REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2009

COMMERCIAL

GOVERNMENT OF ORISSA

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TABLE OF CONTENTS

Annexures

Preface

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

- Government companies,
- Statutory corporations, and
- Departmentally managed commercial undertakings.

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

3. Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

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

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2008-09 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2008-09 have also been included, wherever necessary.

6. Audits have been conducted in conformity with the Auditing Standards issued by the CAG.

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Orissa had 33 working PSUs (30 companies and 3 Statutory corporations) and 33 non-working PSUs (all companies), which employed 0.25 lakh employees. The working PSUs registered a turnover of Rs. 8,093.78 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 6.63 per cent of state GDP indicating an important role played by State PSUs in the economy. The PSUs earned an aggregate profit of Rs. 1,177.42 crore and had accumulated profit of Rs. 1,269.44 crore for 2008-09.

Investments in PSUs

As on 31 March 2009, the investment (capital and long term loans) in 66 PSUs was Rs. 8,000.29 crore. It decreased by 35.57 per cent from Rs. 12,416.95 crore in 2003-04 to Rs. 8,000.29 crore in 2008-09 due to repayment of loan in power sector. Power sector accounted for nearly 76.27 per cent of total investment in 2008-09. The Government contributed Rs. 715.20 crore towards equity, loans and grants/subsidies during 2008-09.

Performance of PSUs

During the year 2008-09, out of 33 working PSUs, 20 PSUs earned profit of Rs. 1,231.53 crore and nine PSUs incurred loss of Rs. 40.37 crore. The major contributors to profit were Orissa Mining Corporation Limited (Rs. 879.26 crore), Orissa Power Generation Corporation Limited (Rs. 161.29 crore), GRIDCO Limited (Rs. 98.14 crore) and Industrial Promotion and Investment Corporation of Orissa Limited (Rs. 24.91 crore). Heavy losses were incurred by Orissa Power Transmission Corporation Limited (Rs. 15.22 crore), Orissa Rural Housing and Development Corporation Limited (Rs. 12.40 crore) and Orissa Forest Development Corporation Limited (Rs. 5.59 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 1,000.37 crore and infructuous investments of Rs. 409.43 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profit/ minimise losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. All 34 accounts finalised during October 2008 to September 2009 received qualified certificates. There were 25 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the companies indicated several weak areas.

Arrears in accounts and winding up

Twenty-eight working PSUs had arrears of 54 accounts as of September 2009. The arrears need to be cleared by setting targets for PSUs and outsourcing the work relating to preparation of accounts. There were 33 non-working companies. As no purpose is served by keeping these PSUs in existence, they need to be wound up quickly.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 2005-06 and onwards are yet to be discussed fully by COPU. These three audit reports contained 13 reviews and 58 paragraphs of which one review and one paragraph have been discussed.

(Chapter 1)

2. Performance review relating to Government company

Performance review relating to 'Operation and Maintenance Activities of **Orissa Hydro Power Corporation Limited**' was conducted. Executive summary of the audit findings are given below:

Operation and Maintenance Activities of Orissa Hydro Power Corporation Limited

In pursuance of the Orissa Electricity Reforms Act, 1995, the Company was incorporated in April 1995 with the main objective of carrying on the generation of hydropower and maintenance of hydro power stations. It has six hydro power stations with aggregate installed capacity of 1,877.50 MW besides share of 34.50 MW in Machkund Hydro Power Station, a joint venture project. The peak hour and off-peak hour demand in the State for the year 2008-09 was 3,021 MW and 1,931 MW respectively against which the installed capacity of power in the state was 2,332 MW. During 2008-09, the total energy drawal was 19,398 MU from different sources including 5,692 MU from hydel power. The Operation and Maintenance activities of the Company were reviewed to assess the adequacy in planning of the Company with regard to future requirement, utilisation of generating capacity as well as water resources in an economical, efficient and effective manner, generation of energy upto the optimum level, timely Renovation, Modernisation and Uprating of the existing units and reservoirs and adequacy of internal control and management of various activities.

Planning of the Company with regard to future requirement

The Government of Orissa (GoO) identified (August 2007) nine hydro power projects of 1,500 MW installed capacity through joint venture with National Hydro Power Corporation Limited and the Company on which further action is awaited. Though the Company planned for capacity addition of 2,171 MW during the Eleventh Plan period in four projects, extension of Balimela Hydro Electric Project (BHEP) (150 MW) was completed by January 2009 and the possibility of addition of balance 2,021 MW during the Eleventh plan period is remote. Further, the capacity addition of 320 MW planned to establish Sindol I, II, III hydro power projects is not executed as Detailed Project Report has not been prepared so far (September 2009). There was unfruitful capacity addition at a cost of Rs. 206.07 crore in BHEP and wasteful expenditure of Rs. 37 crore on Potteru Small Hydro Electric Project.

Utilisation of generating capacity and water reservoir

Though the achievement against target of the Company for generation was satisfactory, yet the actual generation in four generating stations was less than the design energy resulting in loss of Rs. 71.63 crore. The machine availability of the Company during 2004-09 ranged between 62.75 and 93.90 per cent. Due to non-availability of normative machine hours the Company failed to recover capacity charges of Rs. 15.52 crore during 2005-09 besides non-receipt of incentive of Rs. 16.98 crore from GRIDCO Limited. The Company sustained avoidable generation loss of 4,274 MU valued at Rs. 156.05 crore during 2004-09. As against availability of 2,72,727 MCM of water for generation the Company could utilise only 1,39,779 MCM (52.25 per cent). The Company did not claim Rs. 28.49 crore from 18 industrial units towards drawal of water from the reservoirs during 2004-09.

Generation of energy upto optimum level

The gross generation during 2004-09 ranged between 5,030 MU and 7,850 MU. The auxiliary consumption was excess by 19.66 MU over the norms fixed by CERC resulting in loss of Rs. 42.44 lakh. The transformation loss was in excess of the norm by 355.28 MU resulting in loss of Rs. 13.39 crore.

Renovation, Modernisation and Uprataing (RMU)

The Company did not make any plan for RMU of five units of BHEP which outlived their normal economic life. The upgradation of one unit of Hirakud Power System (HPS), Burla was not effective resulting in generation loss of 6.06 MU valued at Rs. 24.91 lakh per annum. Due to indecisiveness of the Company, the RMU of unit 5 and 6 of HPS, Burla and unit 3 of HPS, Chipilima was not completed till date (July 2009).

The Operation and Maintenance (O&M) expenses was excess over the norms fixed by Orissa

Electricity Regulatory Commission (OERC) which ranged between Rs. 12.35 crore and Rs. 94.13 crore during 2006-09. The Company had not standardised the formats for the monthly performance reports and load reports.

Internal Control and Management

The Company failed to comply with CEA regulations with respect to installation and operation of meters. It sustained interest loss of Rs. 3.07 crore during 2004-09 due to blockage of fund in excess inventory. The contract management, environment management and internal control system of the Company was also inadequate. The manpower management of the Company was deficient since its technical manpower position was less than the norms while the non-technical manpower position was higher than the norms fixed in the National Electricity Plan of April 2007.

Conclusion and Recommendations

Proper planning by the Company could have enabled it for capacity addition of 2,341 MW. With proper preventive maintenance and water management, the Company could have generated 9,064 MU during 2004-09. The review contains five recommendations which includes increasing the installed capacity and reducing operating and maintenance expenditure.

(Chapter 2)

3. Performance review relating to Statutory corporation

Performance review relating to 'Functioning of **Orissa State Road Transport Corporation**' was conducted. Executive summary of the audit findings are given below:

Functioning of Orissa State Road Transport Corporation

The Orissa State Road Transport Corporation (Corporation) provides public transport in the State through its 14 depots. The Corporation had fleet strength of 312 buses as on 31 March 2009 and carried an average of 0.14 lakh passengers per day. The performance audit of the Corporation for the period 2004-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation earned a profit of Rs. 7.11 crore in 2008-09. Its accumulated losses and borrowings stood at Rs. 221.11 crore and Rs. 24.85 crore as at 31 March 2009, respectively. The Corporation earned Rs. 18.26 per kilometre and expended Rs. 15.95 per kilometre in 2008-09. Audit noticed that with the right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining Share

Of 7,732 buses licensed for public transport in 2008-09, 4.04 per cent belonged to the Corporation. The percentage share declined marginally from 4.29 per cent in 2004-05. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/add new buses) and lack of support from the State Government. Nonetheless, vehicle density (including private operators' buses) per one lakh population increased marginally from 16 in 2004-05 to 19 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

The Corporation's buses consisted of its own fleet of 312 buses as of March 2009. Of its own fleet, 152 (49 per cent) were overage, i.e., eight years old/covered more than five lakh Kms. The percentage of overage buses increased from 22 in 2004-05 to 49 in 2008-09 due to its non-replacement despite acquisition of 168 new buses during 2004-09 at a cost of Rs. 26.72 crore. The acquisition was funded by Government (Rs. 14.95 crore) and own sources (Rs. 11.77 crore).

The Corporation's fleet utilisation at 90 per cent in 2008-09 was below the All India Average (AIA) of 94.2 per cent. Its vehicle productivity at 287 kilometres per day per bus was below the AIA of 341 kilometres. The load factor at 71 per cent remained above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of vehicle productivity and load factor though the same were fixed after taking into consideration the local factors and constraints. Around 71 per

cent of the routes operated were unprofitable due to high cost of operations and non-reimbursement of cost of operation on uneconomical routes and free/concessional passes by the Government. The Corporation's performance on scheduled preventive maintenance and major repairs was poor.

Economy in operations

Manpower and fuel constitute 68 per cent of total cost. Interest, depreciation and taxes account for 17 per cent and are not controllable in the short term. Thus, the expenditure control has to come mainly from fuel which was 53 per cent of total cost. The Corporation succeeded in reducing the manpower per bus from 5.99 in 2004-05 to 5.02 in 2008-09. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 2.93 crore during 2005-09.

The Corporation does not operate any scheme for hiring private buses. Though the Transport Commissioner proposed to implement the scheme, the same was not agreed to by the Corporation as it did not enjoy any special provision on issue of permits.

Revenue Maximisation

The Corporation's claim of Rs. 39.60 crore towards free/concessional passes, bus warrant, loss on merger of ORT Company and payment to State Transport Service employees were receivable from Government of Orissa. Further, as the Corporation has about 138.47 acres of land at 85 locations and utilises only a small portion of the available land for its operations, the vacant/unutilised land can be developed on public-private partnership basis to earn steady income which can be used to cross-subsidise its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per kilometre stood at 43 paise to 72 paise from 17 December 2008 in respect of ordinary, express, deluxe and air-conditioned buses. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not fixed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters. Though the Transport Policy adopted by the Government of Orissa envisaged for formation of Orissa Transport Regulatory and Advisory Council (OTRAC), the same is yet to be formed.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feedback on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not recommend suitable measures to control the cost and increase the revenue. Though the operational performance was monitored by the top management, no follow-up action was initiated.

Conclusion and Recommendations

Though the Corporation is earning profit at the end of 2008-09 it can still control cost and increase revenue by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains five recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

(Chapter 3)

4. Transaction audit observations

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

Loss of Rs. 162.32 crore in eight cases due to non-compliance with rules, directives, procedures and terms and conditions of contracts.

(Paragraphs 4.1 to 4.4, 4.7, 4.9, 4.12 and 4.14)

Loss of Rs. 29.44 crore in four cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 4.5, 4.11, 4.15 and 4.16)

Loss of Rs. 3.46 crore in three cases due to defective/deficient planning.

(Paragraphs 4.6, 4.8 and 4.10)

Loss of Rs. 6.99 crore in two cases due to inadequate/deficient monitoring.

(Paragraphs 4.13 and 4.17)

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

By allowing BPSL to sell power in Open Access ignoring the terms of the MoU executed by them with the GoO and purchasing their surplus power at higher rate, **GRIDCO Limited** not only extended undue favour of Rs. 23.51 crore to BPSL and BSL but was also deprived of earning revenue of Rs. 93.68 crore.

(Paragraph 4.1)

Purchase of inadvertent power by **GRIDCO Limited** at the rate applicable for scheduled power resulted in extra expenditure as well as undue favour of Rs. 8.84 crore.

(Paragraph 4.2)

Improper calculation of tax liability by **Orissa Mining Corporation Limited** led to shortfall in deposit of advance income tax resulting in avoidable payment of interest of Rs. 23.92 crore.

(Paragraph 4.3)

Deviation from the Government approved One Time Settlement Scheme by **Orissa State Financial Corporation** resulted in loss of Rs. 25.95 crore and short realisation of initial security deposit of Rs. 41.75 lakh.

(Paragraph 4.16)

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of the people. In Orissa, the State PSUs occupy an important place in the state economy. The working State PSUs registered a turnover of Rs. 8,093.78 crore for 2008-09 as *per* their latest finalised accounts as of September 2009. This turnover was equal to 6.63 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Orissa State PSUs are concentrated in the power sector. The State PSUs earned a profit of Rs. 1,177.42 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They had employed 0.25 lakh♣ employees as of 31 March 2009. The State PSUs do not include one± prominent Departmental Undertaking (DU), which carries out commercial operations but is a part of Government department. Audit findings of this DU are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2009, there were 66 PSUs as *per* the details given below. None of these companies was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUsΨ	Total
Government Companies♦	30	33	63
Statutory Corporations	03	--	03
Total	**33**	**33**	**66**

1.3 During the year 2008-09, one PSU (Baitarni West Coal Company Limited) was established on 22 April 2008. The Company is registered under Section 619-B of the Companies Act, 1956.

♣ As per the details provided by 48 PSUs. Remaining 18 (Non-working) PSUs did not furnish the details.

± Principal Chief Conservator of Forest (Kendu Leaf).

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

♦ Includes 619-B companies.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of statutory corporations is governed by their respective legislations. Out of three statutory corporations, CAG is the sole auditor for Orissa State Road Transport Corporation. In respect of Orissa State Warehousing Corporation and Orissa State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is done by CAG.

Investment in State PSUs

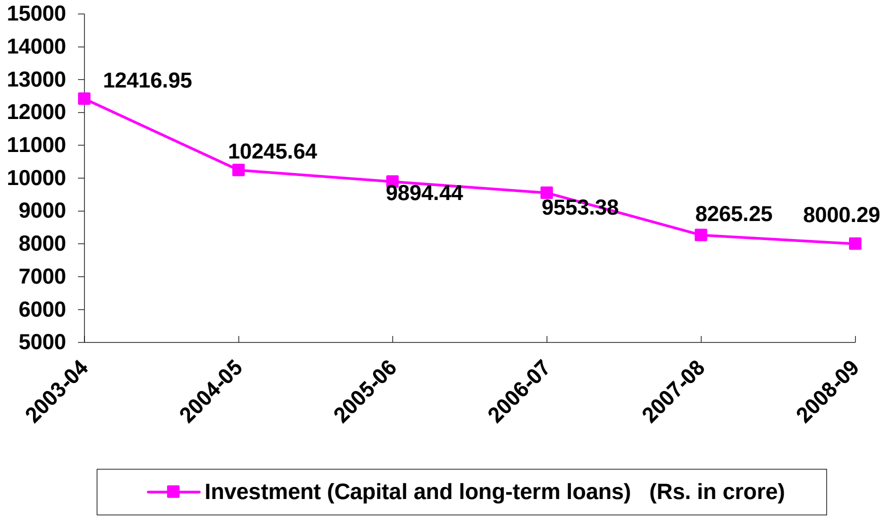
1.7 As on 31 March 2009, the investment (capital and long-term loans) in 66 PSUs (including 619-B companies) was Rs. 8,000.29 crore as *per* details given below.

(Rupees in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1804.86	5314.33	7119.19	536.82	182.55	719.37	7838.56
Non-working PSUs	85.39	76.34	161.73	--	--	--	161.73
Total	**1890.25**	**5390.67**	**7280.92**	**536.82**	**182.55**	**719.37**	**8000.29**

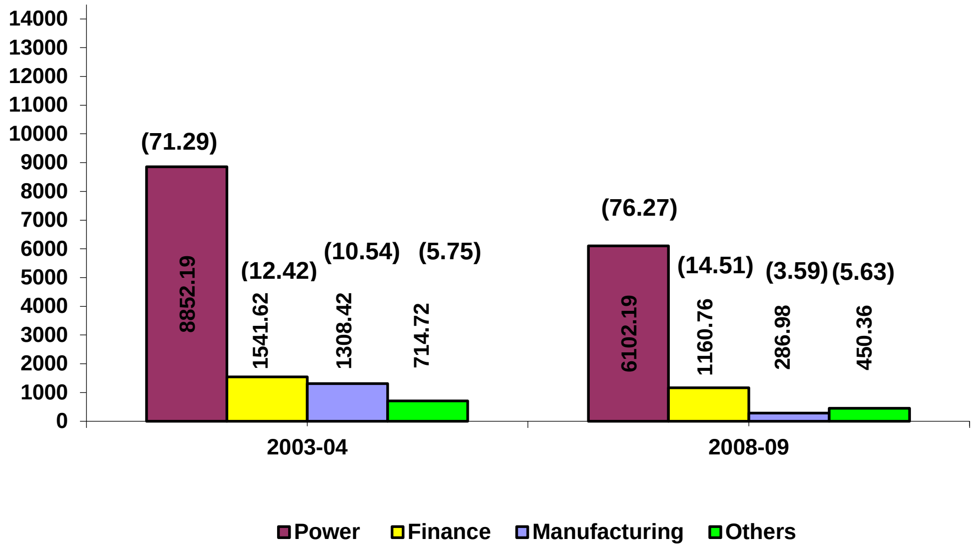
A summarised position of government investment in State PSUs is detailed in **Annexure 1**.

1.8 As on 31 March 2009, of the total investment in State PSUs, 97.98 *per cent* was in working PSUs and the remaining 2.02 *per cent* in non-working PSUs. This total investment consisted of 30.34 *per cent* towards capital and 69.66 *per cent* in long-term loans. The investment has decreased by 35.57 *per cent* from Rs. 12,416.95 crore in 2003-04 to Rs. 8,000.29 crore in 2008-09 as shown in the graph below.



The decline in investment was mainly due to repayment of loan in power sector.

1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The thrust of PSU investment was mainly on the power sector which ranged between 71.29 and 81.49 *per cent* of the total investment during the five years ending 31 March 2009. The Government investment has decreased in all sectors during the last five years ending 31 March 2009. Though the percentage share in power sector has increased from 71.29 (2003-04) to 76.27 of the total investment, the investment in the sector has reduced by Rs. 2,750 crore (22.15 *per cent*) as on 31 March 2009.



(Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

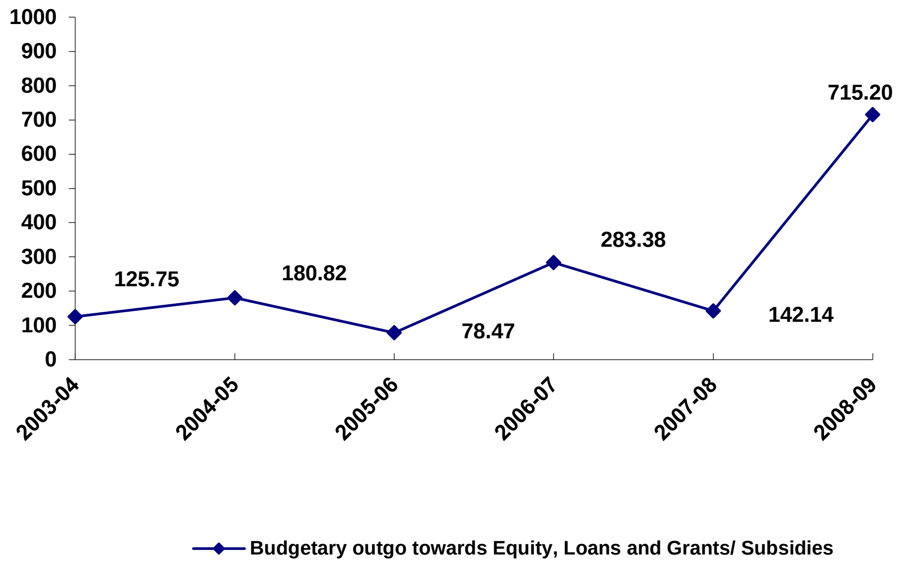
1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure 3**. The summarised details are given below for three years ended 2008-09.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	--	--	1	9.95	4	54.22
2.	Loans given from budget	2	234.12	2	75.40	1	52.52
3.	Grants/Subsidy received	8	49.26	7	56.79	15	608.46
4.	Total outgo (1+2+3)	8[1]	283.38	8*	142.14	17*	715.20
5.	Loans converted into equity	--	--	1	271.05	1	1.73
6.	Loans written off	--	--	--	--	--	--
7.	Interest/Penal interest written off	--	--	--	--	2	84.98
8.	Total waiver (6+7)	--	--	--	--	2	84.98
9.	Guarantees issued	2	46.01	--	--	--	--
10.	Guarantee commitment	12	2185.30	10	1633.23	8	1131.59

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

[1] Actual number of companies/corporations which received equity/loans/grants/subsidy from the State Government.



The budgetary outgo towards equity, loans and grants/ subsidies has increased sharply from Rs. 125.75 crore in 2003-04 to Rs. 715.20 in 2008-09 mainly due to release of subsidy of Rs. 564 crore during 2008-09 to Orissa State Civil Supplies Corporation Limited.

1.12 The PSUs are liable to pay guarantee commission (GC) at the rate of 0.5 *per cent* per annum to the State Government on the maximum of the guarantee sanctioned irrespective of the amount availed or outstanding as on 1 April of each year till liquidation of loan as per guidelines (November 2002) of Government of Orissa. There is no instance of issue of guarantee to any of the state PSUs during 2007-08 and 2008-09. The guarantee commitment by the Government at the end of 2008-09 was Rs. 1,131.59 crore against eight PSUs. During the year the Government has exempted Rs. 5.59 crore towards guarantee commission outstanding against Orissa State Financial Corporation (OSFC) and interest amounting to Rs. 84.98 crore against Orissa Small Industries Corporation Limited (Rs. 2.90 crore) and OSFC (Rs. 82.08 crore). During the year 2008-09 five PSUs paid GC of Rs. 1.65 crore to the State Government while GC of Rs. 11.44 crore is outstanding in respect of four PSUs.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1309.83	2001.61	691.78

Loans	1979.05	1894.20	84.85
Guarantees	1156.65	1131.59	25.06

1.14 Audit observed that the differences occurred in respect of 26 PSUs and some of the differences were pending reconciliation since many years. In order to reconcile the discrepancy in figures of investment on equity and loans made by State Government in Government companies/corporations as indicated in the Audit Report (Commercial) and the Finance Accounts, letters were written to the Principal Secretaries to Government of Orissa in Public Enterprises Department and Finance Department with copies to the concerned Administrative Departments of the State PSUs. Besides, four meetings were held with four PSUs[#] during February to July 2009 and one workshop was organised on "Gap Analysis of the Finance Accounts" in May 2009. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in **Annexure 2, 5** and **6** respectively. A ratio of working State PSUs turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSU turnover and State GDP for the period 2003-04 to 2008-09.

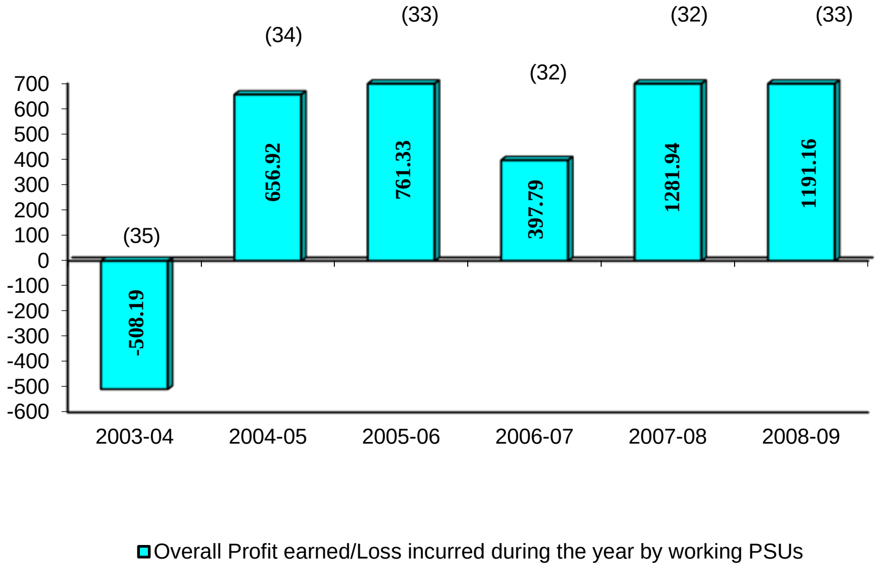
(Amount: Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[∝]	5622.46	4929.01	5493.67	5772.26	7257.81	8093.78
State GDP	61422	71428	78953	93374	106466	122165
Percentage of turnover to State GDP	9.15	6.90	6.96	6.18	6.82	6.63

1.16 Profit (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.

[#] Agricultural Promotion and Investment Corporation of Orissa Limited, Industrial Promotion and Investment Corporation of Orissa Limited, Orissa Agro Industries Corporation Limited and Orissa Film Development Corporation Limited.

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



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

From the above it can be seen that the working PSUs earned overall profit in all the years which ranged between Rs. 397.79 crore (2006-07) and Rs. 1,281.94 crore (2007-08) except for 2003-04 when the overall loss incurred was Rs. 508.19 crore. During the year 2008-09, out of 33 working PSUs, 20 PSUs earned profit of Rs. 1,231.53 crore and nine PSUs incurred loss of Rs. 40.37 crore. Two working PSUs prepared their accounts on a 'no profit no loss' basis and two companies have not yet started their commercial production. The major contributors to profit were Orissa Mining Corporation Limited (Rs. 879.26 crore), Orissa Power Generation Corporation Limited (Rs. 161.29 crore), GRIDCO Limited (Rs. 98.14 crore) and Industrial Promotion and Investment Corporation of Orissa Limited (Rs. 24.91 crore). Heavy losses were incurred by Orissa Power Transmission Corporation Limited (Rs. 15.22 crore), Orissa Rural Housing and Development Corporation Limited (Rs. 12.40 crore) and Orissa Forest Development Corporation Limited (Rs. 5.59 crore).

1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the working State PSUs incurred losses to the tune of Rs. 1,000.37 crore and infructuous investment of Rs. 409.43 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(Amount: Rupees in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit (loss)	397.79	1,281.94	1,191.16	2,870.89
Controllable losses as per CAG's Audit Report	276.05	306.94	417.38	1,000.37
Infructuous investment	146.02	4.06	259.35	409.43

1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

1.19 Some other key parameters pertaining to State PSUs are given below.

(Amount: Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	1.38	15.28	14.80	10.94	18.59	15.14
Debt	10,150.97	8,206.82	7,828.13	7,495.60	5,929.23	5,573.22
Turnover[ϒ]	5,622.46	4,929.01	5,493.67	5,772.26	7,257.81	8,093.78
Debt/ Turnover ratio	1.81:1	1.67:1	1.42:1	1.30:1	0.82:1	0.69:1
Interest payment[#]	688.64	472.71	650.29	580.45	478.85	402.59
Accumulated profit/ (loss)	(2,668.97)	(2,099.43)	(1,541.66)	(1,441.03)	(17.36)	1,269.44

1.20 The above parameters clearly exhibit an improvement in the financial position of the PSUs. The return on capital employed has increased from a mere 1.38 *per cent* in 2003-04 to 15.14 *per cent* in 2008-09. The debt turnover ratio has improved from 1.81:1 in 2003-04 to 0.69:1 in 2008-09 as the debt was reduced from Rs. 10,150.97 crore to Rs. 5,573.23 crore respectively. As against accumulated losses of Rs. 2,668.97 crore in 2003-04, the PSUs registered an accumulated profit of Rs. 1,269.44 crore in 2008-09.

1.21 As per the recommendations of the Tenth Finance Commission the State must adopt a modest rate of return on the investment made in commercial, promotional and commercial & promotional public enterprises at the rate of six *per cent*, one *per cent* and four *per cent* respectively, as dividend on equity. As per their latest finalised accounts, 20 PSUs earned an aggregate profit of Rs. 1,231.53 crore and only one PSU (Orissa Mining Corporation Limited) declared interim dividend of Rs. 200 crore.

Performance of major PSUs

1.22 The investment in working PSUs and their turnover together aggregated to Rs. 15,932.34 crore during 2008-09. Out of 33 working PSUs, the following six PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These six PSUs together accounted for 81.40 *per cent* of aggregate investment *plus* turnover.

(Amount: Rupees in crore)

[ϒ] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.
[#] Interest payment of working PSUs as *per* the latest finalised accounts as of 30 September.

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
Orissa Mining Corporation Limited	31.45	1,963.27	1,994.72	12.52
GRIDCO Limited	2,262.96	2,766.83	5,029.79	31.57
Orissa Hydro Power Corporation Limited	2,218.61	329.11	2,547.72	15.99
Orissa Power Generation Corporation Limited	507.97	432.78	940.75	5.90
Orissa Power Transmission Corporation Limited	1,110.30	399.76	1,510.06	9.48
Orissa State Civil Supplies Corporation Limited	9.78	936.39	946.17	5.94
Total	**6,141.07**	**6,828.14**	**12,969.21**	**81.40**

Some of the major audit findings of the past five years for the above PSUs are stated in the succeeding paragraphs.

Orissa Mining Corporation Limited

The Company had arrear of accounts for one year as of September 2009. The profit of the Company has risen continuously in the past three years from Rs. 211.74 crore in 2005-06 to Rs. 879.26 crore in 2007-08. Similarly, the turnover too has risen from Rs. 1,081 crore to Rs. 1,963.27 crore during this period. The return on capital employed has also increased from 35.52 *per cent* to 45.29 *per cent*.

1.23 Deficiency in planning

- The failure of the Company to install a new chrome ore beneficiation plant to process low grade chrome ore of 9.86 lakh MT to chrome concentrate deprived it and the Government of India the opportunity to earn additional revenue of Rs. 555.81 crore and export duty of Rs. 90.55 crore respectively. (Paragraph 2.1.23 of Audit Report 2007-08).

1.24 Delay in implementation

- The inability of the Company to achieve the targeted production of ores during 2003-08 (except 2006-07) due to the shortfall in production of iron ore by 45.59 lakh MT by the contractors resulted in loss of contribution of Rs. 350.10 crore. (Paragraph 2.1.9 of Audit Report 2007-08).

1.25 Deficiency in monitoring

- The Company extended undue benefit of Rs. 15.52 crore to a contractor due to payment of higher wage component. (Paragraph 3.7 of Audit Report 2004-05).
- The Company extended undue benefit of Rs. 14.82 crore to the contractor due to payment of dewatering charges disregarding the actual deployment of pumps. (Paragraph 3.1 of Audit Report 2006-07).

1.26 Deficiency in financial management

- Failure of the Company to collect Entry tax from the buyers at the time of sale resulted in avoidable burden of Rs. 2.35 crore. (Paragraph 3.13 of Audit Report 2005-06).

GRIDCO Limited

The profit of the Company has risen from Rs. 236.88 crore in 2006-07 to Rs. 566.05 crore in 2007-08 which decreased to Rs. 98.14 crore in 2008-09. Similarly, the turnover too has risen from Rs. 2,897.57 crore in 2006-07 to Rs. 3,246.64 crore in 2007-08, which decreased to Rs. 2,766.83 crore in 2008-09. However, the return on capital employed declined from 83.65 *per cent* in 2006-07 to 15.88 *per cent* in 2008-09.

1.27 Deficiency in planning

- Though the Company was aware of the scenario of shortfall in availability of power, it entered into power supply agreement, which led to failure in fulfilling the commitment and payment of penalty of Rs. 5.69 crore. (Paragraph 3.8 of Audit Report 2005-06).

1.28 Deficiency in implementation

- The Company failed to commission Dissolved Gas Analysis equipment which resulted in wasteful expenditure of Rs. 1.12 crore. (Paragraph 3.3 of Audit Report 2004-05).

Orissa Hydro Power Corporation Limited

The profit of the Company has risen from Rs. 53.93 crore in 2006-07 to Rs. 121.39 crore in 2007-08 which declined to Rs. 17.57 crore in 2008-09. Similarly, the turnover too has risen from Rs. 303.65 crore in 2006-07 to Rs. 386.04 crore in 2007-08 which declined to Rs. 329.11 crore in 2008-09. The return on capital employed has risen from 2.77 *per cent* in 2006-07 to 5.15 *per cent* in 2007-08 which declined to 0.95 *per cent* in 2008-09.

1.29 Deficiency in implementation

- Failure of the Company to award the work to the Original Equipment Manufacturer as per Government directive led to avoidable loss of Rs. 21.06 crore besides laxity in recovery of liquidated damages of Rs. 48.43 lakh from BHEL Limited. (Paragraph 3.1 of Audit Report

2007-08).

1.30 Deficiencies in financial management

- Failure of the Company to take timely remedial measures resulted in loss of revenue of Rs. 22.12 crore. (Paragraph 3.12 of Audit Report 2005-06).
- Non-acceptance of bonds of Rs. 250 crore by the Company led to loss of interest of Rs. 127.50 crore. (Paragraph 3.6 of Audit Report 2006-07).

Orissa Power Generation Corporation Limited

The profit of the Company has risen from Rs. 147.85 crore in 2005-06 to Rs. 181.53 crore in 2006-07 which declined to Rs. 161.29 crore in 2007-08. The turnover of the Company, however, continuously declined from Rs. 448.78 crore in 2005-06 to Rs. 432.78 crore in 2007-08. The return on capital employed, however, increased from 14.25 to 19.89 *per cent* and declined to 16.22 *per cent* during the same period.

1.31 Deficiency in financial management

- There was extension of undue benefit of Rs. 1.82 crore to the contractors by the Company by paying compensation in violation of the agreed settlement. (Paragraph 3.1 of Audit Report 2004-05).

Orissa Power Transmission Corporation Limited

The Company had arrear of accounts for one year as of September 2009. The loss of the Company has declined from Rs. 24.95 crore in 2005-06 to Rs. 9.06 crore in 2006-07 which has increased to Rs. 15.22 crore in 2007-08. Similarly, the turnover of the Company has declined from Rs. 362.08 crore to Rs. 355.35 crore and increased to Rs. 399.76 crore during this period. The return on capital employed has also increased from 4.16 to 5.71 *per cent* and declined to 5.33 *per cent* during this period.

1.32 Deficiencies in planning

- The construction of substation by the Company despite being aware of fall in demand of load led to idle investment and consequential loss of interest of Rs. 55.25 crore. (Paragraph 2.3.9 of Audit Report 2006-07).
- Non-commissioning of 18 transformers of total capacity of 2,830 MVA by seven months to almost nine years of their receipt led to foregoing of revenue of Rs. 139.43 crore per annum. (Paragraph 2.3.10 of Audit Report 2006-07).

Orissa State Civil Supplies Corporation Limited

The Company had arrears of accounts for two years as of September 2009. The arrears were for four years as of September 2006. The Company is functioning on 'no profit no loss basis'. The turnover of the Company decreased marginally from Rs. 709.21 crore in 2004-05 to Rs. 709.10 crore in 2005-06 and increased to Rs. 936.39 crore in 2006-07.

1.33 Deficiencies in monitoring

- There were instances of excess lifting and distribution of rice costing Rs. 3.37 crore due to non-reduction of Antyodaya Anna Yojana Cards from the Below Poverty Line card strength and not accounting for death and migration cases. (Paragraphs 2.2.12 and 2.2.13 of Audit Report 2004-05).
- Non-recovery of holding charges resulted in loss to the Company and undue favour to the custom millers for Rs. 0.71 crore. (Paragraph 3.16 of Audit Report 2007-08).

