unsuitable. The supplier refused to refund the cost claiming that the supply was according to the purchase order.The bank guarantee was not extended though the advance was outstanding.Legal suit filed by the Company was pending finalisation.

SECTION III

ORISSA STATE CIVIL SUPPLIES CORPORATION LIMITED

3.1. Introduction

With a view to implementing the scheme of distribution of essential commodities and ensuring easy availability of some selected items of articles of mass consumption at reasonable prices, Government ordered (August 1980) the establishment of a State Level Civil Supplies Organisation. Orissa State Civil Supplies Corporation Limited was accordingly incorporated as a wholly-owned Government Company on 3rd September 1980. Accounts for the first year (1980-81) were finalised and provisional accounts have been compiled for 1981-82 in June 1984.

3.2. Objects

The main objects of the Company are to promote, improve, develop, counsel and finance production, purchase, storage, processing, movement, transport, distribution and sale of food grains, foodstuffs, sugar and other essential commodities and to provide assistance, advice and services therefor including capital, credit, means, resources, technical and managerial services.

3.3. Activities

In pursuance of the objects, the following activities have been undertaken by the Company :

(*i*) Procurement of the State's quota of rice, wheat and sugar from Food Corporation of India (FCI) and edible oil imported by State Trading Corporation of India Limited (STC), their storage and issue to retailers appointed by Government for ultimate distribution to the public, under the public distribution system (PDS);

(*ii*) procurement of paddy/rice as an agent of Government under the "Grain Purchase Scheme" during the *khariff* season of the years 1980-81 and 1981-82;

(*iii*) purchase of rice, sugar and mustard oil from open market, storage and their sale to the public;

(*iv*) running of departmental model fair price shops at Bhubaneswar and Cuttack to act as a moderating force in the free trade market and to cater to the needs of consumers who did not possess ration cards; the commodities handled at these shops being rice, wheat, sugar, edible oil, pulses, tea, *etc.* and

(*v*) Supply of petrol to Government departments and corporations during August 1981 to December 1983.

3.4. Organisational set-up

The management of the Company is vested in a Board of Directors comprising 12 members including the Chairman and the Managing Director. The Commissioner-*cum*-Secretary, Food and Civil Supplies Department is the Chairman of the Company.The Managing Director, who is the Chief Executive of the Company is assisted by a General Manager, a Financial Adviser and Chief Accounts Officer, and a part-time Company Secretary at the head office and a District Manager in each district (including one at Bhubaneswar).The District Civil Supply Officers of Government function as the District Managers of the Company also, but their salaries were being borne fully by Government. As District Managers, their functions are procurement, storage and issue of the commodities handled by the Company and as Government officers, they are responsible for the enforcement and regulatory functions of Government under the Essential Commodities Act, 1956. The District Managers are assisted

by Supervisors and Inspectors of Supplies who were also to discharge dual functions as in the case of the district managers. There were 460 such supervisors and inspectors who were taken on deputation by the Company on its formation. Their salaries were also borne by Government up to 31st March 1982. Since April 1982, the Company was paying the salaries of all such staff. Considering that 50 *per cent* of the time of these employees was being spent on the work which is the direct responsibility of the Food and Civil Supplies Department, the Company approached (January 1984) Government for reimbursement of 50 *per cent* of the cost of these posts (Rs. 50.30 lakhs per annum approximately), or, in the alternative, to take back 50 *per cent* of the incumbents. Final decision is yet to be taken (November 1984) by Government.

3.5. Capital structure

The initial authorised capital of the Company was Rs.5 crores divided into 50,000 shares of Rs.1,000 each, which was raised in February 1983 to Rs.10 crores. The paid-up capital as on 31st March 1984 was Rs. 5 crores.

Considering the expanding activity of the Company, Government decided (January 1983) to augment the equity base of the Company by converting a loan of Rs. 5 crores(carrying interest at 11.5 *per cent* per annum) sanctioned in March 1981 into equity and advised the Company to alter its Memorandum of Association raising the authorised capital suitably, as by that time, the authorised capital was fully paid-up. Though the authorised share capital was accordingly raised to Rs. 10.00 crores in February 1983 and the necessary legal formalities were completed in March 1983, no action was taken, for reasons not on record, to allot the shares nor was the matter pursued with Government. Government, however, withdrew (October 1983) its earlier decision stating such a conversion would not be expedient. An amount of Rs. 4.00 crores was repaid towards the loan in March 1984 and the balance of Rs. 1.00 crore was still outstanding (November 1984). Owing to inaction on the part of the Company in issuing shares soon after the enhancement of the authorised capital, the facility offered by Government could not be availed of by the Company,

3.6. Borrowings

The Company's borrowings were only from Government excepting cash credit accommodation availed of (Rs. 350 lakhs) from commercial banks for a short period from March to December 1983. The loan ledgers of the Company were not up-to-date (July 1984) and, therefore, the position of loans outstanding as per the Company's books could not be ascertained in audit. However, as per Government's communication (April 1984) to the Company, an amount of Rs. 13.34 crores was due to Government as on 31st March 1984 (principal: Rs. 2.60 crores ; interest : Rs. 10.74 crores).

3.7. Working results

The working results of the Company for the first two years for which accounts had been compiled are tabulated below :

Revenue		1980-81	1981-82*
		(Rupees in lakhs)	
Sales	..	10,44.50	74,40.57
Subsidy from Government	..	24.07	2,00.47
Other receipts	..	23.81	16.39
Accretion to stock	..	3,45.32	6,72.53
		14,37.70	83,29.96

* Provisional

Expenditure		1980-81	1981-82*
Purchase of food grains and other commodities		13,45.43	75,48.69
Procurement charges	..	38.00	1,77.69
Administrative and selling expenses	..	8.27	75.71
Interest	..	46.10	325.76
		14,37.80	81,27.85
Profit(+)/loss(—)	..	(—) 0.10	(+)2,02.11

3.8. Performance analysis

Handling of free-trade sugar and mustard oil was already discussed in paragraphs 5.2 and 5.3 of the Report of the Comptroller and Auditor General of India for the year 1981-82 (Commercial). The volume of handling of the other commodities since inception to March 1984 is given below :

Commodity		Kharif Year			
		1980-81 (inception to September 1981)	1981-82	1982-83	1983-84
		(lakh tonnes)			
Rice					
Central pool rice	..	0.55	1.98	0.34	..
Government rice from Grain Purchase scheme		0.97	1.80	..	..
Free-trade rice	..	..	..	0.74	N.A.
Wheat	..	..	0.77	1.75	0.64
Levy sugar	..	0.97	1.22	1.17	0.68
Imported edible oil	..	0.06	0.10	0.07	0.17

* Provisional

Some points noticed in audit in the procurement and distribution of some of these commodities are discussed in the succeeding paragraphs :

3.8.1. *Rice*

(*i*) *Procurement and distribution of subsidised rice*

(*a*) On account of devastating natural calamities (cyclone and flood) suffered by the State in August and September 1982 there was scarcity of foodgrains in the State. In view of meagre allotment of Central pool rice to the State for March and April 1983, Government decided (February 1983) to procure 0·50 lakh tonnes of boiled rice (the quantity was assessed on an *ad hoc* basis) for sale to the public at a subsidised rate of Rs. 3.00 per Kg. through the Company. The subsidy was to be borne by the State Government. It was also decided (March 1983) that spot purchases might be made in other States by deputing a team of officers. A Spot Purchase Committee' comprising officers of Government and of the Company was accordingly constituted (March 1983) by Government with the specific guidelines that the rice should be purchased from outside the State and the price should not exceed Rs. 360 to Rs. 380 per quintal (all inclusive at the Company's godowns). The Company was directed (March 1983) to purchase 0.50 lakh tonnes of coarse rice through the Committee for sale at the subsidised rate. While the anxiety of Government was to make available rice in the State from May 1983 onwards, the Committee placed the orders during the entire lean season from June to September 1983, against which 0.10 lakh tonnes were received from outside the State from June to November

1983 and 0.21 lakh tonnes from within the State. The purchases were made at rates negotiated by Government (0.07 lakh tonnes) and the Committee (0.24 lakh tonnes). The average all inclusive cost of the total quantity (0.31 lakh tonnes) purchased was Rs. 371.40 per quintal. The purchases within the State were made at rates negotiated by the Committee at Bhubaneswar itself without visiting the markets. The upper limit of price range to be obtained at the Company's storage points (Rs. 360 to Rs. 380 per quintal) already fixed by Government was on the consideration that the purchase would include substantial transportation and incidental costs in procuring rice from outside the State. The Committee, before making the substantial purchases within the State, did not seek approval of Government for the deviation. The price limit to be observed in such cases especially when Governmental subsidy was involved was also not got fixed by Government and the limit already fixed for purchases outside the State was followed for the purchases made within the State also. It may be mentioned here that Market Intelligence Wing (M. I. Wing) of the Food and Civil Supplies Department of Government collects and compiles district-wise market information regarding weekly market prices of various commodities including various varieties of rice and their availability in general to enable Government to frame its food policy from time to time and this vital information was not made use of by the Committee as a guidance to ensure the reasonableness of the rates negotiated with reference to the going rates prevalent in the market. On the basis of the data of M. I. Wing on prices of foodgrains, the rice purchased (0.16 lakh tonnes) from the suppliers in Kalahandi and Sambalpur districts was at rates higher than the prevailing market rates as seen from the following table :

Date of negotiation	District	Price paid ex-suppliers' mills per quintal (Rupees)	Prevailing market rate as per M.I. wing per quintal (Rupees)	Quantity (lakhs of quintals)	Differential rate per quintal (Rupees)	Extra burden (Rupees in lakhs)
18th July 1983	Kalabandi	350.00	300.00	0.035	50.00	1.75
5th August 1983	Sambalpur	368.69	335.00	0.490	33.69	
16th August 1983	Sambalpur	368.69	335.00	0.420	33.69	47.84
30th August 1983	Sambalpur	368.69	335.00	0.510	33.69	
8th September 1983	Sambalpur	361.00	335.00	0.160	26.00	4.16
				1.615		53.75

(*b*) The quantity purchased from within the State included 246.5 tonnes from the millers of Koraput district, in the purchase of which the following point was noticed in audit (June 1984).

According to the food policy of Government from the *khariff* season of the year 1981-82, stock left with the millers after delivery of the targeted quantity of rice under levy procurement, could be sold by the millers in open market as free-trade rice. In a meeting held (25th September 1982) by the Additional District Magistrate, Koraput with the millers and the District Manager of the Company, it was decided that 60 *per cent* of such free-trade stock should be sold to the Company. The prices, payable to different varieties of rice were also agreed upon in the meeting. This arrangement was agreed to (November 1982) by the Company and the District Manager was advised to make the purchases at the rates approved

by the Collector. On placing the purchase orders (November 1982), three millers of Nawarangpur area offered (December 1982) the balance 40 *per cent* of such free-trade stock with them also to the Company. Accordingly, orders for further purchases were placed (December 1982) with the millers for immediate delivery of stocks. They, however, did not supply the stocks. In April 1983, the District Manager-*cum*-Civil Supply Officer informed Government that around 300 tonnes of rice available with the same millers for free-trade from out of the stock of 1981-82 might also be purchased by the Company. However in May 1983, that officer reported to Government that the stock which was not delivered to the Company was of deteriorated quality and found to be below standard. The Company was not aware of this report till June 1983 when Government referred the matter to it and therefore, it called for the details of the quantity, price, *etc.*, of the stock in question from the District Manager. Without intimating the fact that the suppliers in question defaulted in executing the purchase order placed in December 1982 at the then rate of Rs. 254 per quintal, the District Manager called for offers afresh (July 1983) from the same suppliers and all the three parties quoted (July 1983) a rate of Rs. 350 per quintal which was communicated to the Company by the District Manager. Without waiting for a response from the Company, 184 tonnes of rice out of the stocks which were reported to have deteriorated, was purchased (August 1983) at a negotiated price of Rs. 290 per quintal. A further quantity of 62.5 tonnes was also purchased in September 1983 at the same rate. These purchases were from out of the carry-over stock of 1981-82 which was earlier reported to be of deteriorated quality. Thus, the stock which should have been obtained at the rate of Rs. 254 per quintal settled in December 1982 was purchased at an enhanced price of Rs. 290 per quintal involving an additional expenditure of Rs. 0.89 lakh apart from the loss on account of deterioration of the stock.

(*c*) The subsidised rice was required to be sold as per Governmental instructions from time to time. Initially, it was to be sold in the rural areas. According to orders of Government (June 1983) apart from selling in the rural areas, urban areas could also be covered discontinuing the issue of PDS rice (which was cheaper by Re. 0.76 per Kg. up to December 1983 and by Re. 0.58 per Kg. from January 1984) on middle income group ration cards. The rice was allowed (October 1983) by Government to be sold on higher income group ration cards also. The different instructions for sale so issued were to enable the Company to exhaust the stock procured. It is interesting to mention here that the State's quota of Central pool rice for distribution under PDS for the year 1983-84 was not drawn fully by the Company (allotment by Government of India : 1.67 lakh tonnes, allotment availed by the Company : 1.30 lakh tonnes) and the quota unavailed (0.37 lakh tonnes) by the Company was during the same period (June to September, 1983) when the subsidised rice was purchased by the Company that too involving a Governmental subsidy of Rs. 242.88 lakhs.

(*d*) Out of the 0.31 lakh tonnes of rice purchased, 0.027 lakh tonnes valued Rs. 1,00 lakhs were lying unsold (July 1984). The unsold stock meant a burden towards interest amounting to Rs. 9.37 lakhs (calculated at 12.5 *per cent* per

annum being charged on Government loans during December 1983 to August 1984. This was attributed by the Company (June 1984) to fall in demand for this rice as other rice was available at cheaper rates. Since the stock was purchased at the instance of Government, the Board decided (June 1984) that the stock should be sold at prevailing market rates through Community Development Department under its Feeding Programme and further loss should be sought to be compensated from Government by supplementary subsidy. Accordingly, the Company approached (July 1984) Government for supplementary subsidy and Government's decision was awaited (December 1984). Meanwhile, the unsold stock was lying with the Company.

(ii) Loss in sale of free-trade fine boiled rice

After inviting tenders in October 1982, an order was placed (November 1982) on a supplier 'R' of Bolangir for supply of 1,000 tonnes of fine boiled rice at a rate of Rs. 293 per quintal *f. o. r.* Company's godown in Phulbani district. Supply of the stock was required to be completed by 16th December 1982. However, a quantity of 646 tonnes was supplied from December 1982 to March 1983. The rice, not being out of Central pool allotment of Government of India under PDS., was to be sold at the price fixed by the Company. The sale price communicated (February 1983) by the head office of the Company to the District Manager was Rs. 319 per quintal. However, the entire stock was sold (December 1982 to March 1983) by the District Manager, Phulbani at the statutory price of Rs. 246 per quintal which was not applicabe to the rice in question. This included 178.8 tonnes sold at the same rate even after receipt of the intimation of the selling price from the Company. This had resulted in a loss of Rs. 4.71 lakhs to the Company. It was stated (February to June 1984) by the District Manager that the rice was issued at PDS rate on telephonic discussion with the Managing Director. Stating that the stock was sold by the District Manager in contravention of the Company's categorical instructions as to the selling price, the Managing Director of the Company requested (November 1983) the Collector, Phulbani to seek special sanction of Government for payment of subsidy to compensate the loss of Rs. 4.71 lakhs suffered by the Company. Further developments were awaited (December 1984). No action was, however, taken by the Company on the offficial.

3.8.2. *Storage of rice, sugar and wheat*

On receipt of district-wise monthly allotments from Government under the PDS., stocks of rice, wheat and sugar are lifted by the Company from the godowns of F C I and stored in various places in all the districts till their issue to the retailers. The Company did not have its own storage facilities. Agency system, as was prevalent (in Government) prior to its formation was, therefore, being followed by the Company for storage of the commodities. Either a co-operative society or an individual can seek agency from the Company. Appointment of an agent is made on receipt of an application and after verification, by the Revenue Department, of his antecedents and solvency status and on furnishing the prescribed amount of cash and personal security.

3.8.2.1. *Security deposit*

(*i*) The amount of security deposit to be furnished under each agreement was Rs. 15,000 (Rs. 5,000 as principal security for due performance of the terms and conditions of the agreement and

Rs. 10,000 as additional security covering dues to the Company). In addition, personal security of two solvent sureties covering the value of the stocks delivered to him was also required to be furnished. At the discretion of the District Manager, the amount of principal security deposit may be reduced up to a minimum of Rs. 2,500 and in special cases the amount may be even less than that the minimum at the discretion of the Company. The Company may, in special cases, accept a lesser amount of additional security deposit also. The security deposits are refundable on finalisation of the accounts under each agreement. All the trading stocks of the Company were handled by the storage agents. The position of the security deposit collected in 10 districts during the 3 years up to 1983-84 as ascertained in audit is given below :

	Normal amount of security deposit to be collected		Security deposit actually collected	
	(Rupees in lakhs)			
	Per agent	Total amount	Total amount	Average per agent
Agents dealing in 3 commodities (141 agents)	0.45	63.45	19.76	0.14
Agents dealing in 2 commodities (67 agents)	0.30	20.10	8.15	0.12
Agents dealing in single commodity (43 agents)	0.15	6.45	2.15	0.05

The average realisation, per agent was less than the normal rate. Guidelines as to under what circumstances security deposits may be accepted at a lesser amount were not laid down by the Company. Also, there was no specific delegation of powers to various levels of the Management in this regard. Details of personal security obtained, if any, were not available in any District office excepting at Balasore, where it was noticed that the personal security was not obtained in respect of 6 agents in 1981-82, 19 agents in 1982-83 and 15 agents in 1983-84.

(*ii*) *Shortages recoverable from agents*

As per the agreements entered into with the agents, the value of permissible shortages was to be borne by the Company in respect of rice while it was to be recovered from the agents in respect of sugar and wheat. The value of shortages if any, in excess of the limits were also to be recovered in the case of all the 3 commodities. In addition, penalty was to be levied in the case of shortages in excess of the limits the rate being Rs. 100 per quintal of rice and sugar and Rs. 50 per quintal of wheat. There have been many cases of heavy shortages beyond the permissible limits. An amount of Rs. 44.43 lakhs (net) was due from 7 parties in respect of shortages noticed during the years 1981-82, 1982-83, June and December 1983 (Rs. 28.54 lakhs towards shortages after setting off amounts payable and Rs. 15.89 lakhs towards penalty), out of which an amount of Rs. 21.52 lakhs was due from a single party of Bolangir. Legal action was taken against one party of Sambalpur (Amount due : Rs. 8.48 lakhs) and one party of Sundargarh (Amount due : Rs .9.54 lakhs). It was noticed (July 1984) in audit that penalty of Rs. 3.13 lakhs was not levied and included in the suit filed against the party of Sundargarh. In the other cases, no recovery proceedings have yet been started (December 1984). In the case of the party of Koraput (amount due : Rs. 0.87 lakh) it was observed (July 1984) that he was appointed (March 1981), agent for all the 3

commodities without verification of his antecedents. Subsequently it was reported (March 1981) by the Sub-Divisional Officer concerned that he himself was living in a small house on hire, he did not have any storage facilities and that he was not at all financially sound. Still, he was continued as the agent. No departmental investigation was conducted in such cases to ensure that there was no negligence on the part of the Company's officials in conducting physical verification periodically.

There was no monitoring or pursuance of such cases in the head office of the Company. Incidentally, it may be mentioned that according to the procedure prescribed, personal ledger account of each storage agent was required to be maintained and such an account was not being maintained up-to-date excepting in cases where the account was to be settled. Though periodicity of verification of the stocks with the agents by the Company's officials has been prescribed, no record of the physical verifications conducted was maintained and therefore, it could not be ensured in audit that the verification was being done regularly.

3.8.3. *Claims outstanding in trading of sugar*

Since its inception, the Company is the nominee of Government for distribution of sugar allotted to the State by the Government of India under PDS. The stocks are taken delivery from the depot of FCI on pre-payment of cost and proper storage arranged till the stocks are issued to the authorised retailers for ultimate distribution to the consumers. As a nominee, the Company is entitled to reimbursement from FCI towards sub-wholesaler's margin of profit (Rs. 3.04 per quintal), transportation charges from FCI's depot to block level storage depots at actuals up to

August 1983 and at a flat rate of Rs. 5 per quintal from September 1983 and *octroi* charges actually paid to FCI up to November 1982 (thereafter, such charge was not separately payable but was included in the price of sugar charged by FCI). According to the instructions (December 1980) of the Company, each District Manager was to prefer claims for every month before 7th of the following month. It was noticed (June 1984) in audit that the claims for 1982-83 and 1983-84 were not preferred in respect of one district (Ganjam). In all the other cases (including Ganjam district for 1980-81 and 1981-82) claims amounting to Rs. 164·99 lakhs up to March 1984 were preferred, of which Rs. 20 lakhs were received from FCI in March 1982. The rest of the amount (Rs. 144.99 lakhs) was yet to be received (December 1984). There had been substantial delays in preferring the claims in every district, the time taken ranging from 3 to 36 months. There was also no monitoring in the head office to ensure that the claims are preferred timely and pursued properly.

3.8.4. *Dues recoverable*

In order to meet the urgent requirements of relief operations consequent upon the unprecedented floods in August and September 1982, the Company supplied essential commodities like rice, wheat, sugar, *etc.*, to Government (Revenue department) at cost. An amount of Rs. 30.31 lakhs was outstanding (July 1984) in respect of supplies made in 5 districts. In the case of one district (Cuttack), the claim for Rs. 10.14 lakhs could not be settled in the absence of issue vouchers and other documents in support of the supplies. It was stated (May 1984) by the District Manager, Cuttack, that the documents had been called for (April 1984) from the concerned storage agents. Further developments were awaited (November 1984).

3.8.5. *Consumers' petrol pump*

With a view to supplying petrol to Government departments and State public sector undertakings, the Company installed a consumers' petrol pump at Bhubaneswar in August 1981. Up to December 1983, 1120 kls. of petrol was purchased and 1098 kls. were sold up to August 1984 and the balance (22kls). was treated as transit and handling losses. This was in excess by 13.8 kls. (valued Rs. 0.89 lakh) of the norm of the Indian Oil Corporation. No purchases were made after December 1983 since the Board decided (October 1983) to close the activity in view of the losses. It was reported in that meeting that there were shortages amounting to 20 kls. (transit: 13.32 kls and handling at the pump: 6.68 kls.) up to the end of August 1983 and that the approximate loss on the activity worked out to Rs. 2.28 lakhs per annum. At this rate, the loss in the working of the pump for 3 years up to August 1984 would be about Rs. 6.84 lakhs.

3.9. Cash management

Each district office has two separate bank accounts ('Revenue account' for remitting the revenues of the Company and 'operation account' for drawing money for meeting expenditure on the activities of the Company). Both were non-interest bearing accounts. The Company's banking operations were with 11 nationalised banks at Bhubaneswar and through their branches scattered throughout the State. In terms of the Company's instructions (November 1980), the bank branches at district level were required to transfer the balances in the revenue account twice a week to their State level offices, where the Company has been maintaining current accounts keeping only a minimum amount of Rs. 500. Whenever funds were requisitioned by the district offices, the Company was ascertaining the balances position before the requisitioned funds were transferred from such current accounts to the 'operation account' at the district level.

(*i*) For ensuring that the revenues remitted into branches of the banks were being promptly transferred to the centralised account, a monthly return indicating the sale proceeds remitted, amount transferred to the centralised account and amount not transferred, *etc.*, was required to be submitted by the district offices of the Company. The returns of some of the district offices were not in complete shape in that the progressive amount not transferred to the centralised account was not being indicated. To the extent the returns were complete in respect of 11 district offices, it was seen in audit (June 1984) that substantial balances (Rs. 2,83.89 lakhs) were awaiting transfer to the centralised account (March 1984). The Company did not make any detailed investigation to ascertain the reasons for such delay in transfer of funds with a view to planning remedial measures.

On a review of the 'operation account' at 8 district offices in audit (May to August 1984), it was noticed that substantial amounts were held up in the operation accounts. The minimum amounts of funds, thus, blocked up throughout the period from 1980-81 to 1983-84 worked out on the basis of average of actual minimum balances blocked up on month to month basis were as below :

Year	Minimum amount blocked up (Rupees in lakhs)	Remarks
1980-81	65.06	Blocked up for 3 months (January to March 1981)
1981-82	63.41	through out the year
1982-83	95.24	through out the year
1983-84	69.24	through out the year

The Company has no system of ascertaining the actual position at the district level for monitoring their proper deployment. Even if the amounts blocked up been invested in short-term deposits for a minimum period of 15 days initially and then extended from time to time, the Company would have earned an amount of Rs. 8.53 lakhs towards interest at the rate of 3.5 *per cent* per annum applicable to such short-term deposits.

There was no system in the Company, for forecasting periodically the inflow and outflow of funds except preparing the cash flow statements on actual basis only whenever there was Board meeting. Whenever requirement for funds arose, the Company called for the balance position from all the 11 banks. In 1982-83, out of 115 occasions when the balances were ascertained, they were found to be more than Rs. 1 crore on 110 occasions. The position was also similar in 1983-84 when on 111 out of 127 occasions, the balances were more than Rs. 1 crore. This would indicate blocking up of considerable amounts of funds without earning any interest.

The Management stated (January 1985) that the question of efficient cash management was being studied by a firm of system analysists.

3.10. Internal audit

The internal audit staff of Food and Civil Supplies Department posted at the District Civil Supplies Offices were entrusted (April 1982) with the functions of conducting internal audit of the Company's transactions at the district level. Six auditors were brought on deputation from Food and Civil Supplies Department (April 1982) and were posted at head office of the Company for conducting internal audit of the transactions of that office; but their services were being utilised for other items of work. No report of completion of internal audit either in any of the district office or at the head office of the Company for any of the years since inception has been received (August 1984) nor was the matter pursued. The statutory auditors of the Company in their report (July 1984) on the accounts for 1980-81 observed that the Company has no independent internal system though the size and volume of business call for the same.

These matters were reported to the Management/Government (October 1984); replies of Government were awaited (March 1985).

3.11. Summing up

(*i*) The Company was established with the main object of ensuring easy availability of essential commodities of mass consumption at reasonable prices to the consumers.