Conclusion

1.34 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.35 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	34	33	32	32	33
2.	Number of accounts finalised during the year	38	36	33	35	34
3.	Number of accounts in arrears	70	67	65	62	54
4.	Average arrears *per* PSU (3/1)	2.06	2.03	2.03	1.94	1.64
5.	Number of Working PSUs with arrears in accounts	30	29	31	29	28
6.	Extent of arrears	1 to 7 years	1 to 7 years	1 to 7 years	1 to 7 years	1 to 5 years

1.36 From the above table it would be seen that though the companies have been finalising at least one account per year, concrete steps to clear the arrears completely were not taken. Further, Orissa State Cashew Development Corporation Limited and Orissa Bridge and Construction Corporation Limited have not finalised any accounts during the year ended 30 September 2009. The main reasons as stated by the companies for delay in finalisation of accounts is lack of trained staff.

1.37 In addition to the above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 33 non-working PSUs, 20 had gone into liquidation process. Of the remaining 13 non-working PSUs, all PSUs had arrears of accounts for 1 to 38 years.

1.38 The State Government had invested Rs. 926.10 crore (Equity: Rs. 51.77 crore, loans: Rs. 231.60 crore, grants: Rs. 642.73 crore) in 16 PSUs during the years for which accounts have not been finalised as detailed in **Annexure 4**. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.39 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (July 2009) with the Chief Secretary /and Commissioner-cum-Secretary, Public Enterprises Department, Government of Orissa who monitors the finalisation of arrear accounts by the PSUs.

1.40 In view of the above state of arrears, it is recommended that:

- **The Government may set the targets for individual companies which would be monitored by the Public Enterprises Department.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.41 There were 33 non-working PSUs (all companies) as on 31 March 2009. Of these, 20 PSUs have commenced liquidation process. The number of non-working companies at the end of each year during the past five years is given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	35	32	32	31	33

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2008-09, five[#] non-working PSUs incurred an expenditure of Rs. 0.32 crore towards establishment expenditure, salary etc.

[#] Konark Television Limited, Orissa State Handloom Development Corporation Limited, Orissa State Commercial Transport Corporation Limited, Orissa State Electronics Development Corporation Limited and Orissa State Textile Corporation Limited.

This expenditure was financed by the State Government by way of grants.

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

Sl. No.	Particulars	Number of Company
1.	Total number of non-working PSUs	33
2.	Of (1) above, the number under	
(a)	Liquidation by Court	11
(b)	Voluntary winding up	9
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	13

1.43 During the year 2008-09, one company (General Engineering and Scientific Works Limited) was finally wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 1 to 35 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may take a decision regarding winding up of 13 non-working PSUs, where no decision about their continuation or otherwise has been taken after they became non-working. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.44 Twenty eight working companies forwarded their audited 32 accounts to the Accountant General during the year 2008-09. Of these, 27 accounts of 23 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	16.27	12	25.51	11	38.78
2.	Increase in loss	5	19.36	5	26.22	7	350.72
3.	Non-disclosure of material facts	8	65.95	12	110.83	9	146.55
4.	Errors of classification	4	10.32	8	25.26	7	23.45

1.45 During the year, the Statutory Auditors had given qualified certificates for all the accounts received. The compliance of companies with the Accounting Standards remained poor as there were 25 instances of non-compliance with Accounting Standards (AS) in 32 accounts during the year.

1.46 Some of the important comments in respect of accounts of companies are stated below:

Orissa Power Transmission Corporation Limited (2007-08)

- Non-provision of arrear dues on revision of pension with effect from 1 January 2006 has resulted in understatement of Current Liabilities & Provisions, Pension (Expenditure) and loss for the year by Rs. 65.44 crore.
- Non-accountal of leave encashment of Rs. 46.83 crore and ex-gratia payment of Rs. 3.10 crore on accrual basis in violation of section 209(3)(b) of the Companies Act, 1956 has resulted in understatement of Current Liabilities & Provisions, Administration, General and other expenses and loss for the year by Rs. 49.93 crore.

Orissa Mining Corporation Limited (2007-08)

- Short provision of Net Present Value (NPV) on broken forest land of 12 mines has resulted in understatement of liability for NPV and overstatement of profit by Rs. 26.61 crore.

Orissa State Seeds Corporation Limited (2007-08)

- Non-accounting of production incentive for the year 2007-08 receivable from the Government of Orissa has resulted in understatement of other income, profit for the year and sundry debtors by Rs. 2.51 crore.

Orissa Power Generation Corporation Limited (2007-08)

- Non-computation of depreciation on Ash Pond as per accounting policy of the Company resulted in understatement of depreciation and overstatement of fixed assets and profit by Rs. 2.03 crore.

IDCOL Kalinga Iron Works Limited (2007-08)

- The normal practice of the Company with respect to scrap valuation overstated the profit to the tune of Rs. 1.02 crore.

GRIDCO Limited (2008-09)

- Non-recognition of income from interest on long term loans granted to distribution companies resulted in understatement of profit and interest accrued on loan by Rs. 93.39 crore.

1.47 Similarly, two[*] working Statutory corporations forwarded their two accounts to the Accountant General during the year 2008-09. Both the accounts were selected for supplementary audit. The details of

[*] Orissa State Financial Corporation and Orissa State Warehousing Corporation

aggregate money value of comments of Statutory Auditors and CAG are given below.

(Amount: Rupees in crore)

Sl. No	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.20	2	0.29	1	0.74
2.	Non-disclosure of material facts	1	4.63	1	0.60	--	--
3.	Errors of classification	--	--	2	17.96	--	--

1.48 During October 2008 to September 2009, the Statutory Auditors had given qualified certificates for two accounts. There was no instance of non-compliance with AS in the two accounts.

1.49 Some of the important comments in respect of accounts of Statutory corporations are stated below.

Orissa State Warehousing Corporation (2006-07)

- Non-provision of the arrear in respect of Dearness allowance payable to the employees of the Corporation has resulted in understatement of establishment charges, other liabilities and overstatement of profit by Rs. 65.54 lakh.
- Liability due to disallowance of insurance claim of Rs. 54.23 lakh is lying unadjusted since long and no settlement has been made by the Corporation.

1.50 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 17 companies[£] for the year 2007-08 and 18 companies[µ] for the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Annexure 2
1.	Non-fixation of minimum/ maximum limits of store and spares	11	A-2,5,6,7,12,19,20,24 & 25 C-24 & 33
2.	Absence of internal audit system commensurate with the nature and size of business of the company	18	A- 2,3,4,5,6,7,12,13,15,19, 22,25,27,28,29 & 30 C- 3 & 6

£ Sl. No.A- 2,3,4,5,6,7,11,12,13,19,20,25,27,28 &29 and C- 24 & 33 of Annexure 2.
µ Sl. No.A- 2,3,4,5,6,7,12,13,15,19,22,24,25,28,29 & 30 and C- 3 & 6 of Annexure 2.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as *per* Annexure 2
3.	Non-maintenance of cost record	5	A- 4,7,13 & 19 C- 24
4.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	15	A- 2,4,5,6,7,11,12,13,15,19, 24, 29 & 30 C- 24 & 33

Recoveries at the instance of audit

1.51 During the course of audit in 2008-09, recoveries of Rs. 1.10 crore were pointed out to the Management of Orissa Power Transmission Corporation Limited, of which recoveries of Rs. 0.20 crore were admitted by the Company. An amount of Rs. 0.20 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

1.52 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Orissa State Financial Corporation	2007-08	NA	NA	NA
2.	Orissa State Warehousing Corporation	2004-05	2005-06	The accounts for the year 2005-06 have not been adopted in the Annual General Meeting (AGM) by the Corporation (September 2009).	
3.	Orissa State Road Transport Corporation	2005-06	NA	NA	NA

Delay in placement of SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature.

Disinvestment, Privatisation and Restructuring of PSUs

1.53 The State Cabinet accepted (August 1996) the recommendations of the Cabinet Sub-Committee formed (October 1995) for 34 Public Sector Enterprises (PSEs) for disinvestment/ privatisation/ restructuring/ liquidation. The private investors, however, did not show much interest and little progress was made on reforms. As per the record notes of discussions held (15 April 1999) between the Union Ministry of Finance and the State Government for a fiscal reform programme, the State Government was to take up a time bound reform programme for disinvestment and restructuring of certain State level PSEs. A Task Force on Public Enterprises Reform was constituted (10 October 2000) for framing a clear policy framework on Public Enterprises Reform. In accordance with the recommendations of the Task Force, the State Government and the Department of Expenditure, Union Ministry of Finance signed (11 October 2001) an MOU to achieve fiscal sustainability in the medium term in accordance with the Orissa Medium Term Fiscal Reform Programme in two phases (first phase 2002-2005 and second phase 2005-2007) which included Public Sector Restructuring Programme. In pursuance of the programme, four State Government companies (viz. IDCOL Cement Limited, IDCOL Rolling Mills Limited, Hirakud Industrial Works Limited and ORICHEM Limited) were privatised through disinvestment of shares during the period December 2003 to May 2007.

The present status (May 2009) of the Reform Programme in respect of other Public Sector Enterprises of second phase (2005-2007) is given below:

Name of the enterprise	**Action to be taken**	**Date by which action to be completed**	**Present status**
IDCOL Piping and Engineering Works Limited	Privatise or close	October 1999*	Assets have been sold.
SN Corporation Limited	Privatise	--	Assets have been sold.
Orissa State Seeds Corporation Limited	Privatise	--	Draft memorandum prepared by the Company and after finalisation in consultation with related Departments will be placed before the Cabinet for approval.
Orissa State Textile Corporation Limited	Close	March 2000*	Action for privatisation was held up as the acquisition of Bhaskar Textile Mills (a unit of the Company) was challenged by the erstwhile owner and the judgment of the Court is awaited.
Kanti Sharma Refractories Limited	Close	--	Compulsory winding up petition has been filed before the Hon'ble High Court on 29 March 2008.
Orissa State Electronic Development Corporation	Close	--	Steps have been initiated to implement the decision of the State Cabinet to close down the Company.
ELMARC Limited	Close	--	All employees have been relieved through VRS. It has been decided to follow the striking off route.
Orissa State Commercial Transport Corporation Limited	Close	--	The land at Baliparbat has been transferred to the Forest Department. Out of 48 lots of movable assets 47 lots have been disposed.

* Included in the first phase.

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
New Mayurbhanj Textiles Limited	Close	--	Assets valuing Rs. 15.65 lakh were sold during 2006-07. It has been decided to dispose of the movable assets at Rs. 1.45 lakh. Steps are being taken to liquidate the Company.
IDCOL Ferro Chrome and Alloys Limited	Privatise	October 1999*	A concrete analysis is to be made to determine the comparative gain if IFCAL is disinvested or not disinvested. The Vision Document submitted by IDCOL to the Industries Department is being analysed.
Kalinga Studios Limited	Privatise	2002-05	All regular employees have been retrenched under the provisions of ID Act and the process for transfer of the land in favour of the Company and also the privatisation process is under progress.
Konark Television Limited	Close	--	The Company is under liquidation.
Orissa Textile Mills Limited	Close	--	The Company is under liquidation
Konark Jute Limited	Privatise	--	Bids have been received for privatisation. The transaction has been stalled due to a legal challenge.
Orissa Agro Industries Corporation Limited	Restructure	--	VRS is being implemented to rightsize the manpower. Cabinet memorandum for restructuring is on the verge of finalisation.
Orissa Cashew Development Corporation Limited	Restructure	--	Manpower restructuring is in progress and 170 employees have already been separated through VRS. The Cabinet memorandum is in the process of finalisation.
Orissa Forest Development Corporation Limited	Restructure	--	Government has approved the restructuring plan. VRS is being implemented to rightsize the manpower. A high power committee under the Chairmanship of the Development Commissioner-cum-Additional Chief Secretary, Orissa is reviewing the implementation of the restructuring plan from time-to-time.
Orissa Lift Irrigation Corporation Limited	Restructure	2002-05	Implementation of the Government approved restructuring plan is in progress.
Orissa Construction Corporation Limited	Restructure	--	Implementation of Government-approved restructuring plan is in progress.
Orissa Bridge & Construction Corporation Limited	Restructure	--	Restructuring plan is under process to obtain Government approval. Manpower restructuring is in progress and 177 employees have been relieved through VRS. Steps are being undertaken to make the Company sustainable.
Orissa State Handloom Development Corporation Limited	Close	--	The Company is under liquidation.

* Included in the first phase.

Name of the enterprise	Action to be taken	Date by which action to be completed	Present status
Orissa Instruments Company Limited	Close	--	The admitted liabilities are Rs. 57.36 lakh. IDCO has been requested to clear the pending dues.
Orissa State Leather Corporation Limited	Close	--	The AGM for passing winding up resolution will be convened after BoD is reconstituted.
Orissa State Financial Corporation	Restructure	2002-05	The restructuring plan has been approved. VRS is being implemented for surplus employees and organisational restructuring is in progress.

Reforms in Power Sector

1.54 The State has Orissa Electricity Regulatory Commission (OERC) formed in August 1996 under the Orissa Electricity Reforms Act, 1995 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2008-09, OERC issued 67 orders (eight on annual revenue requirements and 59 on others).

1.55 Memorandum of Understanding (MoU) was signed in (June 2001) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in the power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Particulars	Milestone	Achievement as at March 2008
1.	Hundred *per cent* electrification of all villages.	March 2012	Out of 46989 villages, 23045 villages (49 *per cent*) were electrified.
2.	Hundred *per cent* metering of all distribution feeders.	December 2005	Metering of 11 KV feeders has been completed up to 87.8 *per cent*.
3.	Hundred *per cent* metering of all consumers.	December 2005	Out of 95.5 *per cent* consumers metered, 88 *per cent* meters are working.
4.	Transmission and distribution losses will not exceed 34 *per cent*, which have to be brought down to 20 *per cent*.	2010	Transmission loss at 4.6 per cent and distribution loss at 45.5 *per cent.*
5.	Establishment of State Electricity Regulatory Commission.	April 1996	Established in August 1996.

In the absence of updated data from the State Government (Energy Department), the actual progress made so far in the above matter could not be ascertained.

Discussion of Audit Reports by COPU

1.56 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2005-06	4	17	1	0
2006-07	4	21	0	1
2007-08	5	20	0	0
Total	**13**	**58**	**1**	**1**

1.57 The matter relating to clearance of backlog of reviews/ paragraphs was also discussed with Chief Secretary/ Finance Secretary in January 2009 and Chairperson of COPU in April 2008, July 2008 and August 2009.

Chapter II

2. Performance review relating to a Government company

Orissa Hydro Power Corporation Limited

Operation and Maintenance Activities

Executive summary

In pursuance of the Orissa Electricity Reforms Act, 1995, the Company was incorporated in April 1995 with the main objective of carrying on the generation of hydropower and maintenance of hydro power stations. It has six hydro power stations with aggregate installed capacity of 1,877.50 MW besides share of 34.50 MW in Machkund Hydro Power Station, a joint venture project. The peak hour and off-peak hour demand in the State for the year 2008-09 was 3,021 MW and 1,931 MW respectively against which the installed capacity of power in the state was 2,332 MW. During 2008-09, the total energy drawal was 19,398 MU from different sources including 5,692 MU from hydel power. The Operation and Maintenance activities of the Company were reviewed to assess the adequacy in planning of the Company with regard to future requirement, utilisation of generating capacity as well as water resources in an economical, efficient and effective manner, generation of energy upto the optimum level, timely Renovation, Modernisation and Uprating of the existing units and reservoirs and adequacy of internal control and management of various activities.

Planning of the Company with regard to future requirement

The Government of Orissa (GoO) identified (August 2007) nine hydro power projects of 1,500 MW installed capacity through joint venture with National Hydro Power Corporation Limited and the Company on which further action is awaited. Though the Company planned for capacity addition of 2,171 MW during the Eleventh Plan period in four projects, extension of Balimela Hydro Electric Project (BHEP) (150 MW) was completed by January 2009 and the possibility of addition of balance 2,021 MW during the Eleventh plan period is remote. Further, the capacity addition of 320 MW planned to establish Sindol I, II, III hydro power projects is not executed as Detailed Project Report has not been prepared so far (September 2009). There was unfruitful capacity addition at a cost of Rs. 206.07 crore in BHEP and wasteful expenditure of Rs. 37 crore on Potteru Small Hydro Electric Project.

Utilisation of generating capacity and water reservoir

Though, the achievement against target of the Company for generation was satisfactory yet, the actual generation in four generating stations was less than the design energy resulting in loss of Rs. 71.63 crore. The machine availability of the Company during 2004-09 ranged between 62.75 and 93.90 per cent. Due to non-availability of normative machine hours the Company failed to recover capacity charges of Rs. 15.52 crore during 2005-09 besides non-receipt of incentive of Rs. 16.98 crore from GRIDCO Limited. The Company sustained avoidable generation loss of 4,274 MU valued at Rs. 156.05 crore during 2004-09. As against availability of 2,72,727 MCM of water for generation, the Company could utilise only 1,39,779 MCM (52.25 per cent). The Company did not claim Rs. 28.49 crore from 18 industrial units towards drawal of water from the reservoirs during 2004-09.

Generation of energy upto optimum level

The gross generation during 2004-09 ranged between 5,030 MU and 7,850 MU. The auxiliary consumption was excess by 19.66 MU over the norms fixed by CERC resulting in loss of Rs. 42.44 lakh. The transformation loss was in excess of the norm by 355.28 MU resulting in loss of Rs. 13.39 crore.

Renovation, Modernisation and Uprating (RMU)

The Company did not make any plan for RMU of five units of BHEP which outlived their normal economic life. The upgradation of one unit of Hirakud Power System (HPS), Burla was not effective resulting in generation loss of 6.06 MU per annum. Due to indecisiveness of the Company, the RMU of unit 5 and 6 of HPS, Burla and unit 3 of HPS, Chipilima was not completed till date (July 2009).

The Operation and Maintenance (O&M) expenses was excess over the norms fixed by Orissa Electricity Regulatory Commission (OERC) which ranged between Rs. 12.36 crore and Rs. 94.13 crore during 2006-09. The Company had not standardised the formats for the monthly performance reports and load reports.

Internal Control and Management

The Company failed to comply with CEA regulations with respect to installation and operation of meters. It sustained interest loss of Rs. 3.07 crore during 2004-09 due to blockage of fund in excess inventory. The contract management, environment management and internal control system of the Company was also inadequate. The manpower management of the Company was deficient since its technical manpower position was less than the norms while the non-technical manpower position was higher than the norms fixed in the National Electricity Plan of April 2007.

Conclusion and Recommendations

Proper planning by the Company could have enabled it for capacity addition of 2,341 MW. With proper preventive maintenance and water management, the Company could have generated 9,064 MU during 2004-09. The review contains five recommendations which includes increasing the installed capacity and reducing operating and maintenance expenditure.

Introduction

2.1 In Orissa, the peak hour and off-peak hour demand for the year 2008-09 was 3,021 MW and 1,931 MW respectively against which the installed capacity of power in the State was 2,332 MW. In addition the State's share in central sector power stations was 905 MW. During 2008-09 total energy drawal was 19,398 MU from different sources including 5,692 MU of hydel power.

The Orissa Hydro Power Corporation Limited (Company) was incorporated (21 April 1995) in pursuance of the Orissa Electricity Reforms Act, 1995 with the main objective of carrying on the generation of hydro power and maintenance of hydro power stations in the State. As on 31 March 2009, the Company had six* hydro power stations with an aggregate installed capacity of 1,877.50 MW. Besides, the Company also has a share of 34.50 MW in

* Balimela (360 MW – excluding 150 MW earmarked for peak hour demand), Hirakud Power System consisting of Burla (275.5 MW) and Chipilima (72 MW), Rengali (250 MW), Upper Indravati (600 MW) and Upper Kolab (320 MW).

Machkund Hydro Power Station, which is a joint venture project of the Governments of Orissa and Andhra Pradesh.

The Management of the Company is vested in a Board of Directors (BoD) comprising the Chairman-cum-Managing Director (CMD) and nine Directors appointed by the Government of Orissa (GoO). The day-to-day operations are carried out by the CMD, who is the Chief Executive of the Company, with the assistance of a Company Secretary, Director (Finance and Human Resource Development) and Director (Operation) at the Corporate Office and six Senior General Managers (GMs) stationed at the six hydro power stations.

Scope of Audit

2.2 The Performance Audit conducted during March to June 2009 covered the operational efficiencies of all the six generating units, planned and routine repair and maintenance of generating stations, renovation, modernisation and uprating of generating stations, dam maintenance, operation and maintenance expenditure, inventory management, contract management, water management, manpower management and environment management, relating to the five years ending 31 March 2009.

Audit objectives

2.3 The Performance Audit was conducted with a view to assess whether:

- the planning of the Company with regard to future requirement was adequate and plans were implemented efficiently;
- the Company had utilised the generating capacity as well as water resources in an economical, efficient and effective manner;
- the Company generated energy upto the optimum level;
- the Renovation, Modernisation and Uprating (RMU) of the existing units and reservoirs was taken up timely; and
- the Company's internal control and management was adequate with regard to various activities.

Audit criteria

2.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- Hydro electric potentiality in the state as assessed by Central/State Government authorities and its adequacy in meeting the requirement of the State;
- Five year/annual plans of the State Government and the Company for the period under review, targets and achievements, annual budgets for capital and revenue expenditure;

- Procurement policy and standard principles of material management of the Company;
- Detailed Project Reports (DPRs) and performance reports of power stations;
- Approved policy for repair and maintenance of dams/reservoirs/canals, etc.;
- Central Electricity Authority (CEA) guidelines, orders of Orissa Electricity Regulatory Commission (OERC), Central Electricity Regulatory Commission (CERC) and State Load Despatch Centre (SLDC);
- Study on manpower requirement; and
- Rules and regulations for environment protection.

Audit methodology

2.5 The audit methodologies adopted for achieving the audit objectives with reference to audit criteria were:

- Examination of records of the Company, Department of Water Resources (DoWR) and Energy Department regarding availability of water resources and maintenance of dams and reservoirs;
- Examination of long term as well as short term plans of the Company for generation, renovation and modernisation of units including capacity expansion;
- Scrutiny of records relating to generation, auxiliary consumption and export of power to the grid including Power Purchase Agreements (PPAs), orders of OERC, CERC, CEA, SLDC, etc.;
- Minutes of BoD and agenda papers;
- Scrutiny of monthly/daily performance reports of the units, maintenance reports, unit log books, meter reading statements, etc;
- Scrutiny of records regarding procurement of plant and machinery, equipment, stores and spares and other inputs; and
- Interaction with the Management and issue of audit queries.

Audit findings

2.6 Audit explained the audit scope, objectives and methodology to the Company during an 'entry conference' held on 19 March 2009. Subsequently, audit findings were reported to the Company and the Government in September 2009 and discussed in an 'exit conference' held on 16 October 2009 which was attended by Additional Secretary, Energy Department of the State Government, Director (Finance) and Director (Operation) of the Company. The Government also replied to the audit findings in October 2009.

The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

Long term planning

2.7 Hydro power is cheaper than thermal power. It is non-polluting and hence environment friendly. Thus, there is a need for development of hydro power stations in the State. The total installed capacity of the Company as on 31 March 2009 was 1,877.50 MW. The Government of Orissa identified (August 2007) the potentiality of developing 1,500 MW of hydro power in the State by installing nine[#] hydro power projects through joint venture with the National Hydro Power Corporation Limited (NHPC) and the Company as partners. Further action on these projects is awaited (August 2009).

The Company planned for capacity addition of 2,171 MW during the Eleventh Plan period in four projects comprising of extension of projects by 171 MW and establishment of a thermal power plant for 2,000 MW through a joint venture project with Orissa Mining Corporation Limited. Out of this, only the extension of Balimela Hydro Electricity Project (150 MW) was completed by January 2009. Thus, the possibility of addition of balance 2,021 MW during the Eleventh Plan period is remote. The Company, however, invested Rs. 1.26 crore in OTPCL up to March 2009 and Rs. 10.01 crore in another joint venture company viz. Baitarni West Coal Company Limited, which will provide coal to OTPCL for running the thermal power plant.

In addition to above, the GoO planned (1994) for capacity addition of 320 MW through establishment of hydro power (run-of-the-river) projects at Sindol-I at Deogaon (100 MW), Sindol-II at Kapasira (100 MW) and Sindol-III at Godhaneswar (120 MW) at a cost of Rs. 674.85 crore, Rs. 818.28 crore and Rs. 938.57 crore respectively. The Company, however, prepared a part of the detailed draft project report (DPR) on Sindol-I only in April 2009 and decided (May 2009) to request the DoWR to invite offers for selection of agencies for preparation of DPRs on the other two units. The works have not been awarded so far (September 2009).

Despite availability of hydro potential and demand for power in the State, the Company did not take proactive steps for capacity addition.

From the above it can be construed that in view of availability of hydro potential as well as requirement of power in the State, there was ample scope for the Company to take proactive steps for capacity addition through establishment of new projects.

In the exit conference the Government accepted that due to financial and other constraints there was delay in implementation of the long term plan for capacity addition.

[#] Baitarni, Baramula, Khadaga (Tributary of Tel), Lower Vansadhara, Mahanadi-Brahmani Link, Middle Kolab, Salki, Tel Integrated Project and Uteiroul (Tributary of Tel).

Unfruitful capacity addition

2.8 Extension of Unit-7 and 8 of Balimela Hydro Electric Project (BHEP) (150 MW) was completed and synchronised on 23 December 2008 and 23 January 2009 at a cost of Rs. 206.07 crore as against the estimated cost of Rs. 90.76 crore sanctioned by CEA (January 1992). The work was proposed to be completed by 2001-02. The time overrun of seven years resulted in cost overrun of Rs. 115.31 crore. The Surlikonda barrage did not have sufficient capacity to accommodate the discharged water of all the eight generating units of 510 MW of BHEP. Thus, the pond capacity of the Surlikonda barrage was to be increased to 216 Hecto Acre Meter (HAM) for which tentative provision for Rs. 9.07 crore was estimated (January 2001) for completion of the work before or along with commissioning of the units. The estimate was revised (2007-08) to Rs. 20 crore. Since the Company decided not to increase the capacity of the Surlikonda barrage, there was no capacity addition despite expenditure of Rs. 206.07 crore.

There was no capacity addition despite expenditure of Rs. 206.07 crore.

The Management stated (October 2009) that since the present capacity can hold water for full generation of 510 MW for three hours there was no need for incurring additional expenditure in increasing the reservoir capacity.

The reply is not convincing as the project report states that the Surlikonda barrage could accommodate discharged water of 510 MW for one hour and fifty minutes only and normal peak hours are six hours. Thus, the Company will not be able to run the unit at full capacity and the expenditure of Rs. 206.07 crore remained partly infructuous.

Wasteful expenditure on Potteru Small Hydro Electric Project

2.9 The Potteru Small Hydro Electric Project (PSHEP) consisting of two canal-based power houses in Malkangiri district was transferred (April 1996) from the GoO to the Company at a cost of Rs. 14.30 crore before completion of the project consequent to unbundling of the Orissa State Electricity Board. As a part of capacity addition (6 MW) during the Eleventh Plan, the Company spent Rs. 22.70 crore during April 1996 to March 2009 for completion of the project without assessing the availability of water in Surlikonda barrage for running the project. Due to non-availability of water, high cost of generation of power, naxal menace and difficulty in evacuation of power owing to right of way problem, etc. the BoD decided (March 2007) to get the approval of the GoO for disposal of the unit. In the meantime, the Company received (May 2009) an offer from Perfect Energy, Jabalpur (Madhya Pradesh) towards (i) outright purchase of PSHEP at a price of Rs. 1.20 crore, (ii) hire purchase of the project on payment of Rs. 12 lakh per annum for a period of 10 years and (iii) lease of the project on payment of lease rent of Rs. 0.20 lakh per month for a period of five years. While the above proposal was under consideration of the Company, the BoD again decided (July 2009) to request the GoO for grant of permission for disposal of the project.

The Company incurred wasteful expenditure of Rs. 37 crore due to taking up the project without assessing the availability of water.

Audit observed that taking up the project without assessing the availability of water in Surlikonda barrage and feasibility of the project resulted in wasteful expenditure of Rs. 37 crore. The Management accepted the audit findings in the exit conference.

Design Energy

2.10 As per Government of India (GoI) notification of June 1992 the Design Energy (DE) is the quantum of energy which could be generated in a 90 *per cent* dependable[#] year with 95 *per cent* availability of installed capacity of the station. The DE set out in the Techno Economic Clearance (TEC) of the CEA was to be considered for fixation of tariff. The DE of the Company was considered at 5676 MU[ℜ] for all stations.

The OERC desired (June 2005) that the reassessment of DE should be done by the Company as there were changed circumstances like less availability of water, changed use of water for irrigation and industrial drawals, etc. Accordingly, the Company appointed (October 2006) Spatial Planning and Analysis Research Centre Private Limited (SPARC) to carry out the job of reassessment of DE of the Company. SPARC revised the DE to 4,903.63 MU[φ] against the existing DE of 5,676 MU. As the re-determination of DE had an important bearing on determination of retail tariff, the OERC decided (March 2009) that the revised DE was to be considered later only after verification of the data.

Audit observed the following:

- There was lack of uniformity in the period of hydrological data adopted for reassessment of DE of the five power stations which varied from 24 to 40 years.
- SPARC adopted the hydrological data for those years also in which there was abnormally low rainfall due to which the assessment of DE was at a lower figure of 4,903.63 MU though the average generation of the Company during the past five years ending March 2009 was 6,491 MU.
- The formula adopted for determination of head was not uniform for all the units. Further, consideration of head for computation of generation in four hydro power stations (except Hirakud Power Station) was below the rated head at which generation is not possible.

[#] The year in which the annual energy generation has the probability of being equal to or in excess of 90 *per cent* of the expected period of operation of the scheme.

[ℜ] HPS-1,174 MU, RHEP-525 MU, UKHEP-832 MU, BHEP-1,183 MU and UIHEP-1962 MU.

[φ] HPS-957.43 MU, RHEP-669.96 MU, UKHEP-643.86 MU, BHEP-928.56 MU and UIHEP-1703.82 MU.

DE assessed by SPARC needs to be re-examined since it has an important bearing on the fixation of retail tariff.

Thus, the DE assessed by SPARC needs to be re-examined early since it has an important bearing on the fixation of retail tariff.

The Management stated in the exit conference that OERC was re-examining the data submitted by SPARC. It further stated that the facts mentioned by audit would be re-examined.

Operational performance

Targets and achievements

2.11 As per the provisions of the Electricity Act, 2003, Central Electricity Authority (CEA) seeks the unit-wise proposed target of generation of each hydro power station of the Company. Considering the availability of water and machines, the Company submits unit-wise annual generation targets, based on which CEA fixes the unit-wise annual generation targets. The Company also fixes unit-wise monthly targets of generation considering availability of water and machines as well as anticipated grid demand in consultation with SLDC for short periods ranging from 4 to 30 days. The tariff of power generated by the Company is, however, fixed by the OERC considering the saleable design energy[&] which is 99 *per cent* of the design energy.

The following table depicts the generation targets fixed by CEA and by the Company vis-à-vis design energy (DE) and the actual generation thereagainst for the five years ending 31 March 2009.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	Total
	(In million units)					
DE	5,676	5,676	5,676	5,676	5,676	28,380
Saleable Design Energy fixed by OERC[&]	5,619	5,619	5,619	5,619	5,619	28,095
A. Targets						
Targets as per:						
CEA	5,307	5,349	5,495	5,664	6,060	27,875
Own[∉]	7,317	5,223	7,754	7,895	5,136	33,325
Percentage of CEA's target to DE	***93.50***	***94.24***	***96.81***	***99.79***	***106.77***	***98.22***
Percentage of own target to:						
DE	128.91	92.02	136.61	139.09	90.49	117.42
CEA	137.87	97.64	141.11	139.39	84.75	119.55
B. Achievements						
Gross generation	6,868	5,030	7,198	7,850	5,802	32,748
Percentage of achievement to:						
DE	121.00	88.62	126.81	138.30	102.22	115.39
CEA	129.41	94.04	130.99	138.59	95.74	117.48
Own	93.86	96.30	92.83	99.43	112.97	98.27

[&] Design Energy *less* one *per cent* towards auxiliary consumption and transformation loss.

[∉] These are aggregate short term targets.

Audit observed the following:

- The achievement against the target of the Company was generally satisfactory.
- During the years 2004-05 to 2007-08, the targets fixed by CEA was less than the DE which ranged between 93.50 and 99.79 *per cent*.
- The Company's own target in the years 2005-06 and 2008-09 was 92.02 and 90.49 *per cent* of the DE respectively.

There was loss of revenue of Rs. 71.63 crore since actual generation was less than the saleable DE.

- The tariff of the Company is fixed by the OERC taking into account the saleable design energy of the individual generating stations. In four generating stations, the actual generation was less than the saleable DE fixed by OERC for calculation of tariff. This has resulted in loss of revenue to the extent of Rs. 71.63 crore[#].
- The target fixed for Chipilima power house ranged between 88 MU and 219 MU for the last five years and the achievement ranged between 29 MU (May 2004) and 194 MU (February 2009) against the installed capacity of 72 MW (631 MU). The reasons for fixation of low target was not on record and remedial measures were not taken to augment the generation of the unit.

Capacity utilisation

2.12 During 2005-06, the OERC introduced two part tariff for sale of energy from Upper Indravati Hydro Electric Project (UIHEP) and for other hydropower stations from 2007-08. As per two part tariff, the Company was eligible to receive incentive (capacity charges) from GRIDCO Limited when the capacity index (machine availability) exceeded 85 *per cent* of the power station and the incentive could accrue up to a maximum capacity index of 100 *per cent*. The machine availability of the Company ranged between 62.75 and 93.90 *per cent* during the five years ending 2008-09.

Audit observed the following:

- The shortfall in normative machine availability in HPS, Rengali Hydro Electric Project, Upper Kolab Hydro Electric Project and UIHEP was for five years, three years, two years and one year respectively during the five years ending March 2009.
- The reasons for such shortfall in machine availability, as analysed in audit, was due to weed problem as well as keeping the units under Renovation, Modernisation and Uprating (RMU) for a period of 57 months in HPS and abnormal forced outages. The Company, however, did not take adequate steps to increase the machine availability.

[#] HPS: Rs. 53.51 crore during 2004-05 to 2008-09, BHEP: Rs. 2.87 crore during 2005-06, UKHEP: Rs. 2.91 crore during 2005-06 and UIHEP: Rs. 12.34 crore during 2005-06.

The Company failed to recover capacity charges of Rs. 15.52 crore besides non-receipt of Rs. 16.98 crore during 2005-09.

- Due to non-availability of normative machine hours, the Company failed to recover capacity charges of Rs. 15.52 crore during the period 2005-06 to 2008-09.
- The Company was eligible to receive incentive of Rs. 16.98 crore for machine availability above 85 *per cent* during the years 2006-07 to 2008-09 against which no amount was recovered from GRIDCO Limited so far (July 2009).

The Government stated (October 2009) that there was no financial loss to the Company as all the stations taken together generated the DE and recovered the Annual Revenue Requirement. The reply is not convincing as there was shortfall in achievement of DE in some of the units due to which the Company was not able to recover the capacity charges in these units.

Planned and forced outages

2.13 In order to optimise the generation of power from the hydro power stations it is imperative on the part of the Company to undertake planned maintenance of the plants as per the schedule recommended by the OEM. Failure on the part of the Company to undertake planned maintenance results in forced outages of the plants and machinery resulting in loss of generation. Though the Company fixed a norm of 30 days (720 hours) for annual maintenance of its generating units, no norm was fixed for monthly and quarterly maintenance.

Audit observed that there was delay in completion of annual maintenance of generating units ranging from 22 to 1,563 hours beyond the norms fixed by the Company resulting in loss of generation of 381 MU valued at Rs. 14.43 crore during the five years ending 31 March 2009. Further, as against 1010 monthly, 96 quarterly and 103 annual maintenance operations planned, the actual maintenance carried out by the Company was only 320, 36 and 59 respectively.

The unit-wise planned and forced outages of the generating stations of the Company during the last five years ending 31 March 2009 are shown in the following table.

Sl. No.	Name of the unit	Annual available hours for generation	Forced outage (in hours)	Planned outage for maintenance (in hours)	Percentage of forced outage to annual available hours	Percentage of planned outage to annual available hours
1	UIHEP	1,75,200	1,827	23,894	1.04	13.64
2	RHEP	2,19,000	23,510	17,539	10.74	8.00
3	HPS(Burla)	3,06,600	28,472	56,723	9.29	18.50
4	HPS(Chipilima)	1,31,400	43,963	40,762	33.46	31.02
5	UKHEP	1,75,200	11,945	10,906	6.82	6.22

Sl. No.	Name of the unit	Annual available hours for generation	Forced outage (in hours)	Planned outage for maintenance (in hours)	Percentage of forced outage to annual available hours	Percentage of planned outage to annual available hours
6	BHEP	2,66,806	7,548	25,578	2.83	9.59
	Total	**12,74,208**	**1,17,265**	**175,402**	**9.20**	**13.77**

It can be seen from the above table that as against the total available 12,74,208 hours, the total forced outages and planned outages of the Company were 1,17,265 (9.20 per *cent*) and 1,75,402 hours (13.77 *per cent*) respectively during the five years ending March 2009.

The Company sustained avoidable generation loss of 4,274 MU worth Rs. 156.05 crore due to forced outage of 1.17 lakh hours.

The reasons for such high forced outages were mainly attributed to turbine problem (121 times), failure of generator (110 times), protection equipment (186 times) and others (270 times) like excitation problem, stator earth fault, insulator failure of stator winding, intake gate problem, abnormal water/oil leakage in turbine pit, etc., along with lack of internal control measures like non-availability of instruction manual for periodic maintenance of plants and machineries and non-maintenance of history sheets of generating units. Had there been proper preventive maintenance, the forced outages could have been reduced. The Company sustained avoidable generation loss of 4,274 MU worth Rs. 156.05 crore due to forced outage of 1.17 lakh hours.

The Government stated (October 2009) that the shutdown time of 13.62 *per cent* is within the prescribed limit of 15 *per cent*. The reply is not convincing as the actual shutdown time was 22.97 *per cent*.

Evacuation of power

2.14 Power generated from hydro power stations is evacuated through 132 KV /220KV feeders of the switchyard. OERC (2008) observed that evacuation of power from Burla Power House was not effective since capacity of the feeders was only 220 MW, whereas the generation was 275 MW. The BoD proposed (May 2009) for renovation and modernisation of the 132 KV switchyard of Burla Power House and Chipilima Power House at an estimated cost of Rs. 7.10 crore and Rs. 5.96 crore respectively.

The above proposal covered replacement of 132 KV switchyard equipments. Due to non-replacement of those equipments there was unreliability in the operation system, several instances of malfunctioning ranging from 60 to 100 trippings per month and bursting incidents in the switchyard, which resulted in outage of the unit for a longer period of time.

The Management stated (October 2009) in the exit conference that the renovation of the switchyard was in progress.

Loss of generation due to standby hours during monsoon period

2.15 During the monsoon period (July to October) of each year there was neither any constraint in terms of availability of water nor was there any restriction from SLDC for generation of power. The Company, however, did not operate the units to their optimum capacity for reasons not on record. The following table indicates the running hours and standby hours for generation during July to October of each year for the five years ending March 2009.

Name of the Power Station	Standby hours	Running hours during monsoon	Total available hours during monsoon	Percentage of standby hours to total available hours	Loss of generation due to standby hours (in MU)
UIHEP	15,135	39,690	54,825	27.61	1,929
RHEP	11,654	53,364	65,018	17.92	841
HPS	5,967	76,060	82,027	7.27	194
UKHEP	22,370	26,547	48,917	45.73	1,521
BHEP	20,060	57,933	77,992	25.72	1,023
Total	**75,186**	**2,53,594**	**3,28,779**	**22.87**	**5,508**

The Company sustained loss of Rs. 164 crore during 2004-09 on account of keeping the machine idle during monsoon period.

It can be seen from the table above that the Company could not utilise 22.87 *per cent* of the total available hours for generation during the monsoon period despite availability of water and machines, which resulted in loss of generation of 5,508 MU during the five years ending March 2009 considering a load factor of 85 *per cent*. Audit observed that considering the value of 718 MU received by way of capacity charges, the Company sustained loss of Rs. 164 crore for the balance 4,790 MU.

The Government stated (October 2009) that due to restrictions imposed by SLDC, there was less generation during the monsoon period. The reply is not convincing as there were no recorded reasons to confirm the views expressed by the Management.

Water management

2.16 The depth of the reservoir and height of the dam determines the water holding capacity of the reservoir. Flow of water from the catchment areas, however, results in silt deposition and thereby reduces the depth of the reservoir leading to reduction in water holding capacity. Further, availability of water is not uniform throughout the year. Thus, conservation of water in the reservoirs for usage in the months of scarcity is of paramount importance. The deficiencies noticed in usage of water and desiltation of reservoirs are discussed in the following paragraphs.

Utilisation of water

2.17 The Company generates power by drawing water from five reservoirs located at different parts of the State. Only UIHEP reservoir is under the control of the Company while the other four reservoirs are under the control of DoWR. The Company is free to use water from the UIHEP reservoir as per its requirement subject to restrictions imposed by the District Administration for flood control. Usage of water from the other reservoirs is regulated by the Water Co-ordination Committee[#] (WCC). The details of reservoir-wise and year-wise inflow of water and its usage during 2004-09, as furnished by the Company and DoWR, were as follows:

(Figures are in million cubic meters-MCM)

Year	Total water available	Loss of water due to evaporation	Water used for domestic and irrigation purposes	Water drawal by industries[*]	Dead storage[∇]	Water available for generation	Water used for generation of power
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7) (2-3-4-5-6)**	**(8)**
2004-05	56,014.66	1,353.58 (2.42)	2,722.35 (4.86)	91.33 (0.16)	3,809.84 (6.80)	48,037.56 (85.76)	26,640.05 (55.46)
2005-06	62,901.45	1,370.99 (2.18)	2,874.11 (4.57)	91.33 (0.16)	3,809.84 (6.06)	54,755.18 (87.05)	23,978.13 (43.79)
2006-07	66,144.58	1,479.26 (2.24)	3,643.38 (5.51)	91.33 (0.16)	3,809.84 (5.76)	57,120.77 (86.36)	26,359.54 (46.15)
2007-08	73,618.08	1,429.10 (1.94)	3,226.99 (4.38)	91.33 (0.16)	3,809.84 (5.18)	65,060.82 (88.38)	32,770.90 (50.37)
2008-09	55,682.27	1,278.01 (2.30)	2,750.72 (4.94)	91.33 (0.16)	3,809.84 (6.84)	47,752.37 (85.76)	30,029.92 (62.89)
Total	**3,14,361.04**	**6,910.94 (2.20)**	**15,217.55 (4.84)**	**456.65 (0.15)**	**19,049.20 (6.06)**	**2,72,726.70 (86.75)**	**1,39,778.54 (51.25)**

N.B. Figures in bracket indicate percentage with respect to Column-2, except Column-8 where percentages are with reference to Column-7.

It would be observed from the above table that during the period 2004-09, the percentage of total water available in the reservoir to water available for generation ranged from 85.76 to 88.38. In this context, audit observed the following:

- As against availability of 2,72,727 MCM of water for generation during 2004-09, the Company could utilise only 1,39,779 MCM and the percentage of utilisation was only 51.25. The Management, however, had not analysed the reasons for such low utilisation. Audit

[#] Comprised of officers of DoWR, GRIDCO Limited and the Company.
[*] Data in respect of HPS and UKHEP only since the data of RHEP, BHEP and UIHEP were not furnished by the DoWR or by the Company.
[∇] Dead storage is the total storage below the invert level of the lowest discharged outlet from the reservoir.

analysis indicated that factors like high percentage of forced outage, stand-by machine hours and poor maintenance of the water conductor system were responsible for such low utilisation of water.

- No flow meter was installed to measure the water utilised by the Company as well as the industrial consumers and measurement was taken on estimation basis.
- The use of water by industrial consumers was not taken into account by the WCC while allocating water from the reservoirs.
- The evaporation loss during the period 2004-09 was 6,911 MCM which constituted 2.20 *per cent* of total availability of water. The Company, however, did not take any remedial measure to reduce the loss by catchment area treatment and watershed management.

The Management stated in the exit conference that the figures mentioned by audit would be re-examined and steps would be taken for treatment of catchment area, installation of flow meters, etc. in consultation with DoWR.

Drawal of water by industrial units

The Company had not yet claimed Rs. 28.49 crore towards drawal of water by industrial units during 2004-09.

2.18 During the period 2004-09, 19[*] industrial units drew 457 MCM of water from the reservoirs of HPS and UKHEP. Since drawal of water by industrial units affected power generation, the GoO, while according permission to those industrial units to draw water from the reservoirs, directed them to compensate the Company towards loss of generation at the prevailing rate of cost of power. Audit, however, observed that the Company computed loss of generation as 0.50 MU *per annum* in respect of only one[♥] industrial user and received (April 2008) compensation of Rs. 15 lakh. In the remaining cases, the Company had neither calculated the amount of compensation nor raised any claim (May 2009). As per computation made in audit, the Company was to receive Rs. 28.49 crore from 18 industrial units against drawal of water from the reservoirs during 2004-09.

The Government stated (October 2009) that allotment of water to industrial concern is looked after by DoWR, hence the matter is to be taken up with DoWR. The reply is, however, silent about the non-recovery of dues.

Sedimentation in reservoirs

2.19 Sedimentation in reservoirs leads to increase in spread of water body resulting in increase in evaporation loss as well as submergence of flora and fauna. The loss of vegetation in the upper reaches leads to increase in soil erosion and thereby increases the rate of flow of silt into reservoirs which also results in reduction of live storage capacity[$] of the reservoir. The OERC

[*] In 2004-05: 14, 2005-06 and 2006-07: 17 and from 2007-08 to 2008-09: 19.

[♥] Rathi Steel and Power Projects Limited who drew 17.52 MCM in two years

[$] The quantum of water between full reservoir level and minimum draw down level.

advised (July 2008) the Company to maintain the water conductor system regularly and to develop an efficient co-ordination mechanism in consultation with the Forest and Environment Department and DoWR for reduction of siltation by proper conservation of the catchment areas and the foreshore of the reservoirs so that generation could be maintained with effective utilisation of water. The Company, however, did not take up the matter with the Forest and Environment Department and DoWR so far (July 2009).

The Company could not generate 170.428 MU of power worth Rs. 7 crore due to failure to check sedimentation in HPS.

The sedimentation study in respect of the reservoirs of UIHEP and HPS only had been done in 2005 and 2007. In respect of UIHEP, the study revealed that the live storage capacity of the reservoir had been reduced from 1,455.76 MCM in 1995 to 1415.78 MCM in 2005 and from 5,842.88 MCM to 5,153.89 MCM in respect of HPS during the period. Considering the further yearly sedimentation of 4 MCM in UIHEP and 44.38 MCM in HPS per year there was total capacity loss of 882.10 MCM in these two reservoirs as of March 2009. In view of this, the OERC advised (July 2006) for taking up integrated treatment of the catchment and foreshore areas to ensure designed benefits over the life of the project. The Company had been losing 48.38 MCM of water per year from these two power stations which it could have used to generate 170.428 MU of power valued at Rupees seven crore during the five years ended 2008-09. The Company did not take any step to check sedimentation in HPS while steps taken to check siltation of the reservoir of UIHEP were rendered futile.

The Government stated (October 2009) that except UIHEP all other reservoirs are under the control of DoWR, hence the Company had no scope to check the sedimentation. In UIHEP, the Company had initiated steps for annual silt clearance. Further, the afforestation programme involves high cost and thus would be seen at Government level. The fact however, remained that the Company has not taken up the matter with DoWR/Government to check the sedimentation.

Construction of silt check dam at UIHEP

2.20 The consultant, GMS Power Pack Limited, suggested (July 1995) to construct a silt check dam (SCD) upto the height of the reservoir level (RL) of 640 metre and to excavate a link cut channel into depth of RL 630 metre (upto a total length 1,070 metre) to restrict inflow of silt into the intake channel. The construction of SCD upto RL 628 metre only was completed (December 1998) at a cost of Rs. 2.48 crore. The balance work was awarded (December 1998) to DD Builders Limited for an agreed sum of Rs. 11.15 crore with stipulation to complete it by 12 December 2000. The contractor completed (June 2002) construction of SCD upto RL 640 metre and intake channel into depth of RL 634 metre (total length 405 metre) and claimed Rs. 13.28 crore, out of which Rs. 12.15 crore was paid till date (May 2009).

Audit observed that due to non-excavation of the link cut channel to the required depth of RL 630 metre, the floodwater could not be discharged

Expenditure of Rs. 14.63 crore on SCD remained infructuous.

causing damage to the SCD in July 2003. The Company, however, did not take any step thereafter to repair the SCD nor to excavate the link cut channel up to the required depth. Besides, expenditure of Rs. 14.63 crore on SCD also remained infructuous.

The Government stated (October 2009) that the issue would be discussed in the Board for a policy decision.

Non-payment of water cess

2.21 As per decision (August/November 2001) of the GoO, the Company was to pay water cess for the quantum of water used for power generation at the rate of 5 paisa per Kwh of generation of power by the Company. The Company requested (June 2002) GoO for waiver of water cess since water used for generation was non-consumptive and thus, it was not liable to pay water cess. Though the GoO communicated (July 2002) that water cess would be exempted on the quantum of water used by the Company for generation of power, a final decision has not been taken so far (July 2009).

The Company, however, received claims for Rs. 4,356.41 crore towards water cess from the DoWR from 1996-97 up to March 2009. In the event of the Company eventually having to pay the water cess, it would result in huge loss as the Company would not be able to claim this amount through the ARR.

The Management stated in the exit conference that the matter regarding waiver of water cess would be taken up with DoWR shortly.

Generation performance

2.22 The Company is generating electricity from five power stations located at different parts of the State. The year-wise generation performance of these five units during 2004-09 are tabulated below:

(In million units)

Hydro Power Station	2004-05	2005-06	2006-07	2007-08	2008-09
HPS	844	909	862	981	958
RHEP	750	679	668	983	882
UKHEP	896	624	1026	1075	586
BHEP	1526	1055	1621	1832	1076
UIHEP	2852	1763	3021	2979	2300
TOTAL	**6868**	**5030**	**7198**	**7850**	**5802**

From the above it may be observed that the gross generation during 2004-09 ranged between 5030 MU and 7850 MU. The observations relating to generation performance are given below:-

Excess auxiliary consumption

2.23 The CERC fixed (October 2000) a norm of 0.5 *per cent* for auxiliary consumption[&] of surface hydro power generating stations. Audit observed that the auxiliary consumption of the six hydro power stations was excess by 19.66 MU over the norm fixed by CERC during the five years ending March 2009, resulting in loss of revenue of Rs. 42.44 lakh due to non-inclusion in the monthly energy bills. The auxiliary consumption in UIHEP was, however, within the norms during the period under review. The Company had neither analysed the reasons for excess auxiliary consumption nor taken remedial measures to reduce the same in the other hydro power stations.

Excess transformation losses

The Company sustained loss of Rs. 13.39 crore due to excess transformation loss.

2.24 As per guidelines of the CEA and regulations of the CERC (October 2000) transformation losses should be 0.5 *per cent* of the gross generation. This norm is also considered for fixation of tariff. Audit observed that the percentage of loss was in the range of 0.92 to 4.57 *per cent* of gross generation. As a result, the Company sustained loss of Rs. 13.39 crore due to excess transformation loss of 355.28 MU. The Company did not take remedial measures to restrict the transformation loss within the norms.

Renovation, Modernisation and Uprating

2.25 The Company is having six power houses with 31 generating units. The details regarding the designed capacity, dates of installation and the age of each unit is detailed below:

Name of the power house	No. of units	Date of installation of plants	Design capacity	Age of the plant as on 31 March 2009
HPS, Burla	7	Unit-I to VI: May 1958 to August 1963 Unit- VII: September 1990	2 x 49.5 3 x 37.5 2 x 32	46 – 51 years 18 years
HPS, Chipilima	3	Unit-I to III: August 1962 to February 1964	3 x 24	45 – 47 years
BHEP, Balimela	6	Unit-I to VI: August 1973 to January 1977	6 x 60	32 – 36 years
Balimela Extension	2	Unit-VII to VIII: December 2008 to January 2009	2 x 75	1 year
RHEP, Rengali	5	Unit-I to V: August 1985 to August 1992	5 x 50	17 – 24 years
Upper Kolab	4	Unit-I to IV: March 1988 to January 1993	4 x 80	16 – 21 years
Upper Indravati	4	Unit-I to IV: September 1999 to April 2001	4 x 150	8 – 10 years
Total	**31**		**2027.50**[#]	

[&] Quantum of energy consumed by auxiliary equipment of the generating station.
[#] Excluding 34.50 MW of Machkund power.

2.26 The Government of India set up (1987) a National Committee to formulate a strategy for Renovation, Modernisation and Uprating (RMU) of hydro power generating plants, which identified (February 1987) nine generating plants of HPS for RMU since those plants had already outlived their life expectancy. Based on their recommendation, the RMU works of only six units were completed and commissioned between August 1998 and January 2006.

As on 31 March 2009, out of 31 generating plants of the Company, six plants of BHEP (installed capacity: 360 MW) had already outlived their normal economic life and the age of these plants ranged from 32 to 36 years. The Company did not make any plan for RMU of five units of BHEP. The deficiencies in taking up of RMU works were as follows:

- The Company apprised (January 2006) the OERC that as the RHEP units had not completed 30 years of operation, there was no plan for renovation of these units in the near future.

There was generation loss of 6.06 MU due to ineffective upgradation of HPS, Burla.

- Unit-1 and 2 of HPS, Burla were upgraded (April 1998) from 37.5 MW each to 49.5 MW each. The performance testing of these units revealed that the performance of unit-2 was not satisfactory as it could not conform to the guaranteed turbine efficiency. This indicates that the upgradation was not effective resulting in generation loss of 6.06 MU valued at Rs. 24.91 lakh per annum.
- The RMU of unit-3 and 4 of HPS, Burla was started in October 2002 and August 2002 respectively and completed in January 2006. The Company took 38 and 40 months respectively for RMU of these two units. Due to keeping these units under RMU for more than three years, the generation performance of the Company was adversely affected.
- The BoD decided (June 2000) and approved the proposal of RMU of Unit-5 and 6 of HPS, Burla and Unit-3 of Chipilima for which the Company appointed Metallurgical & Engineering Consultants Limited (MECON) as a consultant. The BoD subsequently decided (February 2007) not to go for RMU and instead recommended for purchase of new equipments since the life of the new machine would be more than 35 years against the life span of about 25 years in case of RMU. The BoD, however, again decided (July 2009) to take up the RMU of these units for which National Hydro Power Corporation Limited has been requested for providing consultancy service. Thus, due to indecisiveness of the Company, the RMU of these units as identified by the CEA (February 1987) has not been completed till date (July 2009).

Consultancy fee paid to MECON of Rs. 0.25 crore became infructuous due to cancellation of contract.

- Since the Company decided not to take up RMU of Unit 5 and 6 of HPS, Burla and Unit 3 of Chipilima it cancelled the contract with MECON. Hence, the consultancy fee paid to MECON for Rs. 24.69 lakh became infructuous.

- The RMU of Unit 1 of Chipilima was completed in 1998. It was noticed (December 2008) that there was oil leakage from oil header of Unit-1 of Chipilima. As in Chipilima for three units only two intake gates (one for Units 1 and 3 and the other for Unit 2) are available, the management could not stop the unit for repair work of Unit-1 as the intake gate was also used for Unit 3. It was observed in audit that during the time of RMU, the Company should have made provision for intake gates for each of the units for better management of these units.

The Management stated in the exit conference that the RMU work of BHEP would be taken up in a phased manner and that of RHEP and HPS, Burla in the next annual maintenance and financial year respectively.

Maintenance of dams/ reservoirs

2.27 The Company draws water from the five reservoirs at Hirakud, Balimela, Rengali, Upper Kolab and Upper Indravati. The dams of those reservoirs except at Upper Indravati are maintained by DoWR while the dam at Upper Indravati is maintained by the Company. The DoWR decided (July 1999) that the Company would reimburse the dam maintenance expenditure at Hirakud, Balimela, Rengali and Upper Kolab at the rate of 33, 50, 46 and 50 *per cent* of the maintenance expenditure to the DoWR while it would reimburse 50 *per cent* of the maintenance expenditure to the Company for the Upper Indravati Dam. It was again decided (January 2003) that the Company would reimburse the dam maintenance expenses from 1996-97 onwards and the salaries of staff related to the dam maintenance only would be considered for such reimbursement. The details of the Company's share of dam maintenance as claimed by DoWR for the period from 2004-05 to 2007-08♣ is given in the following table:

Year	Hirakud	Rengali	Kolab	Balimela	Total
2004-05	264.06	227.09	372.52	159.46	1,023.13
2005-06	501.68	227.36	187.87	153.71	1,070.62
2006-07	679.15	411.27	114.35	188.05	1,392.82
2007-08	528.29	461.14	123.23	195.55	1,308.21
Grand total	**1,973.18**	**1,326.86**	**797.97**	**696.77**	**4,794.78**

The total claim with respect to dam maintenance expenditure for the period of 1996-2008 was not analysed by the Company to ascertain its admissibility. The deficiencies observed in audit are discussed as follows.

♣ Figures for 2008-09 are not available.

2.28 The Company adjusted (March 2008) Rs. 75 crore towards the dam maintenance expenses payable to DoWR for the period from 1996-97 to 2005-06 from the amount receivable from DoWR towards the cost of Upper Indravati Dam. In regard to above, audit observed that the Company did not verify the authenticity of the claim of DoWR towards dam maintenance expenses of Rs. 186.03 crore before reimbursement of the amount to them. Hence, expenditure not related to dam maintenance and excess amount claimed by the DoWR over the actual amount of expenditure relating to Hirakud, Rengali and Balimela dams was reimbursed by the Company which resulted in excess expenditure of Rs. 27.06 crore during 1996-97 to 2005-06. Due to non-availability of records relating to Upper Kolab, the genuineness of the claim of DoWR could not be verified in audit. The claim of the Company towards dam maintenance expenditure from DoWR in respect of Upper Indravati Dam is discussed in Paragraph 2.29.

The Company reimbursed excess amount of Rs. 27.06 crore to DoWR towards dam maintenance.

The Government while accepting (October 2009) the fact stated that the matter was under discussion with DoWR and a joint action committee was in the process of finalisation of guiding principles in this regard.

Non-receipt of dam maintenance expenses of Upper Indravati Dam

2.29 As per decision (July 1999) of the DoWR, the dam maintenance expenses of Upper Indravati Dam incurred by the Company was to be shared equally between the DoWR and the Company. The Company was to raise bills of a financial year by 15 June of the succeeding year on the basis of audited figures. Since the commercial operation of the Upper Indravati units started from September 1999 to April 2001 the Company claimed Rs. 30.24 crore from DoWR for the period 2001-07 against which no payment has been received so far (July 2009).

Dam maintenance expenses of Rs. 37.50 crore remained unrealised from DoWR.

Audit observed that the bills for the years 2003-04 to 2006-07 for Rs. 18.10 crore were raised belatedly in October 2007 though the accounts for the said period were finalised in August 2004, July 2005, July 2006 and July 2007 respectively. Further, the Company did not raise (May 2009) the claim for dam maintenance expenses for Rs. 6.21 crore for the year 2007-08 though the accounts for the year were certified in August 2008.

It was further observed in audit that the Company did not claim Rs. 1.05 crore being 50 *per cent* of the expenditure incurred on electricity charges related to dam maintenance during 2004-05 to 2008-09, for reasons not on record.

The Government stated (October 2009) that the discussions are on to handover the dam to DoWR. The reply is, however, silent about the delay in raising the claims.

Delay in taking up grouting work of Muran dam

2.30 The Dam Safety and Review Panel of DoWR suggested (December 2004) to arrest the leakage of water from Muran masonry and concrete dam of UIHEP through drilling and grouting. The Company belatedly (April 2006) prepared an estimate of Rs. 2.13 crore for drill and grout work for six items of the dam and approved (October 2006) works for two items at a cost of Rs. 68.86 lakh. Due to non-participation of bidders for the works, the work was executed departmentally during January to March 2009. As per the measurement taken (October 2007) by the Company, the rate of leakage of water was 44.19 litres per second. Thus, due to delay in execution of the work from January 2005 to December 2008, there was loss of water of 5.58 MCM which would have generated 4.82 MU of electricity valued at Rs. 23.89 lakh.

Delay in execution of work resulted in generation loss of 4.82 MU valued at Rs. 0.24 crore.

Clearance of weeds in Chipilima Power House

2.31 The Chipilima power house (CPH) having installed capacity of 72 MW, generates power by using water released from the Hirakud power house through a 27 KM long open channel. The generation of power is invariably affected due to choking of weeds in the trash rack of the power house.

The CPH being a base load station was generating around 400 MU *per annum* prior to 1993-94 which had come down to hardly 15 MU *per annum* due to weed menace. The Company tried various temporary measures such as weed cutting and manual weed clearance from the trash rack to eradicate the weed problem but no tangible result could be achieved. The weed menace badly affected the commercial interest of the Company as there was generation loss of 0.24 MU per day valued at Rs. 1.20 lakh. The cumulative revenue loss since inception of the Company was about Rs. 50 crore in spite of incurring expenditure of Rs. 0.89 crore on temporary measures. The Company invited (September 2008) open tender for installation of a Trash Rack Cleaning Machine (TRCM), at a cost of Rs. 6.08 crore. Had the Company tried earlier to tackle the weed menace through mechanical means the loss of generation could have been minimised.

The cumulative revenue loss since inception of the Company was about Rs. 50 crore due to non-clearance of weeds.

The Management stated that many attempts were made to tackle the weed menace but no fruitful solution was achieved and now the installation of TRCM is in progress. The fact, however, remained that there was delay on the part of the Company to tackle the problem through installation of TRCM.

Operation and Maintenance Expenditure

Excess expenditure on operation and maintenance

2.32 The Company files Annual Revenue Requirement (ARR) with the OERC for fixation of tariff for the ensuing financial year and the latter fixes the quantum of operation and maintenance (O&M) expenses as a component of the ARR. Thus, the actual expenditure on O&M expenses was required to be restricted to the amount approved by the OERC. Audit observed that the actual expenditure incurred during 2005-09 was in excess of that approved by the OERC as detailed in the following table.

(Rupees in crore)

Name of power station	2005-06		2006-07		2007-08		2008-09		Total	
	Approved	*Actual*	*Approved*	*Actual*	*Approved*	*Actual*	*Approved*	*Actual*	*Approved*	*Actual*
RHEP	14.36	13.32	14.94	18.88	14.74	21.76	23.10	33.88	67.14	87.84
UKHEP	9.15	9.88	9.52	14.10	13.23	14.46	17.87	23.49	49.77	61.93
BHEP	19.56	24.71	20.34	20.71	26.10	27.04	26.37	57.28	92.37	129.74
HPS, Burla	33.24	30.52	33.53	33.86	33.29	37.05	34.97	61.67	135.03	163.10
UIHEP	37.25	29.65	38.54	41.67	39.88	43.69	41.12	61.24	156.79	176.25
Total	**113.56**	**108.08**	**116.87**	**129.22**	**127.24**	**144.00**	**143.43**	**237.56**	**501.10**	**618.86**
Excess over approved expenditure		**-5.48**		**12.35**		**16.76**		**94.13**		**117.76**

From the above table it can be seen that there was excess O&M expenses against the expenditure approved by the OERC which ranged between Rs. 12.35 crore and Rs. 94.13 crore during 2006-09.

The Government stated that (October 2009) the expenditure incurred was absolutely necessary to keep the machines operational. The fact, however, remained that the actual expenditure was more than that approved by OERC during 2006-09.

Monitoring

2.33 Effective operation and maintenance of generating stations needs regular monitoring by the top management. The Planning and Monitoring Cell at the Corporate office monitors the performance of the unit offices on a monthly basis through the performance reports and load reports sent by the unit offices. Audit observed the following deficiencies in the monitoring system:

- The Company had not standardised the formats of the monthly performance report and load report, as a result data relating to auxiliary consumption, running hours, planned outage, etc. differs from station to station.
- Unit auxiliary consumption and station auxiliary consumption for each of the months was not submitted by BHEP. Similarly, no information on transformation loss was furnished by HPS and RHEP and that on colony consumption was not furnished by HPS in their monthly performance reports.

- BHEP and RHEP did not furnish the machine availability in their performance reports.
- Reservoir data required for effective management of water resources, was not furnished by BHEP in their monthly performance reports.
- In the monthly load reports, the information on availability and use of water by different units were given using different units of measurement in the absence of a prescribed measurement unit.

Financial Management

Non-realisation of cost of generation

The Company sustained loss of Rs. 17.91 crore due to high cost of generation in HPS and UKHEP.

2.34 As per Section 642 read with Section 209 of Companies Act, 1956, the Company being a generating unit is required to maintain cost accounting records in pursuance of GoI notification of December 2001. The Company, however, maintained costing records from 2007-08 onwards. Audit observed that the cost of generation of HPS and UKHEP was Re. 0.76 and Re. 0.28 against the sale price of Re. 0.64 and Re. 0.22 per unit respectively. The high cost of generation was due to high incidence of repair and maintenance as well as administrative and operational expenses as discussed vide Paragraph 2.32. Thus, sale of power at less than cost of generation resulted in loss of Rs. 17.91 crore on sale of 955.78 MU and 1,073.54 MU of HPS and UKHEP respectively in 2007-08.

Metering of energy

2.35 The CEA (Installation and Operation of Meters) Regulations, 2006, *inter alia*, envisaged that each generating station should install 0.2S accuracy class meters. The BoD assessed (September 2006) requirement of 195[*] meters and decided to procure 74 meters of 0.2S accuracy class for installation at interface points. The Company procured (March 2007) 27 meters of 0.2S accuracy class at a cost of Rs. 71.27 lakh for interface points and the remaining 168 meters are yet to be purchased (May 2009) for reasons not on record.

Audit observed that the meter reading could not be taken, since the installed software was not replaced/ modified by the supplier till date (May 2009). Further, the testing of seven[**] meters could not be done due to non-availability of load. Thus, the performance of these meters remained unestablished. The percentage of error in one of the meters installed at BHEP was 0.22 which had not been recalibrated (May 2009).

In test check of 106 existing meters in three units (RHEP, HPS and BHEP), it was noticed that accuracies of 26 meters were inferior (i.e. 1.0 and 0.5 class)

[*] Interface points – 27, stator terminals – 31, HV – 85 and feeders to auxiliaries – 52.
[**] BHEP-3, UKHEP-2, and UIHEP-2.

to the prescribed standard of 0.2S accuracy class. Testing of 99 meters had not been done for 1 to 45 years and the test reports of three meters were not available on record. Further, 71 out of 106 meters were unsealed till May 2009.

The Company failed to comply with the CEA regulations with respect to installation and operation of meters.

Thus, the Company failed to comply with the CEA regulation with respect to installation and operation of meters. In absence of meters of the prescribed class, the accuracy in measurement of generation, auxiliary consumption and transformation loss could not be ensured.

Excess expenses on insurance premium

2.36 The Company executes insurance policy with the insurance companies annually for insurance coverage of its plants and machineries and stores at gross value under standard risks like fire, special peril, flood, etc. During the period 2004-09, the Company paid Rs. 4.57 crore towards insurance premium against the gross value of insured goods for Rs. 4,248.10 crore.

The Company incurred excess expenditure of Rs. 1.40 crore due to insuring at gross value.

Audit observed that the insurance companies settled the claims at net value of the claimed equipment/ stores for Rs. 3,053.28 crore[#]. Thus, insuring those at gross value resulted in excess expenditure of Rs. 1.40 crore. Further, as on 31 March 2009, insurance claims relating to 22 cases with claim value of Rs. 1.66 crore lodged during the period February 1999 to November 2008 was outstanding for settlement, due to ineffective persuasion by the Company.

Inventory Management

2.37 The inventory of the Company mainly comprises of spares for operation and maintenance of the generating units, consumables including oil and lubricants and surplus construction material like steel, cement, building material and cables maintained separately at each hydro power station. Though the Company is in existence from April 1996 it did not frame any 'Procurement Manual' and 'Inventory Management Policy' so far. The BoD observed (August 2003) that due to non-availability of essential spares, there was inordinate delay in bringing the generating units under outage into operation and emphasised the need for strengthening the stores management suitably by creation of a 'Material Management Cell' in the Corporate office. Despite the above direction, no effective action was taken by the Company.

The Company, however, decided (February 2009) to take the following steps for inventory control and management:

- to prepare procedural modalities for standardisation, codification and computerisation of the stores for its proper accounting;
- to prepare a uniform procedure for receipt and issue of material from stores;

[#] Written down value as per books of accounts.

- to issue separate guidelines for disposal of scrap and obsolete items; and
- to prepare a 'Procurement Manual'.

Further action on the above is awaited. From the above it would be construed that the Company did not give adequate attention towards inventory management in spite of huge unused inventory of Rs. 34.13 crore as on 31 March 2009. The audit observations in this regard are discussed in the succeeding paragraphs.

Loss due to excess holding of inventory over the norm

2.38 The CERC Regulation (March 2004) envisaged that a generator would be entitled to a norm of one *per cent* of historical cost of inventory in the first year of commercial operation with annual six *per cent* increment thereof for determining the carrying cost of inventory for the purpose of calculation of tariff. The following table indicates the actual value of inventory held *vis-à-vis* the norm for the five years ended 31 March 2009.

(Rupees in crore)

Name of the unit	2004-05		2005-06		2006-07		2007-08		2008-09	
	Norm	Actual	Norm	Actual	Norm	Actual	Norm	Actual	Norm	Actual
HPS	2.63	4.14	2.79	4.20	2.95	3.93	3.13	4.80	3.32	5.70
RHEP	1.45	3.83	1.54	5.67	1.63	7.24	1.73	7.41	1.83	7.32
UKHEP	1.73	4.34	1.83	4.23	1.94	4.53	2.06	4.78	2.18	5.28
BHEP	1.84	1.61	1.95	2.17	2.07	2.21	2.19	2.23	2.32	2.24
UIHEP	14.22	5.81	15.07	15.63	15.97	13.28	16.93	13.36	17.95	13.59
Total	**21.87**	**19.73**	**23.18**	**31.90**	**24.56**	**31.19**	**26.04**	**32.58**	**27.60**	**34.13**

The Company sustained interest loss of Rs. 3.07 crore due to blockage of fund in excess inventory.

It would be observed from the above that except for UIHEP for the years 2004-05 and 2006-07 to 2008-09 and BHEP for the years 2004-05 and 2008-09, the inventory holding by the remaining units in all the other years was in excess of the norm prescribed by CERC. As a result, the Company sustained interest loss of Rs. 3.07 crore during the period 2004-09 due to blockage of fund in excess inventory.

The year-wise value of inventory was also increasing from Rs. 19.73 crore (2004-05) to Rs. 34.13 crore (2008-09), resulting in blockage of funds.

Non-maintenance of critical spares

2.39 The Unit-III of RHEP was under forced outage from November 2005 due to development of cracks along the surface brake track of the turbine. At the request (December 2005) of the Company, BHEL (the Original Equipment Manufacturer) inspected and recommended (December 2005/ January 2006) for replacement of the brake track unit alongwith complete overhauling of the plant. The Company placed (March 2006) order on BHEL for procurement of the brake track unit at a cost of Rs. 60 lakh to be supplied by September 2006. Meanwhile, the overhauling of the plant was started in January 2007 and completed on 15 February 2007. The unit could not be made operational due to non-receipt of the brake track unit. The brake track unit was received in April 2007 and the unit was put to operation with effect from 29 July 2007.