Rice purchased (1983-84) in the open market at the instance of Government was supplied at a subsidised rate of Rs. 3 per Kg. This was done withholding the FCI rice (cheaper by Re. 0.76/0.58 per Kg.) on ration cards.

(*ii*) During the period when such rice was purchased in the open market the State's quota of the FCI rice was also not availed fully. Governmental subsidy involvod in the open market rice was Rs. 2,42.88 lakhs.

Out of 0.31 lakh tonnes of rice procured in the open market under subsidy scheme, a quantity of 0.027 tonnes valued Rs. 1,00 lakhs was lying unsold (July 1984) as other rice at cheaper rates was available in the market. The Company proposed to sell this stock at the prevailing market rate at the cost of further subsidy from Government as it was purchased at the instance of Government.

(*iii*) The rice purchased in the open market in the State was at rates negotiated without ensuring reasonableness of the rates and without using the vital data of market rates available with Government which was, however, used for framing Governmental food policy. Comparatively, there was an extra burden of Rs. 53.75 lakhs in some of the purchases.

(*iv*) There was a loss of Rs. 4.71 lakhs sustained by the Company due to under-selling in the sale of fine rice by a District Manager without waiting for the price to be fixed by the Company.

(*v*) The Company was entitled to reimbursement of certain elements of expenses and sub-wholesaler's margin of profit in the distribution of sugar from FCI. The claims were to be preferred before 7th of each month by the district managers. Claims amounting to 1,44.99 lakhs were awaiting realisation from FCI. There were abnormal delays (3 to 36 months) in preferring the claims. Claims for the years 1982-83 and 1983-84 were yet (June 1984) to be preferred in respect of one district. There was no monitoring in the Company to ensure that claims were being preferred in time and pursued properly.

(*vi*) The Company had been engaging transport-*cum*-storage agents for various commodities. Company's pocedure stipulated the normal amount of security deposit to be collected from the agents before their appointment as such and also stipulated that a lesser amount also be collected. There was no delegation of powers in the matter. The amount of security deposit was being fixed by the district manager in each case. The average realisation per agent actually was Rs. 0.14 lakh (for 3 commodities), Rs. 0.12 lakh (for 2 commodities) and Rs. 0.05 lakh (single commodity) as against the normal amounts of Rs. 0.45 lakh, Rs. 0.30 lakh and Rs. 0.15 lakh stipulated respectively.

(*vii*) Shortages of stocks along with stipulated penalty in excess of the permissible limits were recoverable from the storage agents. An amount of Rs. 44.43 lakhs was recoverable from 7 agents. There was no proper follow-up for recovery of the amount.

(*viii*) The branch banks with which the Company was having banking operations were required to transfer the amounts remitted into the branches to the centralised accounts twice in a week keeping a minimum balance of Rs. 500 only. There were heavy balances lying with them in the untransferred amounts without earning any interest. There was no proper follow-up by the Company. Funds drawn by the district offices from the Company were being continued in current accounts without reviewing the position of actual requirements. There were heavy balances so blocked up in the current accounts. There was no system of forecasting periodically, the cash flows. Cash flow statements at actuals only were being prepared whenever there were meetings of the Board.

(*ix*) The Company did not avail of the offer of Government to convert a loan of Rs. 5,00 lakhs given by it (March 1981) into equity.

SECTION IV

INDUSTRIAL PROMOTION AND INVESTMENT CORPORATION OF ORISSA LIMITED

4.1. Introduction

In order to achieve rapid industrialisation of the State by providing financial and technical assistance to enterpreneurs, the Company was incorporated in April 1973 as a wholly-owned Government Company. According to a directive (August 1974) of Government, the Company was to confine itself to developing medium and large scale industries. The working of the Company was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1977-78 (Commercial) and a review on the working for the subsequent years is given in the succeeding paragraphs.

4.2. Objects

The other main objects according to its Memorandum of Association are, *inter alia*.

—to carry on the business of an investment company for providing finance to industrial enterprises in the State ;

—to establish companies and associations for starting, taking over or conducting industrial enterprises; and

—to undertake or assist investigation of problems concerning any industry in particular or industrialisation in general and to prepare or cause to be prepared project and other reports useful to such enterprises.

4.3 Activities

In pursuance of the aforementioned objects, the Company had undertaken the following activities:

(*i*) Preparation of feasibility studies to identify profitable projects;

(*ii*) preparation of project reports to offer them to prospective entrepreneurs for implementation;

(*iii*) participation in the equity capital of the companies and granting of term loans and bridge loans ;

(*iv*) providing technical assistance to entrepreneurs in project implementation; and

(*v*) setting up joint sector projects.

The Company had also undertaken operation of the seed capital scheme of the Industrial Development Bank of India (IDBI); and of various incentive schemes of the State Government, *viz.* (*a*) feasibility study subsidy, (*b*) power loans, (*c*) sales tax loans and (*d*) power subsidy, the latter three being part of Government's industrial policy of 1980.

4.4 Organisational set up

The management of the Company was vested in a Board of directors which had 14 directors as on 31st March 1984 including one full-time Chairman, one Managing Director, one nominee each of the State Bank of India and of the IDBI and two non-official directors. The Chairman generally looks after promotion of large and medium projects till they reach the appraisal stage and the Managing Director looks after other promotional activities of the Company.

4.5 Capital structure

The initial authorised capital of the Company of Rs. 500 lakhs was raised in stages to Rs. 20,00 lakhs

by 1981-82. The paid-up capital wholly contributed State Government was Rs. 17,52·29 by the lakhs as on 31st March 1984.

4·6 Borrowings

The Company's capital resources also include borrowings from IDBI under the Refinance and Seed Capital assistance schemes and from Government towards specific schemes enumerated in paragraph **4.3.** *supra'*. The amounts borrowed and outstanding thereagainst as on 31st March 1984 are given below :

Source	Amount borrowed since inception	Amount outstanding as on 31st March 1984
	(Rupees in lakhs)	
Government		
Margin money	45.00	29.00
Power loan	33.50	33.50
Sales tax loan	56.00	56.00
I. D. B. I.		
Refinance scheme	18,10.37	16,55.63
Seed capital assistance scheme	1,56.89	1,56.89
	21,01.76	19,32.02

4.6.1 *Refinance scheme*

The Company was declared a financial institution by the Government of India in August 1976 and thereby became eligible for refinance facility of IDBI in respect of term loans granted to industrial concerns for acquisition of fixed assets and towards margin money for working capital in the case of new projects or for expansion/modernisation of existing units. Under the scheme, refinance was available up to Rs. 30 lakhs in each case where the project cost was Rs. 50 lakhs and above. Refinance was available to the extent of 100 *per cent* of the loans to projects set up in specified backward areas (revised to 90 *per cent* from March 1981) and at 80 *per cent* in the case of loans to projects in other areas. The rate of interest payable to IDBI was 9 *per cent* in respect of backward areas and 10.5 *per cent* in other areas. The interest chargeable to the beneficiaries by the Company was 3·5 *per cent* over the rate paid to IDBI. Under the scheme, the Company was required to apply for refinance soon after the sanction of loan but not latter than one year from the date of disbursement of first instalment. On receipt of sanction from IDBI, disbursement was first made by the Company and then reimbursement from IDBI was applied for. The Company was operating the scheme since 1977-78.

The following are the details of loans sanctioned, disbursed, amount eligible for refinance and amount drawn, *etc.*, up to 31st March 1984 :

Particulars	Number of applications	Amount (Rupees in lakhs)
(*i*) Loans sanctioned by the Company	160	41,60.43
(*ii*) Amount partly disbursed by the Company	137	24,82.34*
(*iii*) Amount yet to be disbursed by the Company	23	16,78.09
(*iv*) Amount sanctioned by IDBI	137	34,46.09
(*v*) Amount reimbursed by IDBI	82	18,10.37
(*vi*) Amount yet to be received from IDBI	55	16,35.72

(*) Loan actually sanctioned in respect of 137 cases was Rs. 34,46.09 lakhs.

The difference (Rs. 6,71.97 lakhs) between the amount disbursed by the Company and that received from IDBI was mainly met from share capital and margin money loan (carrying interest at 12 *per cent* per annum) of Rs. 45 lakhs received from Government. The amount pending disbursement (Rs.16,78.09 Lakhs) by the Company includes Rs. 5,21·35 lakhs in respect of 21 applications remaining undrawn ever since their sanction. The Company stated (July 1984) that it was pursuing the matter with the promoters.

4.6.2. *Seed capital assistance scheme*

This scheme was formulated by IDBI in September 1976 for operation through the notified financial institutions. It is applicable to new entrepreneurs who are professionally qualified and who devote themselves to the running of the projects. The amount of assistance per project is normally not to exceed Rs. 15 lakhs or 10 *per cent* of the project cost, whichever is lower. The scheme is applicable to projects costing up to Rs. 1 crore (enhanced to Rs. 2 crores from October 1981). In the case of proprietary and partnership concerns, the assistance is in the form of an interest-free loan recoverable in suitable instalments (to be decided by the notified financial institution/IDBI) with a service charge of one *per cent* per annum with a provision for moratorium up to 5 years in the repayment of instalments of principal. In the case of private/public limited companies, the assistance is in the form of participation in cumulative preference shares/equity capital. The notified financial institution disburses the amount and gets the same fully reimbursed by IDBI. The shares are to be held in the name of the notified financial institution as the trustee for IDBI. As per the scheme, the applications for assistance are required to be examined by a screening committee.

The Company, a notified financial institution, constituted (July 1979) a screening committee for scrutinising the applications for assistance under the scheme. The following table indicates the number of applications received, assistance sanctioned, amount disbursed by the Company, amount reimbursed and amount rejected by IDBI up to March 1984 :

	Number	Amount (Rupees in lakhs)
(*i*) Applications received	48	3,04.55
(*ii*) Assistance sanctioned and disbursed by the Company	37	2,55.20
(*iii*) Applications rejected by the Company	7	27.10
(*iv*) Applications pending with the Company	4	22.25
(*v*) Amount reimbursed by IDBI	29	1,56.89
(*vi*) Cases rejected by IDBI	8	64.90
(*vii*) Amount yet to be reimbursed by IDBI	..	34.41

The amount rejected by IDBI was in respect of equity participation in 8 private limited companies. On a scrutiny of the grounds, of rejection in audit it was noticed that the sanction and disbursement by the Company was avoidable in 7 cases as the assistance was granted during 1981-82 and 1982-83 in ineligible cases : (*i*) to established businessmen while the scheme was meant for new entrepreneurs only (4 cases : Rs. 29.75 lakhs), (*ii*) to a small scale unit while the scheme was meant for medium scale projects (Rs. 5.00 lakhs), (*iii*) to an applicant (Rs. 11.00 lakhs) who did not have any special qualification or experience in running the project and (*iv*) to a project (Rs. 4.15 lakhs) the finance for which had already been drawn by Orissa State Financial Corporation.

Since the scheme was supposed to be wholly financed by IDBI ultimately, the rejection meant blocking up of the Company's funds without earning any interest in the ineligible cases.

Explaining the pendency of reimbursement amounting to Rs. 33.41 lakhs with the IDBI, the Company stated (July 1984) that in many cases, to keep up the pace of implementation of projects, funds were disbursed in advance even though all the conditions prescribed by IDBI had not been fulfilled and that in such cases, reimbursement was delayed for sometime.

The amount so blocked up (Rs. 33.41 lakhs) was one to 4 years old.

4.7. Working results

The working results of the Company for the three years up to 1982-83 (the year up to which the accounts are finalised) are shown as under :

	1980-81	1981-82	1982-83
	(Rupees in lakhs)		
Income			
(*i*) Interest on loans ..	32.09	41.58	53.17
(*ii*) Other receipts ..	11.09	20.36	21.30
Total ..	43.18	61.94	74.47
Expenditure			
(*i*) Salary and administrative expenses	26.64	33.05	33.85
(*ii*) Other expenditure ..	9.30	17.45	40.09
	35.94	50.50	73.94
(*a*) Profit before tax ..	7.24	11.44	0.53
(*b*) Provision for tax ..	2.57	3.85	0.18
(*c*) Profit after tax ..	4.67	7.59	0.35
(*d*) Percentage of administrative expenditure to income during the year	61.7	53.4	45.5

The sharp increase in expenditure in 1982-83 was mainly due to write off of Rs. 12.60 lakhs (please see paragraphs 4.9.2. and 4.9.3. *infra*) being the expenses on projects abandoned. The sharp fall in profit in 1982-83 was due to change over to cash basis of accounting from mercantile basis with effect from that year. The change over from mercantile to cash basis of accounting was against the provisions of the Companies Act, 1956. The Company has not declared any dividend so far (August 1984).

4.8. Performance analysis

4.8.1. *Promotional activities*

The Company identifies industrial projects after preparation of feasibility reports, applies to the Government of India for letters of intent and on their implementation, letters of intent are converted into industrial licences. Up to March 1984, letters of intent were obtained for 39 projects and letters of intent for 14 projects applied for between April 1982 and March 1984 were yet to be received (July 1984). Out of 39 letters of intent already received, 4 had been implemented (total expenditure up to 1983-84 : Rs. 10,41.00 lakhs), 14 were under implementation (Rs. 1,46,43.00 lakhs) and in the case of 13 projects (total expenditure up to 1983-84 : Rs. 15,212.00 lakhs), selection of co-promoters was to be made (July 1984). The remaining 8 letters of intent, received between February 1969 and October 1982 (total expenditure up to 1983-84 : Rs. 1,219.00 lakhs) had been cancelled by the Government of India as the projects could not be implemented within the specified time limit. In 7 of these cases, an expenditure of Rs. 2.39 lakhs was incurred towards preparation of feasibility reports and the eighth case has been dealt with in paragraph 4.9.1. *infra*.

The Company started (May 1984) aiding non-resident Indians abroad, who might like to put up industries in the State, by contacting, guiding and assisting them in having arrangement of tie-up with financial institutions in the country. A letter of intent was obtained in July 1984 for one printing press of Rs. 70 crores investment while 2 projects (paper manufacture) involving investment of Rs. 27.50 crores were under consideration of the Company since May 1984.

4.8.2. *Financial assistance*

Entrepreneurs requiring financial assistance either in the form of participation in equity share capital or as a term loan are to submit application to the Company giving details about the installed capacity and estimated cost of the project, location, availability of infrastructure facilities, marketability of products, existing financial arrangements, *etc*. The Company takes up technical and financial appraisals to ascertain the feasibility of the project and background of the entrepreneur. Sanction for financial assistance is accorded after satisfying itself about the viability of the project and disbursement of finance is made after entering into an agreement with the entrepreneur.

Up to March 1984, a total number of 318 projects (including 39 for which letters of intent were obtained by the Company) costing Rs. 1,603.54 crores were identified for financial assistance and assistance amounting to Rs. 41.60 crores was granted for 168 projects. Of these, 78 (cost : Rs. 93.60 crores, Company's assistance : Rs. 24.28 crores) had gone into production, 90 (cost : Rs. 259·60 crores, Company's assistance : Rs. 17·32 crores) were under implementation and 150 (cost : Rs. 1,250.34 crores) were under finalisation. The 78 projects, which had gone into production, had received term loans of

Rs. 20.20 crores from the Company up to 31st March 1984; 48 of these had defaulted in repayment of principal (Rs. 100.44 lakhs), payment of interest (Rs. 150.28 lakhs) and commitment charges (Rs. 0.90 lakh). Two cases where substantial amounts are in default are detailed below :

4.8.2. *Industrial explosive project*

A firm of Calcutta, took up (September 1979) establishment of an industrial explosives project in Keonjhar district with financial assistance from the Company, Orissa State Financial Corporation (O S F C) and State Bank of India (S B I). The estimated cost of the project was Rs. 190 lakhs. The Company's participation was by way of term loan (Rs. 60 lakhs) and equity (Rs. 7.50 lakhs). The project scheduled for commercial production by December 1980 was not implemented fully even by October 1982. The project was able to manufacture explosives but could not commence commercial exploitation for want of certain balancing transport equipment like vacuum insulated storage tanks, truck chassis and tractors for carrying the explosives to buyer's premises. These equipments, though provided in the project estimate, were not procured due to escalation in the cost of plant and equipment and pre-operative expenditure of the project. The project cost was, therefore, revised to Rs. 236.16 lakhs in October 1982 and the Company granted (December 1982) special relief to the project by rescheduling repayment of the term loan and funding the interest due (Rs. 21 lakhs) up to December 1982 which was allowed to be repaid in 12 half-yearly instalments commencing from December 1983. The unit could not repay the principal and interest. The term of the loan and interest was rescheduled again in April 1984 according to which the first instalment of principal would be due in November 1984 while interest

over due up to 15th February 1984 (Rs. 4.13 lakhs) would be paid in 24 monthly instalments commencing from 1st July 1984 and current interest be paid as and when due. On a total payment of Rs. 10.00 lakhs towards the dues of the Company, O S F C and S B I repayment of the loan and interest was rescheduled again in November 1984, according to which the balance dues were to be cleared by the unit by August 1985. The total investment of the Company as on the 31st March 1984 was Rs. 113.02 lakhs in equity (Rs. 7.50 lakhs) and term loans (Rs. 105.52 lakhs) including interest (Rs. 45.52 lakhs) against the value of assets of Rs. 86.31 lakhs pledged with the Company. The Company acknowledged (April 1984) that although the promoters had industrial experience, they were completely new to this type of project as a result of which the project planning was faulty leading to cost and time over-runs.

4.8.2.2. *Solvent extraction*-cum-*refining oil project*

Implementation of the solvent extraction-*cum*-refining oil project (estimated cost : Rs. 95 lakhs) in the backward district of Bolangir was taken up (1978) by firm 'A' with financial assistance from the Company and Orissa State Financial Corporation (O S F C). The Company's Participation (September 1978) was by way of equity (Rs. 4 lakhs) and term loan (Rs. 30 lakhs). The project, scheduled to commence commercial production in April 1980, was commissioned in January 1981 (solvent extraction plant) and in January 1982 (refining plant). The delay was due to delay in acquisition of the plant and equipment. The project cost had gone up to Rs. 122.85 lakhs in August 1980 and to Rs. 138.24 lakhs in July 1983 due to cost over-runs. To meet the increased cost, the Company's commitment towards term loan was raised (July 1983) from

Rs. 30 lakhs to Rs. 55 lakhs against which Rs. 47.82 lakhs were actually disbursed. The plant was closed in October 1982 due to financial difficulties, non-allotment of crude oil by the State Trading Corporation of India Limited due to change (August 1982) in Government policy and lack of marketability for the products. The promoter was unable to arrange for the working capital and it was decided (September 1983) by the Company that the Board of Directors of the unit shall be reconstituted keeping nominess of the Company and O S F C in majority. The Company's efforts for obtaining additional finance from State Bank of India were not successful. In September 1983, an entrepreneur of Calcutta expressed his willingness to purchase the plant but the matter was not pursued, the reasons for which were not on record. The unit, was, however, leased out (November 1983) to an entrepreneur of Bombay on an annual lease rent of Rs. 30 lakhs. In February 1984, O S F C seized the Unit for default in payment of lease rent and other dues to it, to the Company and to the State Electricity Board. An amount of Rs. 6·17 lakhs was due (March 1984.) to the Company towards lease rent (Rs. 5.70 lakhs) and electricity charges (Rs.0·47 lakh). O S F C, however, released the unit to the promoter but he was unable to arrange for the working capital. The net worth of the unit where the investment by various financial institutions was Rs. 137.60 lakhs was (—) Rs. 46·69 lakhs (March 1984). The Management stated (August 1984) that O S F C was negotiating with various parties for its lease again or outright sale.

4.8.3. *Assistance by way of investment*

The Company had, up to March 1984, committed to participate in the share capital to the extent of Rs. 28.09 crores in 133 projects involving a total

capital outlay of Rs. 35.20 crores. Of this, Rs. 8.15 crores (29.02 *per cent* of the committed amount) were disbursed to 113 projects up to 1983-84. Fifty of the 113 projects had gone into production and the remaining were under implementation (August 1984). The Company had not received any dividend so far (August 1984) from any of the projects that had gone into production in which it had invested Rs. 2.29 crores towards share capital. Out of 6 projects in production whose latest accounts were made available to Audit, the value of share was below the face value in 3 projects (investment: Rs. 22.89 lakhs) and it was negative in the case of one project (investment Rs. 0.40 lakh).

4.8.4. *Purchase of shares by promoters of assisted units*

In terms of the agreements executed by the Company with the promoters of the assisted units, the promoters are required to purchase the shares held by the Company within a period of 5 to 7 years from the date of agreement at face value *plus* a reasonable return of 11 or 12 *per cent* per annum (depending on the terms of the agreement), unless such return has already been paid to the Company by way of dividend. This provision is included in the agreements to facilitate rotation of the available resources among more units.

Up to July 1984, such purchase was effected only in one case and in 15 cases, purchase of shares by the promoters was overdue (July 1984). The year-wise break-up of such units where the Company's investment was Rs. 35.98 lakhs is given below :

Year in which due for purchase	Number of units	Company's investment (Rupees in lakhs)
1982-83	3	9.39
1983-84	10	23.39
(Up to July 1984)	2	3.20
	15	35.98

Of these, 12 units in which the Company had invested Rs. 34.71 lakhs were already in production and in respect of the remaining 3 units wherein the Company's investment was Rs. 1.17 lakhs, no information is available with the Company as to the progress of implementation and follow-up action taken for implementation of the projects and purchase of shares by the promoters (December 1984).

4.8.5. *Bridge loan*

Bridge loans are granted to assisted units against valid sanction of term loan by financial institutions or against sanction of subsidy by appropriate authority up to the maximum extent of the loan/subsidy already sanctioned, if delay is anticipated in disbursement of such loan or subsidy. Bridge loan is recoverable within a period of 3 months which can be extended for a further period of 3 months in exceptional cases. In all, 9 beneficiaries had been extended, during 1978-79 to 1983-84 this facility amounting to Rs. 131.58 lakhs. Of this, Rs. 63.64 lakhs were outstanding (December 1984) against 4 parties who were given the loans between July 1978

and July 1983. In addition, Rs. 20·97 lakhs were also outstanding against these parties towards interest. In two cases, the Company proposed (July 1984) to convert the loan (Rs. 61·58 lakhs) into equity; in one case the amount due (Rs.0.86 lakh) was under pursuance and the remaining case is discussed below :

4.8.5.1. In November 1977, a firm engaged in fabrication of steel structures was sanctioned a bridge loan of Rs. 6·00 lakhs carrying interest at 14 *per cent* per annum, against sanctions of term loans (Company: Rs. 5·00 lakhs and OSFC: Rs. 14·50 lakhs). The sanction of bridge loan was subject to production of a certificate from OSFC that the loan would be recovered from out of the release of the term loan sanctioned by it. The certificate was obtained and frunished by the loanee in November 1977. A bank guarantee for Rs. 6·00 lakhs valid up to June 1978 was also obtained from the loanee. The bridge loan was thereupon disbursed by the Company in February 1978. The loan was repayable within 6 months thereof with interest. In the case of delay, penal interest ranging from 1 to 3 *per cent* per annum, depending on the period of delay, was also leviable. The fact of the release of the bridge loan was not advised soon after its release to OSFC enabling it to recover the amount from out of the disbursement of the term loan sanctioned by it. Within the period of 6 months stipulated for repayment of the bridge loan, an amount of Rs. 0·67 lakh only was repaid. With a view to ensuring early repayment, the interest rate was reduced to 12·5 *per cent* from June 1978 and as the repayment was not forthcoming, the rate was increased to 13.5 *per cent* per annum from April 1979. Further amount of

Rs. 4·13 lakhs was repaid between April 1979 and March 1984. The bank guarantee which expired in June 1978 was not got renewed further. It was only in February 1983 *i. e.*, after a lapse of over $4\frac{1}{2}$ years of the release of the bridge loan, OSFC was requested by the Company to recover the amount from out of the disbursement of term loan. This could not be done, as, by that time, the entire term loan was already released to the loanee. There was, thus, no security for the bridge loan outstanding. There was also no response from the loanee to the Company's telegram (May 1984) for settlement of the loan. An amount of Rs. 1·32 lakhs including Rs. 0·12 lakh towards normal interest but excluding Rs. 0·55 lakh towards penal interest, the demand for which was not yet raised by the Company, was outstanding at the end of December 1984. The Company was contemplating legal action in the matter (December 1984).

4.8.6. *Incentive schemes of Government*

The Company has been acting as the disbursing agency on behalf of Government in operating four incentive schemes to promote industrial growth, *viz.* subsidy for feasibility reports, power subsidy, interest-free power loan and interest-free sales tax loans.

4.8.6.1. *Subsidy for feasibility reports*

Under the scheme for subsidy for feasibility reports, the cost of preparation of feasibility report is reimbursed by the State Government up to a maximum of one *per cent* of the fixed assets of the project if the project cost is less than Rupees one crore. For bigger projects, the reimbursement

is made to the extent of Rupees one lakh *plus* 0.5 *per cent* of the additional fixed assets beyond Rupees one crore, subject to a maximum of Rs. 3 lakhs. The entrepreneur is required to deposit 25 *per cent* of the admissible cost of preparation of feasibility report as security deposit if the report is to be prepared through the Company. This is refundable to him after implementation of the project in the State ; otherwise the security deposit is to be forfeited. If the entrepreneur gets a feasibility report prepared from his own sources, the cost thereof is to be reimbursed to him after the project is implemented in the State.

The Company entrusted during 1976-77 to 1983-84 the preparation of feasibility reports for 78 projects to private consultants at a cost of Rs. 27.90 lakhs. In terms of the agreements, the consultants were required to submit the feasibility reports within 2 months. 52 feasibility reports (cost : Rs. 13.69 lakhs) were completed up to the end of March 1984 leaving a balance of 26 reports (cost : Rs. 14.21 lakhs) for which Rs. 8.55 lakhs were advanced to the consultants. Of the 52 reports, 15 (cost : Rs. 0.49 lakh) were implemented, 7 (cost : Rs. 2.39 lakhs) were not implemented as the industrial licences were cancelled by Government of India due to non-adherence of the timelimit for implementation of the projects and in the case of the remaining 30 (cost : Rs. 10.81 lakhs), the parties were not interested in the projects. The information as to the security deposit, if any, furnished by the parties on behalf of whom the feasibility reports were got prepared was not available. No benefit could be derived from the expenditure of Rs. 10.81 lakhs incurred on the 30 feasibility reports.

The year-wise break-up of the reports overdue is given below :

Year	Number	Cost of the feasibility reports	Amount
		(Rupees in lakhs)	
1976-77	4	0.61	0.30
1977-78	2	0.14	0.07
1978-79	3	0.90	0.36
1979-80	2	0.72	0.37
1980-81	2	1.27	1.03
1981-82	9	9.03	5.57
1982-83	4	1.54	0.85
	26	14.21	8.55

No suitable action was taken by the Company to obtain the reports in order to avoid delay in implementation of these projects and to avoid increase in project cost.

The Company stated (October 1984) that the delay was due to non-receipt of certain information required by the consultants which was called for from the entrepreneurs.

4.9. Other topics of interest

4.9.1. *Tyres and tubes project*

A letter of intent was received (July 1975) by the Company for a project to manufacture tyres and tubes which was taken up in October 1974 for implementation in collaboration with a company 'T' of Calcutta. The estimated project cost was Rs. 33.59 crores of which Rs. 10.75 crores were to be met from

share capital (equity: Rs.10 crores and preference shares: Rs. 0.75 crore) and the rest from loans. In June 1975, IDBI sanctioned a loan of Rs. 5 crores for the project and agreed to underwrite equity shares to the extent of Rs. 1.00 crore. It was stipulated by the IDBI that the equity participation of the promoters should be to the extent of 15 *per cent* of the project cost. Accordingly, the Company and 'T' were to contribute equity capital amounting to Rs.5.10 crores (the Company: 2.60 crores (26 *per cent*) and 'T': Rs. 2.50 crores (25 *per cent*). In January 1975, the Company and 'T' contributed Rs.0.15 crore each towards equity capital. In July 1976, 'T' expressed its inability to invest any more funds in the project and agreed that the Company could implement the project in collaboration with other entrepreneurs. 'T' requested for refund of his share of equity capital of Rs. 0.15 crore in May 1977. When the Company approached a number of industrial houses for collaboration in the project, a Calcutta firm offered (April 1977) to participate in the project with a capital contribution of Rs.1.25 crores. The Company thereafter approached IDBI to agree the revised pattern of equity participation (Company: Rs. 2.60 crores, Calcutta firm : Rs.1.25 crores, 'T': Rs. 0.15 crore and Public : Rs. 6.00 crores).

The proposal was rejected by IDBI since the promoter's total contribution amounted to Rs.4 crores which was only 12 *per cent* of the project cost as against 15 *per cent* stipulated earlier by IDBI. IDBI further advised (August 1977) the Company to go slow with the implementation of the project and not to commit any expenditure on the project in view of the low demand for tyres in the country. Finally, in May 1978, IDBI informed the Company that their sanction for term loan could not be extended any further and might be treated as lapsed. The Company unsuccessfully tried to revive the sanction till August 1980.

The industrial licence issued (July 1975) was revoked (November 1980) by the Government of India as the Company had failed to establish the industry within the specified time. Thereafter, in order to revive the project, the Company proposed to set up a scooter tyres and tubes unit in the medium sector with a project cost of Rs.1.80 crores. This was also not made possible for as no colloborator had come forward for the purpose. Meanwhile in June 1983, a large industrial house applied for a letter of intent for manufacture of scooter tyres and tubes in the State with a project cost of Rs. 100 crores.

It was seen in audit that the Company incurred an expenditure of Rs. 34.05 lakhs (1974-75 to 1983-84) towards administration of the project implementation. This includes an expenditure of Rs. 6.85 lakhs incurred even after revocation of the licence by the Government of India.

The Management stated (August 1984) that the project was kept alive to maintain the State's claim at the all India level for a large tyre project and as soon as such a project in the private sector was sanctioned, the resources of the project will be put to use to implement a smaller project on medium scale.

4.9.2. *Ferro-venadium project*

Industrial Development Corporation of Orissa Limited received (February 1970) a letter of intent for starting a ferro-venadium project in Mayurbhanj district with *cent per cent* export-orientation and got the feasibility report prepared (December 1971) by a consultant. As directed by Government, implementation of the project was transferred to the Company in 1974. After the visit of a team of officers of the Government of India, State Government, the Company and the consultants to Europe in September 1978,

a Norwegian firm submitted a proposal to supply the know how to manufacture venadium bearing slag and pig iron and the necessary equipment for the project. A firm of U. K. also submitted a proposal to buy the product. A revised project report was prepared (December 1980) by the consultants according to which the project was estimated to cost Rs.30 crores. An agreement was also signed (November 1981) with a co-promoter for implementation of the project in joint sector. The letter of intent for the project received in December 1978 and revalidated from time to time had finally expired in December 1982. Efforts for further extension were not successful and it was treated as cancelled (January 1984) by the Government of India who advised the Company not to take any further action on the project. Considering that the project would not be viable with the *cent per cent* export-orientation in view of the slump in the world market, the Company decided (April 1984) to abandon the project and the expenditure of Rs.12.06 lakhs incurred on the project was written off (April 1984) in the accounts for 1982-83.

4.9.3. *Other points of interest*

The Company registered itself (1978) with the Government of India, Ministry of Labour to act as an agency for overseas employment. This activity was transferred to Industrial Infrastructure Development Corporation of Orissa by the State Government in February 1984 up to which the Company had secured overseas employment for 82 technicians. The expenditure of Rs. 0.54 lakh incurred on the activity was written off in April 1984.

4.10. Accounts manual

The Company had not prepared any accounts manual laying down the accounting policies and procedures to be followed, internal checks to be exercised, etc., (August 1984).

4.11. Internal audit

The Company did not organise any internal audit wing to serve as Management's tool to ensure how far the procedures and policies laid down by it were being followed. Only in August 1983, a firm of chartered accountants was entrusted with the internal audit work, at a fee of Rs. 6,000 per annum. Their reports for 1982-83 and 1983-84 were yet to be placed before the Board (November 1984).

4.12. Summing-up

(1) In pursuance of the Company's main objective, it conducted feasibility studies and obtained 39 letters of intent for implementing the projects. Of these, only 4 had been implemented and letters of intent for 8 projects had lapsed as the projects were not implemented within the validity period. Including the above 39 projects 318 projects (cost: Rs. 1,603.54 crores) were identified for financial assistance while 168 projects were granted the assistance totalling Rs. 41.60 crores. Of these, 78 projects (cost: Rs. 93.60 crores) only had gone into production.

(2) Under the IDBI's scheme of "Seed Capital assistance" wholly financed by it, initial disbursement is made by the Company against recommendation of the Committee appointed by it and is reimbursed by Industrial Development Bank of India. Out of Rs. 255.20 lakhs disbursed by the Company, Rs. 34.41 lakhs were yet to be reimbursed (March 1984) while claims for Rs. 64.90 lakhs were rejected. The rejections were due to payments made by the Company to the beneficiaries ineligible for assistance under the scheme.

(3) Company's financial suport by way of shares was only for 5 to 7 years in terms of the contracts entered into with the assisted units.

Thereafter, the units were expected to purchase the shares held by the Company. This was to enable the Company to cover more units by rotating the funds. There were 15 cases overdue for such purchase in which Rs. 35.98 lakhs of the Company's finances were held up.

(4) Bridge loans granted for short tenure of 3 to 6 months were not being recovered promptly. Of Rs. 131.58 lakhs disbursed to 9 units, Rs. 63.64 lakhs were outstanding against 4 units. In addition, interest payment of Rs. 20.97 lakhs was also defaulted by them. These were outstanding over periods varying from 1 to 5 years. In one case (Rs. 1.32 lakhs), the outstanding was over five years old and without any security.

(5) Private consultants were entrusted with preparation of feasibility reports. The reports were to be completed within 2 months. There were 26 cases where the feasibility reports from the consultants were overdue for periods ranging from 1 to 6 years. Rs. 8.55 lakhs out of the contractual value of Rs. 14.21 lakhs were advanced as their fee in these overdue cases. No benefit has flown from Rs. 10.81 lakhs incurred on 30 feasibility reports where the beneficiaries were not interested in the projects.

SECTION V

ORISSA MARITIME AND CHILKA AREA DEVELOPMENT CORPORATION LIMITED

5.1. Introduction

For adopting a multi-faceted development strategy for the co-ordinated development of Maritime areas of the State including Chilka lake area, Government decided (April 1978) to create a development authority for the development/construction of protective plantations along the sea-shore embankments to protect areas vulnerable to saline inundation. In pursuance of this decision, Orissa Maritime and Chilka Area Development Corporation Limited was incorporated on 29th August 1978 as a wholly-owned Government Company.

5.2. Objects

The main objects of the Company are to (*i*) plan, develop promote, co-ordinate, finance, supervise, participate or cause to be executed or execute a comprehensive and integrated development programme in the Maritime and Chilka lake area of the State for all round economic development of these areas, (*ii*) develop protective shelter plantations, embankments, mounds, village settlements along the sea shore particularly in coastal areas vulnerable to tidal ingress, inundation and high winds and destructive weather conditions associated with cyclone and monsoons, (*iii*) identify, plan and develop off-shore and deep-sea marine fishing and (*iv*) promote or undertake the manufacture of salt and processing of by-products and to organise their distribution, sale and exports.

5.3. Activities

In pursuance of the objectives, the Company took up the following activities :

(*i*) implementation of projects for exploitation of marine fisheries and utilisation of low priced fish at Paradeep, brackish water prawn culture and horticulture projects like coconut, banana and mixed plantations ;

(*ii*) chartering of foreign fishing vessels for deep-sea fishing and processing and export of prawn; and

(*iii*) manufacture of salt.

5.4. Organisational set-up

The management of the Company is vested in a Board of Directors. As on 31st March 1984, there were 9 directors including the Chairman and the Managing Director. The Managing Director is the Chief Executive of the Company who is assisted by one Financial Advisor and Chief Accounts Officer.

5.5. Share Capital

The authorised and paid-up capital as on 31st March 1984 were Rs. 10,00.00 lakhs and Rs. 1,43.04 lakhs (including Rs. 1.50 lakhs received in March 1984 for which shares were yet to be issued) respectively. The paid-up capital was wholly contributed by Government.

5.6. Borrowings

The Company's borrowings were Rs. 24.88 lakhs as on 31st March 1984. The borrowings were under the Agricultural Refinance Development Corporation (ARDC) scheme (Rs. 23 lakhs) for coconut plantation project at Jagatjore and from a scheduled bank (Rs. 2.50 lakhs) for coconut nursery phase-I at Tirtol. The loan of Rs. 23 lakhs drawn during 1982-83 (Rs. 8 lakhs) and 1983-84 (Rs. 15 lakhs) carrying interest at 11.35 *per cent* per annum payable at half-yearly, rests, was repayable in 14 equal annual instalments commencing from eleventh year of sanction (March 1980) of the loan by ARDC. There were no overdues towards interest as on 31st March 1984.

The loan of Rs. 2.50 lakhs drawn in 1982-83 carried interest at 12.5 *per cent* per annum. Rs. 0.62 lakh was repaid in January 1984 and an amount of Rs. 1.88 lakhs was outstanding as on 31st March 1984.

5.7. Working results

The working results of the Company for the years 1980-81 to 1982-83 revealed losses of Rs. 1.15 lakhs, Rs. 3.66 lakhs and Rs. 2.28 lakhs respectively while there was a profit of Rs. 36.22 lakhs during the year 1983-84 (figures for the years 1981-82 to 1983-84 are provisional).

5.8. Performance analysis

The activities of the Company since its inception to end of March 1984 comprised implementation and operation of projects broadly categorised as fisheries, horticulture and manufacture of salt. The Company received Rs. 89.40 lakhs towards equity for implementing the projects.

The results of review in audit, of the implementation of the schemes are discussed in the succeeding paragraphs.

5.8.1. *Fisheries projects*

5.8.1.1. (1) *Exploitation of marine fisheries and utilisation of low priced fish from Paradeep*

In the project report prepared (February 1979) by the Company for exploitation of marine fish and utilisation of low priced fish from Paradeep (estimated cost : Rs. 138'.75 lakhs) six multipurpose boats of 43½ feet length were provided for, for fishing operations and establishment of a fish processing complex comprising of an ice plant, cold storage, plate freezer, *etc.* to process the catch for export. The scheme was expected to yield an average annual profit of Rs. 21.41 lakhs over a period of 10 years of operation. The project cost was revised (May 1979) to Rs. 151.38 lakhs to be met by institutional finance (Rs. 91.38 lakhs) and equity (Rs. 60.00 lakhs). The revision was necessitated due to escalation in cost and technical requirements as advised by the consultants. The State Government released Rs. 60 lakhs (March 1979) towards equity. No institutional finance was, however, obtained. The scheme taken up for implementation in July 1979 was scheduled to be completed within 2 years. Up to March 1984, an amount of Rs. 34.39 lakhs including Rs. 25.83 lakhs towards capital expenditure was spent on the project and the project was yet to be completed.

(*a*) For preparation of the designs, drawings and detailed project report, an engineering firm of consultants-'S' was appointed in (November 1979) on a remuneration of Rs. 80,000 payable in 4 equal instalments *viz* at different stages as stipulated.

The consultancy work was to be completed within 45 days of signing the agreement (November 1979). The consultants prepared specifications and drawings in February 1980 and Rs. 40,000 were paid (February 1980) to them. A preliminary report submitted (July 1980) by them was returned by the Company pointing out certain deficiencies. The revised report (May 1981) submitted did not cover the omissions pointed out by the Company. Another revised report (March 1982) submitted by them was also found to be defective and incomplete. The Company felt (April 1982) that the consultants being an engineering concern had no idea of the fish processing complex. The Board decided to terminate the consultancy agreement which is yet to be implemented (October 1984). The Company, thus, could not derive any benefit out of the consultancy and therefore, the amount of Rs. 0.40 lakh paid proved to be infructuous.

The agreement with the consultants provided that for delay in completion of work in each stage and for unsatisfactory performance of the machines on account of failure of the consultants, the entire amount paid together with penalty at 10 *per cent* of the amount was recoverable from the consultants. However, the Company had not taken any steps to recover any amounts (October 1984). The Management stated (January 1985) that action would be taken for realisation of the penalty.

(*b*) *Construction of wooden trawlers*

On the basis of tenders received (August 1979), the Company entrusted (November 1979) the work of construction and supply of 6 numbers of 43½ feet wooden trawlers to two firms 'M' and 'K' (3 trawlers each) at Rs. 2.60 lakhs per each trawler excluding sales tax and agreements were entered into with them in December 1979. 'K' was to complete the work by March and 'M' by May 1980.

Both the firms, however, did not adhere to the stipulated delivery periods. In terms of the agreements with the firms, payment was to be made in four equal instalments on completion of four different stages of work *viz* laying of keel, completion of planking, mounting of the engine and completion

of the work and delivery of trawler after trial. 'K' delivered one trawler in January 1982 and completed the work up to third stage on the other 2 trawlers. Rs. 6.71 lakhs (86 *per cent*) were paid up to December 1982 to the firm 'K'. Finding no progress in the execution of the work, the Company took (May and December 1983) possession of the two incomplete trawlers including one from the boat building yard of another local firm 'E' which was being used by firm 'K' on rental basis, on payment of Rs. 33,750 towards the arrear rent payable by the firm 'K'.

According to the estimate prepared (March 1984) by the Company, an amount of Rs. 2 lakhs was required for completion of the balance work in respect of these two incomplete trawlers. The balance work was entrusted (December 1984) to another firm on labour contract basis. No action was taken against 'K' to levy penalty in terms of the agreement (May 1985).

The Company executed a supplementary agreement (July 1980) with the firm 'M' extending the period of delivery of all the 3 trawlers up to 2nd December 1980, which stipulated cancellation of the contract in the case of default at each stage by giving 7 days notice, taking possession of the trawlers by the Company together with other materials, to get the balance work done through other agency, the extra cost, if any, being to the account of 'M' and to impose penalty of Rs. 200 for each day of delay. The firm 'M' completed laying of keel for all the 3 trawlers (July 1980) and hull planking in the case of 2 trawlers (October 1984), after execution of the supplementary agreement. The date of completion of the work was, however, extended (September 1984) to the end of March 1985 considering the delay and price escalation in resorting to alternative contractor. As the work was not completed by the extended period, the agreement with 'M' was terminated (April 1985) insisting handing over back of the incomplete trawlers. Legal notices were also issued (May 1985) for taking possession of the trawlers and response from 'M' was awaited (May 1985).

(c) Working results of the trawlers

The only trawler so far received by the Company from the firm 'K' was commissioned in January 1982. A total sum of Rs. 5.83 lakhs (excluding overheads) was spent on the operation of the trawler up to 1983-84 against which the income earned was Rs. 4.72 lakhs the result being a net loss of Rs. 1.11 lakhs.

(d) Establishment of fish processing plant

For the construction of fish processing plant with ice plant, freezer, fishmeal plant, tunner drier and packing machine, the Board decided (March 1983) to undertake at an estimated cost of Rs. 24.57 lakhs, civil works (Rs. 13.57 lakhs) and refrigeration (Rs. 11 lakhs). Tenders were received (September 1983) from 3 firms of which firm 'A' submitted tender for both the items of work. The Tender Committee headed by the Chairman of the Company decided (October 1983) to award both the items of work to firm 'A' at its tendered rate of Rs. 21.26 lakhs. The offer could not be availed of as the agreement with the tenderer could not be signed by the tenderer within the validity of the tender (January 1984). The Company was also yet to procure the requisite machines. The main purpose of the scheme *viz*, processing of the catch for commercial operation was, therefore, not yet achieved (March 1985).

(ii) Chartering of foreign vessels

In order to exploit the marine resources in the exclusive economic zone of the country on the eastern coast, the Company took-up the scheme of chartering foreign vessels for deep-sea fishing. Firm 'G' of New Delhi was contacted (February 1982) for the purpose, which agreed to arrange 5 pairs of vessels on charter basis from a firm, 'S' of Singapore (a Government of Singapore company). A project report was prepared by the Company in May 1982 which envisaged chartering of 5 pairs of vessels. Each pair of vessels was expected to have a fishing period of 200 days in a year (4 voyages of 50 days each) and obtain a catch of 6.5 tonnes of fish per voyage-day for each pair of vessels. The annual net profit anticipated was Rs. 34.53 lakhs. The Company appointed (October 1982) 'G' as consultant and co-ordinating agent in bringing together the Company and the prospective foreign collaborator. 'G' was also to render other services like finalisation of charter party agreement, arranging marketing of the catch, *etc.* The lumpsum consideration agreed to be paid to 'G' was Rs. 1.00 lakh for the tenure of the chartering arrangement. With the assistance of 'G' the Company entered into an agreement with 'S' in December 1982 providing, *inter-alia*, for

(*a*) chartering of 5 pairs of stern trawlers for operation in Indian waters for a period of 36 months (renewable up to a maximum period of 60 months);

(*b*) an all-inclusive charter fee payable to 'S' at U.S. $ 8.00 lakhs per annum per each pair of vessels or 85 *per cent* of the gross value of the catch whichever was less ; and (*c*) atleast 20 *per cent* of the crew to be Indians to be provided by the Company at its cost who were to be trained on the vessels by 'S'.

The vessels were also to carry the shipments of fish exports caught by them to the destination ports of buyers on completion of each voyage after paying 15 *per cent* share. The 5 pairs of vessels contemplated in the agreement were put into operation in Indian waters in February (2 pairs) August and September 1983 (3 pairs). The vessels made 7 voyages obtaining an aggregate catch of 2,159.7 tonnes valued U.S. $ 16.96 lakhs. The Company's share of 15 *per cent* of this was Rs. 26.47 lakhs against which an expenditure of Rs. 13.73 lakhs was incurred by the Company on the operations. The proportionate profit for 1983-84 worked out to Rs. 10.42 lakhs.

The following points were noticed in this connection :

(*a*) According to the agreement with 'S', Paradeep was the main base for operation. This area was later found (May 1983) by the Company as unsuitable for operation of any vessel due to inadequate potential for catch and therefore, the area of operation was shifted to Western coast. Since on completion of each voyage, the vessels had to call on the main base (Paradeep) for inspection and accounting of the catch, such shifting of the area of operation meant loss of effective voyage days at the rate of 14 days for each voyage.

(*b*) Pricing of each catch was being done by the Company on the basis of catch reports certified by the captains of the vessels. Observing that there was no proper ordered stacking of fish

caught by the trawlers chartered by the Company according to type and grade in the absence of which it was impossible for the customs authorities to effectively examine the cargo with reference to export documents, the Assistant Collector of Customs, Cochin incidentally indicated (September 1983) that the unit prices for the export of the catch of the vessels chartered by the Company had been low compared to exports made by other exporters chartering trawlers.

Also, according to the Ministry of Agriculture (March 1984), there were certain deviations from the agreemental conditions like deployment of nets of smaller mesh size as a result of which small fish only were being caught and 70 to 80 *per cent* of the catch was being thrown over-board, irregular maintenance of log books, *etc.* and the Indian trainees on the vessels were being persuaded by the captains of the vessels to record lesser catch. The Company acknowledged (April 1984) to the Ministry that it had no authenticated guidelines to follow in the matter of assessment of catch and its pricing excepting the bulletin issued by the Marine Products Export Development Authority which also does not provide the export price of all varieties of fish caught by the vessels. This would indicate that assessment and pricing of the catch were not based on any sound principles and practices.

(*iii*) *Processing and export of prawn*

The Company did not have any plans to hire the services of any outside agency for processing and export of prawn. However, based on a *suo moto* verbal offer (December 1981) of a firm 'J' of Puri engaged in the business of prawn export, for processing, packing and export of prawn, (at Rs. 2.75 per kg.

stipulating a monthly minimum business of Rs. 0.40 lakh), the Company obtained (April 1982), quotations from 4 firms including 'J'.

The offer of 'J' for Rs. 3 per kg. (being one of the two lowest) *plus* Rs. 0.75 per kg. for liaisoning work (securing export orders, inspection, shipment, *etc.*) was found acceptable by the Company and accordingly a project report for the scheme of "Processing and exporting of prawn and shrimp" by arrangement with 'J' was prepared (May 1982) for a scheme to gain expertise in the matter of processing and exporting of prawn for earning higher profits, before the Fish Processing Complex at Paradeep came into operation. The report was approved by the Board (May 1982). By processing 150 tonnes of prawn and shrimps, an exportable out-put of 123 tonnes per a working year of 300 days was envisaged therein. The annual net profit anticipated was Rs. 4.70 lakhs.

'J' was entrusted (May 1982) with the work at the rate quoted. The Company was to bear all the expenses, apart from arranging *ex*-plant of 'J' raw material like ice and chlorine for processing, packing, transportation to the port, export inspection fee, port and labour charges and freight and insurance. The Company targeted to export 100 tonnes in 1982-83 and 150 tonnes in 1983-84 against which the achievement was 40 tonnes in 1982-83 (export value : Rs. 40.28 lakhs) and 139 tonnes in 1983-84 (export value : Rs. 1,07.02 lakhs). The operation of the scheme resulted in a loss of Rs. 6.88 lakhs in 1982-83 and 1983-84. The loss was attributed (September 1984) to fall in export prices and to the prevalent trade practice of packing extra free weight of the product at 100 gms. per 2 kgs. of prawn and at 200 gms. per 2 kgs. of shrimp. This factor of extra weight was omitted to be considered while assessing the

economic viability of the scheme. During the said 2 years, prawn and shrimp valued Rs. 8.67 lakhs (10.98 tonnes) had to be so packed as extra free weight. The project report was not revised to reassess its viability. The following further points were also noticed in the operation of the scheme :

(*a*) Though most of the liaison work entrusted to 'J' was being performed by the Company's officials at the Company's cost and the Company did not receive any liaison service from 'J', Rs. 1.34 lakhs were paid to 'J' for liaisoning work during 1982-83 and 1983-84. The Management claimed (September 1984) that such functioning by the Company's officials was acted as a counter-check against 'J's services. It might be mentioned here that though the idea of the liaison work was conceived initially to enable the Company to gain expertise in the trade, no time limit was set for such dependence on outside agency and the Company continued to engage 'J' (January 1985).

(*b*) In terms of the import-export procedure of the Government of India, a registered exporter was entitled to import replenishment to the extent of 5 *per cent* of *f. o. b.* value of exports. To secure the entitlement, the exporter is required to get himself registered for the purpose and thereafter an application for the entitlement has to be made to the concerned Assistant Controller of Imports and Exports (ACIE) within a time limit of 12 months from the date of export of each shipment. Applications made within further period of 12 months would be subject to the imposition of a cut of 5 *per cent* of the entitlement. Claim for entitlement, thus, lapses after 24 months of the export against which it was claimed. Export made before a date earlier than 12 months from the date of application for registration would, however, not qualify for the entitlement. Though the Company commenced exports in October 1982, it got itself registered as an exporter in January 1984 and thereby became eligible for the export entitlement since January 1983. The entitlement could be used for self-imports or disposed of for a consideration. The Company, thus, did not avail of the benefit of the entitlement (Rs. 1.08 lakhs) in respect of the first 3 consignments valued Rs. 21.62 lakhs exported during October and November 1982. In rsspect of 3 consignments exported between January and September 1983, the Company had lost an entitlement of Rs. 0.12 lakh as penalty for the delay in submitting the application.

5.8.1.2. *Brackish water prawn culture*

With a view to developing shrimp culture on commercial lines in the coastal belt of the State, the Company took-up (January and November 1979) brackish water prawn farming at 2 places (Khiragachhamadeli and Sankhachit) at an estimated cost of Rs. 8.64 lakhs.