Audit observed that the brake track unit of the plant was critical for operation of the plant. Further, since this spare is proprietary in nature and considering the past experience in securing timely delivery of spares from the OEM, the Company should have maintained the critical spares for meeting the emergent situations. Thus, due to non-maintenance of critical spares despite directions of the BoD, the Company suffered loss of Rs. 2.44 crore towards generation loss of 59.29 MU for 163 days from 15 February to 29 July 2007.

Due to non-maintenance of critical spares the Company suffered loss of Rs. 2.44 crore.

The management stated that if OHPC will procure all such components as spares, the inventory position will be very high which is not desirable. The reply is not convincing as maintaining the critical spares is a judicious decision and should have been purchased by the Company.

Non-disposal of scrap

2.40 The Company had not identified the items, quantity and value of scrap material available in the stores maintained in the different hydro power stations during 2005-09. For disposal of the existing scrap material, the Company had paid (March 2004) Rs. 11 lakh to a consultant♣ for valuation and the consultant had further demanded Rs. 17 lakh. Despite expenditure of Rs. 28 lakh the Company could not sell the scrap worth Rs. 20 crore so far (July 2009).

The Company failed to dispose the scrap valued at Rs. 20 crore.

The Management stated (October 2009) that action for disposal of scrap would be finalised after getting approval of State Government. The fact remained that due to delay on the part of the Company in taking decision for valuation and sale of scrap it could not dispose of the scrap material and thereby the possibility of deterioration in quality of the scrap and consequent reduction in price can not be ruled out.

Other deficiencies

2.41 The following deficiencies were also noticed in inventory management:

- Surplus materials consisting of cables and auxiliary spares valued at Rs. 2.40 crore were lying in UIHEP since April 2002. The Company did not explore the possibility of its use in its other power stations nor were steps taken for its disposal.

♣ Metallurgical & Engineering Consultant Limited (MECON).

Stores and spares valued at Rs. 2.29 crore were damaged due to fire and theft.

- Stores and spares valued at Rs. 2.29 crore were damaged due to fire and theft in March 2002. The Company, however, neither calculated the exact quantum of loss nor fixed responsibility on the erring officials till date (July 2009) even after lapse of seven years.
- Twenty one transformers of different rated capacities found defective/ irreparable are lying in the stockyard of Burla Power House for disposal. As quality will deteriorate because of exposure to sun, rain, etc. early action needs to be taken for their disposal.

Contract Management

2.42 Though the details of works executed during the period from 2004-05 to 2008-09 had been sought for from the Management, the same was not furnished to audit, for which the total number of contracts could not be ascertained in the review. Test check of contracts made available to audit revealed deficiencies in contract management which have been pointed out in Paragraphs 2.20, 2.30 and 2.31 of this report. Other deficiencies noticed in contract management are given below:

Due to lack of coordination as well as absence of procurement policy, there was cost overrun of Rs. 0.89 crore.

- The Burla unit of the Company framed (September 2007) an estimate for Rs. 80.38 lakh for replacement of 11 KV (GT) cables, which was approved (September 2008) by the BoD for Rs. 1.70 crore considering the prevailing market rate. Audit observed that due to lack of co-ordination between the unit office and the Corporate office as well as absence of a procurement policy, there was cost overrun of Rs. 89.37 lakh which would further increase since procurement action was not initiated till July 2009.
- As per terms of the tender call notice the contractor should bear all taxes and royalties including enhancement during execution of the works. During the period 2004-09, the Company paid Rs. 12.50 crore in 1,019 works of UIHEP without deducting service tax, which worked out to Rs. 27.99 lakh (calculated at the rate of 2.24 *per cent* on Rs. 12.50 crore) from the bills of the contractors.
- The Company did not include in the work/ purchase order placed on BHEL any penal/liquidated damage (LD) clause for delay in execution of works/supply of material for reasons not on record as was included in purchase/supply orders placed on other parties. Test check of records revealed that in 19 out of 20 work/purchase orders placed with BHEL during July 2001 to October 2007 in RHEP and UKHEP there was delay in delivery of material/execution of works for more than ten weeks. As there was no penal clause, the Company was not in a position to enforce timely completion of works/supply. The management stated (July 2009) that BHEL being the OEM, the Company had to accept the terms of BHEL. It also added that the issue was being taken up with BHEL.

- During the period 2004-05 to 2008-09, the Company released Rs. 1.89 crore to three security agencies towards emoluments, ESI, EPF, Sales Tax and Income Tax and supervision charges without ensuring the actual deposit of the same with the concerned authority as details of deposit made by these security agencies was not furnished by them.

Environment Management

2.43 Hydropower generation is environment friendly and hydro projects cause much less damage to the environment compared to thermal power projects. The important measures to be undertaken for preservation of the environment are (i) compensatory afforestation for loss of forest land, (ii) maintenance of water quality, (iii) measures for protection of flora and fauna and (iv) aquatic weed control.

The environment management system was inadequate.

Audit observed that there was no system in existence in the Company for treatment of effluents before disposal and monitoring of water quality. During the period between June 2004 and January 2009 due to leakage of turbine oil in HPS and UIHEP, 2,983 liters of turbine oil was mixed with waste water and released into the rivers. Further, though the Company spent Rs. 3.52 crore on peripheral development activities during the period 2005-09, it did not incur any expenditure on afforestation work. The expenditure on peripheral development activities included expenditure on electrification of villages for Rs. 2.24 crore under Rajiv Gandhi Gramin Vidyutikaran Yojana, despite decision of the BoD (February 2006) to exclude such expenditure from peripheral development activities.

Audit further observed that the Company disbursed Rs. 1.10 crore during March/May 1998 to the Divisional Forest Officer, Kalahandi for afforestation work. The Company, however, did not collect utilisation certificate for the same so far (May 2009). Thus, the Company did not take adequate measures for protection of the environment.

The Management accepted the audit findings in the exit conference and stated that steps were being taken for catchment area treatment and watershed management at UIHEP and UKHEP.

Security of dam and powerhouses

2.44 The safety and security of the dam at UIHEP and the seven power houses were looked after by the Company. The Company engaged private security agencies for this purpose. Audit observed that the Company neither had a security policy in place nor was a security officer employed to oversee and co-ordinate security related matters with the private security agencies although UIHEP, UKHEP and Balimela reservoirs are located in Naxalite-infested areas. The security personnel were not equipped with communication devices to transmit information in case of an emergency. Neither smoke detector devices nor fire fighting equipments were installed inside the powerhouses. Further, no training was imparted to the employees of the Company on disaster management. In view of recent threats by Naxalites, the security issues need to be addressed on priority as the occurrence of any disaster would adversely affect the generational capabilities.

Manpower Management

2.45 As per the National Electricity Plan of April 2007, the technical and non-technical manpower requirement for the Tenth Plan (2002-07) in the hydropower sector in terms of installed capacity was 1.53 and 0.26 *per* MW respectively, whereas the same would be 1.38 and 0.23 *per* MW in the Eleventh Plan (2007-12). As against the above norm, the technical and non-technical men in position of the Company was 1.15 and 0.77 per MW in 2004-05, 1.17 and 0.68 in 2005-06, 1.15 and 0.64 in 2006-07, 1.11 and 0.63 in 2007-08 and 1.06 and 0.60 in 2008-09 respectively. Hence, the men-in position under the technical category was less than the norms whereas it exceeded the norms under the non-technical category for all the five years ending March 2009. Further, the technical manpower has also declined over the last three years. Though the shortfall in technical staff adversely affected the operation and maintenance of the units, the Management did not take any step to maintain the manpower requirement as per the norms during 2004-09. On this being pointed out in audit (May 2009), the Management decided (July 2009) for re-assessment of the manpower requirement of the Company.

As per the National Electricity Plan (April 2007), the present power scenario demands a comprehensive and pragmatic approach to develop and conserve valuable human resources. Thus, training was considered to be one of the important elements of human resource development. Accordingly, it is desirable that each employee of the organisation is exposed to at least two weeks' refresher/advanced training during a plan period of five years. Further, the Executives/Managers must be exposed to at least two weeks' management training during a plan period of five years. The Company operates a training centre as per the National Training Policy (March 2002) for the power sector. Scrutiny of records revealed that during July 2005 to March 2009 (42 months), training for Executives was conducted for 19 months only. The training policy of the Company stipulates training for all non-executives for at least seven days each year. The percentage of non-executive personnel trained by the Company, however, ranged from 0.57 to 4.28 in HPS, 2.34 to 11.18 in UIHEP, 7.16 to 12.04 in UKHEP and 0.41 to 3.24 in RHEP during July 2005 to March 2009. In case of BHEP training was imparted to 3.74 *per cent* of personnel in 2005-06 only and no training was imparted thereafter. The reasons for such poor performance in imparting training were not on record. Shortfall in training defeated the very objective of the training policy. Further, in respect of the executives sponsored for training outside the State no record was produced by the Company to ascertain their actual participation in the training and completion thereof.

The manpower requirement of the Company was not as per the norm of National Electricity Plan.

Audit observed that breakdown (August 2008) of Unit-I of RHEP was due to lack of technical knowledge of operating employees. The BoD opined (September 2008) to impart training to the technical personnel so as to avoid such kind of problems in future. The BoD reiterated (December 2008) the need for rigorous in-house training in the units.

The Management stated (October 2009) in the exit conference that a consultant had been appointed to study the manpower of the Company as a whole along with performance measurement system.

Internal control system

2.46 Internal control system is an essential part of the managerial control system. An efficient and effective internal control system helps the management to achieve the organisational objectives efficiently and effectively. The following deficiencies in the internal control system of the Company were noticed in audit:

- The Company did not have Civil engineers at the unit offices, though civil works were executed by the Company.
- The Company did not reconcile the difference between the gross generation and energy exported plus auxiliary and colony consumption plus transformation loss.
- Though the Company installed Supervising Control and Data Acquisition (SCADA) system at the Corporate office and in the unit offices, the bills of the units were not raised taking data through the SCADA system but were raised only after receipt of hard copy of the data from each of the units.
- The unit offices submit requisition for funds to the Corporate office stating details and purpose of the fund required, basing on which the Corporate office releases funds to the unit offices. The utilisation certificates submitted by the unit offices, however, did not indicate whether the fund has been spent on the purpose for which it was released. As a result, the Corporate office exercised little control over utilisation of funds by the unit offices.

The internal audit of the Company needed to be strengthened to be commensurate with the size of the Company.

The internal audit of the Company was conducted by firms of chartered accountants from the years 2005-06 to 2008-09. The Statutory Auditors for the years 2004-05, 2007-08 and 2008-09, however, opined that the internal audit functions carried out by the management of the Company at the units needed to be strengthened to be commensurate with the size of the Company and nature of its business.

The Management accepted (October 2009) the audit findings in the exit conference besides stating that action had been taken to strengthen the internal audit system.

Acknowledgement

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

Conclusion

Though the Company was in existence from April 1995 it could not increase its installed capacity despite expenditure of Rs. 228.77 crore for installation of new projects as well as for augmentation of capacity of existing projects. Its plan for capacity addition of 2,341 MW remained unfulfilled.

The capacity utilisation of the generating units ranged from 62.75 to 93.90 *per cent* mainly due to forced outages of 1.17 lakh hours against 12.74 lakh hours available for generation resulting in loss of generation of 4,274 MU valued at Rs. 156.05 crore. Due to underutilisation of generating plants during the monsoon the Company could not generate 4,790 MU to earn revenue of Rs. 164 crore. The Company used 51.25 *per cent* of water available for generation of power. The expenditure on operation and maintenance, auxiliary consumption and transformation loss was in excess of the norms resulting in loss of Rs. 131.57 crore.

Non-realisation of cost of generation and excess holding of inventory also added to avoidable expenditure of Rs. 20.98 crore by the Company. There were deficiencies in contract management, manpower management, environmental management and monitoring and internal control system of the Company.

Recommendations

The Company should consider:

- **Preparing a perspective plan for increasing its installed capacity through addition of new generating units as well as by RMU of the existing units;**
- **Utilising its plants and machineries as well as water of the reservoirs efficiently by avoiding forced outages through planned maintenance of the plants and equipment;**
- **Reducing operation and maintenance expenditure and auxiliary consumption and transformation loss;**
- **Restructuring its manpower; and**
- **Strengthening its monitoring and internal control system.**

Chapter III

3. Performance review relating to a Statutory corporation

Orissa State Road Transport Corporation

Executive summary

The Orissa State Road Transport Corporation (Corporation) provides public transport in the State through its 14 depots. The Corporation had fleet strength of 312 buses as on 31 March 2009 and carried an average of 0.14 lakh passengers per day. The performance audit of the Corporation for the period 2004-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation earned a profit of Rs. 7.11 crore in 2008-09. Its accumulated losses and borrowings stood at Rs. 221.11 crore and Rs. 24.85 crore as at 31 March 2009 respectively. The Corporation earned Rs. 18.26 per kilometre and expended Rs. 15.95 per kilometre in 2008-09. Audit noticed that with the right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining Share

Of 7732 buses licensed for public transport in 2008-09, 4.04 per cent belonged to the Corporation. The percentage share declined marginally from 4.29 per cent in 2004-05. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/add new buses) and lack of support from the State Government. Nonetheless, vehicle density (including private operators' buses) per one lakh population increased marginally from 16 in 2004-05 to 19 in 2008-09 indicating stability in the level of public transport in the State.

Vehicle profile and utilisation

The Corporation's buses consisted of its own fleet of 312 buses as of March 2009. Of its own fleet, 152 (49 per cent) were overage, i.e., eight years old/covered more than five lakh Kms. The percentage of overage buses increased from 22 per cent in 2004-05 to 49 per cent in 2008-09 due to its non-replacement despite acquisition of 168 new buses during 2004-09 at a cost of Rs. 26.72 crore. The acquisition was funded by Government (Rs. 14.95 crore) and own sources (Rs. 11.77 crore).

The Corporation's fleet utilisation at 90 per cent in 2008-09 was below the All India Average (AIA) of 94.2 per cent. Its vehicle productivity at 287 kilometres per day per bus was below the AIA of 341 kilometres. The load factor at 71 per cent remained above the AIA of 63 per cent. However, the Corporation could not achieve its own targets of vehicle productivity and load factor though the same were fixed after taking into consideration the local factors and constraints. Around 71 per cent of the routes operated were unprofitable due to high cost of operations and non-reimbursement of cost of operation on uneconomical routes and free/concessional passes by the Government. The Corporation's performance on scheduled preventive maintenance and major repairs was poor.

Economy in operations

Manpower and fuel constitute 68 per cent of total cost. Interest, depreciation and taxes account for 17 per cent and are not controllable in the short term. Thus, the expenditure control has to come mainly from fuel which was 53 per cent of total cost. The Corporation succeeded in reducing the manpower per bus from 5.99 in 2004-05 to 5.02 in 2008-09. The Corporation did not attain its own fuel consumption targets resulting in excess consumption of fuel valued at Rs. 2.93 crore during 2005-09. The Corporation does not operate any scheme for hiring private buses. Though the Transport Commissioner proposed to implement the scheme, the same was not agreed to by the Corporation as it did not enjoy any special provision on issue of permits.

Revenue Maximisation

The Corporation's claim of Rs. 39.60 crore towards free/concessional passes, bus warrant, loss on merger of ORT Company and payment to State Transport Service employees were receivable from Government of Orissa. Further, as the Corporation has about 138.47 acres of land at 85 locations and utilises only a small portion of the available land for its operations, the vacant/unutilised land can be developed on public private partnerships (PPP) basis to earn steady income which can be used to cross-subsidise its operations. The Corporation has not framed any policy in this regard.

Need for a regulator

The fare per kilometre stood at 43 paise to 72 paise from 17 December 2008 in respect of ordinary, express, deluxe and air-conditioned buses. Though the Government approves the fare increase, there is no scientific basis for its calculation. The Corporation has also not fixed norms for providing services on uneconomical schedules. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters. Though the Transport Policy adopted by the Government of Orissa envisaged formation of Orissa Transport Regulatory and Advisory Council (OTRAC), the same is yet to be formed.

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feedback on achievement thereof are essential for monitoring by the top management. The monitoring by the Board of Directors fell short as it did not recommend suitable measures to control the cost and increase the revenue. Though the operational performance was monitored by the top management, no follow-up action was initiated.

Conclusion and Recommendations

Though the Corporation is earning profit at the end of 2008-09 it can still control cost and increase revenue by resorting to hiring of buses and tapping non-conventional sources of revenue. This review contains five recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Introduction

3.1.1 In Orissa, the public road transport is primarily provided by Orissa State Road Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The fare structure is controlled by the Government of Orissa (GoO) which approves it. This structure is same for both the Corporation as well as private operators.

3.1.2 The Corporation was set up on 1 May 1974 by the State Government under Section 3 of the Road Transport Corporations Act, 1950 as its wholly owned Corporation. The Corporation is under the administrative control of the Commerce and Transport Department of GoO. The Management of the Corporation is vested with a Board of Directors comprising Chairman-cum-Managing Director (CMD) and seven Directors appointed by the GoO and three Directors nominated by Central Government. No Board, however, was constituted since 17 October 2008 by GoO for reasons not on record. The day-to-day operations are carried out by the CMD, who is the Chief Executive of the Corporation, with the assistance of General Manager (Administration), Financial Advisor and Chief Accounts Officer, Deputy General Managers (Technical and Operation), two Divisional Works Engineers (Central Workshop), one Works Engineer (Central Store), three Divisional Managers and 14 District Transport Managers (DTMs). The bus body building is carried out through external agencies.

3.1.3 The Corporation had a fleet strength of 312 buses as on 31 March 2009. The Corporation's share in the passenger transport operations in the State was 4 *per cent* and the remaining 96 *per cent* was accounted for by private operators as on 31 March 2009. The Corporation carried 14,022 passengers per day during 2008-09. The turnover of the Corporation was Rs. 56.20 crore in 2008-09, which was equal to 0.05 *per cent* of the State Gross Domestic Product (Rs. 1,22,165 crore). The Corporation employed 1,567 employees as on 31 March 2009.

3.1.4 A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 (Commercial), Government of Orissa. The report is yet to be discussed by COPU.

Scope of Audit and Audit Methodology

3.2.1 The present review conducted during February to June 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, Central Workshop at Berhampur and six[#] out of the 14 depots. The units were selected on random basis with high and low *per* kilometer income/expenditure. The six depots selected for audit scrutiny contributed approximately 60 *per cent* of the total income of the depots.

[#] Berhampur, Bhubaneswar, Bolangir, Cuttack, Jeypore and Vizianagaram.

3.2.2 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of the draft review to the Management for comments.

Audit objectives

3.3 The objectives of the performance audit were to assess:

3.3.1 Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently; and
- whether adequate maintenance was undertaken to keep the vehicles roadworthy.

3.3.2 Financial Management

- whether the Corporation was able to meet its commitments and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

3.3.3 Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

3.3.4 Monitoring by Top Management

- whether the monitoring by the Corporation's top management was effective.

Audit criteria

3.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);

- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GoI) and Government of Orissa (GoO) and other relevant rules and regulations; and
- procedures laid down by the Corporation.

Financial Position and Working Results

3.5.1 The financial position of the Corporation for the five years up to 2008-09 is given below.

(Rupees in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
			(Provisional)		
A. Liabilities					
Paid up Capital	136.49	136.49	136.49	146.44	151.44
Reserves & Surplus (including Capital Grants but excluding Depreciation Reserve)	3.10	3.04	2.62	3.04	3.05
Borrowings (Loan Funds)	26.26	24.85	24.85	24.85	24.85
Current Liabilities & Provisions	104.50	102.33	102.68	102.51	116.12
Total	**270.35**	**266.71**	**266.64**	**276.84**	**295.46**
B. Assets					
Gross Block	37.59	38.88	40.51	53.65	61.06
Less: Depreciation	17.65	19.74	21.09	26.63	30.47
Net Fixed Assets	19.94	19.14	19.42	27.02	30.59
Capital works-in-progress (including cost of chassis)	-	0.32	0.33	1.40	0.65
Investments	-	-	-	-	-
Current Assets, Loans and Advances	15.67	15.50	15.97	20.21	43.11
Accumulated losses	234.74	231.75	230.92	228.21	221.11
Total	**270.35**	**266.71**	**266.64**	**276.84**	**295.46**

As *per* the RTC Act, 1950, the contribution to share capital by GoO and Central Government would be in the proportion of 2:1 at any point of time. The GoO contributed share capital of Rs. 135.51 crore till date while the Central Government contributed Rs. 15.92 crore as of 1988-89 leaving a balance of Rs. 51.84 crore towards its matching contribution. Non-contribution of share capital by the Central Government on the ground of loss incurred by the Corporation was against the provision of the RTC Act and this was one of the reasons for non-replacement of overage vehicles.

3.5.2 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost *per* kilometre of operation are given below.

(Rupees in crore)

Sl. No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
				(Provisional)		
1.	Total Revenue	34.13	37.78	40.38	44.56	56.20
2.	Operating Revenue[ϕ]	31.61	35.12	37.78	41.40	52.01
3.	Total Expenditure	33.79	37.02	39.66	41.89	49.09
4.	Operating Expenditure[ψ]	32.44	35.73	38.55	40.78	47.98
5.	Operating Profit/ Loss	-0.83	-0.61	-0.77	0.62	4.03
6.	Profit/ Loss for the year	0.34	0.76	0.72	2.67	7.11
7.	Accumulated Profit/ Loss	-234.74	-231.75	-230.92	-228.21	-221.11
8.	Fixed Costs					
	(i) Personnel Costs	5.44	5.52	6.28	6.70	6.47
	(ii) Depreciation	2.70	2.94	3.09	3.18	3.85
	(iii) Interest	1.35	1.29	1.11	1.11	1.11
	(iv) Other Fixed Costs	-	-	-	-	-
	Total Fixed Costs	9.49	9.75	10.48	10.99	11.43
9.	Variable Costs					
	(i) Fuel & Lubricants	16.81	20.08	21.24	21.76	26.95
	(ii) Tyres & Tubes	1.57	1.61	1.99	2.28	2.68
	(iii) Other Items/ spares	3.25	2.80	2.69	3.43	3.71
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	2.29	2.45	2.76	2.90	3.50
	(v) Other Variable Costs (wages)	0.38	0.33	0.50	0.53	0.82
	Total Variable Costs	24.30	27.27	29.18	30.90	37.66
10.	Effective KMs operated (in lakh)	255.82	263.50	256.06	266.24	307.73
11.	Earnings *per* KM (Rs.) (1/10)	13.34	14.34	15.77	16.74	18.26
12.	Fixed Cost *per* KM (Rs.) (8/10)	3.71	3.70	4.09	4.13	3.71
13.	Variable Cost *per* KM (Rs.) (9/10)	9.50	10.35	11.40	11.61	12.24
14.	Cost *per* KM (Rs.) (3/10)	13.21	14.05	15.49	15.73	15.95
15.	Net Earnings *per* KM (Rs.) (11-14)	0.13	0.29	0.28	1.01	2.31
16.	Traffic Revenue[§]	30.01	33.52	36.18	39.80	50.41

[ϕ] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes etc.

[ψ] Operating expenditure includes expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

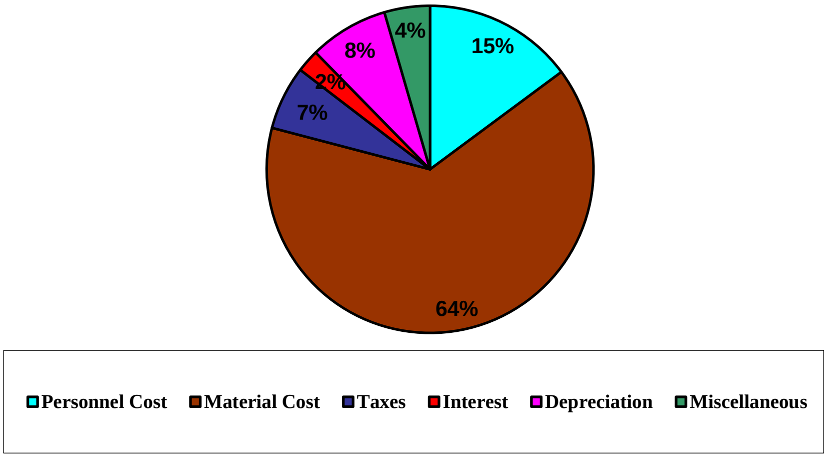
[§] Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Sl. No.	**Description**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
					(Provisional)	
17.	Traffic revenue *per* KM (Rs.)(16/10)	11.73	12.72	14.13	14.95	16.38
18.	Operating Profit/Loss *per* KM (Rs.) (5/10)	-0.32	-0.23	-0.30	0.23	1.31

Elements of Cost

3.5.3 Personnel cost and material cost constitute the major elements of cost. The percentage break-up of cost for 2008-09 is given below in the pie-chart.

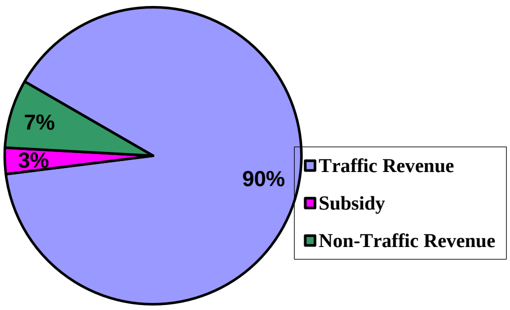
Components of various elements of cost



Elements of revenue

3.5.4 Traffic revenue, subsidy/ grant and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



Audit Findings

3.6 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 18 February 2009. Subsequently, audit findings were reported to the Corporation and the Government in August 2009 and discussed in an 'exit conference' held on 21 October 2009 which was attended by Special Secretary and Additional Secretary, Transport Department of GoO, General Manager (Administration) and Financial Advisor and Chief Accounts Officer of the Corporation. The Corporation also replied to the audit findings in October 2009. The Corporation accepted majority of the findings except that at Paragraphs 3.12.1, 3.17.1 and 3.19.4. The views expressed by them have been considered while finalising this review. The audit findings are discussed in the subsequent paragraphs.

Operational Performance

3.7 The transport service provided by the Corporation is considered as belonging to the rural category. The operational performance of the Corporation for the five years ending 2008-09 is given in **Annexure 7**. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand for public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

3.8.1 As the Corporation was not making any profit and had huge liabilities, the GoO decided (January 2003) for its closure. Subsequently (March 2007) the GoO decided for continuance of the Corporation since it was providing an essential service and was a backup during emergency situations like strike by private bus operators.

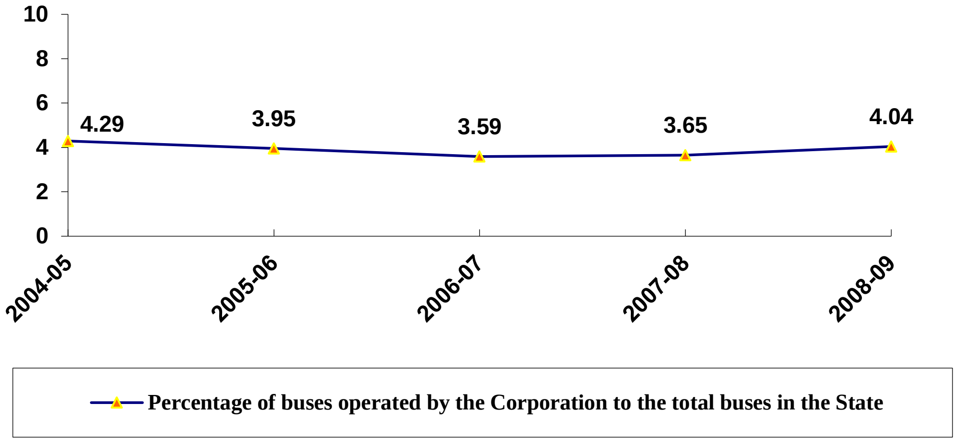
The GoO evolved a transport policy in May 2007 which *inter alia* envisaged the following objectives:

- to increase competition, efficiency, transparency, accessibility and adequate availability of transport services in the State;
- to establish a rational fare structure for which Orissa Transport Regulatory and Advisory Council (OTRAC) would be constituted;
- to restructure Orissa State Road Transport Corporation;
- to evolve an improved urban transport system; and
- to establish Mass Rapid Transport System (MRTS) in densely populated regions.

GoO had not implemented its own transport policy.

None of these objectives has been implemented by the GoO so far (June 2009).

3.8.2 The Corporation carried 13,841 to 17,225 passengers per day during 2004-09 which was 0.03 to 0.04 *per cent* of total population of the State. A line-graph depicting percentage share of buses operated by the Corporation to the total buses run in the State during the five years ending 2008-09 is given below:



3.8.3 The table below depicts the growth of public transport in the State.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporation's buses	259	254	241	252	312
2.	Private stage carriages	5,772	6,183	6,465	6,650	7,420
3.	Total buses for public transport	6,031	6,437	6,706	6,902	7,732
4.	Percentage share of Corporation	4.29	3.95	3.59	3.65	4.04
5.	Percentage share of private operators	95.71	96.05	96.41	96.35	95.96
6.	Estimated population (crore)	3.82	3.87	3.92	3.97	4.02
7	Vehicle density per one lakh population	15.79	16.63	17.11	17.39	19.23

The Corporation has not been able to keep pace with the growing demand for public transport as its share in public transport in 2008-09 was only 4.04 *per cent.*

3.8.4 The Corporation, however, has not been able to keep pace with the growing demand for public transport. The percentage of buses of the Corporation to total buses operated in the State decreased from 4.29 in 2004-05 to 3.65 in 2007-08 with marginal increase to 4.04 *per cent* in 2008-09. The fleet strength of private operators increased from 5,772 in 2004-05 to 7,420 in 2008-09. The effective *per* capita KM operated *per* year by the Corporation is given below.

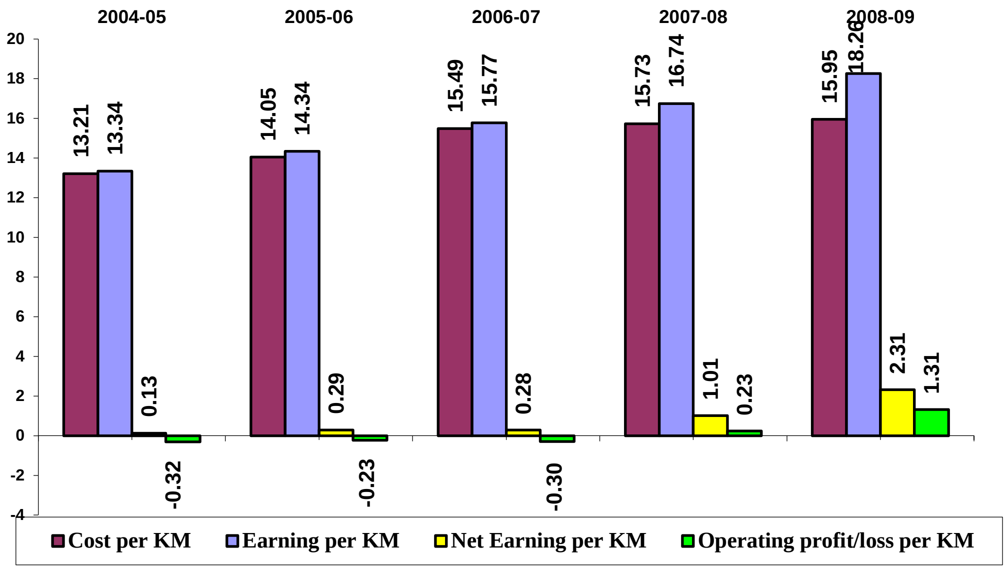
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	255.82	263.50	256.06	266.24	307.73
Estimated population (crore)	3.82	3.87	3.92	3.97	4.02
Per capita KM *per* year	0.67	0.68	0.65	0.67	0.77

3.8.5 The above table shows marginal increase in service by the Corporation in 2008-09. The *per* capita KM *per* year of the Corporation was far below the All India Average of 10.26 (2006-07).

3.8.6 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport mainly due to operational inefficiencies as described later.

Recovery of cost of operations

3.9.1 The Corporation was able to marginally recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a positive trend as given in the graph⊗ below:



3.9.2 The above graph indicates the improving performance of the Corporation over the period. The operating loss during 2004-05 to 2006-07 turned into operating profit for the years 2007-08 and 2008-09. Though the Corporation was able to achieve the All India Average for cost *per* KM of Rs. 17.83 for 2006-07 in respect of rural category due to low personnel cost, it was not able to achieve the same

Uttar Pradesh and Karnataka registered best net earnings *per* KM at Re. 0.47 and Re. 0.34 respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

⊗ Cost per KM represents total expenditure divided by effective KM operated.
Revenue per KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue per KM is revenue per KM reduced by cost per KM
Operating loss per KM would be operating expenditure per KM reduced by operating income per KM

for revenue *per* KM of Rs. 17.18 for 2006-07. Despite marginal improvement in performance of the Corporation it has not been able to replace its fleet on time or increase the fleet strength to meet the growing demand.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.10.1 The Corporation has its own fleet of buses. It had not hired buses from contractors. Non-implementation of the proposal on hiring of buses is discussed in Paragraph 3.16. The table below explains the position of the Corporation's own fleet.

3.10.2 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total No. of buses at the beginning of the year	253	259	254	241	252
2.	Additions during the year	23	15	22	48	60
3.	Buses scrapped during the year	17	20	35	37	-
4.	Buses held at the end of the year (1+2-3)	259	254	241	252	312
5.	Of (4), No. of buses more than 8 years old/ covered five lakh KM[α]	57	92	142	144	152
6.	Percentage of overage buses to total buses (5/4)	22	36	59	57	49

The Corporation was not able to achieve the norm of right age buses due to its failure to generate adequate resources for replacement of overage buses.

3.10.3 The above table shows that the Corporation was not able to achieve the norm of right age of buses. During 2004-09, the Corporation added 168 new buses at a cost of Rs. 26.72 crore. The expenditure was funded by the Government for Rs. 14.95 crore during 2007-09 and the balance amount of Rs. 11.77 crore was met from its own sources. To achieve the norm of right age buses, the Corporation was required to buy 587 new buses additionally which would have cost it Rs. 96.62 crore approximately at the rate of Rs. 16.46[#] lakh per bus. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. It earned a profit of Rs. 27.36 crore before charging of depreciation during 2004-09,

[α] For 2004-05 and 2005-06 overage buses are for more than eight years old only.
[#] Procurement rate for 2008-09

which was grossly inadequate. The Corporation had fixed (January 1986) a norm of 5.80 lakh KMs for Leyland vehicle and 4.80 lakh KMs for Tata vehicle for replacement. It could not even meet its own norms and the overage vehicles of the Corporation for the last three years ending 2008-09 were 44, 49 and 49 *per cent* respectively based on progressive kilometre running. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

Procurement of buses constitutes a large part of capital expenditure of the Corporation. As the buses become overage with usage and passage of time, these are required to be replaced continuously. Hence, the Corporation is required to incur capital expenditure on a regular basis so as to keep its fleet level adequate and modern. Towards this goal, the Corporation is expected to prepare a Corporate Plan outlining its capital expenditure needs for say five years and the means of financing them. No such plan was prepared by the Corporation prior to May 2007. As a result, the activity of procurement of buses was not taking place as would be required ideally.

The Corporation in its corporate plan for 2007-11 proposed (May 2007) to add 100 buses each year to its fleet strength by funding this from the GoO for 50 buses, from its own resources for 25 buses and purchasing 25 buses by tie-up with medium and heavy industries. During 2007-08 and 2008-09 the GoO contributed Rs. 14.95 crore towards purchase of 100 new buses. The Corporation procured 108 buses during the last two years. Though the GoO contributed as *per* the plan, the Corporation neither explored the possibility to tie up with medium/heavy industries nor procured buses from its own resources.