(*a*) *Khiragachhamadeli farm*

After obtaining (November 1978) a defunct fish farm at Khiragachhamadeli, comprising 4.08 hectares of land with 12 series of tanks from the Fisheries Department free of cost, the Company prepared (January 1979) a project report for brackish water prawn farming at an estimated cost of Rs. 3.86 lakhs which was financed by Government fully by way of equity in 1979-80 and 1980-81. The average production envisaged was 455 Kgs. of prawn (16—20 count) per hectare in a rearing period of 92 days. The scheme was expected to generate profit (Rs. 0.45 lakh per annum) from the second year of operation onwards. After remodelling the tanks, the operation of the project was commenced in January 1979. During the first year of operation, the prawns did not grow up to the desired size evenafter 200 days of

rearing and the prawns were found to have stunted due to ecological and biological factors of the area. The farm was remodelled at a cost of Rs. 0.20 lakh under the guidance of the Director of Fisheries in 1981-82 and 1982-83, but there was no improvement in the position. The Board, therefore, decided (August 1982) to lease out the farm to private parties even for which there was no response. At the instance of the Board (October 1982), the farm was once again repaired in 1983-84 at a cost of Rs. 0.25 lakh under the supervision of a member of the Board of Directors. This attempt also did not give (July 1983) the desired result reportedly due to stocking of a variety of prawn different from that contemplated in the project report and leakage of water meant for the prawn tank through the existing sluice which was made of wooden planks as a temporary structure. Concreting of the sluices was, therefore, suggested as the remedy. The Company decided (July 1983) to spend Rs. 1.25 lakhs for construction of concrete sluices and de-silting of the tanks; these works were yet to be taken-up (November 1984).

During the 5 years of operation up to March 1984 a sum of Rs. 3.74 lakhs (including revenue expenditure of Rs. 2.46 lakhs) was spent on the scheme and earned only Rs. 0.09 lakh.

(*b*) *Sankhachit farm*

The Company took-up (October 1979) brackish water prawn farming at Sankhachit (estimated cost : Rs. 4.78 lakhs). The scheme was expected to yield an annual profit of Rs. 0.94 lakh. An amount of Rs. 0.44 lakh was spent towards construction of the tanks (Rs. 0.32 lakh) and stocking *larvae* on trial basis (Rs. 0.12 lakh) in October 1979 and November 1980. The scheme did not yield any results and therefore, it was kept in abeyance at the instance of the Board (February 1981).

Apart from these 2 schemes, the Company also received in 1979-80 and 1980-81 a sum of Rs. 3.31 lakhs towards equity for 3 more schemes at Narayanpur, Bhusundpur and Kolotunga. After spending Rs .0.17 lakh on field studies and preliminary survey in 1980-81, these schemes were kept in abeyance considering the unsatisfactory results obtained in the two schemes taken up by the Company.

5.8.2. *Horticulture projects*

During 1978-79 to 1982-83, the Company took-up implementation of 6 horticulture projects (coconut plantation at Jagatjore, coconut nurseries in 2 phases at Tirtol, coconut industrial complex at Sakhigopal, banana cultivation at Tirtol and mixed plantation at Bajrakote) at an estimated cost of Rs. 218.63 lakhs (Rs. 57.14 lakhs to be met by equity and Rs. 161.49 lakhs by way of institutional finance). It obtained Rs. 23.47 lakhs by way of equity and Rs. 25.50 lakhs by way of institutional finance. A review of the schemes up to March 1984 revealed that the physical targets envisaged were not achieved in any of the schemes and as against the anticipated profit of Rs. 82.20 lakhs up to 31st March 1984, the Company sustained losses of Rs. 2.94 lakhs. Implementation of the schemes is discussed below :

(a) *Coconut plantation*

Land admeasuring 1,440.25 acres was obtained (June 1979) at Jagatjore from Government. Coconut plantation (64,000 numbers) was envisaged in an area of 1,000 acres at a capital cost of Rs. 83.72 lakhs to be implemented in a period of 6 years. As the plantation was expected to begin revenue-yielding from seventh year, cultivation of inter-crops like paddy during the first 6 years and banana during

first three years was envisaged to enable the project to earn revenue (while it was being implemented), the anticipated revenue being Rs. 67.00 lakhs. The project was to be financed by way of equity (25 *per cent*) and institutional finance (75 *per cent).* The scheme was taken up for implementation in 1979-80. ARDC assessed (March 1980) the capital cost at Rs. 60.20 lakhs and sanctioned loan assistance of Rs. 45.15 lakhs. The Company received Rs. 37.80 lakhs (Rs.14.80 lakhs as equity in 1979-80 and and 1980-81 and Rs. 23.00 lakhs as loan in 1982-83 and 1983-84 under ARDC scheme) for the project. The following points were noticed in the implementation of the scheme :

(i) While the land development and coconut plantation were required to be done in the first year itself (1979-80) to enable the scheme to become revenue-yielding in the seventh year, the contractor to whom the land development work was entrusted (May 1980) could not make much progress and as such the Company took to the balance work departmentally and the plantation was done (62,432 numbers) only in the fourth and fifth years. Of the 62,432 planted, 13,085 valued Rs. 1.86 lakhs did not survive due to prolonged dry spell in the area. The casualty was 21 *per cent*. The project report, however, did not envisage any casualty.

(ii) While the project report envisaged a revenue of Rs. 67 lakhs from inter-crops during the first six years, cultivation of paddy was taken up on trial basis in a small area (75.5 acres) that too in the fourth and fifth years only. Banana cultivation was not at all taken up as it cannot withstand the strong winds during monsoon, which factor had been lost sight of in the project report.

(b) Coconut nursery-phase I

For meeting the requirements of its own plantations, the Company prepared a project report (July 1979) for raising a coconut nursery which envisaged raising of 1.27 lakh coconut seedlings per annum at Tirtol at an estimated cost of Rs. 4.99 lakhs in the first year and Rs.4.87 lakhs for every subsequent year. The operations were expected to result in a profit of Rs. 0.37 lakh annually. These projections did not take into account elements of cost like depreciation (Rs. 0.22 lakh) head office overheads (Rs. 0.05 lakh) and interest on borrowed capital (Rs. 0.31 lakh).

During the period from 1980-81 to 1983-84, 3.59 lakh nuts were sown against the project projection of 6.76 lakhs (53.1 *per cent*). Out of this, 2.56 lakh nuts germinated leaving 1.03 lakh ungerminated seedlings (28.7 *per cent*). Out of the seedlings germinated, 0.09 lakh were reported to have been damaged leaving a balance of 2.47 lakh seedlings. Of these, only 0.16 lakh were used for the Company's plantations and 1.86 lakhs were sold to outside parties leaving a balance of 0.45 lakh seedlings. As against the anticipated profit of Rs. 1.48 lakhs for the four years, the operations resulted in a net loss of Rs. 0.01 lakh excluding depreciation of Rs. 0.70 lakh which was not provided.

(c) Coconut nursery-phase II

In order to raise annually 2.25 lakh seedlings over a period of 5 years for supplying to large-scale coconut plantations of Government departments and others in the State, the Company prepared (November 1981) a project report envisaging an investment of Rs. 11.17 lakhs in the first year and Rs.9.73 lakhs in the second year. A sum of Rs. 5.09

lakhs was spent on the scheme and Rs.4.79 lakhs were realised in the first 2 years. As against the target of 4.50 lakh seedlings in those 2 years, the achievement was only 1.43 lakh seedlings. In the first year, 20,226 nuts valued Rs. 0.32 lakh did not germinate. Of these, 26,606 were used in the Company's plantations, 107 were sold to other parties within the State and 58,988 were sold outside the State. It was stated by the Company (September 1984) that the seedlings had to be sold outside the State for want of demand within the State. The scheme was, thus, conceived without proper assessment of the demand and the objective of the scheme was not fulfilled.

(d) Coconut industrial complex

A project report was prepared (November 1981) by the Company for the take-over of 5 coconut based industrial sick units (dehusking and *copra* making unit, oil mill, de-fibring, shell power unit and rope-making unit) of private entrepreneurs set-up on co-operative basis. The investment envisaged was Rs.13.50 lakhs (Rs.3.27 lakhs towards the dues of the entrepreneurs to OSFC, Rs. 8.40 lakhs towards the cost of 6 lakh coconuts to be purchased and Rs.1.83 lakhs towards acquisition of machinery and furniture and fixtures). The units were taken over in April 1982. A sum of Rs.1.20 lakhs was spent up to March 1984 for purchase and installation of 6 motors. There was no further progress in the scheme till July 1984 during which month only the Company could obtain the power connection. A sum of Rs. 0.59 lakh was spent on salaries and wages during 1982-83 and 1983-84. No action for the revival of the unit was taken subsequently (January 1985).

(e) Banana cultivation

A project report was prepared (January 1980) for banana cultivation at Tirtol over an area of 18 acres of land for 5 years. Capital (Rs. 2.39 lakhs) and operating cost (Rs. 0.40 lakh) envisaged in the first year was Rs. 2.79 lakhs. The scheme envisaged an annual production of 13,500 banana bunches. The anticipated annual profit was Rs. 0.25 lakh after meeting the capital and operating costs.

During the 4 years up to March 1984, the Company spent in all Rs. 2.01 lakhs and earned Rs. 0.58 lakh leaving a deficit of Rs. 1.43 lakhs which was mainly on account of damage to the crop caused by cyclones since inception of the scheme. The Company stated (September 1984) that steps were being taken to wind up the project due to its unprofitability.

5.8.3. *Salt projects*

(i) Salt project at Chudamani

At the instance of Government, the Model Salt Unit at Chudamani under the control of the Director of Industries was transferred (November 1978) to the Company alongwith funds amounting to Rs. 1.50 lakhs. The Company prepared (February 1979) a project report envisaging salt production in 100 acres at an estimated cost of Rs. 4.94 lakhs. The anticipated net profit was Rs. 0.65 lakh per annum. Operation of the project was commenced in May 1979 in an area of 65 acres only. Against the targeted production of 5,525 tonnes of salt during the 5 years up to 1983-84, the achievement was only 439 tonnes ; the operation of the project during the period resulted in a net loss of Rs. 4.12

lakhs. Considering that a salt farm of 100 acres would be too small for commercial operation, the Company decided (June 1979) to extend the farm by another 135 acres. Government also allotted (June 1979) an adjoining piece of land. There was no progress in view of dispute in the ownership of the land additionally allotted. According to the Managing Director (April 1982) the lay-out of the salt fields was defective. The Company did not investigate into the matter. The Managment stated (January 1985) that the officers who had executed defective lay-out had either retired or left the services of the Company, the lay-out had been prepared afresh and that attempt was being made to re-start salt manufacture.

(ii) Salt project at Jumboo

The Company prepared a project report in December 1978 for manufacture of salt at Jumboo at an estimated cost of Rs. 18.13 lakhs. Land admeasuring 109.29 acres was obtained (April 1979) from Government and commercial production was started in January 1980. The project which was operated up to January 1983 resulted in a net loss of Rs. 4.48 lakhs. According to the Managing Director (May 1982), the failure of the scheme was due to bad weather conditions, wrong lay-out and orientation of the salt field and the reservoir and the condensors being at lower level than the crystalisers. Closure of the scheme was, therefore, decided (October 1982) by the Company and all the staff were retrenched in January 1983. The Company did not take any action to fix responsibility for the defective lay-out. The Management stated (January 1985) that steps were being taken to fix responsibility.

5.8.4. *Diesel out-let at Paradeep*

As a measure of providing infrastructural facilities for fishing industry, the Company started (June 1980) a diesel out-let at Paradeep (estimated cost : Rs. 3.36 lakhs) for supply of diesel oil to the trawlers and boats. The out-let was operated up to May 1983 when it had to be closed down due to construction of general cargo berth covering the site of the out-let. During the period of 3 years of working up to the date of closure, 2973.8 Kls. of diesel oil was purchased of which 2967 Kls. were sold. The operation of the out-let during the period resulted in a net loss of Rs. 0.19 lakh as against the anticipated net profit of Rs. 4.77 lakhs. Reasons for the loss were not investigated.

At the time of closure of the out-let, the stock shown in the stock register was only 3,314.8 litres as against 6,829 litres being the difference between the purchases (29,73,800 litres) and sales (29,66,971 litres) leaving a shortage of 3,514.2 litres. The Management stated (January 1985) that the causes of the shortages were being probed into.

5.9. Employment generation

The anticipated generation of employment in various projects, actual employment generated in 1983-84 and the reasons for shortfall are shown in the table below: (The table does not take into account the projects where no clear indication is available in the project reports regarding employment generation nor those cases where no employment was generated because of non-execution of the schemes like extension of Model Salt unit, Chudamani and Coconut Industrial Complex Sakhigopal

Name of scheme	Employment generation anticipated in the project report (for each year)	Actual employment generated in 1983-84	Reasons for shortfall (as analysed in audit)
	.... Mandays	....	
1. Exploitation of marine fisheries and utilisation of low priced fish from Paradeep	15,000	8,400	As against 6 trawlers only one trawler was put into operation due to delay in construction of trawlers
2. Model Salt Unit, Chudamani	47,085	4,000	Due to non-achievement of results on account of defective lay-out
3. Coconut Plantation, Jagatjore	196,735	145,000	Due to delay in execution of the scheme

These matters were reported (October 1984) to Government/Management; replies were awaited (March 1985).

5.10. Summing-up

(*i*) The Company was established in August 1978 with the main object of developing Maritime and Chilka areas of the State. The activities of the Company comprised of the implementation and operation of 15 projects of fisheries, horticulture and salt culture at an estimated cost of Rs. 405.08 lakhs. None of the schemes had been implemented in full as envisaged.

(*ii*) The Company engaged in 1982-83 and 1983-84 5 pairs of foreign deep-sea fishing vessels on charter basis for deep-sea fishing. The annual charter fee payable was US $ 8 lakhs or 85 *per cent* of the catch whichever was less. The remaining 15 *per cent* of the catch was to the account of the Company. As against the anticipated annual profit of Rs. 34.53 lakhs, the net profit earned by the Company in 1983-84 worked out to Rs.10.42 lakhs only.

(*iii*) Though the Company did not have any plans to hire the services of outside agencies in the matter of processing and export of prawn, the Company initiated action for such hiring based on a verbal *suo-moto* offer of a private agency and that agency was entrusted with the works of processing and exporting of prawn after obtaining quotations. Such hiring of services was projected to gain expertise in the matter of processing and export of prawn. The agency was also entrusted with liaisoning work in procurement of orders from foreign buyers for which Rs. 1.34 lakhs were paid up to March 1984. Simultaneously, the Company's officials were also doing the work relating to export claimed to be as a counter-check against the agency. There was no time limit stipulated for such liaisoning.

The Company was entitled to import replenishment on its exports, which can be used for importing or transferred to others for consideration. It lost an entitlement of Rs. 1.08 lakhs due to delay in registering itself as an exporter with the Government of India.

(*iv*) The Company took up 2 projects for brackish water prawn culture and both were unsuccessful. 3 more projects for which it received Rs. 3.31 lakhs as equity in 1979-80 and 1980-81 were, therefore, kept in abeyance.

(*v*) The project report of the scheme of coconut plantation envisaged substantial revenue (Rs. 67 lakhs) during the gestation period of 6 years from inter-cropping of paddy and banana. Paddy was cultivated on trial basis in a small area while no banana was cultivated as it was found that it cannot withstand the strong winds of the coastal area in the monsoon.

SECTION VI

ORISSA FOREST CORPORATION LIMITED

Trading in *Kendu* leaves

6.1. Introduction

Trading in *Kendu* leaves was nationalised by the State Government in January 1973. Under the scheme of nationalisation, the Company acts as agent of Government on commission basis for sale of the leaves received from Forest Department after their collection and processing. The work of co-ordination between the Forest Department and the Company is handled by a high level committee called the *Kendu* Leaf Co-ordination Committee (KLCC) with the Chief Secretary as Chairman of the Committee and Secretary, Forest Department, Secretary, Finance Department, Chairman of the Company and Managing Director of the Company as the other members. The Committee meets every year before the beginning of the season (April) for deciding the terms of agreement to be executed by Government with the Company.

The Company finalised its accoutns up to 1978-79 only (October 1984). All the figures mentioned in the succeeding paragraphs are, therefore, provisional.

6.2. Organisation

The Company has six divisions in various districts for handling the sale of the leaves, each division being under the charge of a Divisional Manager. There are 3 Chief Executives (Marketing), who supervise the work of the Divional Managers and report to the Managing Director of the Company. *Kendu* leaf bags duly processed are received from the central godowns of the Divisions of the Forest Department by the Divisional Manager or Sub-divisional Managers of the Company. Thereafter, lots are formed with those bags for putting them up for auction. The Company also has two sales centres outside the State, one at Calcutta and the other at Madras for sale of leaves which cannot be disposed of quickly inside the State.

6.3. Financial arrangement

The scheme of State trading in *Kendu* leaves is to run as a self-supporting one without any budgetary support from Government. Therefore, the Company is required, in terms of the agreement for each year, to advance money to the Forest Department by way of working advance on the basis of estimated production as decided by the KLCC. The advance is to cover the cost of departmental operations of the activity like bush cutting, drying, storage, and processing of the leaves, transportation to central godowns and repair and maintenance of *phadies*. In addition, the Company is also required to pay royalty at the rate fixed by the KLCC. on the stocks of the leaves delivered to it. After effecting sale, the proceeds, duly adjusting the working advances and royalty paid and commission due to it, the Company was required to remit the balance as additional royalty to Government. In case the sale proceeds are not adequate to cover these elements, the Company is entitled for reimbursement of the short-fall from Government. Profit or loss in trading in *Kendu* leaves is, thus, to the account of Government while surplus or otherwise of the marketing commission after meeting the expenses on marketing like establishment, rent of godowns, transport and handling, insurance *etc.*, is to the account of the Company.

6.4. Working results

The Company's entitlement to marketing commission as fixed by the KLCC. per quintal of the leaves sold was Rs. 27.50 for the crops of 1980 to 1982 and Rs. 32.50 and Rs. 35.00 for those of

1983 and 1984 respectively . According to the annual review prepared by the Company, the position of the working results in marketing of *Kendu* leaves for the 3 years up to 1982-83 was as below:

Particulars	1980-81	1981-82	1982-83
	(Rupees in lakhs)		
Quantity sold including shortages (in lakh quintals)	3.97	2.61	2.61
Total expenses	108.90	115.85	119.28
Marketing commission due	105.05	71.72	71.56
Loss	3.85	44.13	47.72

The reasons for the losses have not been analysed by the Company for taking corrective measures / minimise the loss.

6.5. Marketing

The quality of stocks deteriorates due to long storage affecting the sales realisation to Government since the leaves are of perishable nature. Delay, if any, in disposal of the stocks also results in locking up of the Company's funds in working advances and royalty paid to Government apart from postponing the earning of marketing commission. The position of stocks available for sale, actual sales and stock balance for the 3 years up to 1982-83 was given below:

	1980-81		1981-82		1982-83	
	Previous year stock	Current year stock	Previous year stock	Current year stock	Previous year stock	Current year stock
			(In lakh quintals)			
Opening balance	1.58	..	0.84	..	1.12	..
Receipt	0.17	3.06	0.02	2.87	0.14	2.84
Total	1.75	3.06	0.86	2.87	1.26	2.84
Disposal/shortage	1.65	2.32	0.76	1.85	1.03	1.58
Closing balance	0.10	0.74	0.10	1.02	0.23	1.26

It may be seen that the leaves taken delivery of during a particular year from the Department were not disposed of fully in the same year. The Company has been taking 3 years to complete the sale of each year's crop. The following points were noticed in taking delivery of the leaves from the Department and their marketing by the Company:

(a) Delay in lifting the leaves from the godowns of Forest Department

(i) In terms of the agreements executed with Government every year, the Company is required to lift the stocks within 90 days of receipt of the delivery intimation from the Forest Department. In the case of delay in lifting, the Company is required to pay godown rent and watch and ward expenses to the Department from 91st day and onwards. A test check (April to July 1984) in 3 divisions disclosed the following position regarding forming of lots by the Company after receipt of delivery intimations from the Forest Department during 1982-83 and 1983-84:

	1982 crop	1983 crop
	(Number of bags)	
Within 30 days	13,745	24,670
31 to 60 days	13,156	10,638
61 to 90 days	11,353	3,810
Beyond 90 days	2,462	2,018
Total	40,716	41,136

As would be seen from the above table, as much as 66.2 and 40.0 *per cent* of bags pertaining to 1982 and 1983 crops reaspectively were not formed into lots within the reasonable period of 30 days after receipt of delivery intimations from the Forest

Department, increasing the chances of attracting levy of godown rent and watch and ward expenses by the latter. However, the Forest Department was yet (December 1984) to raise the demand for godown rent and watch and ward expenses in all the cases excepting a demand for Rs. 0.27 lakh relating to 1982 raised in 2 of the 3 divisions test checked.

(b) In the case of *phal* leaves (which are not processed according to grades but bagged directly after drying), the Company does not hold auctions but sells these leaves through tenders. Production and bagging of *phal* leaves is completed by the Department before the onset of monsoon *i. e.* June every year. It is therefore, necessary for the Company to invite tenders for the sale of *phal* leaves within the shortest possible time after receipt of delivery intimation from the Department, so that payment of godown rent and watch and ward expenses could be avoided. During audit (April to July 1984) of 2 divisions, the dates of invitation of tenders and the dates of execution of agreements with the purchasers of *phal* leaves were observed to be as follows:

Crop	Date of invitation of tender	Date of agreement
1981	7th December 1981	6th February 1982
1982	30th August 1982	7th and 20th December 1982
1983	17th June 1983	14th September 1983

As would be seen from the above table, the free time of 90 days allowed by the Forest Department expired or nearly expired by the time agreements were executed attracting liability to pay godown rent. In this case also it was noticed that the demand towards godown rent and watch and ward expenses was yet to be raised by the Forest Department except to the extent of Rs. 0.31 lakh in respect of 1983 crop in one division.

(ii) Re-sale of leaves

In terms of auction sale notice, a successful bidder is required to pay 12 *per cent* of the sale value towards security deposit on the date of auction and lift the stocks duly making payment of the sale value adjusting the security deposit, before the date for subsequent auction is fixed.

The time so allowed can be extended up to 90 days from the date of auction subject to payment of an additional security deposit at 15 *per cent* of the sale value within the time allowed initially. In either case, in the event of failure to lift the stocks within the allowed time, the sale is automatically treated as cancelled and the Company is entitled to forfeit the security deposit and re-sell the stocks at the risk of such purchasers. When the purchase price is paid in full, the bidders may be allowed to retain the stocks with the Company beyond 90 days from the date of sale on payment of Re. 0.50 per bag per month towards godown rent.

(a) On a test check in audit (April to July 1984) of Sambalpur, Balangir and Jharsuguda divisions, it was noticed that during 1981-82 to 1983-84, 70 lots where the original purchasers defaulted in lifting the stocks were re-sold at a loss of Rs. 10.66 lakhs (net) as detailed below:

Period of re-sale	Number of lots	Original sale value	Re-sale-value	Security deposit available	Loss
			(Rupees in	lakhs)	
April 1982 to March 1983	28	16.79	9.38	1.99	5.42
March to August 1983 and January to April 1984	33	15.39	10.66	1.32	3.41
March 1984	9	7.02	5.19	..	1.83
	70	39.20	25.23	3.31	10.66

This was a loss to Government in as much as the actual realisation is passed on to Government by the Company. Security deposit due in respect of the 9 lots amounting to Rs. 0.84 lakh was not collected from the successful bidders which could have minimised the loss. No action was initiated by the Company for recovery of the loss on re-sale from the defaulted bidders (December 1984).

(*b*) In one division, the bidders were allowed free time of 90 days from the date of auction without the additional security deposit/full purchase value. This resulted in a loss of Rs. 0.31 lakh to the Company towards godown rent at Re. 0.50 per bag per month.

(*c*) The Company entered into (December 1982) two agreements with a *bidi* manufacturer of Mangalore for sale of 8,770 quintals of processed leaves of Bhawanipatna division and 32,015 bags of *phal* leaves of Jeypore and Jharsuguda divisions at Rs. 700.00 per quintal of processed leaves and at Rs. 2.90 to Rs. 4.75 per Kg. of *phal* leaves. In terms of the agreements, the purchaser was to accept all the leaves fit for manufacture of *bidi* and in case of dispute regarding rejection, if any, of the supplies, the decision of the Chief Executive was to be final and binding on the purchaser. The authorised representative of the purchaser, after inspection, rejected (December 1982 to February 1983) 2,141 bags of the processed leaves and 3,032 bags of *phal* leaves. The Chief Executive who was directed (February 1984) by the head office to inspect the rejected stocks and communicate his decision to the purchaser, did not do so. Also, without settling the dispute as to the quality, the processed stocks were transported (August/November 1983) to the Company's sales offices at Calcutta (1,000 bags) and Madras (1,141 bags) at a cost of Rs. 0.46. lakh for sale. The stock sent to Calcutta was sold as useful leaves for Rs. 2.83 lakhs *i. e.* at a loss of Rs. 1.37 lakhs. The stock sent to Madras was sold for Rs. 2.74 lakhs *i. e.* at a loss of Rs. 2.05 lakhs.

(*iii*) *Sale against bank guarantee*

Successful bidders are allowed to lift the stocks on free-credit basis for 60/120 days against the security of bank guarantee. In the case of delay in payment, the purchasers are liable to pay interest to the Company at the rate of 18 *per cent* per annum for the period of delay. The following points were noticed (April to July 1984) in connection with the credit sales :

(*a*) In the case of 3 divisions, Rs. 17.40 lakhs were due since July 1976 to June 1984 from 10 parties who were allowed credit against bank guarantees which were neither invoked nor got renewed. As the validity of the guarantees had expired between March 1980 and June 1984, the dues together with interest of Rs. 9.91 lakhs were outstanding without any security (July 1984).

(*b*) Further, in four divisions 41 parties who were allowed credit of Rs. 1,53.64 lakhs between July 1981 and December 1983 by the head office of the Company had delayed payment of the dues from 21 to 563 days. Interest outstanding against these parties was Rs. 4.53 lakhs, for the recovery of which no steps had been taken by the divisions (December 1984). It may be mentioned here that the Company did not have any security for the dues.