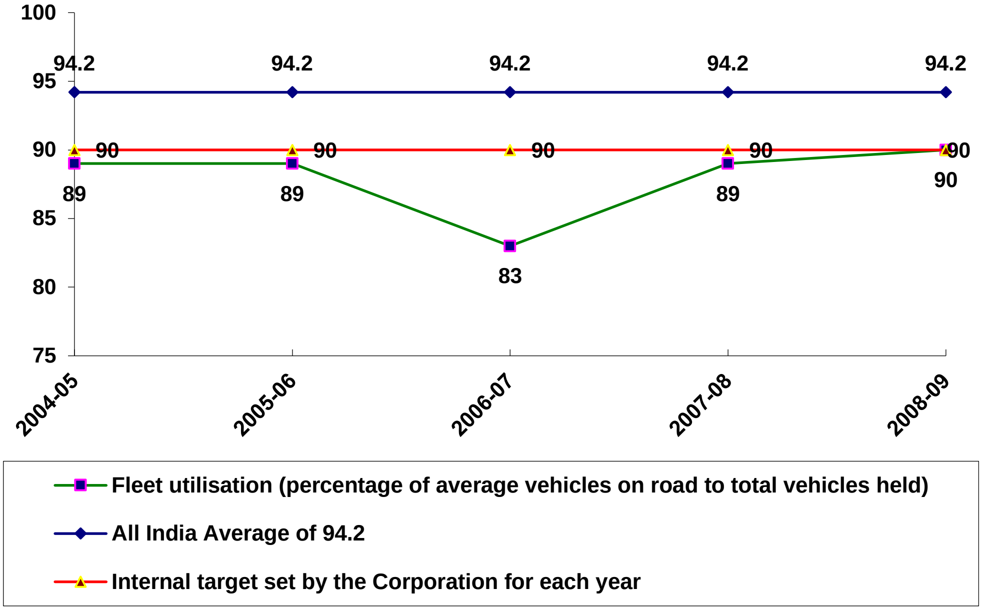
3.10.4 The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis.

Fleet Utilisation

The fleet utilisation of the Corporation remained low except in 2008-09 due to break-down and inadequate manpower.

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and 98.3 *per cent* respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.10.5 Fleet utilisation represents the ratio of buses held by the Corporation to the buses on road. The Corporation had set a target of fleet utilisation of 90 *per cent* for all the years during the period 2004-09. Against this, the fleet utilisation of the Corporation remained low except in 2008-09. During 2006-07, the utilisation was only 83 *per cent*. It was also observed that the norm was fixed lower than the All India Average of 94.2 *per cent* in the rural category. The particulars of fleet utilisation of the Corporation, internal targets and the All India Average in the rural category are depicted in the line-graph given below.



3.10.6 The main reasons, as analysed during audit, contributing to low fleet utilisation were as follows:

- Loss of 1,764 vehicle-days for want of permit from State Transport Authority (STA).
- Breakdowns on account of inadequate servicing/ maintenance.
- Shortage of crews (drivers/conductors).
- Due to low pay load, the Corporation suspended number of services and kept the vehicles idle.

3.10.7 From the above, it can be concluded that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance adversely. The Corporation did not take any effective step to improve the performance of fleet utilisation during the last five years.

Vehicle productivity

3.11.1 Vehicle productivity refers to the average kilometres run by each bus *per* day in a year. The vehicle productivity of the Corporation *vis-à-vis* the overage fleet for the five years ending 2008-09 is shown in the table below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Targets for vehicle productivity fixed by the Corporation	278	272	282	223	280
2.	Vehicle productivity (KMs run *per* day *per* bus)	272	272	257	282	287
3.	Overage fleet (percentage)	22	36	59	57	49

From the above table it would be seen that though the vehicle productivity decreased during 2006-07 due to cancellation of scheduled KMs, it was on an increase thereafter. The reasons for fixation of target for 2007-08 at 223 KM per day which was even lower than the achievement of the previous year (257 KMs per pay) were not on record. Therefore, there was no scientific/logical basis for fixation of targets for vehicle productivity.

3.11.2 Compared to the All India Average of 341 KMs in 2006-07 *per* day, the vehicle productivity of the Corporation has been on the lower side for all the years under review. Although the Corporation fixed lower targets in all the years compared to the All India Average, it failed to achieve the target during 2004-05 and 2006-07. Audit scrutiny revealed that the vehicle productivity in three[2] depots selected for audit was very low ranging from 108 to 241 KMs *per* day *per* bus during 2004-09 due to deficient route planning which contributed to the low vehicle productivity. Further, lower productivity is also on account of cancellation of scheduled KMs as discussed in Paragraphs 3.12.7 and 3.12.8.

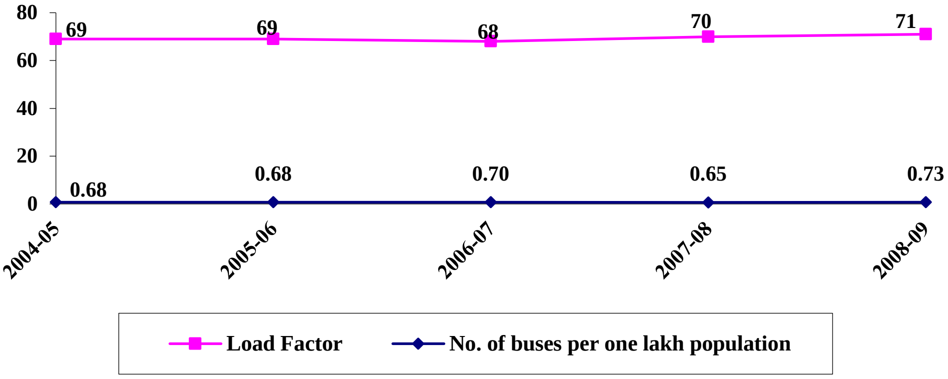
Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs *per* day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

Deficient route planning led to cancellation of scheduled kilometres contributing to low vehicle productivity.

Capacity Utilisation

Load Factor

3.12.1 Capacity utilisation of a transport undertaking is measured in terms of load factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The load factor of the Corporation ranged from 68 *per cent* in 2006-07 to 71 *per cent* in 2008-09 against the All India Average of 63 *per cent* (2006-07). A graph depicting the load factor vis-à-vis number of buses *per* one lakh population is given below.



[2] Angul, Bolangir and Jeypore.

In order to increase the load factor and income, the Corporation resorted (April 2005) to chartering some routes to contractual conductors and private agents with certain criteria fixed in September 2005 and in May 2007 which *inter alia* included that (i) the payload for chartering should be two *per cent* more than the highest payload recorded during the last three years and (ii) in case of new vehicles the payload should not be fixed below 85 *per cent*.

Audit observed that the Corporation adopted chartering system in 52 out of 155 routes on the basis of recommendation of the District Transport Managers (DTMs) and generally negotiated with single party. The payload is approved by GM (Administration). It was noticed in respect of three[#] routes that the Corporation fixed the payload lower than the recommended rates without assigning any reason. Further, in Bhubaneswar – Motu route, though a new bus was used, the chartered payload was fixed between 70 to 81, instead of 85 *per cent*, during February 2008 to February 2010 by the DGM (Operation). In case of chartering in Bhubaneswar- Paralakhemundi route, the pay load for chartering was reduced to 90 *per cent* by DGM though 92 *per cent* payload was recommended by the Traffic Section. Due to deviation in the chartering principle in Bhubaneswar-Motu and Bhubaneswar-Paralakhemundi routes the Corporation realised less revenue of Rs. 10.10 lakh. Only in April 2009 the Corporation negotiated with more than one interested party for chartering in four routes[$], as a result of which there was increase in payload of up to 17 *per cent* above the previous payload. Had the Corporation followed its laid down policy and adopted a transparent system of chartering, its payload could have been increased further.

The Corporation did not follow its own norm in chartering the buses.

The Management stated (October 2009) that payload of chartered route could not be fixed at 85 *per cent* even in case of new vehicles and was fixed considering the views of DTMs. The fact remained that the payloads were enhanced beyond 85 *per cent* after the Corporation adopted the procedure of negotiation with the interested parties.

3.12.2 The table below provides the details for break-even load factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost per KM.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost per KM (Rs.)	13.21	14.05	15.49	15.73	15.95
2.	Average traffic revenue per KM at 100 *per cent* load factor (Rs.)	17.00	18.43	20.78	21.36	23.07
3.	Break-even Load Factor considering only traffic revenue (1/2) (percentage)	77.71	76.23	74.54	73.64	69.14

[#] Barbil-Kolkata, Jagdalpur-Visakhapatnam I & II.
[$] Bhubaneswar-Lanjigada, Bhubaneswar-Paralakhemundi, Cuttack-Narasinghpur and Cuttack-Jeypore.

It is evident from the above table that the Corporation could not achieve BELF in any of the years except 2008-09.

Route Planning

3.12.3 Appropriate route planning to tap demand leads to higher load factor. During formulation of routes proper route survey was not conducted to assess the potentiality of payload as well as timing for operation of routes. The route planning was also defective since there was clash of timing between the buses of different depots of the Corporation as well as private buses.

3.12.4 The total number of routes operated in the State as on 31 March 2008 was 3,232 covering 6.70 lakh KMs of which 3,091 routes covering 6.22 lakh KMs were being operated exclusively by private operators. The Corporation on the other hand did not operate exclusively on any of the routes. The percentage of number of routes and route length operated by the Corporation to the total number of routes and route length in operation in the State varied from 5.07 to 4.36 and 8.04 to 7.12 respectively during 2004-05 to 2007-08[ϕ]. Some routes are profitable while others are not. The position in this regard is given in the table below:

(Figures in brackets are in percentage)

Year	Total No. of routes	No. of routes making profit	No. of routes not meeting total cost
2004-05	154 (100)	30 (19)	124 (81)
2005-06	144 (100)	28 (19)	116 (81)
2006-07	141 (100)	28 (20)	113 (80)
2007-08	141 (100)	33 (23)	108 (77)
2008-09	155 (100)	45 (29)	110 (71)

3.12.5 Though some of the routes now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical routes. Given the scenario of mixed routes and obligation to serve uneconomical routes, an organisation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause.

The Corporation could not recover even material cost on 12 to 21 routes.

Audit observed that 33 to 38 routes did not meet variable cost and 12 to 21 routes operated during 2004-09 could not even meet the material cost. Though the Corporation planned to improve its efficiency through chartering of some routes as a result of which the percentage of number of routes not meeting total cost decreased from 81 in 2004-05 to 71 in 2008-09, there is scope for further increase in efficiency by chartering more routes by formulating a

[ϕ] Data on routes and route length operated for 2008-09 in the State was not available.

transparent and adequate policy for chartering. The Corporation stated that unhealthy practices adopted by private operators like cut down fare and hawking of passengers etc., had an adverse impact on the revenue of the Corporation and needed to be addressed by the STA.

Cancellation of Scheduled Kilometres

3.12.6 A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, shortage of crew and other factors like breakdown, accidents, late arrivals, etc.

3.12.7 The details of scheduled kilometres, effective kilometres and cancelled kilometres calculated as difference between scheduled kilometres and effective kilometres are furnished in the table below.

(In lakh KMs)

Sl.No	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Scheduled kilometres	275.13	282.03	281.11	285.84	338.17
2	Effective kilometres	255.82	263.50	256.06	266.24	307.73
3	Kilometres cancelled	19.31	18.53	25.05	19.60	30.44
4	Percentage of cancellation	7.02	6.57	8.91	6.86	9.00
5	Contribution per KM(Rs.)	2.23	2.37	2.73	3.34	4.14
6	Loss of contribution (3X5) (Rs. in lakh)	43.06	43.92	68.39	65.46	126.02

It is evident from the above table that the loss of contribution increased during the review period from Rs. 43.06 lakh to Rs. 126.02 lakh. The cause-wise analysis of scheduled kilometres cancelled for want of buses, crew, etc. could not be worked out in audit since data was not maintained by the Corporation in that fashion. Thus, the Corporation could not exercise any control over cancellation of scheduled kilometres which increased from 7 to 9 *per cent* during the review period.

Due to cancellation of scheduled kilometres for various reasons, the Corporation was deprived of contribution of Rs. 3.47 crore during 2004-05 to 2008-09.

3.12.8 It can be seen from the above table that the percentage of cancellation of scheduled kilometres varied from 6.57 to 9.00 during 2004-05 to 2008-09 and remained on the higher side as compared to the best performers. Due to cancellation of scheduled kilometres for various reasons, the Corporation was deprived of contribution of Rs. 3.47 crore during 2004-05 to 2008-09.

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

Maintenance of vehicles

Preventive Maintenance

3.13.1 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. The Corporation had Tata and Leyland make buses, for which the following schedule of maintenance has been prescribed by the Original Equipment Manufacturers (OEMs) and adopted by the Corporation:

Sl.No.	Particulars	Schedule
1.	**Engine Oil change**	
1 (a)	Tata make	Every 18,000 KMs
1 (b)	Leyland make	Every 16,000 KMs

3.13.2 Audit observed that the required preventive maintenance schedules were not adhered to in 387 cases during the review period due to less number of regular maintenance staff and for non-availability of contractual technical staff who were paid low wages. The irregularities noticed in three[#] units covering 42 buses are as detailed in the following table:

KMs at which Engine Oil changed	No of instances	KMs at which Engine Oil changed	No of instances	Total
Tata make		Leyland make		
18,001 to 20,000	88	16,001-18,000	51	139
20,000-24,000	69	18,000-24,000	138	207
>24,000	26	>24,000	15	41

Repairs & Maintenance

3.13.3 A summarised position of fleet holding, overage buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses at the end of the year (No.)	259	254	241	252	312
2.	Overage buses (more than 8 years old/covered five lakh KMs)	57	92	142	144	152
3.	Percentage of overage buses	22	36	59	57	49
4.	R&M Expenses (Rs. in lakh)	68.78	39.66	49.36	67.30	79.90
5.	R&M Expenses *per* bus (in Rs.) (4/1)	26,556	15,614	20,481	26,706	25,609

[#] Berhampur, Bhubaneswar and Jeypore

From the above table it can be seen that the R&M expenses during 2005-06 and 2006-07 were lower as compared to 2004-05 as the number of buses repaired were less than that of 2004-05.

The target for major repairs were not met in any of the years except in 2007-08.

It was also observed that target of major repairs was not achieved in any of the years except in 2007-08, as per plan. As a result, 99 vehicles remained without major repair during the last five years ending 2008-09. This ultimately affected the fleet utilisation and vehicle productivity due to breakdowns.

Manpower Cost

3.14.1 The cost structure of the organisation shows that manpower and fuel constitutes 68 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short -term account for 17 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

3.14.2 Manpower constitutes 15 *per cent* of total expenditure of the Corporation in 2008-09. The table below provides the details of manpower, its cost and productivity.

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs. 6.13 and Rs. 6.21 cost *per* effective KMs respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Manpower (regular) (Nos.)	1,336	1,247	1,192	1,114	1,055
2	Manpower (contractual) (Nos.)	217	274	267	373	512
3	Total manpower (Nos.)	1,553	1,521	1,459	1,487	1,567
4.	Manpower cost (Rs. in lakh)	582.33	585.43	677.12	722.89	729.32
5.	Effective KMs (in lakh)	255.82	263.50	256.06	266.24	307.73
6.	Manpower cost *per* effective KM (Rs.)	2.28	2.22	2.64	2.72	2.37
7	Productivity *per* day *per* person (KMs)	45	47	48	49	54
8.	Total buses at the end of the year (No.)	259	254	241	252	312
9.	Manpower *per* bus	5.99	5.99	6.05	5.90	5.02

It would be seen from the above table that the manpower *per* bus decreased from 5.99 in 2004-05 to 5.02 in 2008-09. The manpower cost ranged between Rs. 2.22 *per* KM and Rs. 2.72 *per* KM during the last five years ending 31 March 2009 which was lower than the All India Average of Rs. 7.50 *per* effective KM

North West Karnataka State Road Transport, Karnataka State Road Transport and Himachal Pradesh registered best performance at 4.89, 4.99 and 4.94 manpower *per* bus.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

(2006-07) and lowest in the country. The low manpower cost was mainly due to implementation of the Report of the Fifth Pay Commission, with effect from 16 February 2009. The manpower *per* bus of the Corporation was also lower than the All India Average of 6.5 persons *per* bus in 2006-07. Due to restructuring of the Corporation, 2,337 employees took Voluntary Retirement during 1999-2000 to 2002-03 which resulted in decrease in regular manpower. Due to ban on recruitment by the State Government the Corporation depended on the contractual staff. During the above period the Corporation engaged contractual staff which ranged from 217 in 2004-05 to 512 in 2008-09. The table given below indicates the requirement of drivers and conductors vis-à-vis persons in position highlighting that there was shortage of drivers as well as conductors which led to cancellation of scheduled kilometres.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	No. of buses held at the end of the year	259	254	241	252	312
2	Requirement of drivers as per norm of 2.5 per bus	648	635	603	630	780
3	Actual drivers available at the end of the year	552	558	528	576	634
4	Shortage of drivers (2 – 3)	96	77	75	54	146
5	Requirement of conductors as per norm of 1.4 per bus	363	356	337	353	437
6	Actual conductors available at the end of the year	328	322	319	310	346
7	Shortage of conductors at the end of the year (5 – 6)	35	34	18	43	91

The Corporation sustained loss of Rs. 0.24 crore for its failure to operate for want of drivers and conductors.

It is evident from above table that there was shortage of 237 drivers/conductors at the end of 2008-09 and was major contributing factor for cancellation of scheduled KMs. Audit observed that the Corporation could not operate buses in six[®] routes for 183 days resulting in loss of 1.39 lakh effective KMs with loss of revenue of Rs. 23.93 lakh during the years 2005-06 and 2008-09. The reason for non-availability of contractual drivers and conductors was due to payment of low wages to them.

Fuel Cost

3.15.1 Fuel is a major cost element which constituted *53 per cent* of total expenditure in 2008-09 and 83 *per cent* of material cost. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Corporation for fuel consumption,

[®] Berhampur to Boudh, Rayagada, Umerkote and Cuttack to Bolangir, Damanjodi, Jharsuguda actual consumption, mileage obtained *per* litre (Kilometre *per* litre i.e. KMPL), All India Average and estimated extra expenditure.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	258.71	266.14	258.16	269.86	310.73
2.	Target of KMPL fixed by Corporation	4.37	4.53	4.52	4.48	4.64
3.	Kilometres obtained *per* litre (KMPL)	4.40	4.40	4.40	4.40	4.37
4.	All India Average in the category (Rural) (KMPL)	4.93	4.93	5.11	5.11	5.11
5.	Actual consumption (in lakh litres) (1/3)	58.80	60.49	58.67	61.33	71.11
6.	Consumption as *per* All India Average (in lakh litres) (1/4)	52.48	53.98	50.52	52.81	60.81
7.	Excess consumption (in lakh litres) (5-6)	6.32	6.51	8.15	8.52	10.30
8.	Average cost *per* litre (in Rs.)	31.99	35.14	33.50	33.69	34.62
9.	Extra expenditure (Rs. in lakh) (7X8)	202.18	228.76	273.03	287.04	356.59

The Corporation consumed 39.80 lakh litres of fuel in excess as compared to All India Average during 2004-05 to 2008-09, resulting in extra expenditure of Rs. 13.48 crore.

North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

3.15.2 It can be seen from the above table that the mileage obtained *per* litre was constant at 4.40 upto 2007-08 which was reduced to 4.37 in 2008-09. The Corporation consumed 39.80 lakh litres of fuel in excess as compared to the All India Average during 2004-05 to 2008-09 resulting in extra expenditure of Rs. 13.48 crore. The consumption was even more than the norms fixed by the Corporation considering the local situations except in 2004-05 and there was excess consumption of 8.52 lakh litres of fuel during 2005-09 resulting in extra expenditure of Rs. 2.93 crore.

It was observed in audit that upto the year 2004-05 the Corporation fixed fuel consumption target of each unit on the basis of achievement in the previous year and thereafter the targets were fixed on monthly basis with quarterly average. In case of shortfall the amount was to be recovered from the erring drivers. Out of 14 depots, the target was achieved in 12 depots in 2004-05, five depots in 2005-06, three depots in 2006-07, nine depots in 2007-08 and two depots in 2008-09. The Corporation, however, could not recover Rs. 41.13 lakh from the erring drivers of two units[#] test checked in audit towards non-achievement of the fuel target. The excess cost was not recovered from the drivers as responsibility could not be fixed on them in respect of chartering service where more fuel was consumed. Excess consumption of fuel was stated to be on account of more number of stoppages and overloading allowed by the conductors.

[#] Bhubaneswar and Jeypore

The expenditure towards fuel and lubricant to total cost during 2006-07 was 53.56 *per cent* which was higher than the All India Average of 35 *per cent* and highest in the country during that year.

The other reason, as analysed in audit, was more number of overage buses held by the Corporation which was 44 to 49 *per cent* of the total vehicles held during 2007-09 based on progressive kilometre running. Audit observed in two[β] depots that the fuel performance of overage buses ranged from 3.95 to 3.99 *per* KM during 2007-08. However, in case of right-age buses the fuel performance ranged from 4.26 to 4.42 *per* KM during the same period.

3.15.3 A test check in Audit of two months Petrol, Oil and Lubricants (POL) statements for each year under review, in six depots, showed that though the Corporation had a mechanism to monitor vehicle-wise or driver-wise data for consumption of fuel so as to exercise effective management control, due to ineffective follow-up action the Corporation could not achieve the targets for fuel consumption. Further, although the Corporation had prescribed ideal driving speed norms so as to enhance fuel economy, the implementation of the same was not ensured.

Cost effectiveness of hired buses

3.16 The Corporation does not operate any scheme for hiring private buses. The Transport Commissioner of GoO suggested (August 2006) to increase the fleet strength of the Corporation to 10 *per cent* of the total vehicles of the State by hiring private buses after formulating a suitable hiring scheme as *per* the strategy adopted by Andhra Pradesh State Road Transport Corporation and Kolkata State Road Transport Corporation. The Corporation, however, intimated (September 2006) to the GoO that the scheme for hiring private buses to augment its fleet strength was not workable since the owners of new buses would earn more by operating independently as the Corporation did not enjoy any special privilege like that of the Assam State Road Transport Corporation (ASRTC) where the STA does not allow any new permit to private buses unless they operate under ASRTC banner.

Body Building

3.17.1 The Corporation got 165 buses fabricated during 2004-05 to 2008-09 through outsourcing. The average cost of fabrication per bus was Rs. 8 lakh during 2008-09. There had been delay of one to 44 days in fabrication of bus bodies during 2004-05 to 2008-09. The Corporation, however, awarded fabrication work to the same fabricators in the subsequent years ignoring their deficient past performance. Due to delay in fabrication, the Corporation lost 1.17 lakh kilometres of operation during 2004-05 to 2008-09, resulting in loss of revenue of Rs. 19.80 lakh.

[β] Berhampur and Jeypore.

The Management stated (October 2009) that due to heat wave the working hours for fabricators were reduced which resulted in delay in delivery of bus bodies. The reply is not convincing since during 2006-07 four fabricators completed the fabrication work as per the schedule.

The Corporation incurred excess expenditure of Rs. 0.69 crore on account of undue favour to fabricators.

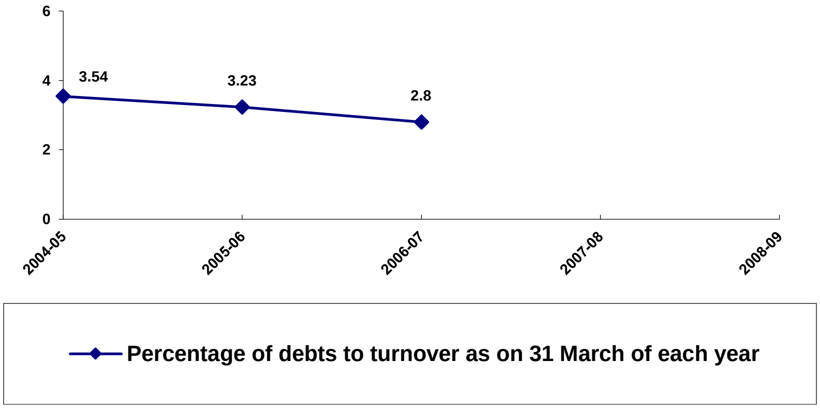
3.17.2 The fabrication was done through open tender and prices were fixed after negotiation. Audit observed that there was excess expenditure of Rs. 68.92 lakh in bus body fabrication during 2004-09 on account of rejection of lowest offer on invalid grounds (Rs. 20.21 lakh) and the remaining ten parties had quoted the same rate, extending undue favour to fabricators (Rs. 28.04 lakh) with regard to Orissa Value Added Tax (OVAT) and payment of OVAT (Rs. 20.67 lakh) to fabricators for seat manufacture instead of purchasing the same and handing over to them for fabrication during review period.

Financial Management

3.18.1 Raising of funds for capital expenditure, i.e. for replacement/addition of buses happens to be the major challenge in financial management of the Corporation's affairs. This issue has been covered in Paragraphs 3.10.2 to 3.10.4. The section below deals with the Corporation's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

3.18.2 Total debts of Rs. 1.13 crore as on 31 March 2007 were on account of bus warrant, claim from Indian Oil Corporation Limited, etc. The Corporation did not carry out any age-wise analysis for the purpose of monitoring and recovery purposes. Further, control accounts of sundry debtors were not supported by subsidiary ledger, party-wise and item-wise. An analysis of the debts outstanding as a percentage of turnover for three years ending March 2007 are depicted in the graph below, since accounts for the years 2007-08 and 2008-09 were not compiled.



3.18.3 The Corporation has been providing concessional passes to various categories of persons like students, blind and physically challenged persons, journalists and freedom fighters since 1981-82 in deference to the orders of GoO. From the year 1995-96, irrespective of the claim of the Corporation, the GoO had been releasing Rs. 1.60 crore every year. As a result, the Corporation stopped claiming the actual subsidy amount from the year 2005-06.

Besides the above claims, the Corporation had been pursuing claims on concessional facilities and transfer-related items separately with the GoO as given below, though the same do not form part of the Sundry Debtors.

3.18.4 The Corporation has been providing transport facilities to police personnel on the strength of bus warrant credit vouchers issued by the police authorities. Due to lack of pursuance by the Corporation towards realisation of the outstanding amount from the police authorities, the dues of the Corporation mounted to Rs. 48.62 lakh as on 31 March 2009. Further, the Corporation provided the facility for carrying postal bags along with one escort of the Postal Department in its buses up to June 2007. The dues of the Corporation for Rs. 49.92 lakh, however, remained unrealised from the Postal Department so far (March 2009).

Due to lack of pursuance, Rs. 39.60 crore remained un-realised since long.

3.18.5 The Corporation claimed Rs. 38.61 crore from time to time from the GoO towards transfer of loss of Rs. 28.55 crore incurred by the Orissa Road Transport Company after its merger with the Corporation in August 1990 and payment of Rs. 10.06 crore to the employees of the erstwhile State Transport Service towards their pension dues to be reimbursed by the GoO. The amount is yet to be realised (March 2009).

3.18.6 From the above, it can be seen that the percentage of debt to turnover is decreasing since 2004-05. In the absence of age-wise analysis of the debts and non-maintenance of subsidiary ledgers, the percentage of debts outstanding for more than five years to total debts could not be worked out in audit.

Realignment of business model

3.19.1 The Corporation is mandated to provide an efficient, adequate and economical road transport to the public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidise its operations. However, the share of non-traffic revenues (other than interest on investments) was nominal at 7.11 *per cent* of total revenue during 2004-09. This revenue of Rs. 15.14 crore during 2004-09 mainly came from collection of parking fees, advertisements and restaurant/ shop rentals. Audit observed that the Corporation has non-traffic revenue sources which it has not tapped substantially.

3.19.2 Over a period of time, the Corporation has come to acquire sites at prime locations in cities, district and tehsil headquarters. The Corporation partly uses the land and buildings for its operation, leaving ample scope to construct and utilise the vacant space. Audit observed that the Corporation has land (mostly owned/ leased by Government) at important locations ad-measuring 138.47 acres as shown below.

Particulars	Cities (Municipal areas)	District Headquarters	Tehsil Headquarters	Total
Number of sites	27	38	20	85
Occupied land (acres)	20.81	94.33	23.33	138.47

3.19.3 It is, thus, possible for the Corporation to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, etc. above (from first or second floor onwards) the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporation. Such projects can yield substantial revenue for the Corporation which can only increase year after year.

3.19.4 Audit observed that the Corporation has not studied this aspect to assess the likely benefits from such activities. Since substantial non-traffic revenue will help the Corporation to cross-subsidise its operations and fulfill its mandate effectively, the Corporation may like to study realigning its business model and frame a policy in this regard. Other irregularities noticed in audit regarding non-realisation of non-traffic revenue are discussed below:

The Corporation could not realise Rs. 2.70 crore towards lease rent from RRL and sale of land without retendering lacked justification.

- The BoD decided (April 1981/December 1994) to dispose of surplus lands. During tendering, the offer of BPD Steel Syndicate was short-listed (June 2004). However, the BoD decided (October 2007) for sale of land at one site (Baripada) for Rs. 6 crore and subleasing of six[⊕] other sites to Reliance Retail Limited (RRL) though RRL had not participated in the tender. As *per* valuation of Swain and Associates (September 2001) value of this land was Rs. 5.10 crore. However, the land was sold to RRL with marginal increase of Rs. 0.90 crore after a lapse of six years without retendering. This lacked justification. Further, RRL also did not pay the lease rent against six sites which resulted in non-realisation of Rs. 2.70 crore.

  The Management stated (October 2009) that as per Swiss Challenge Process, tender was invited in November 2007 for sale of land at Baripada and for leasing out six sites against which no bidder came forward. The fact, however, remained that the current valuation of the land was not done since there was a gap of six years between the date of valuation and sale of the land.

[⊕] Barbil, Berhampur, Bhubaneswar, Cuttack, Dhenkanal & Keonjhar

- The Corporation has 413 shops, hotels, open spaces, etc., at different locations/bus-stands to be used for rental purpose. Audit observed that an amount of Rs. 33.43 lakh was outstanding from 209 tenants at different locations and further, 29 shops were vacant for which the Corporation sustained loss of Rs. 15.02 lakh for the last four years ending 2008-09.

The Corporation sustained loss of Rs. 1.25 crore on account of shop rental, parking fee and advertisement besides non-realisation of Rs. 0.51 crore.

- Due to non-collection/short collection of parking fees during February 2002 to March 2009 from different bus stands, the Corporation sustained loss of Rs. 68.52 lakh besides non-realisation of outstanding amount of Rs. 17.86 lakh from the agents up to March 2009.
- The Corporation had been offering three sides of its buses for advertisement which was later on restricted to one side only (July 2004). As a result, advertisement rental was reduced from Rs. 55,000 *per* month from July 2001 to Rs. 20,000 *per* month during July 2004 to June 2010. Thus, there was loss of Rs. 41.29 lakh during July 2004 to June 2010.
- The Corporation did not have any advertisement policy though the need for formulation of such a policy had been considered in December 2002. Had the Corporation finalised its advertisement policy and utilised the space in other bus stands its revenue could have been augmented.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

3.20.1 The fare policy of the Corporation is administered by the GoO. The revision of fare *per* kilometre is considered by the GoO on the basis of increase/decrease of 13 items of expenditure related to operation.

During 2004-05 to 2008-09 the GoO revised the fare six times on the above mentioned basis as well as on the demand of private operators. The Technical Committee constituted by the GoO, where DGM (Technical) of the Corporation is a member, examines and recommends the revision in the bus fare.

The *per* kilometre fare during the last five years ended March 2009 is detailed below.

Type of buses	2004-05	2005-06	2006-07	2007-08	2008-09
	***Per* kilometre rate in rupee**[#]				
Ordinary	0.32/0.35	0.35/0.38	0.38/0.41	0.41/0.40	0.40/0.43
Express/Hi-Comfort	0.33/0.37	0.37/0.40	0.40/0.43	0.43/0.42	0.42/0.45

[#] Fare revision was made on 16 August 2004, 11 July 2005, 1 August 2006, 9 April 2007, 24 June 2008 and 17 December 2008.

Type of buses	2004-05	2005-06	2006-07	2007-08	2008-09
	***Per* kilometre rate in rupee#**				
Deluxe/Hi-Tech	0.43/0.48	0.48/0.52	0.52/0.56	0.56/0.55	0.55/0.59
Air Conditioned Coach	0.53/0.59	0.59/0.64	0.64/0.69	0.69/0.67	0.67/0.72

The fare policy of the Corporation has no scientific basis.

3.20.2 The fare policy of the Corporation/GoO has no scientific basis as it does not take into account the normative cost. The DGM (T) submitted a statement showing the quantitative figures and financial figures of a vehicle running for 300 KMs a day for 27 days in a month. The statement showing the *per* kilometre expenditure on the 13 stipulated items submitted to the committee was not approved by the CMD. In many cases the data furnished was higher than the actual data as *per* monthly trial balance of the Corporation.

Consideration of inflated data in regard to cost per kilometre resulted in fixation of fare at higher side.

Thus, consideration of inflated data in regard to cost *per* kilometre of operation at the time of fare revision by the committee resulted in fixation of fare at a higher side which ultimately was a burden on the commuters besides giving a scope to the private operators for undercutting fares which in turn affected the Corporation.

The table below shows how the Corporation could have curtailed cost and increased revenue with better operational efficiency.

(Amount in Rupees)

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM	13.21	14.05	15.49	15.73	15.95
2.	Traffic Revenue *per* KM	11.73	12.72	14.13	14.95	16.38
3.	Loss of revenue due to less vehicle productivity (*per* KM)	0.64	0.52	0.91	0.59	0.41
4.	Excess cost due to low man power productivity (*per* KM)	--	--	--	--	--
5.	Excess cost due to excess consumption of fuel (*per* KM)	0.79	0.87	1.07	1.08	1.16
6.	Ideal revenue *per* KM (2+3)	12.37	13.24	15.04	15.54	16.79
7.	Ideal cost *per* KM (1-5)	12.42	13.18	14.42	14.65	14.79
8.	Net revenue *per* KM (2-1)	(-)1.48	(-)1.33	(-)1.36	(-)0.78	0.43
9.	Net ideal revenue *per* KM (6-7)	(-)0.05	0.06	0.62	0.89	2.00
10.	Effective kilometres (In lakh)	255.82	263.50	256.06	266.24	307.73
11.	Avoidable loss (Rs. in lakh) {(9-8)X10}	365.82	366.27	507.00	444.62	483.14

3.20.3 The above table does not take into account other inefficiencies such as low fleet utilisation, excess tyre cost, defective route planning, etc. Nonetheless, it shows that the net revenue could be higher, if the operations are properly planned and efficiently managed, than what they actually are. Thus, the case made by the Corporation for increase in fare, includes its inefficiencies and in a way would make the commuters pay more than what they should be actually paying.

3.20.4 The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters. Though the Transport Policy adopted (May 2007) by the GoO envisaged for formation of a regulatory body named as Orissa Transport Regulatory and Advisory Council (OTRAC), the same is yet to be formed.

Adequacy of services on uneconomical routes

3.20.5 The Corporation had about 29 *per cent* profit making routes as of March 2009 as shown in the table under paragraph 3.12.4. However, the position would change if the Corporation improves its efficiency. Nonetheless, there would still be some routes which would be uneconomical. Though the Corporation is required to cater to these routes, the Corporation has not formulated norms for providing services on uneconomical routes. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

Due to operation of services in hilly areas, the Corporation incurred loss of Rs. 40.25 crore during 1998-2006 which had not been reimbursed by GoO.

The Corporation had only 4.04 *per cent* of the total fleet strength in the State as of 2008-09. The majority of its operations are in the hilly areas like Kalahandi, Bolangir and Koraput (KBK). The maximum services were provided in the night. The Corporation did not operate any service in the coastal belt which is mostly urbanised and thickly populated. It was noticed that the private operators are operating in the day time in the coastal areas. Due to operation of services in hilly areas the Corporation incurred loss of Rs. 40.25 crore during 1998-99 to March 2006 which was to be reimbursed by the GoO as decided (July 2000) in the meeting chaired by the Chief Minister. Though the Corporation claimed the amount from time to time up to June 2008 the GoO had not reimbursed any amount towards operation in hilly areas.