(*iv*) *Acceptance of out-station bank drafts*

Auction sale notices/ sale agreements executed with customers provide for payment of sale value through bank drafts on any nationalised bank located

at the headquarters station of the concerned division. It was , however, noticed (April to July 1984) in audit that the divisions were accepting out-station bank drafts resulting in delay in realisation of the proceeds as indicated below :

Out of 2, 308 cases of 1982-83 and 1983-84 test checked in audit, time taken for realisation of the drafts ranged between 10 and 15 days in 385 cases (Rs. 2,30·52 lakhs) and 16 and 76 days in 606 cases (Rs. 4,32.22 lakhs). Reckoned at the rate of 3 *per cent* applicable to short-term deposits, the loss of interest due to acceptance of out-station bank drafts worked out to Rs. 0.52 lakh in respect of the cases where the time taken was more than 15 days.

6.6. Remittances to banks

According to the Company's instructions from time to time to its bankers, remittances made to its current account at the branch banks were required to be transferred to its central account at Bhubaneswar twice in a week keeping a minimum balance of Rs. 500 and such transfers were required to be watched by the Company's Divisional Offices. The following points were, however, noticed in connection with the operation of the bank accounts :

(*i*) In three divisions (Sambalpur, Bolangir and Jharsuguda) there were delays in transfer of the remittances by the branch banks to the central account ranging from 8 to 86 days involving substantial amounts (Rs. 8,33.54 lakhs in 1982-83 and Rs. 7,73.23 lakhs in 1983-84). Loss of interest on the delayed transfers exceeding 15 days (Rs. 4,75.73 lakhs in 1982-83 and Rs. 4,46.54 lakhs in 1983-84) worked out to Rs. 1.41 lakhs calculated at the rate of 3 *pet cent* per annum applicable to short-term deposits.

(ii) Besides, against a minimum balance of Rs. 500 to be kept, balances ranging from Rs. 1.07 lakhs to Rs. 20.32 lakhs were retained at two divisions (Sambalpur and Jharsuguda). The amounts at the two branch banks were kept continiously for periods varying from 32 to 204 days. Loss of interest on the amounts held up at the branch banks worked out to Rs. 1.00 lakh.

These matters were reported to the Management and Government in November 1984; their replies were awaited (December 1984).

SECTION VII

ORISSA ROAD TRANSPORT COMPANY LIMITED
Inventory Control

7.1. Introduction

The Company requires stores and spare parts for operation of buses by its various units and for bus-body building, reconditioning of major-sub-assemblies like engine, fuel injection pump, gear box, *etc.*, in its workshop at Berhampur.

7.2. Addition of new buses to fleet strength

(i) Purchase of chassis

The Company was purchasing Leyland and Tata chassis both from the manufacturers, regional sales offices (R S O) at Bhubaneswar and their authorised dealers at Bhubaneswar. Up to 1983-84 in all, 144 chassis were purchased from these sources as detailed below :

		R S O	Dealer
1979-80	..	..	18
1980-81	..	26	8
1981-82	..	..	20
1982-83	..	5	..
1983-84	..	67	..
		98	46

The following points were noticed in the purchase of the chassis :

(*a*) The prices charged by the dealer included turn-over tax on dealer's turn-over in addition to ex-R S O price. Purchase of chassis from the dealer instead of from the R S O resulted in an extra burden of Rs. 0.33 lakh on this account.

(*b*) Transportation charges included in the RSOs rates from time to time in the case of Leyland chassis were inclusive of road taxes *octroi* and servicing oil cost from Madras to Bhubaneswar. It was noticed in audit (October 1984) that *octroi* was being claimed in addition to the RSO expenses in the invoices of the RSO/ dealers and paid for by the Company. The *octroi* so paid additionally on the 120 Leyland chassis purchased during 1979-80 to 1983-84 amounted to Rs. 1.30 lakhs.

(*c*) As per the Orissa Municipal Act, 1950 chassis brought to a place for construction of bus bodies were not liable to *octroi* duty at that place as they were not intended for use or consumption or sale at that place. It was also clarified (July 1983) by Government when approached (April 1983) by the Company, that the chassis brought to Berhampur for construction of bus-body was not liable to *octroi* duty. However, the Company was charged Rs. 0.69 lakh towards *octroi* by Berhampur Municipality on 47 chassis brought (1979-80 to 1983-84) to Berhampur for construction of bus bodies by the Company. The efforts of the Company to obtain refund of the *octroi* paid were yet to materialise (November 1984).

(*d*) The Company was getting the bus bodies fabricated through outside workshops at Madras, Jamshedpur, Cuttack, and Berhampur. In the case of those fabricated at Madras, the Leyland chassis were taken delivery at Madras and in all the other cases, the chassis were taken delivery by the Company at Bhubaneswar and were further transported to other places at its cost. The prices charged by the manufacturer of Leyland chassis were the same for delivery either at Bhubaneswar or Cuttack and for delivery at Berhampur, the price was less by Rs. 156 each. Delivery of the chassis was, therefore, possible at

Berhampur and Cuttack also. On the other hand, the Company obtained delivery of 74 chassis at Bhubaneswar itself and transported them to Berhampur (35 numbers) and Cuttack (39 chassis) during 1979-80 to 1983-84 incurring an avoidable expenditure of Rs. 0.28 lakh towards their transportation.

(*ii*) *Bus-body building*

The Company has got a capacity to build 2 bus-bodies per month in its workshop at Berhampur.

(*a*) The normal period of fabrication according to the capacity of the workshop was 30 days per bus-body. There have been abnormal delays in completion of bus-body fabrication and the range of time taken during the 3 years up to 1983-84 was as below :

	1981-82	1982-83	1983-84
	(Number of days)		
Minimum time taken per body from the date of receipt of chassis.	42	39	25
Maximum period taken for completion of the fabrication per body.	81	88	238
Vehicle days lost due to delay in completion beyond the normal period of 30 days (29 cases).	267	170	1849

(*b*) During 1980-81 and 1981-82, the Company's Workshop fabricated 2 bus-bodies for Orissa State Road Transport Corporation (O R S R T C) and 8 bus-bodies for Jagannath Temple Services (J T S) at cost in the case of J T S and at a negotiated rate of Rs. 0.71 lakh per body for O S R T C.

The cost of fabrication for the bus bodies as worked out (1980-81 to 1981-82) by the Company was Rs. 8.21 lakhs (J T S) and Rs. 1.78 lakhs (O S R T C). The cost includes over-head charges (payment to supervising staff, administrative, and other expenses) as a percentage of labour cost, at 231 *per cent* in 1980-81 and at 255.5 *per cent* in 1981-82. However, billing made to J T S included only 125 *per cent* towards over-head charges. The loss sustained by the Company on this account was Rs. 1.16 lakhs.

(c) Pricing of stores done by the Company up to 1980-81 was at the invoice rate only and was exclusive of elements like store handling, storage, *octroi* duty paid on purchase, etc. In August 1981, the Company assessed these extra elements at 15 *per cent* which was ordered to be added to the invoice cost in respect of the closing stocks as on 31st March 1981 and onwards. The material cost included in the cost charged to JTS from time to time during execution of the work was thus under valued to the extent of Rs. 0·61 lakh which was a loss to the Company.

The loss sustained by the Company in the case of the 2 bus-bodies of OSRTC was Rs. 0·48 lakh including the under-valuation of the stores mentioned above.

7.3. Inventory procedure

The Company has a Central Stores at Berhampur under the charge of Works Engineer to procure, supply and stocking of stores and spares. There was no practice of fixing maximum, minimum and re-ordering levels of various items of

stores and spares with reference to the fleet strength and lead time involved in procurement in the absence of which procurement was being done on *ad-hoc* basis.

The main sources of purchase were the rate contracts of the Association of Road Transport Undertakings (ASRTU) and the Directorate of Export Promotion and Marketing and the authorised dealers of the manufacturers. Wherever there were several rate contracts for an item at varying rates, there was no practice of trying the products of alternate rate contracts for ensuring economic purchases but purchases were being made from a single source.

There were 10 ASRTU rate contracts for various types of spring leaves. However, the Company has been purchasing the spring leaves from only one ASRTU rate contract firm ('K' of Cuttack) up to 1981-82. This source was, however, discontinued in view of cost constraints since 1982-83 and the requirements were being obtained from 2 local manufacturers who were not on any rate contract. During the 3 years up to 1983-84, spring leaves valued Rs. 12·86 lakhs were purchased from 3 sources. Compared to the prices of firm 'C' which was on rate contract with ASRTU whose product was found satisfactory by OSRTC, the purchases made during 1981-82 to 1983-84 by the Company were costlier by Rs. 2·59 lakhs.

SECTION VIII

OTHER TOPICS OF INTEREST

INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

8.1. Idle equipment

To increase the efficiency of the furnace and to bring about economy to an extent of Rs. 4·50 lakhs per year by reducing the frequency of cleaning, a unit of the Company engaged in production of pig iron had been planning since 1975, to procure one electro-static precipitator. The equipment could not be procured till September 1981 due to financial stringency faced by the unit. The equipment was procured at a cost of Rs. 21·38 lakhs during February to November 1982. However, the equipment could not be erected and commissioned so far (September 1984) for want of connecting pipes and valves estimated to cost around Rs. 10 to 15 lakhs. Although the Company was well aware of the necessity for procuring the pipes and valves for installation of the precipitator, no effort was made at any stage to procure these items. As a result of this, the precipitator was lying idle since November 1982. The Management stated (August/September 1984) that the order for the precipitator was placed when the financial position had improved but before its supply, the unit had again financial constraints in view of the losses in its working and therefore, the valves and pipes could not be procured and that steps were being taken to procure the valves and pipes. The unit/ Company could have ensured availability of total funds before purchase of the precipitator.

Government had endorsed (February 1985) the reply of the Management.

CHAPTER II

STATUTORY CORPORATIONS

SECTION IX

9.1. Introduction

There were 4 Statutory corporations as on 31st March 1984 :

—Orissa State Electricity Board
—Orissa State Financial Corporation
—Orissa State Road Transport Corporation and
—Orissa State Warehousing Corporation

Only Orissa State Financial Corporation finalised its accounts up to 1983-84 while finalisation of the accounts of the remaining three corporations was in arrears as indicated below :

Name of corporation	Year from which accounts are in arrears
(1) Orissa State Electricity Board	1983-84
(2) Orissa State Road Transport Corporation	1980-81
(3) Orissa State Warehousing Corporation	1983-84

A synoptic statement showing the summarised financial results of the Corporations based on the latest available accounts is given in Appendix 'C'

9.2. Orissa State Electricity Board

9.2.1. *Introduction*

The Board was formed on 1st March 1961 under Section 5 (*i*) of the Electricity (Supply) Act, 1948.

9.2.2. *Capital Structure*

The capital requirements of the Board are obtained in the form of loans from the State Government, public, banks and other financial institutions. The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs. 400,51.00 lakhs at the end of March 1984 and represented a decrease of Rs.45,79.30 lakhs *i. e.* 10.3 *per cent* of the long-term loans of Rs.446,30.30 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the 2 years up to 1983-84 were as follows :

Source	Amount outstanding as on 31st March		Percentage increase over previous year
	1983	1984	
	(Rupees in lakhs)		
State Government	180,11.58	256,92.00*	42.6
Others	266,18.72	143,59.00	. .
Total	446,30.30	400,51.00	.

9.2.3. *Guarantees*

Government had guaranteed the repayment of loans raised by the Board from time to time to the extent of Rs. 209,42.00 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1983 was Rs. 124.09.50 lakhs.

*"The figure is provisional and as per Finance Accounts it is Rs. 148,07.11 lakhs; the difference (Rs. 108,84.89 lakhs) is under reconciliation".

9.2.4. *Financial position*

The financial position of the Board for the 3 years up to 1982-83 is given in the following table :

	1980-81	1981-82	1982-83
	(Rupees in lakhs)		
Liabilities			
(*a*) Loans from Government	180,76.38	180,06.06	180,11.58
(*b*) Other long-term loans (including bonds)	201,31.72	234,43.14	266,18.72
(*c*) Reserves and surplus	22,76.36	25,34.67	28,64.08
(*d*) Current liabilities and provisions	103,82.29	124,29.10	140,39.71
	508,66.75	564,12.97	615,34.09
Assets			
(*a*) Gross fixed assets ..	330,15.38	377,09.97	459,16.10
(*b*) *Less* Depreciation ..	49,93.66	57,31.91	65,83.18
(*c*) Net fixed assets ..	280,21.72	319,78.06	393,32.92
(*d*) Capital work-in-progress	100,67.25	108,71.08	79,62.32
(*e*) Current assets (including investment)	126,60.32	134,46.26	141,17.88
(*f*) Miscellaneous expenses	1,17.46	1,17.57	1,20.96
	508,66.75	564,12.97	615,34.09
Capital employed ..	302,84.65	329,80.12	393,95.99
Capital invested ..	386,47.91	417,06.08	447,25.10

Notes—(1) Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

(2) Capital invested represents paid-up capital *plus* long term loans *plus* free reserves.

9.2.5. *Working results*

The following table shows the details of the working results of the Board for the 3 years up to 1982-83 :

	1980-81	1981-82	1982-83
	(Rupees in lakhs)		
(*a*) Revenue receipts ..	69,18.42	86,69.64	91,09.19
(*b*) Subsidy from State Government for rural electrification scheme	8,10.00	..	8,80.00
	77,28.42	86,69.64	99,89.19
(*c*) Revenue expenditure	41,28.32	51,63.63	60,49.82
(*d*) Gross surplus ..	36,00.10	35,06.01	39,39.37
(*e*) Appropriations :			
(*i*) Depreciation ..	10,78.43	6,87.87	7,86.08
(*ii*) Interest on Government loans	11,52.14	11,52.14	11,36.81
(*iii*) Interest on other loans and bonds	13,69.53	16,66.00	20,16.48
Total (*i*+*ii*+*iii*)	36,00.10	35,06.01	39,39.37
(*f*) Total return on capital employed/invested (*ii*+*iii*)	25,21.67	28,18.14	31,53.29
(*g*) Rate of return on :			
	(percentage)		
Capital employed	8·3	8·5	8·0
Capital invested	6·5	6·8	7·0

As on 31st March 1983, the Board had a cumulative contingent liability of Rs. 51,41.92 lakhs as detailed below :

	For the year 1982-83	Cumulative as on 31st March 1983
	(Rupees in lakhs)	
Interest on Government loans	..	32,45.99
Depreciation	2,83.90	18,95.93
	2,83.90	51,41.92

9.2.6. Operational performance

(*a*) The following table indicates the operational performance of the Board for the 3 years up to 1982-83 :

	1980-81	1981-82	1982-83
(1) Installed capacity (MW)			
(*i*) Thermal	250.00	250.00	360.00
(*ii*) Hydro	664.42	664.42	630.00
(*iii*) Others	..	..	..
	914.42	914.42	990.00
(2) Normal maximum demand (MW)	619.00	623.00	641.80
(3) Power generated (MKWH)			
(*i*) Thermal	744.00	786.00	1,026.49
(*ii*) Hydro	2,391.40	2,374.00	1,968.40
(*iii*) Others	..	..	..
Total	3,135.40	3,160.00	2,994.89

	1980-81	1981-82	1982-83
Less : Auxiliary consumption (MKWH)	95.50	93.00	122.53
(4) Net power generated (MKWH)	3,039.90	3,067.00	2,872.36
(5) Power purchased (MKWH)	148.09	516.00	406.58
(6) Total power available for sale (MKWH)	3,187.99	3,583.00	3,278.94
(7) Power sold (MKWH)	2,609.51	2,938.00	2,690.00
(8) Transmission and distribution loss (MKWH)	578.48	645.00	588.90
(9) Percentage of transmission and distribution loss to total power available for sale	18.1	18.1	18.0
(10) Load factor ..	51.6	64.0	48.5
(11) Number of units generated per KW of installed capacity	3,429	3,683.8	3,055.5

(*b*) The following table gives other details about the working of the Board as at the end of each of the 3 years up to 1982-83 :

Particulars	1980-81	1981-82	1982-83
(1) Villages / towns electrified (number during the year)	1,723	1,226	1,286
(2) Number of villages / towns electrified to end of the year	20,955	22,181	23,467
(3) Pump-sets / wells energised	15,522	19,123	22,900
(4) Number of sub-stations	12,586	13,045	14,503

	1980-81	1981-82	1982-83
(5) Transmission distribution lines (circuit Km)			
(*i*) High / medium voltage	37,299.67	40,161.00	45,152.00
(*ii*) Low voltage ..	24,534.30	26,792.26	30,821.00
	61,833.97	66,953.26	75,973.00
(6) Connected load (MW)	1,153.21	1,331.26	1,387.81
(7) Number of consumers	5,17,502	5,71,69	6,12,389
(8) Number of employees	21,680	25,245	32,330

Out of 46,992 villages in the State, 23,467 villages (49.9 *per cent*) were electrified up to 31st March 1983.

(*c*) The following table gives the details of power sold and revenue expenses and profit / loss per KWH sold during the 3 years up to 1982-83 :

	1980-81	1981-82	1982-83
(1) Units sold (MKWH)			
(*a*) Agriculture ..	58.50	63.88	73.33
(*b*) Industrial ..	2,094.30	2,344.64	2,122.08
(*c*) Commercial ..	64.03	75.95	78.60
(*d*) Domestic ..	112.07	134.85	140.50
(*e*) Others ..	280.61	310.09	275.53
	2,609.51	2,929.41	2,690.04
(2) Revenue per KWH (paise) excluding subsidy from State Government	21.02	28.59	37.13
(3) Expenditure per KWH sold	19.50	29.21	38.18
(4) Profit (+) / loss (—) per KWH (Paise)	(+)1.52	(—)0.62	(—)1.05

9.3. Orissa State Financial Corporation

9.3.1. *Introduction*

The Orissa State Financial Corporation was established on 20th March 1956 under section 3 (1) of the State Financial Corporations Act, 1951.

9.3.2. *Paid-up capital*

The paid-up capital of the Corporation as on 31st March 1984 was Rs. 10,00.00 lakhs (State Government. Rs. 492.07 lakhs, Industrial Development Bank of India : Rs. 492.07 lakhs, and others: Rs. 15.86 lakhs).

During the year 1983-84, the Corporation received a further amount of Rs.7,00.00 lakhs as loan in lieu of share capital from the State Government (Rs. 350.00 lakhs) and the Industrial Development Bank of India (Rs. 350.00 lakhs), carrying interest at 3.5 *per cent* per annum (equal to the minimum rate of dividend). The loan is to be converted into share capital after amendment of the State Financial Corporations Act, 1951, enhancing the limit of the authorised capital for which the Industrial Development Bank of India was reported to have taken steps (July 1982).

9.3.3 *Guarantees*

Under Section 6 (1) of the Act, the State Government guaranteed repayment of principal and payment of annual dividend at (a) 3.5 *per cent* per annum on the initial share capital of Rs. 50·00 lakhs (b) 4 *per cent* per annum on additional share capital of Rs. 50·00 lakhs raised during 1962-63 and (c) 3.5 *per cent* on share capital of Rs. 820·00 lakhs raised during the years 1977-78 to 1982-83.

Note—The figure as per Finance Accounts is Rs. 10,45·00 lakhs; the difference represents loan in lieu of share capital.

The State Government have also guaranteed the repayment of open market loans and payment of interest thereon under Section 7 (1) of the State Financial Corporations Act, 1951. The Corporation has to pay a guarantee commission of one *per cent* per annum. The amount of loan outstanding against guarantees as on 31st March 1984 was Rs. 3872·50 lakhs.

The arrears of guarantee commission payable by the Corporation at the end of 1983-84 amounted to Rs. 30.20 lakhs.

9.3.4. *Working results*

The following table shows the details of the working results of the Corporation for the 3 years up to 1983-84 :

Particulars	1981-82	1982-83	1983-84 *
	(Rupees in lakhs)		
(1) Income			
(*a*) Interest on loans and advances	540.11	727.03	387.00
(*b*) Other Income	11.19	14.07	9.64
	551.30	741.10	396.64
(2) Expenses			
(*a*) Interest on long-term loans	335·38	547.12	386.17
(*b*) Other expenses	196.26	182.98	141.28
	531.64	730.10	527.45

*The Corporation has changed its method of accounting from mercantile basis to cash basis with effect from 1st April 1983. The figures in the statement are not, therefore, comparable with the previous years' figures.

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
(3) Profit before tax after providing for reserve underIncome Tax Act	19.66	11.00	(—)130.81
(4) Provison for tax	11.08	6.35	Nil
(5) Other appropriations	6.65	Nil	Nil
(6) Amount available for dividend.	1.93	5.99	Nil
(7) Dividend paid	13.44	0.60	Nil
(8) Total return on capital employed/invested (2)(*a*)+(3)	355.04	558.12	255.36
	per cent		
(9) Rate of return on capital employed/capital	6.3	6.9	2.3
invested	5.4	6.3	2.3

9.3.5. *Disbursement and recovery of loans*

To the end of 1983-84, the Corporation disbursed an amount of Rs. 138,96·44 lakhs as loans to 13,638 parties since its inception. The amount outstanding for recovery from 13,278 loanees as on 31st March 1984 was Rs. 112,11.07 lakhs. The amount overdue for recovery as on 31st March 1984 was Rs. 11,23.68 lakhs towards principal and Rs. 731.32 lakhs towards interest.

9.4. Orissa State Warehousing Corporation

9.4.1. *Introduction*

Orissa State Warehousing Corporation was established in March 1958 under the Agricultural Produce (Development and Warehousing) Act, 1956 subsequently replaced by the Warehousing Corporations Act, 1962.

9.4.2. *Paid-up Capital*

The paid-up capital of the Corporation as on 31st March 1983 was Rs. 1,26.96 lakhs (State Government: Rs.63.48 lakhs, Central Warehousing Corporation : Rs.63.48 lakhs) against the paid-up capital of Rs.106.96 lakhs (State Government : Rs. 53.48 lakhs and Central Warehousing Corporation Rs. 53.48 lakhs) as on 31st March 1982.

9.4.3. *Financial position*

The table below summarises the financial position of the Corporation at the close of each of the 3 years up to March 1983 :

Capital and liabilities ..	1980-81	1981-82	1982-83
	(Rupees in lakhs)		
(*a*) Paid-up capital ..	86.76	1,06.96	1,26.96
(*b*) Reserves and surplus	23.14	28.24	34.08
(*c*) Borrowings ..	..	..	63.28
(*d*) Trade dues and other current liabilities.	94.06	86.09	1,76.50
	2,03.96	2,21.29	4,00.82
Assets			
(*a*) Gross block ..	54.81	68.18	79.82
(*b*) *Less*: Depreciation ..	5.00	6.56	8.24
(*c*) Net fixed assets	49.81	61.62	71.58
(*d*) Current assets,loans and advances	1,48.06	1,45.13	2,89.67
(*e*) Capital works-in-progress	..	1.25	21.47
(*f*) Investments ..	6.09	13.29	18.10
..	2,03.96	2,21.29	400.82
Capital employed ..	1,12.97	1,23.59	1,87.18
Capital invested ..	95.18	1,16.60	2,00.13

Notes—(*i*) Capital employed represents net fixed assets (excluding capital works-in-piogress) plus working capital.

(*ii*) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

9.4.4. *Working results*

The following table shows the details of the working results of the Corporation for the 3 years up to 1982-83:

Particulars	1980-81	1981-82	1982-83
	(Rupees in lakhs)		
(1) Income			
(*i*) Warehousing charges	89.84	93.65	1,00.11
(*ii*) Other Income ..	0.67	0.53	1.81
	90.51	94.18	1,01.92
(2) Expenses			
(*i*) Establishment charges	12.03	12.10	16.00
(*ii*) Interest ..	0.27	..	2.19
(*iii*) Other expenses ..	74.81	77.41	76.28
	87.11	89.51	94.47
(3) Profit before tax ..	3.40	4.67	7.45
(4) Provision for tax ..	0.32	0.30	0.90
(5) Other appropriation ..	1.19	2.23	2.84
(6) Amount available for dividend	1.89	2.14	3.71
(7) Dividend paid ..	0.20	0.64	1.55
(8) Total return on			
Capital employed ..	3.67	4.67	9.64
Capital invested ..	3.40	4.67	9.50
(9) Rate of return on :		*per cent*	
Capital employed ..	3.2	3.8	5.2
Capital invested ..	3.6	4.0	4.7

9.4.5. *Operational performance*

The following table gives the details of the storage capacity created, capacity utilised and other information about the performance of the Corporation during the 3 years up to 1982-83:

Particulars	1980-81	1981-82	1982-83
(1) Total number of warehouses			
Hired ..	32	42	45
Owned ..	14	16	16
	46	58	61
(2) Storage capacity created up to the end of the year (in lakh tonnes)			
(*a*) Hired ..	0.61	0.77	0.81
(*b*) Owned ..	0.19	0.23	0.23
(*c*) Total capacity ..	0.80	1.00	1.04
(*d*) Average capacity utilised during the year	0.50	0.74	0.85
(*e*) Percentage of utilisation	63.8	74.0	81.7
(*f*) Average revenue per tonne per year (Rupees)	180	127	120
(*g*) Average expenses per tonne per year (Rupees)	174	121	111

9.5. Orissa State Road Transport Corporation

9.5.1. *Introduction*

The State Transport Service established in 1948, which was being run departmentally, was taken over on 15th May 1974 by Orissa State Road Transport Corporation established under Section 3 of the Road Transport Corporations Act, 1950.

9.5.2. *Paid-up capital*

The paid-up capital of the Corporation as on 31st March 1980 was Rs. 10,07.27 lakhs contributed as follows :

	Amount (Rupees in lakhs)
State Government ..	8,07.60*
Government of India ..	1,99.67
	10,07.27

9.5.3 *Financial position*

The table below summarises the financial position of the Corporation under the broad headings for the 3 years up to 1979-80 :

	1977-78	1978-79	1979-80
Capital and liabilities	(Rupees in lakhs)		
(a) Capital ..	1,007.27	1,007.27	1,007.27
(b) Reserves and surplus excluding depreciation reserve	9.98	17.25	16.50
(c) Borrowings ..	106.21	186.74	481.21
(d) Trade dues and other current liabilities	296.05	375.84	487.35
	1,419.51	1,587.10	1,992.33

* The figure as per Finance Accounts is Rs. 3,34.00 lakhs; the difference of Rs. 4,73.60 lakhs is under reconciliation.

	1977-78	1978-79	1979-80
	(Rupees in lakhs)		
Assets			
(a) Gross block ..	1,062.31	1,136.19	1,316.33
(b) *Less* :			
Depreciation ..	312.77	357.15	423.01
(c) Net fixed assets ..	749.54	779.04	893.32
(d) Capital work-in progress and vehicle chassis	20.76	73.77	48.29
(e) Current assets and loans and advances	336.64	313.88	503.75
(f) Deferred revenue expenditure.	18.46	14.50	17.20
(g) Accumulated loss ..	294.11	405.91	529.77
	1,419.51	1,587.10	1,992.33
Capital employed ..	755.81	706.53	845.00
Capital invested ..	1,087.57	1,193.73	1,360.69

Notes—(i) Capital employed represents net fixed assets (excluding capital work-in progress and vehicle chassis) *plus* working capital.

(ii) Capital invested represents capital contribution by the State and Central Governments and secured loans.

Working results

The following table gives the details of the working results of the Corporation for the three years up to 1979-80 :

	1977-78	1978-79	1979-80
		(Rupees in lakhs)	
(1) (a) Operating			
Revenue	686.45	734.26	813.25
Expenditure	702.50	743.07	864.00
Surplus (+)/ deficit(—)	(—)16.05	(—)8.81	(—)50.75
(b) Non-operating			
Revenue	5.87	7.50	17.91
Expenditure	87.61	110.50	91.01
Surplus (+) / deficit (—)	(—)81.74	(—)103.00	(—)73.10
(c) Total			
Revenue	692.32	741.76	831.16
Expenditure	790.11	853.57	955.01
Net loss (—)	(—)97.79	(—)111.81	(—)123.85
(2) Interest on capital and loans	61.00	66.93	88.58
(3) Total return on			
(a) Capital employed	(—)36.79	(—)44.48	(—)35.27
(b) Capital invested	(—)36.79	(—)44.48	(—)35.27

SECTION X

ORISSA STATE ELECTRICITY BOARD

Generation of electricity

10.1. Introductory

At the beginning of the Sixth Five Year Plan (1980-81), the total installed capacity of the power generating stations of the Orissa State Electricity Board (OSEB) was 914 MW., the break-up of different generating stations being as follows :

Talcher Thermal Power Station (Stage—I)	250 MW—consisting of 4 units of 62.5 MW each
Balimela Hydro Electric Power Station	360 MW—consisting of 6 units of 60 MW each
Hirakud Hydro Electric Power Station	270 MW—consisting of 4 units of 37.5 MW each and 5 units of 24 MW each
Orissa's share of Machkund Hydro Electric Power Station (a joint venture of Andhra Pradesh State Electricity Board and Government of Orissa)	34 MW

Stage II of the Talcher Thermal Power Station became operational in March 1982 with the commissioning of one unit with installed capacity of 110 MW. Another unit with installed capacity of 110 MW was commissioned in March 1983. Thus, at the end of 1983 the total installed capacity of the State grid was 1134 MW.

The Board is also entitled to purchase 20 *per cent* (20 MW approximately) of the power generated from the Machkund Hydro Electric Power Station.

10.2. Schemes under execution

The following table shows the details of the Hydro Electric Power Generating schemes under execution by the Board and the State Government (July 1984):

Scheme	year of commencement	Installed capacity (MW)	Estimated cost	Expected time of completion
			(Rupees in crores)	
Executed by the Board				
Hirakud stage-III	1982-83	37.5	27.00	May 1986
Executed by State Government				
Rengali	1973-74	100	103.82	August 1985
Upper Kolab	1974-75	240	155.82	December 1986
Upper Indravati	1978-79	600	380.65	December 1990

Besides, the Board also has a scheme of renovation of the Talcher Themal Power Plant in hand for improving its operational performance. The scheme estimated to cost Rs. 45 crores, was taken up in April 1984 and is expected to be completed in April 1987.

10.3. Plant-wise performance

The table below indicates the planned generation of each power generating station and its actual generation from 1981-82 to 1983-84:

		1981-82	1982-83	1983-84
Hirakud (Hydel)				
(*a*) Installed capacity	MW	270	270	270
(*b*) Firm capacity	MW	120	120	120
(*c*) Budgeted generation :	MU			
(*i*) as per Planning Commission		1130	1020	1100
(*ii*) as per Board		1049	870	1130
(*d*) Actual generation	MU	1131	902	1082
Balimela (Hydel)				
(*a*) Installed capacity	MW	360	360	360
(*b*) Firm capaciry	MW	135	135	135
(*c*) Budgeted generation	MU			
(*i*) as per Planning Commission		1183	1240	1050
(*ii*) as per Board		1184	897	1226
(*d*) Actual generation	MU	1243	1067	1309
Talcher stage I (Thermal)				
(a) Installed capacity	MW	250	250	250
(*b*) Firm capacity	MW	152.7	152.7	100

		1981-82	1982-83	1983-84
(c) Budgeted generation	MU			
(i) as per Planning Commission		775	930	900
(ii) as per Board		767	854	698
(d) Actual generation	MU	786	811	653
(e) Shortfall in generation in MU as per Board		..	43	45
(f) Percentage of short-fall (as per Board)		..	5.0	6.4
Talcher stage II				
(a) Installed capacity	MW	110	220	220
(b) Firm capacity	MW	..	Not fixed	Not fixed
(c) Budgeted generation	MU			
(i) as per Planning Commission		..	250	650
(ii) as per Board		..	271	597
(d) Actual generation	MU	..	215	616
(e) Shortfall in generation in MU		..	56	..
(f) Percentage of short-fall (as per Board)		..	20.7	..

The short fall in actual generation compared to that budgeted by the Board in Talcher Thermal Power Station (stage I) 1982-83 and 1983-84 was due to persistent mechanical failures. The shortfall in generation in TTPS (stage II) in 1982-83 was due to non-stabilisation of unit-V. During 1982-83 the generation of hydel power was low compared to that in both the earlier and the later years mainly owing to late monsoon.

10.3.1. *Cost of generation*

There is no system in the Board for periodical analysis of the cost of generation of each power generating station. The cost of generation per unit (KWH) as estimated in the project report of each power generating station is indicated below:

Power station		Cost in paise	Period of estimation
Thermal plant			
Stage I	..	3.35	1961
Stage II	..	4.8	1971
Hydro electric stations			
Balimela (1st year)		1.84	
(19th year)	..	0.47	1964
Hirakud		not available	

Based on the cost data made available, the actual cost of generation (in paise) per unit of each generating station for the years from 1980-81 to 1982-83 was worked out in audit (August—September 1984) as under:

	1980-81			1981-82			1982-83		
	H	B	T	H	B	T	H	B	T
A. *Variable cost*									
(1) Fuel (coal and oil)	..	..	6.4	..	..	8.6	..	..	10.4
(2) Central Excise Duty	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
(3) Operation and maintenance	0.8	0.6	2.2	0.7	0.4	3.2	0.9	0.4	3.2
Total (A)	2.6	2.4	10.4	2.5	2.2	13.6	2.7	2.2	15.4

B. Fixed cost	1980-81 H	1980-81 B	1980-81 T	1981-82 H	1981-82 B	1981-82 T	1982-83 H	1982-83 B	1982-83 T
(1) Salaries and wages	0.7	0.5	2.5	0.8	0.5	2.6	1.1	0.6	3.2
(2) Overhead charges	0.1	0.1	1.1	0.1	0.1	1.4	0.1	0.1	1.3
(3) Deprecia-tion	0.4	0.8	1.7	0.3	0.7	1.6	0.4	0.8	1.2
(4) Interest on loans	2.1	2.0	2.3	2.0	1.9	2.1	2.6	2.2	1.6
Total (B)	3.3	3.4	7.6	3.2	3.2	7.7	4.2	3.7	7.3
Total cost (A+B)	5.9	5.8	*18.0*	5.7	5.4	*21.3*	6.9	5.9	*22.7*

The cost of generation per unit was estimated in the respective project reports as early as in 1961, 1964 and 1971; the Board did not make any attempt to revise the estimates of cost of generation so as to compare the actuals with the estimates for assessing the cost-efficiency of the generating station. The increase in cost of generation from year to year was mainly due to increase in consumption of fuel in excess of norms as discussed in paragraph 10.3.2 (b) *infra.*

10.3.2. *Talcher Thermal Power Station*

As per the operational reports of the generating stations, the following are the unit-wise details of the performance of each unit of the Talcher Thermal Power Station for the three years up to 1983-84 including

Note: H-Hirakud Hydel; B-Balimela Hydel; T-Talcher Thermal Power Station

that of units V and VI which constitute stage II of the power station and were commissioned in March 1982 and March 1983 respectively:

Particulars	Unit-I	Unit-II	Unit-III	Unit-IV	Unit-V	Unit-VI
(1) Date of commissioning ..	December 1967	March 1968	July 1968	April 1969	March 1982	March 1983
(2) Installed capacity in MW ..	62.5	62.5	62.5	62.5	110	110
(3) Hours available for operation	26304	26304	26304	26304	16656	8976
(4) Hours actually worked ..	12213	12106	13693	14743	7253	3575
(5) Outage hours ..	14091	14198	12611	11561	9403	5401
(6) Plant availability (*per cent*) ..	46.4	46.0	52.0	56.0	43.5	39.8
(7) Percentage of outage hours to available hours	53.6	54.0	48.0	44.0	56.5	60.2
(8) Possible generation in hours actually worked on the basis of installed capacity in MU.	763.3	756.6	855.8	921.4	797.4	393.3
(9) Actual generation in MU including auxiliary consumption—gross	554.0	481.9	601.0	581.0	531.9	299.3
(10) Shortfall in generation (compared to possible generation) in MU.	209.3	274.7	254.8	340.4	265.9	94.0
(11) Percentage of shortfall compared to possible generation.	27.4	36.3	29.8	36.9	33.3	23.9
(12) Auxiliary consumption in MU	58.5	47.5	61.5	52.9	62.2	22.4
(13) Percentage of auxiliary consumption to power generation (gross)	10.5	9.8	10.2	9.1	11.7	7.5
(14) Plant load factor (gross generation to generation at installed capacity in *per cent*):						
(*a*) as per project report ..	......not mentioned......				68.5	68.5
(*b*) Actual as per generation ..	33.7	29.3	36.6	35.4	27.6	31.1

In this connection the following points emerge:

(*i*) The percentage of actual generation was low even with reference to the possible generation in the actual hours worked and ranged from 23.9 *per cent* (Unit-VI) to 36.9 *per cent* (Unit-IV).

(*ii*) The plant availability was assessed at 90 *per cent* in the project report of stage I of the thermal power station; the actual plant availability in respect of stage I (Units I to IV) ranged between 46 and 56 *per cent* only. The plant load factor in respect of the other units was also quite low ranging from 29.3 Unit-II) to 36.6 *per cent* (Unit-III).

(*iii*) The project report relating to stage II of the thermal power station (comprising units V and VI) shows the plant load factor at 68.5 *per cent* against which the average plant load factor attained by the two units during the 3 years up to 1983-84 was 27.6 for unit V and 31.1 *per cent* for unit VI.

(*iv*) The project report for stage I of the power station fixed a norm of 6 *per cent* for auxiliary consumption where as for stage II of the power station the norm was 9 *per cent*. However, the Board indicated (October 1982) to the Planning Commission that auxiliary consumption in respect of thermal power would be 10 *per cent*. The percentage of auxiliary consumption in respect of stage I ranged between 9.1 and 10.5 *per cent*. In stage II, only Unit VI indicated a percentage of auxiliary consumption of less than the norm fixed in the project report whereas in the case of Unit V, the percentage was 11.7. The auxiliary consumption in excess of 10 *per cent* was 13.0 MU valued Rs. 40.86 lakhs during 1981-82 to 1983-84. In this connection, it may be mentioned that it was decided in a meeting held in May 1983 at Calcutta among the members of the Eastern Regional Electricity Board (EREB) to study the auxiliary consumption of thermal plants to bring about possible reduction therein. A report after making some exercises for reduction in auxiliary consumption was to be sent to the Chairman, EREB by 31st July 1983. The report was yet to be submitted (December 1984).

(*a*) Procurement of Coal

Coal is allocated to different power stations by the Linkage Committee of Government of India on the basis of which Coal India Limited supplies coal to the Talcher Thermal Power Station. There was no agreement laying down the terms and conditions of supply of coal (August 1984). The power station received coal from Jagannath Collieries (distance: 11 kms.) and South Balanda Collieries (distance: 8 kms.) through its belt conveyor system since November 1981. Weighment facilities exist at the loading point (mine head) but, no such facilities are available at the plant end. The boilers of the power station (stage-I) are designed to handle coal having moisture content of 6 *per cent* ash content ranging from 41.5 to 43 *per cent* and calorific value raniging from 3900 to 4420 K. Cal/kg. The boilers of the stage-II are designed to handle coal having moisture content ranging from 5 to 10 *per cent* ash content ranging from 13.2 to 44 *per cent* and calorific value ranging from 3492. 7 to 6076.2 K. Cal/kg.

A test check of the details of coal handled over the three years up to 1983-84 in respect of all the units showed that the characteristics of the coal actually received from the colieries varied widely as compared to the specifications as indicated below :

	Ranged between
—Moisture content (in *per cent*)	0.6 (1981-82) and 12.3(1983-84)
—Ash content (in *per cent*)	18.92(1981-82) and 53.42(1983-84)
—Calorific value (in K. Cal/Kg.)	976(1982-83) and 5870(1981-82)

The following observations are made in this connection :

Coal received from the collieries was being analysed jointly by the Board and the colliery management for the purpose of grading the coal for payment. No such joint analysis was, however, done in respect of the entire supply of 2.25 lakh tonnes of coal received from Jagannath Colliery between November 1981 and June, 1982. However payment amounting to Rs. 152.77 lakhs was made for these supplies without ascertaining its calorific value.

As per the existing system, three representative samples of coal would be drawn at the despatching point jointly by the representatives of the colliery and power station. Of these three samples, two are meant for independent analysis and the other is retained at the supplier's laboratory for use as a reference sample in case of disputes. The power station did not conduct any independent sample test at the plant end till March 1984. When such a test was conducted by the Board, the result indicated 'G' grade for the coal received (March 1984) at the plant and against 'F' grade (better quality than 'G' grade) shown in the test conducted at the despatching end. Subsequently, there were disputes between the Plant management and the colliery management regarding the veracity of the tests carried out by the two parties as well as the genuineness of the referee samples. The matter had not been finally settled (November 1984).

(*b*) Fuel consumption

(*i*) *Coal*

The consumption of coal per KWH of energy generated was estimated in the project report to range from 0.48 to 0.55 kg. for units I to IV. The actual

consumption during the 3 years up to 1983-84 in respect of these 4 units was as follows :

	1981-82	1982-83	1983-84
Total consumption in lakh tonnes	6.76	8.48	10.36
Consumption of coal per KWH (in Kgs.)	0.86	1.04	1.66

As may be seen from the above table the coal consumption in stage I of the plant varied from 0.86 Kg. to 1.66 kg. per unit against the standard of 0.48 Kg. to 0.55 Kg. per unit. Thus, there was a total excess consumption of 13.40 tonnes during the 3 years up to 1983-84 (compared to the highest standard of 0.55 Kg. per unit) costing Rs. 1,545.02 lakhs at Rs. 115.3 per tonne. It was noticed in audit (September 1984) that the excess consumption of coal was mainly due to the poor quality of coal in terms of high ash and moisture content.

(*ii*) *Furnace oil* (*stage II*)

Furnace oil is used for stabilisation of flames to attain particular pressure in the boiler, when there are interruptions in coal flow. No standard has been fixed by the Board for the consumption of furnace oil (August 1984) nor was any standard mentioned in the project report framed in December 1971. However, in a discussion between the representatives of BHEL and the Board held in January 1983, consumption of 18 Ml furnace oil per KWH generated was considered normal. Compared with this, there was, excess consumption of furnace oil by unit-V to the extent of 6264.7 Kl, (value Rs. 172.95 lakhs) as shown below :

	1982-83	1983-84
(1) Total consumption (Kls) ..	9351	6493
(2) Consumption per KWH (Ml) ..	43.4	20.5
(3) Standard consumption per KWH (Ml)	18	18
(4) Excess consumption per KWH (ML)	25.4	2.5
(5) Generation in MU ..	215.5	316.4
(6) Excess consumption in Kls ..	5473.7	791.0
(7) Average price of furnace oil per Kl (in Rupees)	2745.6	2865.5
(8) Value of excess oil consumed (Rupees in lakhs).	150.28	22.67

(*iii*) *Turbine oil (stage II)*

According to suppliers (BHEL), the norm of consumption of turbine oil is 0.38 litre (380 Ml) for each hour of operation of the plant. During the period from March 1982 to March 1984., two units worked for 18,392 hours. A quantity of 69,840 litres of oil was consumed, against the standard consumption of 6,989 litres during that period. There was, thus, excess consumption of 62,851 litres valued Rs. 6.71 lakhs (reckoned at an average price of Rs. 10.67 per litre). Reasons for excess consumption were not analysed by the Management (August 1984).

(*c*) **Overhauls and outages**

(*i*) *Annual overhaul of boilers and turbo generators*

Each generating set comprises of a boiler and a turbo-generator. As per the Indian Boilers Act, 1923, the boilers are required to be overhauled once a year. Neither the periodicity of taking up the over haul of the turbo-generators nor the period

within which overhaul of boiler and turbo-generator is to be completed was prescribed by the Board. According to the report of a committee on "Modernisation of maintenance procedure in large thermal stations" (April 1975), maintenance of a boiler should take 30 days while a turbo-generator should take 45 days for capital maintenance once in every three to five years.

Chief Engineer (Generation) of the Board observed (December 1982) that annual maintenance of the boiler with extensive repairs was to be completed within a period of 45 days (1,080 hours).

(*ii*) *Boilers*

The following table indicates the period of overhaul and time taken for each overhaul of each unit during the period from 1981-82 to 1983-84 :

Unit	Period of overhaul From	to	Actual hours taken	Hours taken in excess of 1080 hours
I. (*i*)	May 1981	December 1981	4,548	3,468
(*ii*)	July 1982	December 1982	3,251	2,171
(*iii*)	December 1983	February 1984	1,914	834
II. (*i*)	April 1982	July 1982	2,922	1,842
(*ii*)	(+)June 1983	December 1983	(+)2,120	1,040
III. (*i*)	January 1982	April 1982	1,555	475
(*ii*)	March 1983	May 1983	1,744	664
IV. (*i*)	December 1981	February 1982	1,440	860
(*ii*)	January 1983	March 1983	1,770	690
(*iii*)	March 1984	May 1984	1,890	810
			Total	12,854
V.	August 1983 (Commissioned in March 1982)	December 1983	2,939	1,859

(+) Taken up along with turbo-generator repair for which 50 *per cent* of total time consumed (4,241 hours) was adopted for the purpose of this table.

In this connection, the following observations are made :

Stage-I

(1) Though unit-II was commissioned after overhaul in April 1980, no overhaul was conducted in 1981-82 for which no reasons were on record.

(2) There was no system of analysing the reasons for the delay in completion of annual overhaul within the stipulated period nor were records maintained to show the actual time taken against the assessed time for each item of work involved. According to the Plant management, (December 1983), the plant is yet to adopt modern practices and methods including detailed advance planning to reduce time over-run for overhauls.

(3) In respect of units I to IV, excluding the time spent in overhaul of unit-IV in March to May 1984, 12044 hours were spent (on overhaul of boilers from 1981-82 to 1983-84) in excess of the norm. The loss of 12854 generation hours resulted in loss of generation of 271.13 MU (value : Rs. 848.68 lakhs), calculated on the basis of average plant load factor of 33.75 *per cent* and average sale price of Rs. 3.13 lakhs per MU.

Reasons for the delay in completion of overhaul have not been intimated by the Board (November 1984).

Stage-II

(4) The Mechanical and Electrical Wing of stage-II of the Thermal plant attributed the excess time (1859 hours) spent on overhaul of unit-V to non-completion of certain works by BHEL, non-receipt of certain spares from them, non-availability of Boiler Feed Pump, *etc.*, The Chief Engineer (Generation) stated (November 1983) that no check list with reference to Maintenance Manual of BHEL was prepared to identify the works involved and there was lack of co-ordination between

operational and maintenance wings. Thus, in the absence of specific monitoring programme, there was delay in restarting the unit-V after overhaul. The loss of generation-hours resulted in loss of 76.27 MU (on the basis of plant load factor of 37.3 *per cent* for 1983-84) valued Rs. 251.69 lakhs at the average sale price of Rs. 3.30 lakhs per MU.

(*iii*) *Turbo-generator*

The following table indicates the period of overhaul, hours consumed in excess of 45 days (1080 hours) prescribed for overhaul of turbo-generators in a span of five years from the date of commissioning of each unit till the end of March 1984:

Turbo-Generators

Unit No.	Period of commissioning the unit	Period of overhaul From	Period of overhaul To	Actual hours taken	Excess hours taken beyond 1080 hours	Operational hours before overhaul
I.	December 1967	29th November 1973	28th February 1974	2208	1128	25,996 (1st) / 6 years
		3rd March 1980	9th September 1980	4560	3480	26,574 (2nd) / 6 years
II	March 1968	14th July 1972	30th January 1973	4824	3744	21,157 (1st) / 4 years
		8th June 1975	15th November 1975	3840	2760	10,092 (2nd) / 2 years partial overhaul and nossle repair
		(*) 28th May 1983	24th November 1983	2120	1040	34,474 (3rd) / 8 years

(*) Taken up alongwith boiler overhaul. Hence 50 per cent of time (total time 4241 hours of shutdown) was adopted for the purpose of this table.

Turbo-Generators

Unit No.	Period of commissioning the unit	Period of overhaul From	To	Actual hours taken	Excess hours taken beyond 1080 hours	Operational hours before overhaul
III.	July 1968 ..	1st November 1974	25th May 1975	4944	3864	7,509 (1st) 6 years
		2nd December 1980	8th February 1981	1632	552	38,668 (2nd) 5 years
IV.	April 1969 ..	7th March 1974	4th August 1974	3192	2112	22,026 (1st) 5 years
		8th April 1975	5th July 1975	2136	1056	3,394 (2nd) 1year
		27th August 1980	27th November 1980	2232	1152	27,639 (3rd) 5 years

In this connection, the following observations are made :

(1) Out of 10 overhauls carried out between July 1972 and November 1983 3 were undertaken after a lapse of more than 5 years from the date of the commissioning on previous overhaul, resulting in overhauls for prolonged periods than those stipulated. Thus, overhauls were not being carried out as per the recommendations of the committee mentioned earlier.

(2) Overhauls were not completed within a period of 1080 hours and the excess time spent ranged from 552 to 3864 hours. In the case of overhauls conducted from 1981-82 to 1983-84, 1040 hours were taken in excess of the norm of 1080 hours. The loss of generation, on the basis of plant load factor of 21 *per cent* for the year, for 1040 hours was 13.65 MU valued Rs. 45.12 lakhs reckoned at the average sale price during the period.

(3) The excess time spent was mostly due to absence of specific monitoring programme and for the reasons mentioned in the para 10.3.2. *c* (*ii*) (4) *supra*.

(*d*) *Outage hours*

Outage hours are categorised as planned outage for scheduled overhaul and inspection and forced outages for break-downs. The following table shows the extent of different outages during the three years up to 1983-84 :

(Time in hours)

Unit	1981-82			1982-83			1983-84		
	Planned	Forced	Total	Planned	Forced	Total	Planned	Forced	Total
I	4,302 (81.1)	1,000 (18.9)	5,302	3,481 (75.4)	1,133 (24.6)	4,614	1,910 (69.7)	1,265 (30.3)	4,175
II	811 (40.6)	1,186 (59.4)	1,997	3,666 (58.8)	2,567 (41.2)	6,233	4,524 (75.8)	1,444 (24.2)	5,968
III	1,759 (46.9)	1,984 (53.1)	3,743	635 (21.4)	2,338 (78.6)	2,973	3,402 (57.7)	2,493 (42.3)	5,895
IV	1,847 (44.4)	2,311 (55.6)	4,158	1,770 (45.6)	2,109 (54.4)	3,879	1,198 (34.0)	2,326 (66.0)	3,524
V	..	..	..	2,514 (43.6)	3,247 (56.4)	5,761	1,859 (51.0)	1,783 (49.0)	3,642
VI	..	..	..	..	..	..	1,732 (32.1)	3,669 (67.9)	5,401
Total	8,719	6,481	15,200	12,066	11,394	23,460	15,625	12,980	28,605

Note—Figures in brackets indicate the percentage to total outage hours.

There were, thus 30,855 forced outage hours, in all, during the three years up to 1983-84 resulting in loss of generation to the extent of 1,042.42 MU (calculated at an average plant load factor of 33.8 *per cent* for stage-I and at 27.6 *per cent* (1982-83) and at 33.1 *per cent* (1983-84) for stage-II valued Rs. 23.60 crores. The forced outages could have been minimised by adequate planning.

The following observations are made in this connection:

(1) Unit-II remained shutdown for a long period of 2,298 hours between November 1982 and February 1983, owing to the failure of condensor neck expansion joints. The same equipment had developed leakages earlier and as a result, the unit was under shutdown for 357 hours in August 1980, for 232 hours in January 1981, 672 hours in February 1981 and 174 hours in April 1981. Despite the earlier failures, no action was taken for repair or replacement of the equipment to avoid a major break-down like the one which occurred in November 1982. It was noticed that :

(*i*) no standby for the critical item (condensor neck), was kept ;

(*ii*) under a scheme of BHEL in vogue since October 1976, the BHEL was to procure and stock imported spares required for maintenance of boilers and turbo-generators of various member Electricity Boards for the purpose. The Board was a member of the scheme since inception and a sum of Rs. 34.13 lakhs representing interest (Rs. 30.72 lakhs) and warehouse charges (Rs. 3.41 lakhs) was borne by it up to March 1984. However, the periodical requirements were not advised to BHEL to enable it to stock the

spares. Further, this particular item (condensor neck) was not available at BHEL's ware-house, although this was a critical item.