Monitoring by top management

MIS data and monitoring of service parameters

3.21 For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. The Corporation has a Statistical Cell headed by a Senior Manager under the control of General Manager (Administration). Statistical Cell compiles monthly information received from depots for various performance indicators which were not communicated regularly to the concerned Heads of Department (HOD) *i.e.* DGM (O), DGM (T) and Financial Advisor and Chief Accounts Officer. The depot-wise monthly or yearly targets for various performance parameters are set by the concerned HOD. Audit found the system deficient as the Board of Directors of the Corporation was never apprised about the operational performance. Though the CMD held periodical review meetings corrective action on operational underperformance was not followed. The performance reported to the HODs was also not effectively monitored as proper records, showing action taken against underperforming depots, were not maintained. Information relating to schedules operating below variable cost, utilisation of employee pass, etc. received from depots was not compiled and used for monitoring, controlling and improving operational performance.

Conclusion

Operational performance

- **The Corporation could not keep pace with the growing demand for public transport as its share declined from 4.29 *per cent* in 2004-05 to 4.04 per *cent* in 2008-09.**

- **Though the Corporation earned operating profit and achieved the AIA for cost due to low personnel cost, it could not achieve AIA for revenue due to operational inefficiencies and inadequate/ineffective monitoring by top management.**

- **The Corporation has scope to improve its operations as its performance on important operational parameters such as fleet utilisation, vehicle productivity and load factor was not up to its internal targets.**

- **The Corporation did not ensure economy in operations as its fuel cost was higher than its internal targets.**

- **Despite having shortage of buses, the Corporation did not implement the proposal of GoO for hiring of buses.**

Financial management

- **The Corporation does not have a policy in place to exploit non-conventional sources of revenue.**

Fare policy and fulfillment of social obligations

- **The Corporation neither has a fare policy based on scientific norms nor any yardstick for adequacy of operation on uneconomical routes.**

Monitoring by top management

- **The MIS was not effectively used by the top management for monitoring key operational parameters.**

On the whole, there is immense scope to improve the performance of the Corporation. The Corporation can increase the profit further by resorting to hiring of buses and tapping non-conventional sources of revenue. Effective monitoring of key parameters coupled with certain policy measures can see improvement in performance.

Recommendations

The Corporation may:

- **consider devising a policy for tapping non-conventional sources of revenue by undertaking PPP (Public Private Partnership) projects;**
- **devise a fare policy on the basis of normative costs; and**
- **monitor the important operational parameters and take remedial measures for improvement.**

The Government may consider:

- **creating a regulator to regulate fares and also services on uneconomical routes; and**
- **reimbursing the Corporation the actual cost towards plying of buses on uneconomical routes.**

Chapter IV

4. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government companies/Statutory corporations are included in this Chapter.

Government companies

GRIDCO Limited

4.1 Undue favour

By allowing BPSL to sell power in Open Access ignoring the terms of MoU executed by them with GoO and purchasing their surplus power at higher rate, the Company not only extended undue favour of Rs. 23.51 crore to BPSL and BSL but was also deprived of earning revenue of Rs. 93.68 crore.

Bhusan Group of Companies (BGC) comprising of Bhusan Limited[#] (BL) and Bhusan Steel and Strips Limited[$] (BSSL) signed (May 2002) a Memorandum of Understanding (MoU) with the Government of Orissa (GoO) for setting up a steel plant in Orissa with a Captive Power Plant (CPP) to meet its energy requirement. As per the MoU, the surplus power of the CPP was to be sold to the Company for which BPSL was to approach the Company for execution of a Power Purchase Agreement (PPA). Subsequently (August 2002 and February 2003), though it was decided that BPSL would submit a draft PPA and tariff calculation details for determination of sale price of the power, no PPA was submitted by BPSL. Further, BSL also did not submit any PPA for sale of its surplus power to the Company.

In the meantime BPSL approached (2003) Orissa Electricity Regulatory Commission (OERC) for grant of permission for sale of power through Open Access as per provisions of the Electricity Act, 2003, which was allowed (February 2004) by OERC. The representative of the Company, present during hearing of the matter by OERC, did not give any commitment regarding purchase of surplus power from BPSL, the reasons for which are not on record. Accordingly, BPSL sold 247 million units (MU) of power outside the State during September 2005 to December 2006. The Company, however, intimated (October/December 2006) BPSL its willingness to purchase the surplus power of their CPP as per terms of MoU with GoO at a rate of

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[#] Now Bhusan Limited has become Bhusan Power and Steel Limited (BPSL).
[$] Now Bhusan Steel and Strips Limited has become Bhusan Steel Limited (BSL).

Rs. 2.02 per unit though it was purchasing power from other CPPs having MoU with GoO at rates ranging between Re. 0.65 and Rs. 1.10 per unit during that period.

Audit observed the following:

- Since GoO provided facilities like land, water, coal and iron ore to BPSL at concessional rate and there was a provision in the MoU for sale of their surplus power through execution of PPA, the Company should have compelled BPSL to finalise the PPA as was done with other CPPs. Had the Company purchased their surplus power of 247 MU at Rs. 1.10 per unit for sale through inter-state trading made by it at rates ranging between Rs. 3 and Rs. 5.64 per unit, it could have earned Rs. 93.68 crore during September 2005 to December 2006.
- The Company's decision not to purchase surplus power from BPSL for reasons not on record, gave latter the opportunity to sell their surplus power through Open Access, which amounts to extension of undue favour to them.
- The Company purchased 211 MU power from BPSL and BSL only from April 2007 and April 2008 respectively and during 2007-08 and 2008-09 (up to September 2008) at a rate ranging between Rs. 2.02 and Rs. 2.30 per unit. Considering the maximum rate paid to other CPPs having MoU with GoO as Rs. 1.10 per unit, the Company extended undue favour of Rs. 23.51 crore to BPSL and BSL.

The Management stated (June 2009) that no firm commitment was given to BPSL to procure its surplus power due to the fact that uncertainty was prevailing regarding trading of power by the Company beyond 9 June 2004 as trading activity was separated from transmission functions as per the provisions under Electricity Act, 2003. It was added that in the absence of CPP policy, the Company adopted competitive graded rates of Rs. 2.02 to Rs. 2.50 per unit of power supply by the CPPs.

The fact remained that the Company traded 4,527 MU and 2,186 MU of its surplus power during 2004-05 and 2005-06 respectively and was purchasing the surplus power of other CPPs having MoU with the Government of Orissa at rates ranging between Re. 0.65 and Rs. 1.10 per unit during that period.

Thus, by allowing BPSL to sell power in Open Access ignoring the terms of MoU executed by them with the GoO and purchasing their surplus power at higher rate, the Company not only extended undue favour of Rs. 23.51 crore to BPSL and BSL but was also deprived of earning revenue of Rs. 93.68 crore.

It is recommended that the Company should fix responsibility on the erring officials for whom it could not generate additional revenue.

The matter was reported to the Government (May 2009); their reply had not been received (October 2009).

4.2 Undue favour

Purchase of inadvertent power at the rate applicable for scheduled power resulted in extra expenditure as well as undue favour of Rs. 8.84 crore.

Consequent upon the separation of generation of power from bulk supply/ distribution as a fallout of power sector reforms in Orissa, the Company purchases power from various generators including CPP for sale to the distribution companies as well as for inter-state trading. As per the provision of the Orissa Grid Code (OGC) with effect from January 2004, the generators are required to furnish day ahead schedule detailing hourly quantum of supply to the State Load Despatch Centre. Any supply of power without schedule is liable to be treated as 'inadvertent power'.

Nava Bharat Ferro Alloys Limited (NBFAL) requested (17 January 2005) the Company to purchase power from their CPP on a short term basis at a mutually acceptable rate. Instead of executing any agreement with NBFAL in respect of the type, quantum and rate of supply of power, the Company started purchasing power from NBFAL from 24 January 2005 onwards at Rs. 2.02 *per* unit against supply of scheduled power. Though no rate was initially decided for supply of inadvertent power, the Company decided (April 2005) to pay at the same rate as the variable cost of generation of power of Talcher Super Thermal Power Plant, Kaniha[*] in the corresponding month.

Audit observed that during January 2005 - March 2006, out of 66.090 MU of power drawn by the Company from NBFAL, in respect of 62.532[&] MU, the schedule of supply was not furnished. Hence, those supplies were to be treated as inadvertent supply within the meaning of the provisions of the OGC. Instead the Company paid at the rate applicable for scheduled supply, resulting in extra expenditure of Rs. 8.84 crore, which was tantamount to extension of undue favour to NBFAL.

It is recommended that the Company should strictly adhere to the codal provisions in its business transactions.

The matter was reported to the Management/ Government (April/ May 2009); their replies had not been received (October 2009).

[*] A unit of National Thermal Power Corporation Limited.
[&] Supplies made during 24 January 2005-30 April 2005, 10-29 December 2005 and 1-31 January 2006.

Orissa Mining Corporation Limited

4.3 Avoidable payment of penal interest

Improper calculation of tax liability led to shortfall in deposit of advance income tax resulting in avoidable payment of interest of Rs. 23.92 crore.

Under the Income Tax Act, 1961, a corporate assessee pays in four instalments[#] at the prescribed rates, advance income tax on total taxable income for the financial year (FY) preceding the assessment year. Failure to deposit minimum 90 *per cent* of the tax in advance and shortfall in depositing tax as per the prescribed slab attracts interest at a rate of one *per cent* per month as per Section 234B and 234C of the Act respectively. Therefore, proper estimation of taxable income and deposit of tax payable in advance is not only a necessity for compliance with the statute but also saves the assessee from paying interest.

The Company deposited advance tax of Rs. 180.60 crore and Rs. 395.01 crore for FY 2006-07 and FY 2007-08 by 15 March of the concerned financial year, against the annual tax liability of Rs. 231.01 crore and Rs. 557.75 crore respectively, leading to short payment of income tax of Rs. 50.41 crore and Rs. 162.74 crore. Consequently, the Company had to pay avoidable interest of Rs. 9.57 crore and Rs. 14.35 crore under Section 234B and 234C for FY 2006-07 and FY 2007-08 respectively.

Audit observed that the Company was estimating the quantum of tax on the basis of budgeted figures. While estimating the tax liability, factors like increase in sales price as well as sales volume were not being assessed properly. Thus, actual increase in revenues was not being considered. As a result, the tax liability was not being determined accurately. Though the Company had adopted System Application and Products in Data Processing (SAP) from FY 2004-05 onwards, it had not taken advantage of the system to arrive at an accurate estimate of income for deposit of advance tax.

Thus, improper calculation of tax liability led to shortfall in deposit of advance income tax resulting in avoidable payment of interest of Rs. 23.92 crore for 2006-07 and 2007-08. Considering that the delay enabled the Company to retain cash with it for a longer period and the Company could have earned interest on it at about 4.25 *per cent* (the minimum rate of interest in flexi account for the period), the Company stood to suffer a loss of Rs. 14.29 crore on interest differential, besides non-compliance with the tax law.

The Government stated (June 2009) that estimation of actual tax liability in advance was not possible in view of various constraints in the SAP system in

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[#] On or before 15 June, 15 September, 15 December and 15 March of the financial year preceding the assessment year.

capturing all relevant data on income and expenses coupled with wide fluctuations in domestic as well as international market. The fact, however, remained that the Company deposited the advance tax based on budgeted figures of the previous year and should have evolved a system to take care of the areas where SAP system is lacking. Further, the Company should have strengthened its Management Information System to estimate the profit as accurately as possible.

It is recommended that the Management should put in place a proper system of determining the tax liability taking into account all relevant factors.

4.4 Loss due to export of ore after expiry of the contract

Export of ore after expiry of the contract coupled with failure to execute agreement with the buyer for revision of price before commencement of loading resulted in loss of Rs. 2.68 crore.

The Company entered into (20 February 2006) a contract with VISA Comtrade AG, Switzerland (VISA) for sale of 30,000 MT ±10 *per cent* 50/48 grade chrome concentrate at the rate of US$ 115 per Dry Metric Tonne (DMT), FOB Paradeep to be shipped by 7 March 2006. The terms of the contract, *inter alia*, included that (i) the shipment period may be extended through an agreement taking into consideration the prevailing market price of the ore or at a price mutually agreed between the seller and the buyer and (ii) if no mutual agreement either for extension of time for supply of chrome concentrate by shipment or price is arrived at, the contract may be terminated at the option of the seller without any liability. The contract further provided that any change or modification to the contract would be taken to have been changed or modified when confirmed by both the seller and the buyer in writing and such an event would always be prospective in operation.

The shipment period was extended (7 March 2006) till 17 March 2006 by the Company at the request (6 March 2006) of VISA without execution of an agreement with respect to revision of rate prevailing on the date of shipment. VISA nominated (13 March 2006) a vessel with lay can* 14 to 16 March 2006 for lifting 26,500 MT, which was accepted (16 March 2006) by the Company. The ship actually berthed at Paradeep port at 01:20 hours on 18 March 2006 i.e. after expiry of the extended period of the contract. The Company commenced loading at 03:45 hours of 18 March 2006 and completed loading of 24,132 DMT on 21 March 2006.

Meanwhile, the selling price of another tender of similar grade ore, floated (11 March 2006) by the Company, was opened on 18 March 2006 (15:00 hours) which established a price of US$ 141 per DMT, FOB Paradeep. Basing on this price, the Company demanded (18 March 2006) US$ 6,86,400 from VISA, followed by reminders on 20 and 21 March 2006. VISA rejected (21 March

* The period available for loading of material onto the vessel.

2006) the revised price and the Company invoked (September 2006) the Bank Guarantee (BG) of US $ 1,72,500 deposited by VISA as security. The Company then referred the matter to the Arbitrator who rejected (May 2008) the claim of the Company on the ground that the revision of price was not mutually accepted by the parties before commencement of loading. The Arbitrator awarded refund of encashed BG alongwith interest (Rs. 18.50 lakh) and cost of arbitration (Rs. 5 lakh) to VISA.

Audit observed the following:

- As per terms of the contract, the Company should not have extended the shipment period and should not have commenced loading after the contractual period was over before entering into a written agreement with VISA for enforcing the prevailing market price on the date of shipment. In case of non-acceptance by VISA, the contract should have been terminated.
- The contract signed (14 March 2006) with Mineral & Metal Trading Corporation Limited for export of 10,000 MT of similar grade ore provided that in case of shipment between 18 and 31 March 2006, the price applicable would be US$ 115 per DMT or the price established in the tender due for opening on 18 March 2006, whichever would be higher. No such rider clause was, however, notified while accepting the nominated vessel nor before commencement of loading. As a result, the Company failed to validate its claim for the increased price before the Arbitrator and thereby lost the opportunity of earning additional revenue.

The Government stated (June 2009) that the vessel had reported its arrival to the port authorities (21:55 hours of 17 March 2006) within the contractual period and thus the contract could not have been terminated. The reply does not address the fact that the vessel was not only required to report the arrival during the tenure of the contract, but the loading was also required to be completed within the lay can period. Since the vessel berthed at 1:20 hours on 18 March 2006, the contract could not have been performed within the contractual period and thereby the Company had the option either to extend or to cancel the contract. The Company, however, neither cancelled the contract nor commenced loading of ore in the ship after getting written consent of the buyer for revision of price of the ore.

Thus, export of ore after expiry of the contract coupled with failure to execute agreement with the buyer for revision of price before commencement of loading resulted in loss of Rs. 2.68 crore.

4.5 Loss of revenue

Sale of lump ore without value addition by crushing deprived the Company of earning revenue of Rs. 1.48 crore.

The Company entered (August 2005) into an agreement with Kalinga Commercial Corporation (KCC) for excavation, raising and sizing of 4.20 lakh MT of iron ore per year at Kurmitar Iron Ore Mines during 25 July 2005 to 24 July 2006 which was extended from time to time upto 24 July 2009. The quantity was enhanced (May 2008 and February 2009) upto 24.50 lakh and 24 lakh MT for the third and fourth year of the contracts due to installation of new machineries and equipments by KCC. The increased quantity of ore produced by the KCC was sold in the domestic market without exploring the possibility of further value addition by producing Calibrated Lump Ore (CLO) of +65 *per cent* iron content to earn more revenue. The Company, however, decided (2 May 2008) to produce upto 1.40 lakh MT of 5 to 18 mm CLO to boost the sales revenue. The Purchase and Contract Committee (PCC) of the Company also suggested (26 May 2008) to examine the possibility of production of 5 to 18 mm CLO during extension of the contract with KCC for the fourth year (25 July 2008 to 24 July 2009) by deciding a suitable rate taking into account the cost economy and after obtaining consent of the contractor. Though the Company executed (August 2008) the contract for the fourth year with KCC for excavation/raising of iron ore, it did not mention regarding production of 5 to 18 mm of CLO due to non-finalisation of the rate of production though there was sufficient demand for CLO and selling CLO was more profitable than selling lump ore. As a result, the Company was deprived of the opportunity of earning better revenue in spite of its potential to produce 1.40 lakh MT of 5 to 18 mm CLO.

Audit observed that:

- As per the recommendation of the PCC, the Company was to derive the rate for production of 5 to 18 mm CLO for inclusion in the agreement to be executed with KCC for the fourth year. Though it was known to the Management that the rate of CLO was very high in comparison to lump ore and it was decided (August 2008) for inclusion of the rate of CLO in the agreement with KCC for the fourth year, the same was not done due to non-finalisation of the cost estimate for conversion of lump ore to CLO for which the Company could not produce 1.40 lakh MT of CLO.
- During July to December 2008, the Company could have produced 32,802 MT of 5 to 18 mm CLO from 50,465 MT of iron ore sold as lump ore. This resulted in loss of Rs. 1.48 crore[⊕].

[⊕] Total sale value of CLO and fines: Rs.15.40 crore *less* [sale value of lump ore: Rs. 13.41 crore *plus* cost of crushing (as estimated by the Regional Officer, Koira): Rs.0.51 crore]

The Government stated (June 2009) that due to space constraints at the mine head, engagement of another contractor to crush the ore in the limited mining space was not feasible. It was added that they were negotiating with KCC to crush lump ore in the existing crusher for the remaining period of the contract. The fact, however, remained that despite taking the decision in May 2008 to crush the ore during the rainy season for getting 5 to 18 mm CLO, the Company could not execute the same due to non-finalisation of the cost estimate for conversion of lump ore to CLO.

It is recommended that the Company should consider stopping sale of lump ore and selling it only after crushing, keeping in view the prospects of generating additional revenue and profit.

Orissa Construction Corporation Limited

4.6 Loss of revenue due to non-inclusion of Service Tax in the offer price

Ignorance of Service Tax implications on its commercial construction services resulted in avoidable burden of Rs. 41.36 lakh to the Company.

The Company participated in a tender floated (July 2006) by Orissa Power Generation Corporation Limited (OPGC) for development of Ash Pond at Banharpalli, Jharsuguda. The terms of the tender, *inter alia*, envisaged that the quoted price would be inclusive of all taxes, duties, levies, etc. including Service Tax (ST). The work was awarded (December 2006) to the Company at its quoted L_1 price of Rs. 24.33 crore (inclusive of all taxes, duties and levies) with the stipulation to complete the same by August 2007/June 2008. As of February 2009, the Company completed works valued at Rs. 21.40 crore only.

Audit observed that Construction services (commercial and industrial buildings or civil structures) were liable to service tax with effect from September 2004. The Company, however, included ST component of Rs. 8.02 lakh only pertaining to erection of equipment in the bid price and did not include ST on the other components of work presuming that these services were not taxable.

The Company became aware of its ST liability only when OPGC withheld (May 2007) ST from its bills. Thereafter, the Company registered (October 2007) itself under the Service Tax Act, 1994 for paying ST and secured release of the withheld amount from OPGC. The Company deposited Rs. 49.38 lakh till February 2009 towards ST but could not pass on this burden to OPGC due to its failure to load this onto the bid price resulting in loss of revenue of Rs. 41.36[*] lakh to the Company.

[*] Total payment of Rs. 49.38 lakh paid towards ST *less* Rs. 8.02 lakh already included in the bid price.

The Government stated (June 2009) that they had not included service tax in the offer price considering its meager amount and the margin available in the work. The fact remained that the Company was ignorant about incidence of ST on civil, mechanical and electrical works and therefore ST had not been included in the offer price.

It is recommended that the Management should keep abreast of changes in rules and regulations which are relevant to its business operations.

Orissa State Civil Supplies Corporation Limited

4.7 Inadequate monitoring

Inadequate monitoring and improper financial management led to non-recovery/levy of holding charges of Rs. 1.21 crore and loss of interest of Rs. 3.02 crore due to delay in remittance of sale proceeds.

The Company procured paddy for Kharif Marketing Season (KMS) 2006-07 (October 2006 to September 2007) under the Decentralised Procurement Scheme to ensure payment of minimum support price to the farmers. The paddy procured under the scheme was to be milled through the Custom Millers (CMs) appointed by the Company and the resultant rice was to be distributed through the Public Distribution System (PDS) channel. The CMs were required to supply the rice within 20 days of delivery of paddy. In case of non-delivery in time the District Managers (DMs) were to inspect the mills to ensure the receipt of resultant rice. Failure to supply within the stipulated period would render the CMs liable to pay holding charges at the rate of 20 paise per quintal of rice per day.

The Company procured 8.12 lakh MT of paddy in 30 districts during KMS 2006-07 and received 5.36 lakh MT of resultant rice[$]. Balance 1,486[@] MT of rice worth Rs. 83.96 lakh was not received due to loss on account of fire and misappropriation for which the Company had initiated legal action.

The paddy procured in the Decentralised Procurement Centres was delivered to the CMs and the rice supplied by the CMs was sold to storage agents for ultimate distribution under PDS. The sale proceeds were kept in a separate current account for remittance to the Head Office immediately. During November 2006 to September 2007, the Company sold 4.96 lakh MT of custom milled rice (CMR) and received Rs. 280.07 crore in 30 districts against which the concerned DMs remitted Rs. 235.96 crore to the Head Office by the end of KMS 2006-07 (September 2007). Balance amount of Rs. 44.11 crore remained in the Current Accounts in the districts, of which Rs. 38.94 crore was remitted during November 2007 to January 2008.

[$] 68 *per cent* parboiled rice or 67 *per cent* raw rice and 66 *per cent* parboiled rice or 65 *per cent* raw rice under Fair Average Quality and Under Relaxed Specification paddy respectively.

[@]Bargarh-665 MT lost due to fire, Dhenkanal -223 MT and Subarnapur-598 MT loss due to misappropriation.

Audit observed that:

- In 25 districts the CMs delivered (December 2006 to September 2007) the resultant rice with delays ranging between one and 220 days.
- As against the levied penalty of Rs. 1.46 crore, the Company recovered Rs. 0.20 crore and waived Rs. 0.82 crore. Thus, Rs. 0.44 crore still remained to be recovered.
- The Company also did not levy the penalty of Rs. 0.77 crore in 11 districts.
- Further, sale proceeds of CMR was retained by DMs and the monthly balances up to Rs. 23.26 crore was kept in the Current Accounts violating the instruction (December 2004/February 2007) of the Company to deposit the sale proceed to Head office immediately. This indicates lack of monitoring by the Head Office of the Company. Had the sale proceeds been remitted immediately to the Head Office, the Company could have saved interest of Rs. 3.02 crore on the cash credit loan availed for financing the operation of the scheme.

The Management stated (September 2009) that action was being taken to impose holding charges on the rest of the millers after ascertaining the reasons for delay in delivery of rice besides instructing the District Managers to remit sales proceeds to the head office immediately. It was added that action was being initiated to ascertain blockage of fund, if any, at the district level.

The fact remained that the Management failed to find out the specific reasons for delay in delivery of rice by CMs and blockage of fund with the DMs even after a lapse of two years from the end of KMS 2006-07.

Thus, inadequate monitoring and improper financial management led to non-recovery/levy of holding charges and loss of interest due to delay in remittance of sale proceeds amounting to Rs. 4.23♣ crore.

It is recommended that the Company should recover/levy penalty for delay in supply of CMR by the millers, initiate action against the erring officials for inadequate monitoring in receipt of CMR and non-remittance of sale proceeds of CMR to the Head Office.

The matter was reported to the Government (May 2009); their reply had not been received (October 2009).

♣ Non-recovery- Rs. 0.44 crore, non-levy- Rs. 0.77 crore and Interest- Rs. 3.02 crore.

4.8 Avoidable expenditure

Failure of the Company to let out the godowns resulted in blockage of fund of Rs. 3.65 crore coupled with avoidable expenditure of Rs. 46.15 lakh towards storage commission.

Government of India (GoI), Ministry of Consumer Affairs and Public Distribution, New Delhi approved (January/March 2000) a centrally sponsored scheme for construction of 96 godowns in 11 cyclone prone districts in the State of Orissa for creating 58,500 MT* storage facilities for Public Distribution System (PDS) at a cost of Rs. 15.40 crore to be financed by GoI as 50 *per cent* subsidy and 50 *per cent* loan. GoI released (March and May 2000) Rs.15.40 crore to the Government of Orissa (GoO), who in turn released the fund to the Company between October 2000 and August 2002. The Company deposited a total amount of Rs. 17.15 crore (including its own fund of Rs.1.75 crore) with the contractor, Orissa Industrial Infrastructure Development Corporation (IDCO) as against requirement of Rs. 21.48 crore (revised estimate dated 8 May 2003) for completion of the entire work. Of the 96 godowns to be constructed up to November 2002, 86 were completed at a cost of Rs. 16.09 crore during January 2001 to April 2007, seven were incomplete after incurring an expenditure of Rs. 1.30 crore up to July 2005 and construction plans of three were dropped due to non-availability of suitable land.

Audit observed the following:

- Fifteen godowns# completed at a cost of Rs. 2.34 crore were lying vacant since their construction (June 2002 to April 2006) i.e. for 23 to 69 months up to 31 March 2008. Of these, four godowns& could not be made operational for want of approach roads though it was certified by the State Government earlier (January 2002) that all the proposed sites had approach roads and movement of commodity would not be a problem. There was no demand for the remaining 11 godowns. This indicates deficiencies in the planning process.
- As per the terms of the agreement with the Storage Agents (SAs) appointed by the Company for distribution of PDS commodities, the Company's godowns were required to be hired to SAs of their respective area of operation at the prescribed rate. The Managing Director of the Company belatedly instructed (September 2003/July 2006) that in case the Company's godowns were not given to the SAs of the concerned locality, the storage commission on the PDS commodities would not be paid to them. The instructions were, however, not carried out for reasons not on record and the Company paid storage commission of Rs. 24.22 lakh during

* (7 godowns x 2,000 MT) + (89 godowns x 500 MT)
# Godown at Nimapara was used for procurement of paddy only from May 2007.
& Balipatna, Baruan, Jaleswar and Niali.

2003-08 to the SAs in the same localities where the Company had constructed 15 godowns which remained vacant.

- Though the Company spent Rs. 1.30 crore towards construction of seven godowns to be completed during April - December 2001, those could not be completed so far (January 2009) due to taking up construction in low lying areas, land dispute and paucity of funds. Storage commission of Rs. 21.93 lakh has been paid to the SAs during 2003-08 in these localities.

The Government stated (October 2009) that the godowns were constructed in the coastal districts to store food grains for utilisation during natural calamities. It was added that the godowns were let out at lower rents as per recommendation of the concerned District Collectors. The reply is contrary to the fact that the sole intention behind construction of godowns was to create storage facility and maintain the food chain in the coastal districts vulnerable to cyclones and floods. The reply is silent on the fact that 14 godowns could not be let out even at the lower negotiated rents as instructed by the Company though storage commission was paid to the SAs in the same locality where those were constructed.

Thus, planning deficiencies and failure of the Company to let out the godowns resulted in blockage of fund of Rs. 3.65 crore coupled with avoidable expenditure of Rs. 46.15 lakh towards storage commission.

It is recommended that the Company should take concrete steps to let out the godowns to earn revenue or get those utilised by the SAs for storage of PDS commodities to avoid payment of storage commission to them.

Orissa Rural Housing and Development Corporation Limited

4.9 Avoidable payment of Guarantee Commission

Failure of the Company to reduce the Government guarantee against the unutilised loan and amount repaid from time to time resulted in avoidable expenditure of Rs. 3.54 crore towards Guarantee Commission.

The Company was liable to pay Guarantee Commission (GC) at the rate of 0.5 *per cent* per annum to the State Government on the maximum amount of guarantee sanctioned irrespective of the amount availed/outstanding on 1 April of each year till liquidation of the loan as per the guidelines (12 November 2002) of Government of Orissa (GoO). For reduction of guarantee the Finance Department (FD) clarified (26 November 2002/June 2003) that concurrence of the FD should be obtained by the concerned Administrative Department on production of proof of payment of up-to-date GC, letter of the lending financial institution certifying repayment of the loan and other concerned supporting papers. In that case, GC would be paid on the reduced guarantee amount only.

The State Government sanctioned (March 1996 to November 2002) guarantee of Rs. 484.12 crore to the Company for availing loans from Housing and Urban Development Corporation Limited. The Company, however, availed loans of Rs. 438.33 crore and the balance guarantee of Rs. 45.79 crore remained unutilised from 1997-98 to 31 March 2008. The GoO recovered GC of Rs. 18.01 crore by March 2005 from the Company though such amount was not due for payment. Subsequent amount accrued towards GC was adjusted from that amount and considering that Rs. 16.58 crore was due for payment by 31 March 2008 there was excess payment of Rs. 1.43 crore towards GC.

Audit observed that:

- Though the Company repaid loans of Rs. 202.17 crore between April 1995 and March 2009, it did not initiate action to reduce the guarantee outstanding to the extent of the repaid amount in the relevant years of repayment as per the instructions of the FD (November 2002) and incurred avoidable expenditure of Rs. 2.17 crore towards GC. The reason for not initiating action for reduction of guarantee amount was not on record.
- Further, the Company did not submit the surrender proposal to the Government for the unutilised portion of guarantee but paid GC of Rs. 1.37 crore during April 2003 to March 2008 which was avoidable.

Had the Company adequately monitored the issue of payment of GC and taken steps as per the instructions of the FD to reduce the guarantee to the extent of the loan repaid from time to time and loan not availed in the relevant years, it could have avoided payment of GC of Rs. 3.54 crore.

The Government while accepting the audit observation stated (May 2009) that the position of excess payment of GC had been arrived on account of circumstances beyond the scope and control of the Company. It was also added that the matter would be pursued for surrender of unutilised Government guarantee. The fact remained that the Company paid excess GC due to its failure to reduce the Government guarantees in time.

It is recommended that the higher management of the Company should ensure strict adherence to the instructions of the FD with respect to surrender/ closure/reduction of Government Guarantees and responsibility should be fixed on erring officials.

Orissa Power Generation Corporation Limited

4.10 Loss due to non-maintenance of critical spares

Failure of the Management in keeping inventory of critical spares led to forced outage of plant resulting in loss of Rs. 2.59 crore.

The Company operates two thermal power units (I and II) with installed capacity of 210 MW each at Banharpalli, Jharsuguda. Unit-II of the power station stopped functioning (1 June 2007) due to damage of seven low pressure turbine blades. Since the Company did not have adequate spare blades in stock, it contacted (13 June 2007) the Original Equipment Manufacturer, Bharat Heavy Electricals Limited (BHEL), who intimated (16 June 2007) that they would take 24 months to supply the new set[⊕] of blades. The Company obtained (20 June 2007) 25 blades from North Chennai Thermal Power Station (NCTPS) on loan basis. The Company sent (20/21 June 2007) 140 blades (114 old and 26 new) to BHEL, Haridwar for repairing and sequencing which were received back on 5 July 2007. After refitting of the blades, the unit resumed generation from 21 July 2007 after a total shutdown of 50 days (1 June to 20 July 2007). Thereafter the Company placed purchase order (21 March 2008) for procurement of 123 blades with its ancillary spares at a total cost of Rs. 3.41 crore in order to keep a stock of spare set of blades to meet emergent situations and for return of the blades borrowed from NCTPS.

Audit observed that in June 2003 six blades of this particular unit were damaged and the unit was under forced shutdown. While replacing the damaged blades, BHEL had recommended (July 2003) to keep one complete set of spare blades for contingencies. The Company, however, did not act upon the recommendation of BHEL for reasons not on record and did not maintain the stock of essential critical spares. It had also not evolved any system to identify and replace worn out equipments to avoid forced outage of the generating unit.

Had the Company acted upon the recommendation of BHEL and maintained inventory of blades, the outage period could have been reduced by 16 days and the unit could have generated 79.419 MU[*]. Considering this loss in generation, the Company lost revenue of Rs. 2.59 crore (Rs. 2.40 crore as incentive[**] and Rs. 0.19 crore as margin on variable cost).

The Management stated (June 2009) that after blade failure in June 2003 due to high frequency of operation, the plant was connected to the Western Regional Electricity Board, where the frequency was normal. Therefore, it was not expected that there would be repeat blade failure for which full set of blades had not been kept. The fact, however, remained that non-implementation of BHEL's advice on the basis of an assumption was not a prudent inventory management practice and adversely affected the generation of power by the Company.

It is recommended that the Company should maintain inventory of critical spares to avoid forced shutdown. The Enterprise Resource Planning System

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[⊕] A set comprises Low Pressure (LP) 3L (generator end) -58 blades and LP-3R (turbine end) -58 blades.

[*] Considering the average generation per hour achieved in May 2007.

[**] As per the CERC's regulation, a generator of power is entitled to incentive for achieving Plant Load Factor (PLF) over 80 per cent, which is paid at 35 *per cent* of 30 *per cent* of project cost multiplied by the excess PLF achieved.

should be properly utilised to serve as a reliable Management Information System to avoid such lapses in future.

The matter was reported to the Government (June 2009); their reply had not been received (October 2009).

Industrial Promotion and Investment Corporation of Orissa Limited

4.11 Loss due to imprudent decision

Failure to take timely action for disinvestment resulted in non-realisation of Rs. 3.15 crore.

In pursuance of its primary objective of promoting large and medium scale industries in the State, the Company enters into joint venture agreements with other promoters and participates in equity for establishment of new industrial units as well as for expansion, diversification and modernisation of existing units. Timely disinvestment of shares held by the Company is essential in order to generate funds for carrying out the objectives of the Company of promoting new industries and for its survival also. On the matter of disinvestment, the Committee on Public Undertakings in their second report (Twelfth Assembly) recommended (August 2000) that (i) the Company should take timely decision in case of disinvestment, (ii) as the purpose of the Company was to promote entrepreneurship, disinvestment of funds should be made in time for recycling the funds in other ventures and (iii) responsibility should be fixed on officials dealing with disinvestment policy because negligence of a few officials for not disinvesting in time had resulted in failure of the very purpose for which the Company was established.

The Company invested Rs. 8.14 crore during April 1984 to December 1991 in Orissa Synthetics Limited♣ (OSL). After restructuring (January 1994) of OSL, the Company was allotted (January 1994) 5,42,665 shares in JK Lakshmi Cement Limited (JKLCL) and 60,295 shares in Ashim Investment Limited (AIL) with face value of Rs. 10 per share.

In order to meet loan repayment commitments of Rs. 20.66 crore, the Board of Directors (BoD) of the Company decided (7 November 2007) to sell the shareholding of the Company in JKLCL at a consideration of Rs. 186 per share or the price prevailing in the Bombay Stock Exchange (BSE) on the date of sale, whichever was higher. The Company accordingly sold 3,89,550 shares for Rs. 7.77 crore during 19 November to 6 December 2007 at prices ranging

♣ The Company invested in Orissa Synthetics Limited (OSL) promoted by Straw Products Limited, later known as JK Corporation Limited (JCL). OSL merged with JCL in January 1994 and the Company was allotted only 6,02,960 shares in JCL. JCL was renamed as JKLCL in October 2005 which was again restructured (April 2005) as JKLCL and AIL. The restructuring was given effect on 31 March 2006.

from Rs. 195 to Rs. 200 per share. The balance 1,53,115 shares were not sold in view of the decision (6 December 2007) of the BoD that (i) the share prices were likely to increase further in future, (ii) there was no urgent requirement of fund. The BoD, however advised to place the proposal for sale of the balance shares at an appropriate time. The balance shares were not sold and the price of the shares in the BSE was Rs. 103 per share on 22 June 2009.