(*iii*) according to the General Superintendent of the Generation Station (December 1983), time required for replacement is 480 hours against which 2,298 hours were taken due to (*a*) non-replacement of condensor neck joints during the previous 3-4 years and (*b*) non-maintenance of required spares. Thus, there was loss of generation of 1,818 hours on account of forced shut-down. Based on the plant load factor of 47 *per cent* for 1981-82, there was loss in generation of 53.4 MU (for 1,818 hours) valued Rs. 149.5 lakhs reckoned at the average sale value of Rs. 2.80 lakhs per MU for the year.

(2) In the case of stage-I of the plant (units I to IV), the electro-static precipitators (ESP) were not functioning properly since inception resulting in an inadequate clearance of ash. Failure of induced draft (ID) fans was a major contributing factor to the forced outages ; 3,092 hours of outages being attributed to this in 1981-82, 2,717 hours in 1982-83 and 7,330 hours in 1983-84. The Plant management stated (December 1983) that failure of I. D. fans was caused mainly owing to inadequacy of the dust collection system. However, a proposal for procurement of another electro-static precipitator and mechanical dust collection system was initiated only in December 1983, which is still under consideration of the Board (November 1984).

(3) According to design of the units V and VI, the units need 5 circulating water pumps (CWP) each and one common spare, However, unit-V was fitted with 2 pumps but one of them went out of order before commissioning the unit which, therefore, had to operate with one pump only. Owing to the

failure of the pump in operation on three occasions, there was forced shut-down for 801 hours during the period from May to June 1982. It was noticed in audit (July 1984) that the failure of CWP contributed to an additional expenditure of Rs. 14.40 lakhs, being the cost of 480 kls. of light diesel oil (LD) used for initial light up in restarting the unit besides loss of 44 MU of generation during that period (reckoned at an average generation of 55 MU). The value of the units lost in generation worked out to Rs. 145.20 lakhs reckoned at the average sale price of Rs. 3.30 lakhs per MU.

(4) Unit V was under shut-down for 53 hours between 25th June and 28th August 1982, which was found to be due to operational mistakes. This resulted in a loss in generation of 3 MU valued Rs. 9·90 lakhs reckoned at the average sale value based on the unit's average generation of 55 MU, apart from an extra expenditure of Rs. 24 lakhs (assessed by the Superintending Engineer in September 1982) being the cost of 800 kls. of LD oil for its restarting. The matter was not further investigated (June 1985).

10.4. Execution of Talcher Thermal Power Station expansion scheme

10.4.1 *Introduction*

For augmenting power genaration in the State, the Planning Commission cleared (November 1972) a scheme for expansion of the Talcher Thermal Power Station by setting up 2 units of 110 MW each.

The cost of the project, originally estimated (November 1972) at Rs. 38·40 crores, was revised four times between December 1975 and February 1982 the latest being Rs. 88·74 crores, which is 231

per cent of the original estimate. The actual expenditure on the scheme up to the end of March 1984 was Rs. 88.68 crores.

The following table indicates the original estimated cost of the major items indicated in the project report the corresponding latest revised estimates and the actual expenditure incurred up to the end of March 1984

Sl. No.	Item of work	Original estimated cost (November 1972)	Latest revised estimated cost (February 1982)	Actual expenditure (March 1984)	Percentage of actual expenditure to the latest revised estimates
			(Rupees in crores)		
1	Land and building ..	0·55	1·99	2·70	135·7
2	*Plant*				
	(*a*) Civil works ..	2·76	11·05	11·09	100·4
	(*b*) Power plant equipment	29·74	57·79	56·22	97·3
	(z) Electrical equipments	2·91	8·89	9·26	104·2
3	Other items ..	2·44	9·02	9·41	105·0
	Total ..	38·40	88·74	88·68	99·9

Besides, there was an outstanding liability amounting to Rs. 317 lakhs towards payments to suppliers and contractors (which goes to increase the total expenditure) and certain claims amounting to Rs. 127.50 lakhs against BHEL (which go to reduce the total expenditure) are to be settled (June 1985).

10.4.2. *Commissioning of units*

Units V and VI, originally scheduled for commissioning in March 1978, were actually commissioned in March 1982 and March 1983 respectively pending completion of instrumentation work. These units were put to commercial operation in May 1982 and June 1983 respectively. The delay in commissioning was due to delay in erection of boilers and delay in completion of civil works, instrumentation work and coal handling plant.

10.4.3. *Purchase of power and control cables*

(*a*) The Board placed an order in August 1977 for supply of various items of cables and accessories including erection and testing thereof on firm 'F' of Calcutta whose total cost of supply of Rs. 183.23 lakhs *f. o. r.* destination was the lowest. Had the Board placed separate orders on different tenderers whose rates were lower in respect of certain items as contemplated in the terms and conditions of the tender call notice, there would have been a saving of Rs. 12.27 lakhs (exclusive of taxes) compared to the rates in the order placed on the firm 'F'. The reasons for not segregating the order were not on record.

As per the purchase order on the firm, the supply was to be effected in two lots between September 1977 and January 1978. Even though the scheduled date of supply was extended up to January 1980 without escalation of price due to load shedding in the supplier's factory, non-availability of steel, *etc.*, the firm failed to supply two grades of cables of a length of 0.53 lakh metres valued Rs. 37.79 lakhs and these quantities were procured from 4 other firms (April to June 1980) at a total cost of Rs. 1,15.59 lakhs involving an extra expenditure of Rs. 76.07 lakhs. No action was, however, taken to levy liquidated damages of Rs. 1.89 lakhs at 5 *per cent* of the value of cables not supplied (Rs. 37.79 lakhs) in terms of the provisions of the original purchase order placed on the firm 'F'.

(*b*) In response to the tenders floated by the Board in December 1977 for supply of 8 sizes of $3\frac{1}{2}$ core low tension power and control cables, 9 firms quoted, whose offers were valid for periods ranging from 30 to 90 days from the date of submission of tenders (27th January 1978). No decision was

taken within the validity period of the 1st lowest offer of firm 'O'. As this firm did not extend the validity period, revised offers were invited (July 1978) from all the firms. Again no decision was taken within the validity period of the first lowest offer of firm 'P' received in response to the fresh tender call. Revised offers were again called for from the 9 firms in April 1979. Letter of intent was issued in April 1979 followed by a purchase order in August 1979, for supply of 28,500 metres of cables on firm 'F' the lowest offerer involving an extra cost of Rs. 19.02 lakhs, with reference to the lowest rate of firm 'O' (quoted in December 1977).

The supply was executed between July 1979 and July 1981. Non-finalisation of the order for supply of cables twice by the Board within the validity period (reasons for which were not on record) thus, resulted in avoidable expenditure of Rs. 19.02 lakhs exclusive of taxes.

(*c*) *Non-utilisation of cables*

The Power house management procured between February 1979 and September 1981 a quantity of 5,76,778 metres of cables of different specifications for cabling work of the expansion project; of this, 4,45,010 metres were utilised in work up to November 1984. The balance of 1,31,768 metres of cables valued Rs. 80.50 lakhs were not utilised in the work (November 1984) which had, thus, been procured in excess of the requirements.

10.4.4. *Idle equipment*

(*a*) The project report (December 1981) of the expansion scheme envisaged sharing of the common infrastructural facilities with the existing plant with a view to reducing capital outlay and operational cost. The existing plant (stage I) has been utilising two scrapers in the coal stock yard for loosening the coal stored for longer periods. Without establishing its justification, the expansion unit purchased another scraper (though not envisaged in the project report) in February 1980 at a cost of Rs. 18.05 lakhs. The scraper (commissioned in March 1980), however, was not utilised so far (October 1984). When the scraper was proposed (January 1931) to be transferred to the stage I, the General Superintendent clarified (February 1981) that there was no necessity for another scraper for use in the coal stock yard. Thus, procurement of another scraper resulted in blockage of funds to an extent of Rs. 18·05 lakhs. As the expansion scheme is financed from borrowed funds at 7 *per cent* interest, this also contributed to accrual of interest amounting to Rs. 5.26 lakhs during the period from February 1980 to March 1984.

(*b*) A sky climber (for use in repairs/overhauls inside the boilers to reach any point of height) was purchased for use in stage I in August-September 1978 at a cost of Rs. 5.58 lakhs. On reaching the site, it was found that it was designed for boilers with an opening of 465 MM whereas the opening of the boilers of stage-I (TTPS) is 375 MM. On being pointed out in audit (November 1983), it was stated by the General Superintendent of Thermal Plant (stage -I) that the same would be utilised in stage-II. The sky climber was not put to use at the time of annual overhaul of unit-V of stage II also (August—December 1983).

Thus, the sky climber was awaiting utilisation (December 1984) due to inadequacy of the opening of the boilers (stage I).

10.4.5. *Demurrage charges*

A purchase order was placed (May 1978) on a firm of Calcutta for supply of 20 M V A transformers valued Rs. 46.00. lakhs at the Board's railway siding inside the T. T. P. S.

The transformer reached the destination siding in July 1981 in damaged condition. The Railways were requested by the consignee for open delivery after assessment of the damages which request was turned down (8th August 1981) stating that such delivery would be given only after book delivery was taken and consignment unloaded. However, delivery of the consignment was obtained in October 1981 incurring Rs. 0.92 lakh towards demurrage.

10.5. Summing-up

(*i*) As at the end of March 1984, the Orissa State Electricity Board had 3 generating stations located at Talcher (Thermal), Hirakud and Balimela (Hydro) with installed generating capacity of 1100 MW. In addition, 34 MU of hydro-electric power was available to the Board from Machkund project, a joint undertaking of the Andhra Pradesh State Electricity Board and Government of Orissa. The demand for electricity in the State could not be met in full during any of the 3 years from 1981-82 to 1983-84 leading to statutory power cuts on heavy and power intensive industries.

(*ii*) The Board could not achieve the targeted generation during the three years ending March 1984 mainly due to poor operation of the thermal plant at Talcher on account of persistent mechanical failures in stage I of the plant and non-stabilisation of the two units of stage II of the plant.

(*iii*) No agreement laying down the terms and conditions was executed between the Board and the Central Coal Fields Limited, the suppliers of coal. According to the system followed, the grade of coal for the purpose of making payment was to be determined on the basis of joint analysis by the Board and the suppliers at the point of supply (mine head). When the Board carried out an independent analysis at the plant and for the first time in March 1984, the grade of coal was found to be of a poorer quality than indicated in the test carried out at the mine head. Consequently, a dispute arose between the Board and the suppliers regarding the veracity of the tests carried out by both of them.

(*iv*) In the Talcher thermal plant, the value of excess consumption of coal, furnace oil and turbine oil worked out to Rs. 17.25 crores during the 3 years up to 1983-84.

(*v*) There was a loss of generation of 361.05 MU of power valued Rs. 11.45 crores during the period, from 1980-81 to 1983-84 due to excess time taken compared to standards for overhaul of boilers and turbo-generators in the Talcher thermal plant.

(*vi*) 30,855 hours were lost in the Talcher Thermal Plant owing to forced outages of the units during the three years up to 1983-84 resulting in loss of generation of 1042.42 MU valued Rs. 23.60 crores. The extent of forced outages of individual units varied from 18.9 to 78.6 *per cent* of the total outages.

(*vii*) The original estimated cost of the Talcher thermal power station expansion scheme which was Rs. 38.40 cores was last revised in February 1982 to Rs. 88.74 crores. The actual expenditure is likely to exceed even the latest revised estimates.

(*viii*) There was an extra expenditure of Rs. 31.29 lakhs in the purchase of power and control of cables (between August 1977 and June 1980) for the Talcher thermal power plant expansion scheme.

(*ix*) Cables (valued Rs. 80.50 lakhs procured between February 1979 and September 1981), a scraper purchased in February 1980 for Rs. 18.05 lakhs and a Sky Climber purchased in August-September 1978 for Rs. 5.58 lakhs were lying idle (December 1984) in the Talcher thermal plant.

(*x*) The auxiliary consumption in the power houses at Talcher was in excess of the norms specified in the respective project reports by 13.0 MU during 1981-82 to 1983-84 valuing Rs. 40.86 lakhs.

SECTION XI

OTHER TOPICS OF INTEREST

Orissa State Electricity Board

11.1. Revenue collection through banks

Prior to October 1982, the Board's electricity revenues were being collected through commercial banks. In consideration of this service rendered by the banks, they were allowed to retain the amounts so collected in short-term deposits to the extent to which such amounts are not required to clear any debit balance in the cash credit accounts in the State level offices of the banks.

After October 1982, the banks ceased to be the collecting agents of the Board and the Executive Engineers of the Board were required to collect and remit the revenue to the FA & CAO of the Board by demand drafts. It was, however, noticed in audit (March-April 1984) that even after October 1982, 3 banks (State Bank of India, Bank of India, and United Commercial Bank) with whom the revenue collections had been deposited by the Board's officers, had retained the amounts varying from Rs. 16.49 lakhs to Rs. 176.44 lakhs in short-term deposits during October 1982 to November 1984, even though there were debit balances in the cash credit accounts with them varying from Rs. 29.13 lakhs to Rs. 356.17 lakhs during the same period. This resulted in an avoidable interest charge of Rs. 14·90 lakhs on the cash credit (calculated on month-to-month basis at the average differential rate of 14 *per cent* per annum).

The matter was reported to the Board/Government in November 1984; their replies were awaited (December 1984).

11.2. Non-revision of contracts in the case of medium/small industrial consumers

According to the power tariffs of the Board applicable from time to time, medium and small industrial consumers are to be billed at unit rates on the basis of actual consumption of energy subject to monthly minimum charge calculated on contracted demand. In the cases where actual connected load exceeds the contracted demand, Board stands to lose revenue because of lower minimum charge. The Board had instructed (August 1978) all divisional offices to treat the total load, including stand-by capacity, if any, as the connected load for finalising the contracts with these categories of consumers. On detection of existence of extra load beyond the contract demand, the supply was to be disconnected till removal of such extra loads unless a revised agreement with the enhanced contract demand was executed with effect from the date of such detection.

A surprise check of the premises of 60 consumers of small and medium industrial consumers conducted (July 1982) by the Divisional Office, Bhubaneswar disclosed that the actual connected load exceeded the contracted demand in the case of 30 consumers. An analysis of these cases in audit revealed that the actual connected load in each case ranged from 18 KW to 92 KW as against the contracted demand ranging from 4 to 79.5 KW. The Divisional Officer neither obtained the revised agreements effective from the date of detection of the loads nor got supply disconnected in these cases. In respect of 11 cases, revised agreements were, however, obtained during August 1983 to May 1984 *i. e.* with a delay of 12 to23 months, but without retrospective effect from the date of detection and in the remaining cases, they were yet to be obtained (November 1984). The delay in execution of the revised agreements (11 cases) and non-execution of revised agreements (13 cases) had so far (October 1984) resulted in a loss of revenue of Rs. 1.59 lakhs towards shortfall in monthly minimum charges from the month of detection of the additional loads. In the remaining 6 cases where execution of revised agreements was yet to be done, the actual consumption was more than the revised monthly minimum charges.

The matter was reported to the Board/Government (August 1984); their replies were awaited (November 1984).

11.3. Non-levy of surcharge for low power factor

During the periods of partial power cut in 1981-82 and 1982-83, certain consumers were supplied, at their option, power purchased from Andhra Pradesh. Supply of such power was at the cost of purchase *i. e.* outside the normal tariff of the Board. Since the cost of supply charged from time to time did not leave any margin for absorption of loss of energy due to low power factor maintained by consumers, penalty leviable under normal tariff of the Board, for low power factor was leviable in the case of these consumers also. On a review, in audit, of energy bills of one such consumer of Ganjam North Electrical Division, it was noticed (January 1984) that the power factor ranged between 82 and 89 *per cent* (November 1981 to January 1982 and April 1982 to March 1983) as against the prescribed minimum of 90 *per cent* but penalty involving Rs.1.40 lakhs was not levied for the low power factor. It was subsequently clarified (February 1984) by the Board to all the Superintending Engineer Executive Engineers that penalty for low power

factor in such cases also was leviable in as much as the rate fixed for the purchased power did not take into consideration variable factors like low power factor which would vary periodically and from one consumer to another consumer. It was also noticed (June 1984) that the demand in the instant case was not raised even after the clarification of the Board.

On this being pointed out in audit, a demand was raised (January 1985) by the Division

11.4. Loss of revenue due to calculation of power factor

Tariffs in force from time to time since January 1975 stipulate that power factor (the ratio of actual energy (KWH) to apparent energy (KVAH), shall be maintained by the consumers at 90 *per cent* and its fall below that level attracts penalty at the specified rates. Till 21st March 1982, the power factor was being ascertained with reference to the actual meter readings of apparent energy and actual energy. Effective from 22nd March 1982, the Board laid down a theoretical formula for calculation of power factor for reasons not on record. On being reported (May 1982) by the Superintending Engineer, Electrical Circle, Rourkela that the theoretical formula leads to a power factor higher than the one ascertained with reference to actual meter readings leading to non-imposition/imposition of less penalty for low power factor and after ascertaining the practice followed by Electricity Boards of other States, the Board dispensed with the theoretical formula and restored (November 1983) the basis of actual meter readings for ascertaining the power factor.

A test check (February 1984) of the bills of of 6 industrial consumers in the Eelectrical divisions at Rajgangpur and Sundergarh for the period from July 1982 to March 1983 revealed that the power factor calculated according to the theoretical formula ranged between 63 and 90 *per cent* as against the one calculated with reference to the actual meter readings which ranged between 61 and and 89. Consequently, there was a loss of revenue amounting to Rs. 1.07 lakhs.

The matter was reported to the Board (July 1984) and Government (August 1984); their replies were awaited (March 1985).

11.5. Wrong categorisation

(*i*) According to power tariffs of the Board in vogue from time to time, supply to educational institutions is to be categorised as "General Purpose Supply" and billed for at the rates indicated in the tariffs. It was noticed in audit (April 1980) that the Industrial Training Institute, Cuttack was classified as 'Medium Industry" for the purpose of billing. This resulted in an under-assessment of revenue to the extent of Rs.1.05 lakhs (April 1979 to March 1984). On this being pointed out in audit, the Executive Engineer, City Distribution Division, Cuttack agreed (July 1984) to reclassify the consumer and revised the billing for back period.

The matter was reported to the Board and Government in August 1984; their replies were awaited (November 1984).

(*ii*) According to power tariffs of the Board in vogue from time to time, supply of power to a consumer engaged in construction of a bridge with a contract demand of 20 K W and above was required to be categorised as "General Purpose

Supply" for billing purposes. A consumer engaged in the construction of a bridge at Barkot with a contract demand of 26.11 K.W. was released (April 1981) power supply under "Medium Industry" tariff by the Rourkela Electrical Division instead of under "General Purpose" tariff. The service connection was later transferred to the control of Sambalpur Electrical Division which, however, recategorised the supply under "General Purpose" tariff from January 1983. The wrong categorisation from April 1981 to December 1982 resulted in an under-assessment of revenue amounting to Rs. 0.23 lakh.

The matter was reported to the Board and Government (October 1984); their replies were awaited (December 1984).

11.6. Reduction of electricity consumption

As per the Board's revenue accounting procedure, when a meter goes out of order, it is required to be repaired/ replaced by the Board at the earilest and energy bills are to be preferred at the average consumption of the 3 months preceding the month in which the meter becomes defective. In the case of public lighting of Puri Municipality, the meters of 21 sub-stations went out of order in different periods during 1979-80 and were yet to be repaired/replaced (August 1984). The energy bills were being issued on the basis of average consumption calculated as per the procedure. The bills were being returned by the consumer, without payment, insisting on the replacement of the meters claiming that many of the light points were not functioning. Without attempting to rectify or replace the meters, based on the request of the consumer (February 1981) for a reduction of 40 *per cent* in the average consumption adopted for the billing, the Executive

Engineer of the Puri Electrical Division reduced (February 1981) the monthly aggregate average consumption from 19, 946 units to 14,197 units assuming the load factor (light points functioning) at 80 *per cent* of the connected load with effect from May 1980. The revenue so forgone in the reduction was Rs. 1.10 lakhs up to March 1984.

The matter was reported to the Board and Government in November 1984; their replies were awaited (December 1984).

11.7. Theft of conductor

Power supply to the area coming under Bhubaneswar Notified Area Council was being given since 1970, from 132 K. V. grid sub-station at Khurda through one exclusive 33 K. V. feeder line (distance: 27 kms.). Drawal of power from Khurda was dispensed with since June 1979 as one 132 K. V. grid sub-station was commissioned (May 1979) at Bhubaneswar itself. Consequently the feeder line from Khurda to Bhubaneswar remained idle since then. Action was taken by the Bhubaneswar Distribution Division, Bhubaneswar to dismantle the idle line only between February and May 1983. As the line was not energised in the meantime, thefts occurred (December 1982 to March 1983) involving loss of 34.7 Kms of conductor (Rs. 2.24 lakhs). The thefts have been reported (December 1982 to March 1983) by the Electrical Section Officer of the area to the Police Department and the result was awaited (December 1984).

The matter was reported to the Board/ Government (August 1984); replies were awaited (December 1984).

SECTION XII

ORISSA STATE ROAD TRANSPORT CORPORATION

12. Inventrory control

12.1. Introduction

The Corporation's requirement, since its inception (May 1974), of chassis, tyres and tubes, batteries, *etc.* was being purchased by the head office and all the other stores and spares by the user units. With the objective of introducing centralised indenting, purchasing and stocking consumable items of stores covering all essential items including tyres, batteries, tools and accessories and their distribution to the user units, the Corporation created a Central Stores and Purchase Organisation in April 1979 to function under a Stores Superintendent. A purchase committee was constituted by the Corporation to decide the purchasing policy for various items of stores. Accordingly purchase orders of few items like chassis, tyres and tubes and batteries were being placed by the head office and all the other stores, spares and consumables were being purchased by the Central stores; oils and lubricants were, however, being purchased by the operating units.

12.2. Addition of new buses to fleet strength

(*i*) *Purchase of chassis*

The Corporation was purchasing chassis both from the manufacturers; regional sales offices (RSO) at Bhubaneswar and their authorised dealers at Cuttack up to 1981-82 and from the RSOs only thereafter. During the 5 years up to 1983-84 chassis numbering

302 were purchased in all from the sources as detailed below:

	RSO	Authorised dealer
	(Number of chassis)	
1979-80	..	77
1980-81	41	14
1981-82	40	20
1982-83	..	..
1983-84	110	..
Total	191	111

The following points were noticed in the purchase of these chassis:

(*a*) Though the prices charged by the RSO from time to time included expenses such as transportation from factory to Bhubaneswar, transit insurance and *octroi*, RSO/dealer claimed *octroi* duty again separately in the invoices which was paid by the Corporation. The *octroi* so additionally paid on the 206 Leyland chassis purchased during 1979-80 to 1983-84 amounted to Rs. 2.67 lakhs. No action was initiated for claiming refund of the amount from the chassis supplier.

(*b*) The element of transportation charges included in the RSO expenses for Leyland chassis was common for delivery of the chassis either at Bhubaneswar or Cuttack. However, the Corporation was taking delivery of the chassis at Bhubaneswar incurring transportation charges from Bhubaneswar to Cuttack additionally at a rate of Rs. 180 per chassis. The amount on such transportation on the 206 Leyland chassis incurred by the Corporation was Rs. 0.37 lakh which could have been avoided by opting for delivery at Cuttack.

(ii) Construction of bus-bodies

The Central workshop of the Corporation has a capacity to build 60 bus-bodies per annum. The capacity was utilised in full in 1978-79 (62 bus-bodies) by resorting to payment of incentive (Rs. 1.37 lakhs) to the workers. Thereafter, the percentage of its utilisation had fallen to 72.0, nil, 5.0, 8.3 and 3.3 during 1979-80 to 1983-84 respectively; consequently, the Corporation had paid idle wages amounting to Rs. 21.34 lakhs during 1980-81 to 1983-84. On the other hand, 216 bus-bodies were got fabricated by outside parties at a cost of Rs. 164.83 lakhs after calling for open tenders during 1980-81 to 1983-84.

The following further points were noticed in this connection:

(*a*) There was no system of preparation of estimates for the body-building work before inviting tenders to ensure reasonableness or otherwise of the rates tendered.

(*b*) Bus-bodies got fabricated by outside parties attract levy of the State sales tax while the bodies built in the Central workshop, being for own use, are not liable for levy of the tax. The under-utilisation of the available capacity has, therefore, resulted in avoidable expenditure of Rs. 13.98 lakhs towards sales tax paid on the bus bodies got constructed by the outside parties during 1980-81 to 1983-84 to the extent of the idle capacity of the Central workshop.

(*c*) According to the agreements entered into with the parties, fabrication of the bodies was required to be completed within 2 months of handing over the chassis to them. There have been cases of abnormal delays and their extent during the 3 years up to 1983—84 was as below:

In days beyond 2 months	1980-81	1981-82	1983-84
	(Number of chassis)		
Up to 30	1	..	..
31—60	8	3	10
61—90	11	11	7
91—120	2	10	10
121—150	3	2	2
151—300	1	6	2
	26	32	31

The vehicle days lost due to delay in construction of the bus-bodies by private parties were 8,080 during the three years up to 1983-84.

12.3. Inventory control procedure

Monetary limit of stores and spare parts to be purchased by the Central stores for supply to the units was being fixed every year by the Corporation. To the extent the Central stores was unable to meet the requirements, the units were empowered to make local purchases up to Rs. 200.00 per each purchase within the budgetary limit.

There was no system of fixation of minimum maximum and re-ordering levels of various items with reference to fleet strength and actual consumption. The quantities to be purchased in each year were being assessed by the Central stores with reference to past year's issues made by it. The quantities so assessed were, thus, exclusive of local purchases made by various units. Details as to the limits fixed, quantum of consumption of spare parts, supplies made by the Central stores to the units and the local purchases made by the units for the 3 years up to 1983-84 are tabulated below :

	1981-82	1982-83	1983-84
	(Rupees in lakhs)		
Limit fixed	55.06	55.58	55.18
Total consumption by various units	69.38	73.92	80.22

	1981-82	1982-83	1983-84
		(Rupees in lakhs)	
Issues by Central stores	50.15	55.76	50.05
Local purchases by units	19.23	18.16	30.17

The following points were noticed in connection with the purchase of stores and spare parts :

(*i*) The main sources of purchase were the rate contracts of the Association of State Road Transport Undertakings (ASRTU) and the Directorate of Export Promotion and Marketing (EPM) and local manufacturers/suppliers. Price of an item varies from one rate contract to another. While making purchases, there was no practice of trying the products of alternate rate contracts for ensuring economic rates but purchases were being made from a single source. One such major item was "spring leaves" of various types which constituted about 40 *per cent* of total supplies made by the Central stores to the units during the 3 years up to 1983-84.

There were 10 ASRTU rate contract firms for supply of spring leaves. However, the Corporation was purchasing its bulk requirements from only one of those rate contract firms (firm 'J') up to 1982-83 on the ground that it was an original equipment (OE) supplier to Leyland and that it was offering credit facility for 60 days. Though the rates of the firm were the highest of the rate contracts, no efforts were made by the Corporation to try out the products of the other firms. Spring

leaves of various categories valued Rs. 39.97 lakhs were purchased from that firm during 1980-81 to 1982-83. However, for the requirements of 1983-84, supplies from three rate contract firms (J, C and I) and a local manufacturer (K) were proposed (March 1983) by the Deputy General Manager (Technical). The prices of firm 'C' were the lowest, 'I' the second lowest and 'J' the highest. For placing orders, firm 'J' was proposed in view of the quality known to the Corporation and credit facility extended by it; firm 'C' was proposed as its products were used by the Jeypore unit of the Corporation the performances having been found to be as satisfactory as that of material supplied by 'J'; firm 'I' being OE supplier to TATA and Leyland vehicles was proposed ; and firm 'K' being local manufacturer was also proposed. Placement of the orders on 'J' (50 *per cent* of the total requirements) 'C' 20 *per cent* and 10 *per cent* of the requirement for TATA and Leyland vehicles,' 'I' (30 *per cent* and 20 *per cent* of the requirement of Leyland and TATA vehicles) and 'K' (10 *per cent* of total requirements) was approved (May 1983) by the General Manager. The orders were to be placed for 6 months' requirements and the position of the balance requirements was to be reviewed in October 1983 based on the performance of the suppliers. Orders were placed (May 1983) on all the 4 firms, as approved, for a value of Rs. 9.19 lakhs ('C': Rs. 1.20 lakhs, 'I': Rs. 1.94 lakhs, 'K': Rs. 1.04 lakhs and 'J': Rs. 5.01 lakhs) with delivery schedules staggered up to December 1983. The performance of the suppliers was not analysed and brought out for taking decision on the balance requirements but further purchases valued Rs. 5.55 lakhs were made, without the approval of the General Manager, from 'J' (Rs. 2.95 lakhs) 'K' (Rs. 2.51 lakhs), 'C' (Rs. 0.05 lakh) and 'I' (Rs. 0.04 lakh). Computed with reference to the lowest prices of 'C', supplies made by 'J' and 'K' were costlier by Rs. 7.83 lakhs (excluding the credit facility allowed by 'J') as detailed below :

Year	Firm	Purchase made			As per the rate contract of 'C'		Extra expenditure
		Quantity (numbers)	Rate per each (Rupees)	Value (Rupees in lakhs)	Rate per each (Rupees)	Value (Rupees in lakhs)	
1980-81	J	9,930	46.62 to 140.64	12.17	30.75 to 125.90	10.39	1.78
1981-82	J	18,080	55.95 to 176.58	16.80	49.40 to 152.95	14.00	2.80
1982-83	J	8,520	58.98 to 156.16	11.00	49.40 to 129.20	9.92	1.08
1983-84	J	6,292	43.10 to 165.06	7.96	31.60 to 140.96	6.47	1.49
	K	3,043	46.20 to 147.00	3.55	31.60 to 100.11	2.87	0.68
		45,865		51.48		43.65	7.83

Even after taking into account the credit facility allowed by 'J', the purchases made from that firm during the above period were costlier by Rs. 5.93 lakhs.

It may be mentioned here that firm 'J' was not considered for the requirements of 1984-85 in view of high cost of its products.

Spring leaves after use for some time, lose their camber and are to be recambered to keep the spring assembly in tact. Considering that the failure of spring leaves in the Corporation was mainly due to absence of recambering facility, a recambering machine with a capacity of 2 sets per day was purchased in October 1981 at a cost of Rs. 0.65 lakh. Fifty seven sets of spring assemblies valued Rs. 0.61 lakh were also purchased (September 1983 to March 1984) to be used as floats. The machine was installed and started functioning in April 1984 only. Delay in procurement of the requisite electrical cables and tools and spares and rectification of certain defects in the machine were the reasons for the delay in commissioning the machines. Within a month thereof 18 sets of spring leaves only were recambered after which the machine went out of order again and was awaiting repairs (March 1985). Only new spring assemblies were being issued to the units for use on the vehicles. The Corporation, thus, could not achieve any economy in the replacement of spring leaves even after over 2 years from an investment of Rs. 1.29 lakhs made for the purpose.

(ii) Local purchase by units

As already mentioned, the consumption of spare parts procured by the units locally was not being included by the Central stores while assessing the quantities to be ordered for. Consequently, the units were being compelled to resort to local purchases at rates higher than those obtained on bulk procurement. On a test check (October 1984) of the records of some of the units, it was noticed that spring leaves, central joint bearing, fan belt and radiator coil were the items that had to be frequently purchased in local markets at rates higher than those obtained in the Central Stores/ASRTU rate contracts. The extra expenditure involved in the local purchases was Rs. 1.54 lakhs as detailed below :

Local purchases made

Item	Unit	Period	Quantity (numbers)	Rate per number (Rupees)	Rate of central stores per each (Rupees)	Extra expenditure (Rupees in lakhs)
(1) Spring leaves of various types	Dhenkanal Bolangir Bhawanipatna Jeypore Sundergarh	1981-82 to 1983-84	1,925	24.94 to 352.71	15.80* to 129.67	1.36
(2) Central joint bearing	Jeypore	1981-82 to 1983-84	58	210.00 to 312.12	164.45 to 167.40	0.08
(3) Radiator coil	Jeypore and Bhawanipatna	1981-82 to 1983-84	1,252	10.35 to 14.20	5.15 to 8.45	0.07
(4) Fan belt	Jeypore and Bhawanipatna	1981-82 to 1983-84	271	33.65 to 44.25	23.45 to 30.45	0.03
					Total	1.54

* The value of the local purchases being substantial, the rates of firm 'C' referred to in paragraph (*i*) *supra* were adopted.

12.4. Retreading of tyres

Mention was made in paragraph 12.3.2. of the Report of the Comptroller and Auditor General of India for 1982-83 (Commercial), *inter alia* about entrustment of tyres retreading work to outside parties at higher cost while the capacity in the Central workshop was underutilised.

At the instance of the General Manager, the performance of the tyres retreaded in the Central workshop in 1981-82 *vis-a-vis* those got done in private workshops was analysed by the Corporation in January and February 1982-83 according to which the average performance obtained was 18,692 kms. (562 tyres) in the case of tyres retreaded by the Corporation itself and 14.884 kms. (4 058 tyres) in the case of those got retreaded in private workshops by the units of the Corporation. It was observed in the analysis that the level of productivity of the tyre retreading plant was far from satisfactory as the workshop was catering to only neighbouring units and that the situation called for serious reconsideration to boost up the productivity of the plant to reduce retreading costs as there was ample scope to raise the productivity level to meet the entire demand of the Corporation. Similar analysis as to the quality of the retreaded tyres of the 2 sources was not done for subsequent years nor the capacity utilised fully.

The position of the Central workshop catering to the requirements of few zones only while resorting to private parties for the tyre retreading work in the other zones continued even subsequently. During the 3 years up to 1983-84 the actual production in the Central workshop was 4,659 tyres as against the aggregate capacity of 10,800 tyres and wages amounting to Rs. 1.35 lakhs out of the total of Rs. 2.97 lakhs could only be absorbed in the production leaving Rs. 1.62 lakhs as idle wages. The under-utilisation was due to non-receipt of tyres for retreading from various units. Also, the tyre retreading plant having not run continuously for want of adequate work-load, the frequent off-and-on of its boiler needed more furnace oil (value: Rs. 0·90 lakh) compared to the standard of 15 litres per tyre during the above 3 years.

12.5. Physical verification

(i) Stores

There were 26 units/sub-units maintaining stores. There was no record maintained at the head office indicating the extent of arrears in annual physical verification. On a test check of the records in audit (August and October 1984) it was noticed that (*i*) physical verification was completed up to 1981-82 but the results were to be finalised in respect of the Central stores, Central workshop and Bhawanipatna units, (*ii*) verification was done in the Jeypore unit up to 1982-83 but the results for 1982-83 were yet to be finalised and (*iii*) shortages valued Rs. 0.17 lakh noticed in the Jeypore unit in 1981-82 were yet to be investigated.

In the Central workshop there was a change in the incumbency of the store-keeper in March 1983 and according to the handing-over report, there were shortages valued Rs. 0.27 lakh which have not yet been reconciled (March 1985).

(ii) High speed diesel (HSD) oil

According to the norm followed, permissible handling loss of HSD oil was 0·5 *per cent* of the quantity handled. Physical verification is required to be done in the month of April every year by the officer nominated by the Corporation for the purpose. Consolidated information as to the verification and the results thereof was not available at the head office. On a test check in audit (October 1984) of the records of Bolangir, Dhenkanal, Jeypore and Bhawanipatna units for the 3 years up to 1983-84. It was noticed that the shortages were within the permissible limits in the former 2 units, while there were abnormal shortages

(11,588 litres) valued Rs. 0.38 lakh in the latter 2 units. These shortages have not yet been investigated (November 1984) for their recovery/write off.

These matters were reported to the Management/Government in November 1984; their replies were awaited (March 1985).

BHUBANESWAR
THE 17 FEB 1986

J. K. Sarma

(J. K. SARMA)
Accountant General (Audit-II)
Orissa

Countersigned

T. N. Chaturvedi

NEW DELHI
THE 24 MAR 1986

(T. N. CHATURVEDI)
Comptroller and Auditor General
of India

APPENDICES

APPENDIX A

(Reference : Paragraph 1·2 Page 2)

Summarised financial results of working of Government Companies

Sl. No.	Name of company	Name of department	Date of incorpo-ration	Year of accounts	Total capital invested	Profit (+)/loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Capital emp-loyed	Total return on capital employed	Perce-ntage of total return on capital invested	Perce-ntage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
					(Rupees in lakhs)								
	A. Companies wholly owned by State Government												
1	Orissa State Electronics Development Corporation Limited	Industries	29th September 1981	1983-84	1,05·00	..	..	..	..	65·44	..	..	..
2	Orissa Fisheries Development Corporation Limited	Forest, Fisheries and Animal Husbandry	8th August 1962	1982-83	45.09	(—)3·75	1·22	0·99	(—)2·76	(—)19·78	(—)2·53	..	..
3	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12th April 1973	1982-83	22,36·21	(+)0·52	24·69	24·61	25·13	18,61·95	25·21	1.1	1·4
4	Orissa State Textile Corporation Limited	Industries	10th September 1981	1981-82	2,25·23	(+)0·42	1·57	1·57	1·99	2,25·23	1·99	0·9	0·9
5	Orissa Construction Corporation Limited	Irrigation and Power	22nd May 1962	1980-81	13,95·46	(—)36·28	74·14	74·11	37·83	11,84·49	37·86	2·7	3·2
6	Film Development Corporation of Orissa Limited	Industries	22nd April 1976	1980-81	27.53	(—)1·92	0·01	..	(—)1·92	22·79	(—)1·91	..	..
7	Orissa State Civil Supplies Corporation Limited	Food and Civil Supplies	3rd September 1980	1980-81	25,30·00	(—)0·10	46·10	46·06	45·96	25,19·19	46·00	1·8	1·8
8	Similipahar Forest Development Corporation Limited	Forest, Fisheries and Animal Husbandry	14th December 1979	1979-80	23·59	(+)0·59	0·40	0·40	0·99	12·43	0·99	4·2	8·00

APPENDIX A

(Reference : Paragraph 1,2 Page 2)

Summarised financial results of Working of Government Companies

Sl. No.	Name of company	Name of department	Date of incorporation	Year of accounts	Total capital invested	Profit (+)/ loss (—)	Total interest charged to profit and loss account	Interest on long-term loans	Total return on capital invested (7+9)	Capital employed	Total return on capital employed	Percentage of total return on capital invested	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(13)	(13)	(14)
					(Rupees in lakhs)								
	B. Companies partly owned by State Government												
9	Orissa Road Transport Company Limited	Commerce and Transport	1st October 1950	1980-81	1,96·07	(—)1,17·78	15·51	15·51	(—)1,02·27	21	(—)1,02·27	..	..
10	Orissa Agro Industries Corporation Limited	Agriculture	20th October 1961	1980-81	5,78·83	(+)0·68	·21·54	21·54	22·22	5,74·07	22·22	3·8	3.9
	C. Subsidiary Companies												
11	S. N. Corporation Limited.*	Industries	1st February 1982	1983-84	5,42·02	..	..	..	..	23.27	..	..	..
12	Orissa Mining Corporation Alloys Limited*.	Mining and Geology	25th August 1982	1982-83	6,17·57	..	..	..	..	3,04.75	..	..	..
	D. Pilot Project Companies												
13	Orissa Instruments Company Limited	Industries	14th March 1961	1977-78	1·52	(+)0·64	0·02	..	0·64	1·88	0·66	42·1	35.1

Notes:—(*a*) Capital invested represents paid-up capital plus long-term loans and free reserves.

(*b*) Capital employed represents net fixed assets (excluding capital work-in progress) plus working capital.

(*c*) In the case of Industrial Promotion and Investment Corporation of Orissa Limited capital employed represents the mean aggregate of opening, and closing balances of (*i*) paid-up capital, (*ii*) reserves and surplus and (*iii*) borrowings.

(*d*) No effect of the coments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act has been given in calculating the figures against columns 5 to 14.

*The Companies capitalised the revenue expenditure since they were under construction stage.

APPENDIX B

(Reference, Paragraph 1.2 Page 2)

Statement showing arrears in accounts

Serial Number	Name of company	Year from which accounts are in arrears
	(a) Companies wholly-owned by State Govetnment	
1	Orissa State Commercial Transport Corporation Limited	1976-77
2	Orissa Lift Irrigation Corporation Limited ..	1976-77
3	Leather Corporation of Orissa Limited ..	1976-77
4	Orissa Small Industries Corporation ..	1978-79
5	Orissa State Handloom Development Corporation Limited	1978-79
6	New Mayurbhanj Textiles Limited ..	1979-80
7	Orissa Forest Corporation Limited ..	1979-80
8	Orissa Police Housing and Welfare Corporation Limited	1980-81
9	Similpahar Forest Development Corporation Limited	1980-81
10	Industrial Development Corporation Orissa Limited	1980-81
11	Orissa Mining Corporation Limited ..	1980-81
12	Film Development Corportion of Orissa Limited	1981-82
13	Orissa State Civil Supplies Corporation Limited	1981-82
14	Orissa Construction Corporation Limited ..	1981-82
15	Orissa State Cashew Development Corporation	1981-82
16	Orissa Maritime and Chilka Area Development Corporation Limited	1981-82

Serial Number	Name of company	Year from which accounts are in arrears
17	Orissa Tourism Development Corporation Limited	1981-82
18	Orissa Fish Seed Development Corporation Limited	1982-83
19	Orissa State Textile Corporation Limited ..	1982-83
20	Orissa Fisheries Development Corporation Limited	1983-84
21	Industrial Promotion and Investment Corporation of Orissa Limited	1983-84
22	Orissa Bridge Construction Corporation Limited	1st January 1983 to March 1984
	(b) Companies partly owned by State Government	
23	Mayurbhanj Textiles Limited ..	1971-72
24	Orissa Agro Industries Corporation Limited ..	1981-82
25	Orissa Road Transport Company Limited ..	1981-82
26	Orissa State Seeds Corporation Limited ..	1981-82
	(c) Subsidiary Companies	
27	Hira Steels and Alloys Limited ..	1976-77
28	East Coast Salt and Chemical Industries Limited	1978-79
29	Konark Watch Company Limited ..	1979-80
30	Konark Detergents and Soaps Limited ..	1979-80
31	Sonepur Spinning Mills Limited ..	1982-83
32	Orissa Pump and Engineering Company Limited	27th March 1982 to 31st March 1983.
33	Orissa Mining Corporation Alloys Limited ..	1983-84

Serial Number	Name of company	Year from which accounts are in arrears
	(d) *Pilot project companies*	
34	Cuttack Iron and Steel Products Limited ..	1968-69
35	Orissa Boat Builders Limited ..	1971-72
36	Spark Battery and Manufacturing Works Limited	1972-73
37	Orissa Instrument Company Limited .	1978-79
	(ii) *Companies whose assets were sold*	
38	Manufacture Electro Limited ..	1962-63
39	Orissa Electrical Manufacturers Company Limited	1967-68
40	Orissa Board Mills Limited ..	1968-69
41	Gajapati Steel Industries Limited ..	1969-70
42	Eastern Aquatic Products (India) Limited ..	1973-74
	(iii) *Companies under revival*	
43	Premier Bolts and Nuts Company Limited ..	1967
44	Modern Electronics Limited ..	1967-68
45	Orissa Tiles Limited ..	1976-77
	(iv) *Companies under Liquidation*	
46	Orissa Sports Manufacturing and Fabrication Limited (August 1972)	1963-64
47	Coca Cola (India) Limited, (May 1969) ..	1963-64
48	Hansanath Ceramic Industries Limited ((January 1964)	1963-64
49	Kalinga Fruit Products Limited (January 1964)	1963-64
50	Madhusudan Chemical Industries (January 1971)	1963-64
51	Orissa Trunks and Enamel Works Limited (January 1971)	1963-64

Serial Number	Name of company	Year from which accounts are in arrears
52	Konark Processing Works Limited (January 1971)	1963-64
53	Bolanga Iron Works Limited (July 1971) ..	1965-66
54	Utkal Fruit Products Limited (July 1966) ..	1966-67
55	Orissa Wool Products Limited (March 1972) ..	1967-68
56	Chilka Cashew Manufacturing Works Limited (August 1971)	1967-68
57	Kalinga Steel and Wire Products Limited (August 1971)	1968-69
58	Orissa Timber Products Limited (September 1972)	1968-69
59	Manorama Foundry Works Limited (March 1972)	1968-69
50	Modern Malleable Casting Company Limited (March 1976)	1973-74
	(v) *Companies in which Government shares were sold*	
61	Orissa Foundry Company Limited ..	1968-69
62	Orissa Agrico Limited ..	1969-70
63	Kalinga Foundry Limited ..	1970-71 and 1971-72
64	Utkal Metal Products Limited ..	1970-71
65	Utkal Foundry and Engineering Company Limited	1976-77
66	Rourkela Fabrication Industries Limited ..	1978-79

APPENDIX C

(Reference : Paragraph 9.1 Page 123)

Summarised financial results of statutory corporations on the basis of the latest available accounts

(Rupees in lakhs)

Serial Number	Name of Corporation	Name of Administrative Department	Date of incorpora-tion	Year of accounts	Total capital invested	Profit(+)/ loss(—)	Total interest charged to profit and loss account	Interest on long-term loan	Total return on capital invested	Capital emloyed	Total return on capital employed	Perc e n-tage of total return on capital invested	Per c en-tage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Orissa State Financial Corporation	Industries ..	March 1956	1983-84	122,11.20	(—)130.81	386.17	3,86.17	2,55.36	1,08,74.15	2,55.36	2.1	2.3
2	Orissa State Warehous-ing Corporation	Agriculture and Co-operation	March 1958	1982-83	2,00.13	+6.55	2.19	2.05	8.60	1,87.18	8.74	4.7	5.2
3	Orissa State Electricity Board	Irrigation and power	March 1961	1982-83	447,25.10	..	31,53.30	31,53.30	31,53.30	3,93,95.99	31,53.30	7.0	8.0
4	Orissa State Road Trans-port Corporation	Commerce and Transport	May 1974	1979-80	13,60.69	(—)123.85	88.58	88.58	(—)35.27	8,45.00	(—)35.27	..	..

Notes—(1) Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

(2) In the case of Orissa State Financial Corporation, capital employed represent the mean of aggregate of opening and closing balances of *(i)* paid-up capital, *(ii)* bonds and debentures, *(iii)* reserves and *(iv)* borrowings including refinance and *(v)* deposits.

(3) In the case of other statutory corporations, capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

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Report of the Comptroller and Auditor Genera

for the year 1983-84(Commercial)-Government of Or

Page No.	Para No.	Line No. etc.	For	
iv	-	3rd line	Lagislature	Legi
1	-	Item 1 of the table 3rd line	Wholly-owned	Whol
2	1.3	Under total in table.	9914.21	9914
3	1.5	4th line	there against	ther
4		2nd line	guaranted	guar
5	1.8	6th line	Company	compa
6	1.9(i)	13	budgetory control	budge contr
9	2.2	5th from bottom	expences	expen
9	-	24th line	officer, returned	off
12	-	3rd line	this	these
13	2.7	Against 1979-80 in table	333	33
22	2.7.2 (iv)(c)	5	while	While
24	2.7.3(b)	3	company had	Compan
26	2.7.4	1	those works	these
26	2.7.4	in table(first column)		Items
27	2.7.5	4 from bottom	pade stals	padest
29	2.7.6	3	Rs.12.14 lakhs	Rs.12.4
31		25th line	drawaings	drawin
33	2.8.1(iv)	10	the rate	the rat
33		2nd line	officer in charge	officer
37	2.10(iv)	7	Rs.636.00 lakhs	Rs.410.0
49	3.8.1(d)	1	loans	loans)

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	Para No.	Line No. etc.	For	Read
		14th line	offficial	official
		1st line	securtity	security
	3.8.2.1(ii)	6	limits were	limits was
	3.10	2	district office	district offices
	3.10	7/8	internal system	internal audit system
3	3.11	13th line	involvod	involved
1	4.1	3rd line	.enterpreneurs	entrepreneurs
53	4.5	1/2	contributed State Government was Rs.1752.29 by the lakhs	contributed by the State Government was Rs.1752.29 lakhs
66	4.6.2	Below amount against(vii)	34.41	33.41
68	4.8,1	8 from bottom	Between February 1969 and October 1982	up to October 1982
69	4.8.2	3	application to (Rs.100.44 lakhs)	applications to (Rs.100.14 lakhs)
70	4.8.2	3		
70	4.8.2	Before heading	4.8.2	4.8.2.1
70	4.8.2.1	16	buyer's	buyers'
71	4.8.2.2	6	Participation	Participation
79	4.9.1	11	per cent).	per cent)).
79	4.9.1	16	of his	of its
79	4.9.1	22	agree the	agree with the
82	4.12(2)	6	Rs.34.41	Rs.33.41
82	Last para	1st line	suport	support
86	5.6	11	lakh was	lakh were
86	5.8.1	1	5.8.1.1([illegible])	5.8.1.1(i)
87	5.8.1.1	3	in November 1979)	in November 1979
88	5.8.1.1(i) (a)	17	consultants	consultants.
[illegible]	5.8.1.1(i) (b)	1	(August 1979).	(August 1979),

Page No.	Para No.	Line No. etc.	For	Read
96	5.8.1.1(iii) (b)	9	resspect of	respect of
99	5.8.2(a)	10/11	1979-80 and and	1979-80 and
			Managment	Management
103		10th line	Sakhigopal	Sakhigopal.)
104	5.9	10	1983-84	1983-84,
105	5.10(ii)	2	5 pairs	5 pairs
107	6.1	17	its accoutnc	its accounts
107	6.2	5th line	Divional	Divisional
110	6.5	8	(a) Delay	(i) Delay
110	6.5	10	(i) In terms	(a) In terms
110		11th line	Compay	Company
110	6.5(i)(a)	3rd from bottom	reaspectively	respectively
112	3	2nd line	Balangir	Bolangir
113	6.5(ii)(c)	last	Rs.0.46. lakh	Rs.0.46 lakh
115		Last line	pet cent	per cent
116		5th line	continiously	continuously
119	Last para	3rd line	ORSRTC	OSRTC
121	7.3	6	of Road	of State Road
125	9.2.4	under 1982-83 against(b) in table	6583.18	6583.17
125	9.2.4	under 1982-83 against (c) in table	39332.92	39332.93
126	9.2.5(b)	4	scheme	schemes
130	9.3.1	2	section2(1)	Section 3(1)
130	9.3.2	3	Government. Rs.492.07 lakhs	Government: Rs.492.07* lakhs
130	9.3.2	Note	Note-	* Note -
133	9.4.3	Note(i)2	piogress	progress

	Para No.	Line No. etc.	For	Read
	10.3.2(ii)	7	Unit-II	(Unit-II)
	10.3.2(9)	24	collieries	collieries
	10.3.2(b) (i)	8 below table	₨ 115.3 per	₨.115.30 per
	10.3.2(c) (iii) (1)	2	1983.3 were	1983,3 were
155	10.3.2(d)(1)	7	stage-II	stage II)
157	10.3.2(d)(1)	4 from bottom	Spare, However,	spare. However,
159	10.4.1	5	report	report,
163	10.4.5	3	₨.46.00. lakhs	₨.46.00 lakhs
166	11.3	2 from bottom	Engineer	Engineers/
169	11.4	3	(K W A H),	(KWAH)),
170	11.4	2	Electrical	electrical
170	11.5	13th line	revised	revise
173	12	-	Inventrory	Inventory
179	12.3	19	'C' 20 per	'C' (20 per
179	12.3	20	vehicles,	vehicles),
183		5th line	1982-83	1983
184	Last para	10th line	1983-84. It	1983-84, it
191	Notes	Against(C)	meanaggregate	mean of the aggregate
192	Against	4	Corporation	Corporation Limited
192	Against	10	Corporation Orissa	Corporation of Orissa
192	Against	12	Corporation	Corporation Limited
192	Against	15	Corporation	Corporation Limited
194	Against	50	Industries	Industries Limited
195	Below 59		50	60
196	Notes	Against(2)	represent,	represents,
196	Notes	against 2	(iii)reserves and (iv)	(iii)reserves, (iv)
197	Table above	9	Long-term loan	long-term loans