Audit observed the following:

- The share price of JKLCL started declining from Rs. 221 (17 December 2007) and went below Rs. 186 (the price approved by BoD for sale) on 11 January 2008. The proposal for sale of the balance 1,53,115 shares was, however, not placed before the BoD as per their direction of 6 December 2007.
- The Company decided (7 November 2007) to disinvest five lakh shares in Orissa Sponge Iron Limited (OSIL) at a consideration of Rs. 676 per share. Since the shares of OSIL traded below Rs. 500 per share during December 2007, the BoD decided (4 January 2008) to sell 7.5 lakh shares of OSIL at a minimum price of Rs. 500 per share, as a result of which 2,54,169 shares were sold for Rs. 16.54 crore during 4 January 2008 to 18 January 2008 at prices ranging from Rs. 505 to Rs. 689.
- There was requirement of funds of Rs. 20.66 crore towards repayment of loans of Small Industries Development Bank of India (Rs. 5.45 crore) and Government of Orissa (Rs. 15.21 crore). Further, as per the action plan of the Company (June 2007) for 2007-08 it was aiming to create a corpus of surplus fund of about Rs. 50 crore within a period of four years yielding risk free return of about 9 to 10 *per cent* per annum by liquidating its investments in assisted units. The sale of shares of OSIL at a lower price indicates that there was requirement of funds. Hence, the decision to stop the sale of shares of JKLCL when the share prices were increasing was not prudent. Had the Company sold the balance shares at the average price of Rs. 206 per share as on 4 January 2008 it could have generated Rs. 3.15 crore with a profit of Rs. 1.09[℘] crore and invested the funds for getting risk free return of Rs. 49.68 lakh from January 2008 to September 2009.

The Government stated (October 2009) that the entire shares of JKLCL could not be sold by 6 December 2007 due to non-availability of buyers in the market. It was added that the BoD had advised to place the proposal for sale of the shares at the appropriate time. The fact remained that during 7 to 31 December 2007, 20 lakh shares of JKLCL were traded in the market at prices ranging from Rs. 199 to Rs. 206 *per* share. Further, the Company did not place the proposal to sell the balance shares despite the Board's advice in December 2007.

[℘] 1,53,115 share x 71 (Realisable value as on 1 April 2008: Rs. 206 – Cost price: Rs. 135) = Rs. 1.09 crore

It is recommended that the Company should strictly follow the recommendations of the COPU and take timely action for disinvestment.

Thus, failure to take timely action for disinvestment resulted in non-realisation of Rs. 3.15 crore besides loss of interest of Rs. 49.68[&] lakh up to September 2009.

Orissa Power Transmission Corporation Limited

4.12 Undue favour to parties

Failure of the Company to invoke the penal provisions for delay in availing power supply as per the terms of the agreements resulted in undue favour to the defaulted industries for Rs. 1.54 crore.

In order to make available sufficient quality power to the upcoming industries in Duburi region, the Government of Orissa (GoO) decided (April 2004), *inter alia*, that the industries would (i) spell out their demand of power on quarterly basis, (ii) extend interest free loan of Rs. 10 lakh per MW on maximum demand to the Company and (iii) sign agreement in this regard with the Company[$] and the distribution companies. It was also decided in that meeting that for non-availment of power and non-supply of power as per spelled out demand, penal interest at the rate of 12 *per cent* per annum on the loan amount would be paid by the industries and the Company respectively for the period of delay. The Board of Directors (BoD) of the Company decided (August 2004) that interest at the rate of six *per cent* per annum would be paid by the Company on the amount of loan deposited by all upcoming industries in the State. The BoD, however, decided (October 2005) that in case of failure of the Company to provide the agreed power, the penal interest payable would be 12 *per cent* per annum in lieu of six *per cent* interest on loan, while in case of non-availment of power by the industries for any reason they would pay 12 *per cent* per annum interest on the amount of loan deposited by them and no interest would be paid by the Company on such loan. The Company received loan of Rs. 48.51 crore during November 2004 to February 2008 from 35 industries for effecting power supply to them.

Audit observed that seven industries availed power supply with delays ranging from 60 to 259 days during July 2005 to November 2007 although the Company was in a position to supply power on the due dates. The Company neither claimed penal interest of Rs. 1.17 crore from the industries for delay in availing power during July 2005 to November 2007 nor disallowed interest of Rs. 57.41 lakh on the loans deposited by those industries as per the terms of the agreement. On this being pointed out by Audit (August 2007 and November 2008) the Company recovered (March 2009) Rs. 19.58 lakh

[&] Nine *per cent* interest on expected realisable value of Rs. 315.42 lakh for 21 months from January 2008 to September 2009.

[$] Then GRID Corporation of Orissa Limited till March 2005.

towards penal interest from one industry (Mangilall Rungta) for delay in availing power supply. In respect of the other six industries action had not been taken to recover Rs. 1.54[#] crore, the reasons for which were not on record. In response to an audit query, the Management had stated (September 2007) that it would claim penal interest from all applicable cases after due verification.

Thus, failure of the Company to invoke the penal provisions for delay in availing power supply as per the terms of the agreement resulted in undue favour amounting to Rs. 1.54 crore.

It is recommended that the Company should put in place a system to prevent recurrence of such cases. Further, it should also review all the cases of delay in availing power supply by the industries as per terms of the agreement and claim penal interest from them.

The matter was reported to the Management/ Government (March 2009); their replies had not been received (October 2009).

4.13 Lack of remedial action on audit observation

One PSU did not either take remedial action or pursue the matter to its logical end in respect of one IR para, resulting in foregoing the opportunity to improve its functioning.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there was one para in respect of one PSU, Orissa Power Transmission Corporation Limited, which pointed out deficiencies in its functioning. As per the extant instructions of Government of Orissa, the Company is required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matter to its logical end, i.e., to take remedial action to address this deficiency. As a result, the Company has so far lost the opportunity to improve its functioning in this regard. The details of the para included in IR No.98 of 2003-04 is stated below.

In Load Despatch and Telecommunication Division, Bhubaneswar, against the sanctioned strength of 65, the men-in-position in different cadres of the Division were 87 resulting in payment of idle wages of Rs. 40.94 lakh from June 2002 to August 2003. Though the Management stated (August 2004) that the revised manpower structure of 65 employees had not been implemented, no response was received thereafter, despite continuance of the surplus manpower.

[#] Penal Interest: Rs. 1.17 crore *plus* Disallowed Interest: Rs. 0.57 crore *minus* Recovered: Rs. 0.20 crore.

The above case points out the failure of the Company to address the specific deficiency and ensure accountability of its staff. Audit observation and its repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and the Management periodically, has not yielded the desired result in this case.

The Company should initiate immediate steps to take remedial action on this para and complete the exercise in a time bound manner.

The matter was reported to the Management/ Government (June 2009); their replies had not been received (October 2009).

IDCOL Ferro Chrome and Alloys Limited

4.14 Avoidable payment of water cess

Non-compliance of the statutory provisions of environment and water pollution control laws resulted in avoidable expenditure/liability of Rs. 38 lakh towards water cess at higher rate.

Tailangi Chromite Mines (TCM) of Industrial Development Corporation of Orissa Limited (IDCOL) is operated by the Company, which is a subsidiary of IDCOL. TCM consumes water from its own borewell for domestic purposes. The water required for spraying on haulage roads and repairing and washing of heavy vehicles/earth moving equipments in the workshop is drawn from the nearby Damasala nallah. The mine drainage water is used for washing of ore in Chrome Ore Beneficiation Plants and the balance mine drainage water is discharged to Damasala nallah without treatment.

The Company is required to pay water cess to the Orissa State Pollution Control Board (OSPCB) as per provisions of the Water (Prevention and Control of Pollution) Cess Act, 1977 (WPCPC Act). The WPCPC Act provides, *inter alia*, for a rebate of 25 *per cent* of the cess payable if the industry installs a plant for the treatment of sewage or trade effluent. In case the industry fails to comply with any of the provisions of Section 25 of Water (Prevention and Control of Pollution) Act, 1974 or any of the standards laid down by the Central Government under the Environment (Protection) Act, 1986, besides disallowance of the rebate of 25 *per cent* of the cess payable, the industry would also be liable to pay higher amount of water cess.

Audit observed that the Company did not comply with the statutory requirements like fixation of separate water flow meters at each consumption head as required under Section 4 of the WPCPC Act. The Effluent Treatment Plant (ETP) of quarry-I of the mine was completely damaged. The ETP of quarry-II, though found to be operative in July 2008, yet a part of the mine water was discharged directly to the Damasala nallah without being routed through the ETP, which had adverse impact on the environment. Another ETP for quarry-II was under construction. In the absence of water meters, the

OSPCB authorities assessed the water consumption as 145.09 lakh Kilo Litre (KL) at higher rates on the basis of actual pumps deployed, while the Company stated to have actually consumed 65 lakh KL of water during March 2004 to February 2009. As a result, there was excess payment/liability[#] of Rs. 32.79 lakh towards water cess. Further, due to non-compliance with Section 25 of the WPCPC Act, the Company could not avail rebate amounting to Rs. 5.21 lakh.

The Government while accepting the fact stated (April 2009) that it would take up the matter for re-fixation of water cess and grant of rebate with OSPCB after installation of water-flow meter and operation of ETP.

Thus, due to non-compliance of the statutory provisions of environment and water pollution control laws the Company was liable for payment of Rs. 38 lakh towards water cess at higher rate.

It is recommended that the Company should comply with various provisions of environment control well in time.

Orissa Power Transmission Corporation Limited and Orissa State Civil Supplies Corporation Limited

4.15 Opportunity to recover money ignored

Two PSUs did not either seize the opportunity to recover their money or pursue the matter to their logical end. As a result, recovery of Rs. 59.63 lakh remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to periods up to 2003-04 showed that there were 13 paras in respect of two PSUs involving a recovery of Rs. 59.63 lakh. As per the extant instructions of Government of Orissa, Finance department, the PSUs are required to take remedial action within one month after receipt of IRs from Audit. However, no effective action has been taken to take the matters to their logical end, i.e., to recover money from the concerned parties. As a result, these PSUs have so far lost the opportunity to recover their money.

[#] The Company had gone for appeal (July 2006) against water cess payable during March 2004 to April 2006 amounting to Rs. 27.97 lakh which is still pending with OSPCB.

The PSU-wise details of paras and recovery amount are given below. The list of individual paras is given in **Annexure 8**.

Sl. No.	PSU Name	No. of paras	Amount for recovery (Rs. in lakh)
1.	Orissa State Civil Supplies Corporation Limited	4	7.75
2.	Orissa Power Transmission Corporation Limited	9	51.88
	Total	**13**	**59.63**

The paras mainly pertain to recovery on account of excess payment to employees and contractors.

The above cases point out the failure of the respective PSU authorities to safeguard their financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Administrative/Finance Department and PSU Management periodically, have not yielded the desired results in these cases.

The PSUs should initiate immediate steps to recover the money.

The matter was reported to the Managements/ Government (June 2009); their replies had not been received (October 2009).

Statutory corporation

Orissa State Financial Corporation

4.16 Loss due to deviation from the Government guidelines

Deviation from the Government approved One Time Settlement Scheme resulted in loss of Rs. 25.95 crore and short realisation of initial security deposit of Rs. 41.75 lakh.

Government of Orissa (GoO) approved (February 2007) the One Time Settlement (OTS) Scheme, 2007 of Orissa State Financial Corporation (Corporation) with the objective of (i) reduction of the high level of Non-Performing Assets, (ii) maximising recovery of outstanding loan dues from Small Scale Industries (SSI) and (iii) enhancing viability of the Corporation. The OTS scheme was formulated after taking into consideration the facts placed by the Corporation and suggestions made by the Industries

Associations. The approved OTS scheme, which was communicated (March 2007) to the Corporation for implementation, *inter alia*, envisaged the following:

- Each loan disbursed was to be taken as a separate loan for computation of the settlement amount*.
- In case of switchover cases from earlier OTS schemes, the initial security deposit (ISD) would be 25 *per cent* of the earlier settled amount.
- The scheme would not cover cyclone loans disbursed on account of the super cyclone of 1999, hire purchase (HP) and Short-Term Working Capital (STWC) loans.

After getting the approval (7 March 2007) of the Board of Directors (BoD), the Corporation implemented the OTS scheme from 15 March 2007 to March 2009 and settled 1,496 cases for Rs. 85.67 crore against the outstanding amount of Rs. 322 crore. Scrutiny of 31 out of 247 switchover cases and 27 out of 32 cases involving disbursement above Rs. 20 lakh revealed the following:

- The Government while directing the Corporation to implement the scheme, had not authorised the BoD to alter or modify the core issue of the scheme. The BoD were appraised (March 2007) through an illustration that the modified formula would be financially beneficial to the Corporation than the formula approved by the Government. Based on the illustration, the BoD modified the Government-approved scheme as per which the sum total of all the loans outstanding against a loanee was to be treated as a single loan for arriving at the settlement amount. The illustration, however, had been placed before the BoD with incorrect interpretation of the Government approved settlement formula. As a result, there was loss of Rs. 99.95 lakh in eight cases involving disbursement above Rs. 20 lakh.
- The BoD also reduced the ISD for switchover cases from 25 *per cent* of the earlier settlement amount to 10 *per cent* of principal outstanding. As a result, there was short realisation of ISD of Rs. 41.75 lakh in 31 cases.
- The Government-approved OTS scheme was not applicable to STWC and HP loans. The BoD, however, included (April 2007) these two loan portfolios and settled 27 cases under the OTS-2007. As a result, the Corporation suffered a loss of Rs. 24.95# crore which amounted to extension of undue favour to the loanees.

* For loans above Rs. 20 lakh, the settlement would be the amount disbursed *plus* interest at the prescribed rates till cut off date *less* repayments since inception till date of application or the principal outstanding as on date of application, whichever is higher.

STWC Loans (12 cases)– Rs. 3.68 crore and HP loans (15 cases) – Rs. 21.27 crore.

The OTS-2007 scheme of the Corporation was finalised by the GoO in consultation with the Industries Associations and was communicated to the Corporation for implementation only. Thus, any modification of the scheme should have been done only with the approval of the Government. Implementation of the modified scheme resulted in short realisation of ISD of Rs. 41.75 lakh and loss of Rs. 25.95 crore.

The Government stated (September 2009) that the BoD revised the provisions of the scheme for attracting more number of loanees so as to contain the level of non-performing assets. It was further stated that the BoD was competent to extend the OTS to STWC and HP loans under section 39 of the SFCs Act, 1951. The reply is not convincing as the BoD was appraised that deviation from the scheme would have been more beneficial for the Corporation whereas the methodology to calculate the benefit was incorrectly adopted, which resulted in extending undue benefits to the loanees at the cost of the Government exchequer. Further, there was no recorded reason showing the merits for extending OTS to STWC and HP loans.

It is recommended that the Corporation should scrupulously follow the instructions/ guidelines framed by the Government.

4.17 Loss due to delay in realisation of dues

Lack of monitoring and inaction on the part of the Management in taking steps for realisation of dues led to loss of Rs. 6.99 crore.

The Corporation seized (August 1997) a financed industrial unit under Section 29 of the State Financial Corporations Act, 1951 due to failure of its promoter in repaying the loan amount of Rs. 121.32 lakh (Principal – Rs. 52.40 lakh; interest – Rs. 68.92 lakh) outstanding as on 31 December 1996. The seized assets included 3.96 acres of land, buildings, 37 items of plant and machinery and other equipment. The Corporation, however, released the assets at the request of and on repayment (17 September 1997) of only Rupees one lakh by the loanee under an agreement of Zimanama[*] (September 1997). As per the agreement, the loanee was required to submit a firm repayment programme by December 1997 and to pay further amount of Rupees four lakh by March 1998. The loanee, however, did not comply with any of the conditions of Zimanama. After 11 years, the Corporation invoked (5 September 2008) the Zimanama agreement and took over the assets. No reason was available on record for not taking action for such a long time. The inventory list of the industrial unit on takeover indicated that the factory shed and godown were completely damaged without doors and windows and no machinery and equipment were available. Hence, only the land was sold (29 November 2008) by public auction at Rs. 6.10 lakh as against the outstanding dues of Rs. 704.84 lakh as on 31 December 2008 resulting in loss of Rs. 698.74 lakh.

[*] Conferring the right to possession only without vesting ownership of the property.

Audit observed that the Management was aware (31 January 1998) that the unit was a partially implemented project and electricity connection had also been snapped (January 1998) after takeover of the unit by the loanee after entering into the Zimanama agreement. Despite this, the Management did not consider reviewing the Zimanama agreement forthwith (February 1998) particularly when the loanee had failed to honour the terms of the agreement. The Management only recalled (19 March 2005) the entire dues of Rs. 451.52 lakh outstanding as on 31 December 2004 after a long gap of seven years. Even though the loanee did not respond to the recall notice, the legal notice was served after 33 months i.e. on 18 December 2007. This indicates laxity in taking steps for realisation of the long outstanding dues.

It was further observed that as per the provisions of Zimanama, the loanee was to furnish the statement of accounts and the Corporation had the right to inspect the unit. The Management, however, neither called for the statement of accounts nor inspected the premises during the period September 1997 to August 2007. Thus, the monitoring mechanism of the Corporation was completely ineffective leading to loss of Rs. 6.99 crore.

The Government stated (June 2009) that it would avail the option of invoking Section 31 of SFCs Act for recovering the balance dues. The fact, however, remained that the Corporation had not taken steps to invoke Section 31 to recover the dues even after a lapse of 10 months from the date (5 September 2008) of taking over or repossession of the assets of the unit and property details of the promoter were also not available with the Corporation. Moreover, the Corporation did not have the collateral securities to recover the balance amount.

It is recommended that the Management should take adequate and timely follow up action for recovery of dues in all cases of default in order to minimise the loss to the Corporation.

General

4.18 Follow-up action on Audit Reports

Explanatory Notes outstanding

4.18.1 The Comptroller and Auditor General of India's Audit Reports represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Orissa issued instructions (December 1993) to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 1999-2000 to 2007-08 were presented to the State Legislature, 12 out of 15 departments which were commented upon did not submit explanatory notes on 40 out of 210 paragraphs/reviews as on 30 September 2009, as indicated in the following table.

Year of the Audit Report (Commercial)	Date of presentation	Total Paragraphs/ Reviews in Audit Report	No. of paragraphs/ reviews for which explanatory notes were not received
1999-00	1 August 2001	29	1
2000-01	22 March 2002	25	Nil
2001-02	24 March 2003	17	1
2002-03	23 December 2003	24	Nil
2003-04	14 March 2005	27	2
2004-05	20 February 2006	17	2
2005-06	29 March 2007	21	3
2006-07	17 March 2008	25	6
2007-08	18 June 2009	25	25
Total		**210**	**40**

Department-wise analysis is given in **Annexure 9**. PSUs under the Energy, Industries and Public Enterprises Department were largely responsible for non-submission of explanatory notes. The Government did not respond to even reviews highlighting important issues like system failures, mismanagement and non-adherence to extant provisions.

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

4.18.2 Action Taken Notes (ATNs) to 74 recommendations pertaining to seven Reports of the COPU presented to the State Legislature between April 1999 and August 2008 had not been received as on 30 September 2009 as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of recommendations where ATNs not received
1999-2000	1	18
2001-02	1	8
2007-08	1	1
2008-09	4	47
Total	**7**	**74**

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

Response to Inspection Reports, Draft Paragraphs and Reviews

4.18.3 Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of four weeks. Inspection Reports issued up to March 2009 pertaining to 32 PSUs disclosed that 1,425 paragraphs relating to 325 Inspection Reports remained outstanding at the end of 30 September 2009. Even the initial replies were not received in respect of 723 paragraphs pertaining to 143 Inspection Reports. Department-wise break-up of Inspection Reports and Audit observations outstanding at the end of September 2009 is given in **Annexure 10**. Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of 17 draft paragraphs and two draft performance reviews forwarded to various departments between March and August 2009, as detailed in **Annexure 11**, replies to seven draft paragraphs and one draft performance review were awaited (October 2009). It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to Inspection Reports/ draft paragraphs/performance reviews and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/ overpayments in a time-bound schedule and (c) the system of responding to audit observations is revamped.

Bhubaneswar
The

(B R Khairnar)
Principal Accountant General
(Commercial, Works & Receipt Audit), Orissa

Countersigned

New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1

Statement showing particulars of up to date paid-up capital, loans outstanding and manpower as on 31 March 2009 in respect of Government companies and Statutory corporations)
(Referred to in paragraph 1.7)

(Figures in column 5 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Man power (No. of emplo-yees)
				State Govern-ment	Central Govern -ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
A. Working Government Companies													
AGRICULTURE AND ALLIED													
1.	Agricultural Promotion and Investment Corporation of Orissa Limited	Agriculture	March 1996	1.10	--	--	1.10	--	--	--	--	-- (--)	35
2.	Orissa Agro Industries Corporation Limited	Agriculture	December 1961	6.09	1.05	0.01	7.15	15.36	--	--	15.36	2.15:1 (2.17:1)	269
3.	Orissa State Cashew Development Corporation Limited	Agriculture	April 1979	1.55	--	--	1.55	--	--	--	--	-- (--)	485
4.	Orissa Forest Development Corporation Limited	Forest and Environment	September 1962	1.28	--	--	1.28	--	--	--	--	– (–)	3115
5.	Orissa Lift Irrigation Corporation Limited	Water Resources	October 1973	74.73	--	--	74.73	0.07	--	1.01	1.08	0.01:1 (0.02:1)	1708
6.	Orissa State Seeds Corporation Limited	Agriculture	February 1978	2.11	--	0.49	2.60	--	--	--	--	-- (--)	173
7.	Orissa Pisciculture Development Corporation Limited	Fisheries and Animal Resources Development	May 1998	2.18	--	--	2.18	5.08	--	0.22	5.30	2.43:1 (2.44:1)	228
	Sector wise total			**89.04**	**1.05**	**0.50**	**90.59**	**20.51**	**--**	**1.23**	**21.74**	**1.24:1 (1.25:1)**	**6013**
FINANCING													
8.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	April 1973	83.14	--	--	83.14	--	--	--	--	-- (0.34:1)	128
9.	Orissa Film Development Corporation Limited	Industries	April 1976	5.40	--	--	5.40	0.31	--	--	0.31	0.06:1 (0.10:1)	24
10.	Orissa Rural Housing and Development Corporation Limited	Housing and Urban Development	August 1994	48.16	--	--	48.16	231.60	–	236.15	467.75	9.71:1 (9.48:1)	71

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
11.	Orissa Small Industries Corporation Limited	Industries	April 1972	11.39	--	--	11.39	--	--	10.55	10.55	0.93:1 (2.40:1)	225
	Sector wise total			**148.09**	**--**	**--**	**148.09**	**231.91**	**--**	**246.70**	**478.61**	**3.23:1**	**448**
INFRASTRUCTURE													
12.	Industrial Development Corporation of Orissa Limited	Industries	March 1962	57.12	--	--	57.12	32.86	--	0.50	33.36	0.58:1 (1.65:1)	134
13.	Orissa Construction Corporation Limited	Water Resources	May 1962	14.50	--	--	14.50	--	--	--	--	-- (--)	683
14.	Orissa Bridge and Construction Corporation Limited	Works	January 1983	5.00	--	--	5.00	--	--	--	--	-- (--)	52
15.	Orissa State Police Housing and Welfare Corporation Limited	Home	May 1980	5.63	--	--	5.63	--	--	--	--	-- (--)	310
	Sector wise total			**82.25**	**--**	**--**	**82.25**	**32.86**	**--**	**0.50**	**33.36**	**0.41:1**	**1179**
MANUFACTURING													
16.	Baitarni West Coal Company Limited(619-B)	Energy	April 2008	--	--	30.00	30.00	--	--	--	--	-- (--)	*3*
17.	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. A-12	Industries	March 1999	--	--	18.81	18.81	--	–	--	--	-- (--)	388
18.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. A-12	Industries	March 1999	--	--	45.10	45.10	--	–	--	--	-- (--)	1119
19.	Konark Jute Limited (Subsidiary of Sl. No.A-12)	Industries	January 1975	--	--	5.94	5.94	0.43	--	7.22	7.65	1.29:1 (1.55:1)	877
20.	Orissa Mining Corporation Limited	Steel and Mines	May 1956	31.45		--	31.45	--	--	--	--	-- (0.01:1)	4763
21.	Orissa State Beverages Corporation Limited	Excise	November 2000	1.00	--	--	1.00	--	–	--	--	-- (--)	NA
	Sector wise total			**32.45**	**--**	**99.85**	**132.30**	**0.43**	**--**	**7.22**	**7.65**	**0.06:1**	**7150**
POWER													
22.	GRIDCO Limited (formerly Grid Corporation of Orissa Limited)	Energy	November 1995	432.98	--	--	432.98	162.54	--	1667.44	1829.98	4.23:1 (4.40:1)	60
23.	Orissa Hydro Power Corporation Limited	Energy	April 1995	320.80	--	--	320.80	977.20	--	920.61	1897.81	5.92:1 (6.07:1)	3020
24.	Orissa Power Generation Corporation Limited	Energy	November 1984	250.01	--	240.21	490.22	--	--	17.75	17.75	0.04:1 (0.06:1)	547
25.	Orissa Power Transmission Corporation Limited	Energy	March 2004	83.13	--	--	83.13	417.00	–	610.17	1027.17	12..36:1 (18.98:1)	4046
26.	Orissa Thermal Power Corporation Limited(619-B)	Energy	January 2007	--	--	2.35	2.35	--	--	--	--	-- (--)	*3*
	Sector wise total			**1086.92**	**--**	**242.56**	**1329.48**	**1556.74**	**--**	**3215.97**	**4772.71**	**3.59:1**	**7676**

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
SERVICE													
27.	IDCOL Software Limited (Subsidiary of Sl. No.A- 12)	Industries	November 1998	--	--	1.00	1.00	--	--	--	--	-- (--)	3
28.	Orissa State Civil Supplies Corporation Limited	Food Supplies and Consumer Welfare	September 1980	9.78	--	--	9.78	--	--	--	--	-- (--)	816
29.	Orissa Tourism Development Corporation Limited	Tourism and Culture	September 1979	9.62	--	--	9.62	--	--	--	--	-- (--)	626
	Sector wise total			**19.40**	**--**	**1.00**	**20.40**	**--**	**--**	**--**	**--**	**--**	**1445**
MISCELLANEOUS													
30.	Kalinga Studios Limited (Subsidiary of Sl. No.A-9)	Industries	July 1980	--	--	1.75	1.75	--	--	0.26	0.26	0.15:1 (0.06:1)	00
	Sector wise total			**--**	**--**	**1.75**	**1.75**	**--**	**--**	**0.26**	**0.26**	**0.15:1 (0.06:1)**	
Total A (All sector wise working Government companies)				**1458.15**	**1.05**	**345.66**	**1804.86**	**1842.45**	**--**	**3471.88**	**5314.33**	**2.94:1 (2.94:1)**	**23911**
B. Working Statutory corporations													
FINANCING													
1.	Orissa State Financial Corporation	Industries	March 1956	342.73	38.89	0.16	381.78	--	--	152.28	152.28	0.40:1 (0.54:1)	NA
	Sector wise total			**342.73**	**38.89**	**0.16**	**381.78**	**--**	**--**	**152.28**	**152.28**	**0.40:1 (0.54:1)**	
SERVICE													
2.	Orissa State Road Transport Corporation	Commerce and Transport	May 1974	135.51	15.92	0.01	151.44	23.55	--	1.30	24.85	0.16:1 (0.17:1)	1056
	Sector wise total			**135.51**	**15.92**	**0.01**	**151.44**	**23.55**	**--**	**1.30**	**24.85**	**0.16:1 (0.17:1)**	**1056**
MISCELLANEOUS													
3.	Orissa State Warehousing Corporation	Co-operation	March 1958	1.80	--	1.80	3.60	--	--	5.42	5.42	1.51:1 (1.51:1)	395
	Sector wise total			**1.80**	**--**	**1.80**	**3.60**	**--**	**--**	**5.42**	**5.42**	**1.51:1 (1.51:1)**	**395**
Total B (All sector wise working Statutory corporations)				**480.04**	**54.81**	**1.97**	**536.82**	**23.55**		**159.00**	**182.55**	**0.34:1 (0.44:1)**	**1451**
Grand Total (A + B)				**1938.19**	**55.86**	**347.63**	**2341.68**	**1866.00**		**3630.88**	**5496.88**	**2.35 ;1 (2.60:1)**	**25362**
C. Non working Government companies													
AGRICULTURE AND ALLIED													
1.	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	Industries	May 1959	0.01		0.00	0.01	--	--		--	-- (--)	NA

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
2.	Orissa Fisheries Development Corporation Limited	Fisheries and Animal Resources Development	August 1962	0.35	--	--	0.35	--	--	--	--	-- (--)	NA
	Sector wise total			**0.36**	**0.00**	**0.00**	**0.36**	**--**	**--**	**--**	**--**	**--**	
MANUFACTURING													
3.	ABS Spinning Orissa Limited (Subsidiary of Sl. No.A-12). (Under liquidation)	Industries	April 1990	--	--	3.00	3.00	--	--	1.40	1.40	0.47:1 (0.47:1)	NA
4.	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	Industries	February 1959	0.04	0.00	0.00	0.04	--	--	--	--	-- (--)	NA
5.	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-12). (Under liquidation.)	Industries	August 1974	--	--	0.12	0.12	--	--	--	--	-- (--)	NA
6.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.A-12)	Industries	March 1993	--	--	1.93	1.93	--	--	29.33	29.33	15.20:1 (15.18:1)	NA
7.	IPITRON Times Limited (Subsidiary of Sl.No.C-23. (Under liquidation since 1998)	Information and Technology	December 1981	--	--	0.81	0.81	1.68	--	--	1.68	2.07:1 (2.08:1)	NA
8.	Kalinga Steels (India) Limited (Subsidiary of Sl.No.A-8)	Industries	January 1991	--	--	0.05	0.05	--	--	--	--	-- (--)	NA
9.	Kanti Sharma Refractories Limited (Subsidiary of Sl. No.A 11 (Closed since 5 December 1998)	Industries	January 1994		--	0.75	0.75	--	--	--	--	-- (--)	NA
10.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-11	Industries	August 1978	--	--	0.09	0.09	--	--	--	--	-- (--)	NA
11.	Konark Television Limited (Defunct since 1999-2000)	Information and Technology	June 1982	6.07	--	--	6.07	2.01	--	--	2.01	0.33:1 (0.33:1)	NA
12.	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	Industries	September 1959	0.01	--	0.00	0.01	--	--	--	--	-- (--)	NA
13.	Mayurbhanj Textiles Limited	Textile and Handloom	1943	0.04	--	--	0.04	--	--	--	--	(--)	NA
14.	Modern Electronics Limited (Under process of liquidation)	Industries	March 1960	0.04	--	0.00	0.04	--	--	--	--	-- (--)	NA
15.	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	Industries	September 1960	0.04	--	--	0.04	--	--	--	--	-- (--)	NA
16.	New Mayurbhanj Textiles Limited	Textile and Handloom	1988	0.17	--	--	0.17	--	--	--	--	-- (--)	NA

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
17.	Orissa Boat Builders Limited (under liquidation)	Industries	March 1958	0.04		0.01	0.05	--	--		--	-- (--)	NA
18.	Orissa Board Mills Limited (under liquidation)	Industries	April 1960	0.04		0.00	0.04	--	--	--	--	-- (--)	NA
19.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968. Under voluntary liquidation since 30 August 1976)	Industries	March 1958	0.04	--	0.01	0.05	--	--	--	--	-- (--)	NA
20.	Orissa Instruments Company Limited	Industries	March 1961	0.97	--	--	0.97	--	--	--	--	-- (--)	NA
21.	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-25	Industries	July 1986	--	--	0.65	0.65	1.77	--	--	1.77	2.72:1 (2.72:1)	NA
22.	Orissa Textile Mills Limited (Under liquidation since 2001)	Textile and Handloom	January 1946	21.04	--	3.66	24.70	14.68	--	--	14.68	0.59:1 (0.59:1)	NA
23.	Orissa State Electronics Development Corporation Limited (closed since 31 January 2006)	Information and Technology	September 1981	20.04	--	--	20.04	--	--	0.19	0.19	0.01:1 (0.01:1)	NA
24.	Orissa State Handloom Development Corporation Limited (under liquidation)	Textile and Handloom	February 1977	3.63	--	0.55	4.18	1.58	--	--	1.58	0.38:1 (0.38:1)	NA
25.	Orissa State Leather Corporation Limited (closed since 18 June 1998)	Industries	April 1976	3.97	--	0.28	4.25	0.37	--	--	0.37	0.09:1 (0.09:1)	NA
26.	Orissa State Textile Corporation Limited	Textile and Handloom	September 1981	4.53	--	--	4.53	1.62	--	--	1.62	0.36:1 (0.36:1)	NA
27.	Orissa Tools and Engineering Company Limited (619-B)	Industries	--	--	--	--	--	--	--	--	--	-- (--)	NA
28.	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	Industries	August 1959	0.01	--	0.01	0.02	--	--	--	--	-- (--)	NA
29.	S N Corporation Limited (619-B)	Industries	February 1984	--	--	3.05	3.05	--	--	16.71	16.71	5.48:1 (--)	NA
	Sector wise total			**60.72**	**--**	**14.97**	**75.69**	**23.71**	**--**	**47.63**	**71.34**	**0.94:1**	
SERVICE													
30.	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-23)	Information and Technology	January 1987	--	--	1.58	1.58	2.00	--	--	2.00	1.27:1 (1.26:1)	NA
31.	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-23 Under liquidation since 1998)	Information and Technology	March 1989	--	--	0.64	0.64	0.72	--	--	0.72	1.13:1 (1.13:1)	NA
32.	ELMARC Limited (Subsidiary of Sl. No. C-23)	Information and Technology	January 1990	--	--	1.02	1.02	0.57	--	--	0.57	0.56:1 (0.56:1)	NA

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
33.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	January 1964	2.34		3.76	6.10	1.20	--	0.51	1.71	0.28:1 (0.28:1)	5
	Sector wise total			**2.34**	**--**	**7.00**	**9.34**	**4.49**	**--**	**0.51**	**5.00**	**0.54:1**	**5**
Total C (All sector wise non working Government companies)				**63.42**		**21.97**	**85.39**	**28.20**		**48.14**	**76.34**	**0.89:1**	**5**
Grand Total (A + B + C)				**2001.61**	**55.86**	**369.60**	**2427.07**	**1894.20**		**3679.02**	**5573.22**	**2.30:1**	**25,367**

Above includes Section 619-B companies at Sl. No.A- 16 and 26, C- 27 and 29.

$ Paid-up capital includes share application money.

****** Loans outstanding at the close of 2008-09 represent long-term loans only.

NA- Not available.

Annexure 2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to in paragraphs 1.15 and 1.50)

(Figures in column 5 (a) to (11) are Rupees in crore)

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$	Percent-age of return on capital employed
				Net Profit/ Loss before Interest and Depreciation	Interest	Deprecia-tion	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE AND ALLIED														
1.	Agricultural Promotion and Investment Corporation of Orissa Limited	2007-08	2008-09	0.02	--	0.02	--	0.19	--	1.10	00	1.18	--	--
2.	Orissa Agro Industries Corporation Limited	2004-05 2005-06	2008-09 2009-10	-1.27 1.16	1.73 1.67	0.04 0.03	-0.50 -0.54	83.77 91.96	(-) 7.67	7.15 7.15	-48.85 -49.39	-24.25 -25.18	1.22 1.13	-- --
3	Orissa State Cashew Development Corporation Limited	2006-07	2008-09	1.25	--	0.12	1.13	6.69	--	1.55	12.33	16.72	1.13	6.76
4.	Orissa Forest Development Corporation Limited	2007-08	2009-10	-5.37	--	0.22	-5.59	32.53	(-) 3.45	1.28	-161.64	-102.41	-5.59	--
5.	Orissa Lift Irrigation Corporation Limited	2007-08	2009-10	7.57	0.28	6.89	0.40	7.87	(-) 0.61	74.73	-2.94	163.65	0.68	0.42
6.	Orissa State Seeds Corporation Limited	2006-07 2007-08	2008-09 2009-10	3.48 3.79	0.21 0.24	0.22 0.25	3.05 3.30	51.76 66.08	(+) 3.45	2.59 2.59	10.48 13.78	27.40 41.36	3.26 3.54	11.90 8.56
7.	Orissa Pisciculture Development Corporation Limited	2002-03 2003-04	2008-09 2009-10	0.14 0.12	-- --	0.32 0.31	-0.18 -0.19	26.47 29.88	(+) 0.03	2.18 2.18	-2.91 -3.10	4.01 4.00	-0.18 -0.19	-- --
Sector wise total				**8.54**	**2.19**	**7.84**	**-1.49**	**235.20**	**(-) 8.25**	**90.58**	**-190.96**	**149.68**	**0.70**	**0.47**
FINANCING														
8.	Industrial Promotion and Investment Corporation of Orissa Limited	2007-08	2008-09	24.99	--	0.08	24.91	3.94	(-) 0.29	83.14	-21.98	75.38	24.91	33.05
9.	Orissa Film Development Corporation Limited	2006-07	2008-09	0.11	--	0.05	0.06	0.27	--	5.40	0.64	0.96	0.06	6.25
10.	Orissa Rural Housing and Development Corporation Limited	2003-04	2009-10	55.25	67.65	--	-12.40	76.18	(-) 8.93	37.40	-10.86	3.72	55.25	--

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
11.	Orissa Small Industries Corporation Limited	2006-07	2008-09	2.57	4.81	0.13	-2.37	150.18	(-) 36.40	9.66	-21.77	22.46	2.44	10.91
Sector wise total				**82.92**	**72.46**	**0.26**	**10.20**	**230.57**	**(-) 45.62**	**135.60**	**-41.57**	**102.52**	**82.66**	**80.63**
INFRASTRUCTURE														
12.	Industrial Development Corporation of Orissa Limited	2007-08	2008-09	18.58	10.87	0.32	7.39	125.05	(+) 0.58	57.12	34.19	91.95	18.26	19.86
13.	Orissa Construction Corporation Limited	2007-08	2009-10	1.04	0.49	0.11	0.44	100.26	(-) 1.19	11.50	4.06	217.64	0.93	0.43
14.	Orissa Bridge and Construction Corporation Limited	2005-06	2008-09	-1.19	0.03	0.11	-1.33	19.89	--	5.00	-13.60	-3.75	-1.30	--
15.	Orissa State Police Housing and Welfare Corporation Limited	2005-06	2009-10	0.71	--	0.06	0.65	53.77	(+) 0.62	5.63	2.83	8.50	0.65	7.65
Sector wise total				**19.14**	**11.39**	**0.60**	**7.15**	**298.97**	**(+) 0.01**	**79.25**	**27.48**	**314.34**	**18.54**	**5.90**
MANUFACTURING														
16.	Baitarni West Coal Company Limited	2008-09	2009-10	--	--	--	--	--	--	30.00	--	14.75	--	--
17.	IDCOL Ferro Chrome and Alloys Limited (Subsidiary of Sl. No. A-12)	2007-08	2008-09	18.45	0.90	0.91	16.64	106.76	(-) 1.17	18.81	11.75	33.87	17.54	51.79
18.	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. A-12)	2007-08	2008-09	16.73	6.86	4.81	5.06	280.14	(-) 3.42	45.10	14.89	116.63	11.92	10.22
19.	Konark Jute Limited (Subsidiary of Sl. No.A-12)	2005-06	2009-10	-1.99	0.23	0.23	-2.45	5.07	(-) 0.02	5.94	-20.72	-1.91	-2.22	--
20.	Orissa Mining Corporation Limited	2007-08	2008-09	889.07	0.13	9.68	879.26	1963.27	(+) 9.22	31.45	1698.06	1941.53	879.39	45.29
21.	Orissa State Beverages Corporation Limited	2005-06 2006-07	2008-09 2009-10	1.35 9.01	0.24 --	0.13 0.10	0.98 8.91	23.09 14.11	(+) 0.30	1.00 1.00	5.20 14.11	7.44 15.13	1.21 8.91	16.26 58.89
Sector wise total				**931.27**	**8.12**	**15.73**	**907.42**	**2369.35**	**(+) 4.91**	**132.30**	**1718.09**	**2120.00**	**915.54**	**43.19**
POWER														
22.	GRIDCO Limited (formerly Grid Corporation of Orissa Limited)	2008-09	2009-10	261.85	163.66	0.05	98.14	2766.83	(+) 88.10	432.98	-101.25	1649.08	261.80	15.88
23.	Orissa Hydro Power Corporation Limited	2007-08 2008-09	2008-09 2009-10	259.41 144.79	20.69 8.26	117.33 118.96	121.39 17.57	386.04 329.11	(-) 9.61	320.80 320.80	395.88 413.45	2760.91 2719.49	142.09 25.83	5.15 0.95
24.	Orissa Power Generation Corporation Limited	2007-08	2008-09	224.74	4.93	58.52	161.29	432.78	(-) 2.03	490.22	345.50	1024.89	166.22	16.22
25.	Orissa Power Transmission Corporation Limited	2007-08	2009-10	1180.85	110.66	1085.41	-15.22	399.76	(-) 278.48	60.07	-49.23	1789.44	95.44	5.33
26.	Orissa Thermal Power Corporation Limited	2008-09	2009-10	--	--	--	--	--	--	2.16	--	0.11	--	--
Sector wise total				**1812.23**	**287.51**	**1262.94**	**261.78**	**3928.48**	**(-) 202.02**	**1306.23**	**608.47**	**7183.01**	**549.29**	**7.65**

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICES														
27.	IDCOL Software Limited (Subsidiary of Sl. No.A- 12)	2007-08	2008-09	0.05	0.02	--	0.03	0.19	--	1.00	-0.52	0.48	0.05	10.42
28.	Orissa State Civil Supplies Corporation Limited	2005-06 2006-07	2008-09 2009-10	--	--	--	--	709.10 936.39	--	9.79 9.78	--	21.57 21.51	--	--
29.	Orissa Tourism Development Corporation Limited	2007-08	2009-10	1.92	--	0.75	1.17	10.96	(+) 0.34	9.62	-3.71	5.80	1.17	20.17
Sector wise total				**1.97**	**0.02**	**0.75**	**1.20**	**947.54**	**(+) 0.34**	**20.40**	**-4.23**	**27.79**	**1.22**	**4.39**
MISCELLANEOUS														
30.	Kalinga Studios Limited (Subsidiary of Sl. No.A-9)	2005-06	2009-10	-0.23	--	0.05	-0.28	0.15	--	1.74	-2.98	0.02	-0.28	--
Sector wise total				**-0.23**	**--**	**0.05**	**-0.28**	**0.15**	**--**	**1.74**	**-2.98**	**0.02**	**-0.28**	**--**
Total A (All sector wise working Government companies)				**2855.84**	**381.69**	**1288.17**	**1185.98**	**8010.26**	**(-) 250.63**	**1766.10**	**2114.30**	**9897.36**	**1567.67**	**15.84**
B. Working Statutory corporations														
FINANCE														
1.	Orissa State Financial Corporation	2008-09	2009-10	15.25	12.76	0.32	2.17	20.28	--	381.78	-377.20	565.86	14.93	2.64
Sector wise total				**15.25**	**12.76**	**0.32**	**2.17**	**20.28**	**--**	**381.78**	**-377.20**	**565.86**	**14.93**	**2.64**
SERVICES														
2.	Orissa State Road Transport Corporation	2005-06	2007-08	5.18	1.29	0.90	2.99	37.78	--	136.49	-231.75	-67.36	4.28	--
Sector wise total				**5.18**	**1.29**	**0.90**	**2.99**	**37.78**	**--**	**136.49**	**-231.75**	**-67.36**	**4.28**	**--**
MISCELLANEOUS														
3.	Orissa State Warehousing Corporation	2006-07	2009-10	1.81	0.63	1.16	0.02	25.46	(-) 0.01	3.60	0.03	43.90	0.65	1.48
Sector wise total				**1.81**	**0.63**	**1.16**	**0.02**	**25.46**	**(-) 0.01**	**3.60**	**0.03**	**43.90**	**0.65**	**1.48**
Total B (All sector wise working Statutory corporations)				**22.24**	**14.68**	**2.38**	**5.18**	**83.52**	**(-) 0.01**	**521.87**	**-608.92**	**542.40**	**19.86**	**3.66**
Grand Total (A + B)				**2878.08**	**396.37**	**1290.55**	**1191.16**	**8093.78**	**(-) 250.64**	**2287.97**	**1505.38**	**10439.76**	**1587.53**	**15.21**
C. Non working Government companies														
AGRICULTURE AND ALLIED														
1.	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	1972-73	1975-76	--	--	--	--	--	--	0.01	--	--	--	--
2.	Orissa Fisheries Development Corporation Limited	1982-83	1983-84	-0.03	0.01	--	-0.04	--	--	0.35	--	0.20	-0.03	--
Sector wise total				**-0.03**	**0.01**		**-0.04**		**--**	**0.36**		**0.20**	**-0.03**	
MANUFACTURING														
3.	ABS Spinning Orissa Limited (Subsidiary of Sl. No.A-12). (Under liquidation)	2003-04 2004-05	2008-09 2009-10	10.12 5.39	0.10 0.10	0.46 0.12	9.56 5.17	--	--	3.00 3.00	-61.73 -56.56	-20.18 -20.25	-- 5.27	-- --

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
4.	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	1968-69	1974-75	--	--	--	--	--	--	0.04	--	0.02	--	--
5.	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-12). (Under liquidation.)	1975-76	1976-77	--	--	--	--	--	--	0.12	--	0.27	--	--
6.	IDCOL Piping and Engineering Works Limited (Subsidiary of Sl. No.A-12)	2007-08	2008-09	-0.21	--	0.11	-0.32	--	--	1.93	-24.46	6.80	-0.32	--
7.	IPITRON Times Limited (Subsidiary of Sl.No.C-23). (Under liquidation since 1998)	1997-98	2005-06	-0.92	--	--	-0.92	--	--	0.81	-9.47	-2.07	-0.92	--
8.	Kalinga Steels (India) Limited (Subsidiary of Sl.No.A-8)	2007-08	2008-09	--	--	--	--	--	--	0.05	--	--	--	--
9.	Kanti Sharma Refractories Limited (Subsidiary of Sl. No.A 11). (Closed since 5 December 1998)	1996-97	2008-09	-0.50	0.28	0.03	-0.81	--	--	0.75	-1.26	1.92	-0.53	--
10.	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-11)	1981-82	1996-97	--	--	--	--	--	--	0.06	--	0.05	--	--
11.	Konark Television Limited (Defunct since 1999-2000)	1991-92	1998-99	0.46	1.31	0.10	-0.95	14.05	--	1.20	-6.04	6.00	0.36	6.00
12.	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	1965-66	1982-83	--	--	--	--	--	--	0.01			--	--
13.	Mayurbhanj Textiles Limited	1970-71	1976-77	--	--	--	--	--	--	0.04		--	--	--
14.	Modern Electronics Limited (Under process of liquidation)	1965-66	1982-83	--	--	--	--	--	--	0.04	--	0.03	--	
15.	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	1972-73	1975-76	--	--	--	--	--	--	0.04	--	0.03	--	--
16.	New Mayurbhanj Textiles Limited	1881-82	2003-04	0.03	--	--	0.03	--	--	0.02	0.03	0.05	0.03	53.98
17.	Orissa Boat Builders Limited (under liquidation)	1970-71	1997-78	--	--	--	--	--	--	0.05	--	0.01	--	--
18.	Orissa Board Mills Limited (under liquidation)	1967-68	1976-77	-0.01	--	--	-0.01	--	--	0.04	--	0.05	-0.01	--
19.	Orissa Electrical Manufacturing Company Limited	1966-67	1973-74	--	--	--	--	--	--	0.05	--	0.05	--	--
20.	Orissa Instruments Company Limited	1987-88	2000-01	-0.04	0.02	--	-0.06	--	--	0.09	--	0.36	-0.04	--

(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
21.	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-25)	1991-92	1995-96	--	--	--	--	--	--	0.65	--	1.92	--	--
22.	Orissa Textile Mills Limited (Under liquidation since 2001)	1997-98	1998-99	-7.66	2.58	--	-10.24	--	--	24.70	-53.41	5.17	-7.66	--
23.	Orissa State Electronics Development Corporation Limited	2004-05 2005-06	2008-09 2009-10	-0.24 -0.33	--	0.02 0.02	-.0.26 -0.35	--	(-)0.64	20.03 20.03	-2.80 -3.15	7.28	-0.35	--
24.	Orissa State Handloom Development Corporation Limited (under liquidation)	2001-02	2007-08	-0.02	0.24	0.01	-0.27	0.02	--	3.53	-19.42	-6.76	-0.03	--
25.	Orissa State Leather Corporation Limited (closed since 18 June 1998)	1988-89	2004-05	-0.17	0.06	--	-0.23	--	--	1.85	-2.46	1.71	-0.17	--
26.	Orissa State Textile Corporation Limited	1993-94	2003-04	-1.73	1.30	0.07	-3.10	3.52	--	2.62	-15.95	-5.45	-1.80	--
27.	Orissa Tools and Engineering Company Limited (619-B)	1982-83		--	--	--	--	--	--	0.44	-0.43	--	--	--
28.	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	1966	1973-74	--	--	--	--	--	--	0.02	--	--	--	--
29.	S N Corporation Limited (619-B)	2007-08	2008-09	--	--	--	--	--	--	3.01	-20.03	-0.10	--	
Sector wise total				**-5.71**	**5.89**	**0.46**	**-12.06**	**19.80**	**-0.64**	**65.19**	**-212.61**	**-2.91**	**-6.17**	**--**
SERVICES														
30.	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-23	1997-98	2005-06	-0.24	--	0.26	-0.50	--	--	1.59	-6.87	1.76	-0.50	
31.	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-23 Under liquidation since 1998)	1997-98	2005-06	--	--	--	--	--	--	--	--	-1.46	--	--
32.	ELMARC Limited (Subsidiary of Sl. No. C-23)	2000-01	2006-07	-0.05	--	0.02	-0.07	0.77	--	1.02	-2.25	-0.56	-0.07	--
33.	Orissa State Commercial Transport Corporation Limited	1997-98	2008-09	-0.73	0.32	0.02	-1.07	0.39	--	2.34	-14.21	-4.10	-0.75	--
Sector wise total				**-1.02**	**0.32**	**0.30**	**-1.64**	**1.16**	**--**	**4.95**	**-23.33**	**-4.36**	**-1.32**	
Total C (All sector wise non working Government Co.				**-6.76**	**6.22**	**0.76**	**-13.74**	**20.96**	**-0.64**	**70.50**	**-235.94**	**-7.07**	**-7.52**	**--**
Grand Total (A + B + C)				**2871.32**	**402.59**	**1291.31**	**1177.42**	**8114.74**	**-251.28**	**2358.47**	**1269.44**	**10432.69**	**1580.01**	**15.14**

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

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

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

Annexure 3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009
(Referred to in paragraph 1.10)

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl. No.	Sector and Name of the Company	Equity / Loans received out of budget during the year		Grants and Subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commitment	Loans repayment/ written off	Loans converted in to equity	Interest / Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A.	**Working Government companies**												
AGRICULTURE AND ALLIED													
1	Agricultural Promotion and Investment Corporation of Orissa Limited	--	--	--	0.50#	--	0.50#	--	--	--	--	--	--
2	Orissa Agro Industries Corporation Limited	--	--	--	--	--	--	--	--	--	--	--	--
3	Orissa State Cashew Development Corporation Limited	--	--	0.58 #	--	--	0.58 #	--	--	--	--	--	--
4	Orissa Lift Irrigation Corporation Limited	--	--	--	28.00	--	28.00	--	--	--	--	--	--
5	Orissa State Seeds Corporation Limited.			2.33	1.39 1.95#		3.72 1.95#		--	--	--	--	--
6	Orissa Pisciculture Development Corporation Limited.	--	--		2.62 #	--	2.62 #						
	Sector wise total	**--**	--	**2.33** **0.58 #**	**29.39** **5.07#**	--	**31.72** **5.65#**	--					
FINANCING													
7	Industrial Promotion and Investment Corporation of Orissa Limited	--	--	--	1.68#		1.68#	--	--	--	--	--	--
8	Orissa Film Development Corporation Limited	--	--	--	0.94 0.60 #	--	0.94 0.60 #	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
9	Orissa Rural Housing and Development Corporation Limited	--	52.52	--	--	--	--	--	236.15	--	--	--	--
10	Orissa Small Industries Corporation Limited	--	--	--	--	--	--	--	20.00	--	1.73	2.90	4.63
	Sector wise total	**--**	**52.52**	**--**	**0.94** **2.28#**	**--**	**0.94** **2.28#**	**--**	**256.15**	**--**	**1.73**	**2.90**	**4.63**
INFRASTRUCTURE													
11	Orissa Construction Corporation Limited	3.00	--	--	--			--	2.00	--	--	--	--
	Sector wise total	**3.00**	**--**	**--**	**--**	**--**	**--**	**--**	**2.00**	**--**	**--**	**--**	**--**
POWER													
12	GRIDCO Limited	--	--	--	--	--	--	--	282.49	---	--	--	--
13	Orissa Hydro Power Corporation Limited	--	--	--	--	--	--	--	155.27	--	--	--	--
14	Orissa Power Generation Corporation Limited	--	--	--	--	--	--	--	17.75	--	--	--	--
15	Orissa Power Transmission Corporation Limited	23.06		--	0.77#		0.77#	--	417.13	--	--	--	--
	Sector wise total	**23.06**	**--**	**--**	**0.77#**	**--**	**0.77#**	**--**	**872.64**				
SERVICE													
16	Orissa State Civil Supplies Corporation Limited	--	--	802.56	564.00	--	1366.56	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**802.56**	**564.00**	**--**	**1366.56**	**--**	**--**	**--**	**--**	**--**	**--**
Total A (All sector wise working Government companies)		**26.06**	**52.52**	**804.89** **0.58#**	**594.33** **8.12#**	**--**	**1399.22** **8.70#**	**--**	**1130.79**	**--**	**1.73**	**2.90**	**4.63**
B. Working Statutory corporations													
FINANCING													
1	Orissa State Financial Corporation	23.16	--	--	4.00 0.09#	0.12	4.12 0.09#	--	0.80	--	--	82.08	82.08
	Sector wise total	**23.16**	**--**		**4.00** **0.09#**	**0.12**	**4.00** **0.21#**		**0.80**			**82.08**	**82.08**

(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
SERVICE													
2	Orissa State Road Transport Corporation	5.00		--	1.60	--	1.60	--	--	--	--	--	--
	Sector wise total	**5.00**			**1.60**		**1.60**						
Total B (All sector wise working Statutory corporations)		**28.16**	**--**	**--**	**5.60** **0.09#**	**0.12#**	**5.60** **0.21#**	**--**	**0.80**	**--**	**--**	**82.08**	**82.08**
Grand Total (A+B)		**54.22**	**52.52**	**804.89** **0.58#**	**599.93** **8.21#**	**0.12#**	**1404.82** **8.91#**	**--**	**1131.59**	**--**	**1.73**	**84.98**	**86.71**
C. Non-working Government companies													
MANUFACTURING													
1	Konark Television Limited	--	--	--	0.06#	--	0.06#	--	--	--	--	--	--
2	Orissa State Electronics Development Corporation Limited	--	--	--	0.04#	--	0.04#	--	--	--	--	--	--
3	Orissa State Handloom Development Corporation Limited	--	--	--	0.05#	--	0.05#	--	--	--	--	--	--
4	Orissa State Textile Corporation Limited	--	--	--	0.05 #	--	0.05 #	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**--**	**0.20#**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
SERVICE													
5	Orissa State Commercial Transport Corporation Limited	--	--	--	0.12#	--	0.12#	--	--	--	--	--	--
	Sector wise total	**--**	**--**	**--**	**0.12#**	**--**	**0.12#**						
Total C (All sector wise Non-working Government companies		**--**	**--**	**--**	**0.32#**	**--**	**0.32#**	**--**	**--**	**--**	**--**	**--**	**--**
Total (A + B+C)		**54.22**	**52.52**	**806.89** **0.58#**	**599.93** **8.53#**	**0.12#**	**1436.21** **9.23#**	**--**	**1131.59**	**--**	**1.73**	**84.98**	**86.71**

@ Figures indicate total guarantees outstanding at the end of the year.

Grants received during 2008-09 and in case of non-working companies this was towards establishment expenditure, salary, etc.

Annexure 4

Statement showing investment made by State Government in PSUs, whose accounts are in arrears (Referred to in paragraph 1.38)

Sl. No	Name of PSUs	Year upto which Accounts finalised	Arrear of accounts in term of years	Paid up capital as per latest finalised accounts (Rs. in crore)	Arrear years in which investment received	Investment made by State Government during the years for which accounts are in arrear (Rs. in crore)			
						Equity	Loans	Grants/ Subsidy	Others
A.	**Working Companies**								
1	Agricultural Promotion and Investment Corporation of Orissa Limited	2007-08	1 year	1.10	2008-09	--	--	0.50	
2	Orissa Lift Irrigation Corporation Limited	2007-08	1 year	74.73	2008-09	--	--	28.00	--
3	Orissa State Seeds Corporation Limited	2007-08	1 year	2.59	2008-09	--	--	3.34	--
4	Orissa Pisciculture Development Corporation Limited	2003-04	5 years	2.18	2008-09	--	--	2.62	--
5	Industrial Promotion and Investment Corporation of Orissa Limited	2007-08	1 year	83.14	2008-09	--	--	1.68	--
6	Orissa Film Development Corporation Limited	2006-07	2 years	5.40	2007-08 2008-09	-- --	-- --	0.04 1.54	-- --
7	Orissa Rural Housing and Development Corporation Limited	2003-04	5 years	37.40	2004-05 2005-06 2006-07 2007-08 2008-09	4.76 6.00 -- -- --	-- -- 122.42 56.66 52.52	-- -- -- -- --	-- -- -- -- --
8	Orissa Construction Corporation Limited	2007-08	1 year	11.50	2008-09	3.00	--	--	--
9	Orissa Power Transmission Corporation Limited	2007-08	1 year	83.13	2008-09	23.06	--	0.77	--
10	Orissa State Civil Supplies Corporation Limited	2006-07	2 years	9.78	2007-08 2008-09	-- --	-- --	35.00 564.00	-- --
Total A				**310.95**		**36.82**	**231.60**	**637.49**	--

Sl. No	Name of PSUs	Year upto which Accounts finalised	Arrear of accounts in term of years	Paid up capital as per latest finalised accounts (Rs. in crore)	Arrear years in which investment received	Investment made by State Government during the years for which accounts are in arrear (Rs. in crore)			
						Equity	**Loans**	**Grants/ Subsidy**	**Others**
B.	**Working Statutory Corporation**								
1	Orissa State Road Transport Corporation	2005-06	3 years	136.49	2006-07 2007-08 2008-09	9.95 5.00 --	-- -- --	1.60 1.60 1.60	-- -- --
Total B				**136.49**		**14.95**	**--**	**4.80**	**--**
Total A+B				**447.44**		**51.77**	**231.60**	**642.29**	**--**
C.	**Non-working Government companies**								
1	Konark Television Limited	1991-92	Under liquidation	1.20	2008-09	--	--	0.06	--
2	Orissa State Electronics Development Corporation Limited	2005-06	Under liquidation	20.03	2008-09	--	--	0.04	--
3	Orissa State Handloom Development Corporation Limited	2001-02	Under liquidation	3.53	2007-08 2008-09	--	--	0.07 0.05	--
4	Orissa State Textile Corporation Limited	1993-94	15 years	2.62	2007-08 2008-09	--	--	0.05 0.05	--
5	Orissa State Commercial Transport Corporation Limited	1997-98	11 years	2.34	2008-09	--	--	0.12	--
Total C				**29.72**		**--**	**--**	**0.44**	**--**
Grand Total (A+B+C)				**477.16**		**51.77**	**231.60**	**642.73**	**--**

Annexure 5

Statement showing financial position of Statutory corporations
(Referred to in paragraph 1.15)

(Amount: Rupees in crore)

1. Orissa State Financial Corporation			
Particulars	**2006-07**	**2007-08**	**2008-09**
A. Liabilities			
Paid-up capital	87.57	358.62	381.78
Reserve fund and other reserves and surplus	21.89	22.91	23.43
Borrowings:			
(i) Bonds and debentures	46.61	26.98	1.26
(ii) Fixed Deposits	0.30	0.19	0.15
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	174.65	159.65	192.74
(iv) Reserve Bank of India	--	--	--
(v) Loans from State Government	--	--	--
(vi) Loans in lieu of share capital:			
(a) State Government	252.31	--	--
(b) Industrial Development Bank of India	6.22	6.22	6.22
(vii) Others (subvention from State Government)	--	--	--
(viii) Other liabilities and provisions	375.66	434.23	362.75
Total (A)	**965.21**	**1008.80**	**968.33**
B. Assets			
Cash and Bank balance	13.67	34.32	33.52
Investments	--	--	--
Loans and Advances	467.08	434.54	403.70
Net fixed assets	23.20	22.53	22.23
Other assets	80.35	138.03	131.68
Miscellaneous expenditure (Loss)	380.91	379.38	377.20
Total (B)	**965.21**	**1008.80**	**968.33**
C. Capital employed*	**534.85**	**581.81**	**565.86**
2 Orissa State Road Transport Corporation#			
Particulars	**2003-04**	**2004-05**	**2005-06**
A. Liability			
Capital (including loan capital and equity capital)	136.50	136.49	136.49
Borrowings (Government)	25.08	36.21	23.55
(Others)	1.40	1.38	1.30
Funds♣	3.15	3.10	3.04

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

♣ Excluding depreciation funds.

The figures are as per approved SAR and may vary from the figures given in the performance review (Chapter III).

Particulars	2003-04	2004-05	2005-06
Trade dues and other current liabilities (including provisions)	121.15	93.17	102.32
Total (A)	**287.28**	**270.35**	**266.70**
B. Assets			
Gross Block	35.76	37.59	39.20
Less : Depreciation	15.91	17.65	19.74
Net fixed assets	19.85	19.94	19.46
Investment	--	4.03	--
Current assets, loans and advances	33.51	11.64	15.50
Accumulated losses	233.92	234.74	231.74
Total (B)	**287.28**	**270.35**	**266.70**
C. Capital employed⊗	**(-) 67.79**	**(-) 61.59**	**(-) 67.36**
3. Orissa State Warehousing Corporation			
Particulars	**2004-05**	**2005-06**	**2006-07**
A. Liability			
Paid-up capital	3.60	3.60	3.60
Reserves and surplus	17.57	23.30	31.06
Borrowings	16.39	9.41	5.42
Trade dues and other current liabilities (including provisions)	14.85	15.03	21.97
Total (A)	**52.41**	**51.34**	**62.05**
B. Assets			
Gross Block	36.60	40.32	40.68
Less : Depreciation	4.56	7.39	8.55
Net fixed assets	32.04	32.93	32.13
Capital works-in-progress	0.02	0.02	0.02
Current assets, loans and advances	20.35	18.39	29.90
Total (B)	**52.41**	**51.34**	**62.05**
C. Capital employedℜ	**37.56**	**36.31**	**43.90**

⊗ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital

ℜ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital

Annexure 6

Statement showing working results of Statutory corporations
(Referred to in paragraph 1.15)

1.	**Orissa State Financial Corporation**	**(Amount : Rupees in crore)**		
	Particulars	**2006-07**	**2007-08**	**2008-09**
1.	**Income**			
(a)	Interest on Loans	25.41	16.95	20.28
(b)	Other Income	1.30	9.12	3.00
Total - 1		**26.71**	**26.07**	**23.28**
2.	**Expenses**			
(a)	Interest on long-term and short-term loans	17.09	16.34	12.76
(b)	Provision for non-performing assets	1.38	(1.36)	(11.82)
(c)	Other expenses	7.07	8.52	8.65
Total - 2		**25.54**	**23.50**	**9.59**
3.	Profit before tax (1-2)	1.17	2.57	13.69
4.	Provision for tax	0.05	0.02	0.03
5.	Profit/ Loss (-) after tax	1.12	2.55	13.66
6.	Other appropriations	0.45	1.02	11.49
7.	Amount available for dividend	0.67	1.53	2.17
8.	Dividend	--	--	--
9.	**Total return on Capital employed***	**17.76**	**17.87**	**14.93**
10.	**Percentage of return on Capital Employed**	**3.32**	**3.07**	**2.64**
2.	**Orissa State Road Transport Corporation#**			
	Particulars	**2003-04**	**2004-05**	**2005-06**
Operating				
a)	Revenue	27.87	30.70	34.20
b)	Expenditure	28.98	31.96	35.32
c)	Surplus / Deficit (-)	(-) 1.11	(-) 1.26	(-)1.12
Non-operating				
a)	Revenue	3.78	3.43	3.58
b)	Expenditure	2.02	1.83	1.70
c)	Surplus / Deficit (-)	1.76	1.60	1.88
Total				
a)	Revenue	31.65	34.13	37.78
b)	Expenditure	31.00	33.79	37.02
c)	Surplus / Deficit (-)	0.65	0.34	0.76

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

The figures are as per approved SAR and may vary from the figures given in the performance review (Chapter III).

Particulars	2003-04	2004-05	2005-06
d) Prior period adjustment	--	--	2.23
e) Surplus / Deficit after Prior period adjustment	0.65	0.34	2.99
Interest on capital and loans	1.53	1.35	1.29
Total return on Capital employed*	**2.18**	**1.69**	**4.28**
Percentage of return on Capital employed	--	--	--

3. Orissa State Warehousing Corporation		**(Amount: Rupees in crore)**	
Particulars	**2004-05**	**2005-06**	**2006-07**
1. Income			
Warehousing Charges	24.87	23.97	25.46
Other income	0.20	0.15	0.20
Total – 1	**25.07**	**24.12**	**25.66**
2. Expenses			
(a) Establishment charges	4.61	4.59	5.14
(b) Other expenses	11.92	11.75	11.57
Total - 2	**16.53**	**16.34**	**16.71**
3. Profit / Loss (-) before tax	8.54	7.78	8.95
4. Provision for tax	0.97	1.02	1.04
5. Prior period adjustment (Income)	2.21	1.05	0.05
6. Profit / Loss (-) after tax	5.36	5.71	7.96
7. Other appropriations	4.54	5.70	7.76
8. Amount available for dividend	0.82	0.01	0.20
9. Dividend for the year	0.81	--	0.18
10. Total return on Capital employed*	**6.82**	**0.53**	**0.65**
11. Percentage of return on Capital employed	**18.16**	**1.46**	**1.48**

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

Annexure 7

Statement showing operational performance of Orissa State Road Transport Corporation

(Referred to in paragraph No. 3.7)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held	258	265	273	259	294
Average number of vehicles on road	230	236	227	231	265
Percentage of utilisation of vehicles	89	89	83	89	90
Number of employees (including contractual)	1553	1521	1459	1487	1567
Employee Vehicle Ratio (including contractual)	6.02	5.74	5.34	5.74	5.33
Number of routes operated at the end of the year	154	144	141	141	155
Route kilometres	50784	47662	46540	47661	52959
Kilometres operated (in lakh)					
Gross	258.71	266.14	258.16	269.86	310.73
Effective	255.82	263.50	256.06	266.24	307.73
Dead	2.89	2.64	2.10	3.62	3.00
Percentage of dead kilometres to gross kilometres	1.12	0.99	0.81	1.34	0.97
Average kilometres covered *per* bus *per* day	272	272	257	282	287
Average revenue *per* kilometre (Rs.)	13.34	14.34	15.77	16.74	18.26
Average expenditure *per* kilometre (Rs.)	13.21	14.05	15.49	15.73	15.95
Loss (-)/Profit (+) *per* kilometre (Rs.)	0.13	0.29	0.28	1.01	2.31
Number of operating depots	15	14	14	14	14
Average number of break-down *per* lakh kilometres	3.35	2.42	2.64	2.20	1.83
Average number of accidents *per* lakh kilometres	0.16	0.14	0.12	0.12	0.12
Passenger kilometre operated (in crore)	82.96	85.45	81.84	87.59	NA
Occupancy ratio (Load Factor)	69	69	68	70	71
Kilometres obtained *per* litre of Diesel Oil	4.40	4.40	4.40	4.40	4.37

Annexure 8

Statement showing list of paragraphs involving non-recovery of money in respect of Orissa State Civil Supplies Corporation Limited and Orissa Power Transmission Corporation Limited

(Referred to in paragraph 4.15)

A. Orissa State Civil Supplies Corporation Limited

(Amount: Rupees in lakh)

Sl. No.	Para	Year of IR	Amount	Remarks
1.	Excess amount was paid in March 1999 to the flour mill owners for conversion of wheat to atta.	IR No.77/ 2002-03 District Manager-cum-Civil Supply Officer (DM-cum-CSO), Bargarh	3.38	No response was received from the Management regarding recovery of the amount.
2.	The amount is recoverable from the staff towards sale proceeds of ration cards.	IR No.181/ 2002-03 DM-cum-CSO, Bhubaneswar	2.33	No response was received from the Management regarding recovery of the amount.
3.	The amount misappropriated is recoverable from the employee in terms of the order of the disciplinary authority in December 2000.	IR No.59/ 2002-03 DM-cum-CSO, Cuttack	0.54	No response was received from the Management regarding recovery of the amount.
4.	The amount is recoverable from an employee towards shortage of stocks detected in June 1999.	IR No.234/ 2003-04 DM-cum-CSO, Phulbani	1.50	No response was received from the Management regarding recovery of the amount.
	Total-A		**7.75**	
B.	**Orissa Power Transmission Corporation Limited**			
1.	Excess payment of Rs. 0.88 lakh to Sri Siba Prasad Das, an employee of Bhadrak Electrical Division, under Employee Voluntary Retirement Scheme (EVRS).	IR No. 309/ 2001-02 GRIDCO Limited	0.88	No response was received from the Management regarding recovery of the amount.
2.	Excess payment of Rs. 0.07 lakh to Sri Jagabandhu Mohanty, an employee of GNED, Berhampur, under EVRS.	IR No. 309/ 2001-02 GRIDCO Limited	0.07	No response was received from the Management regarding recovery of the amount.
3.	Excess payment of Rs. 0.42 lakh to Sri Sadananda Patra, an employee of Electrical Division, Dhenkanal, under EVRS.	IR No. 309/ 2001-02 GRIDCO Limited	0.42	No response was received from the Management regarding recovery of the amount.
4.	Excess payment of Rs. 0.74 lakh to Sri Dandapani Mohapatra, an employee of Electrical Division, Khurda, towards recovery of bank loan and LTC dues.	IR No. 309/ 2001-02 GRIDCO Limited	0.74	No response was received from the Management regarding recovery of the amount.
5.	Excess payment of Rs. 49.14 lakh to a contractor for construction of 33 KV line under EHT (Construction) Division, Bhawanipatna, which was not realised.	IR No. 190/ 2003-04 GM, EHT (M), Circle, Jeypore	49.14	No response was received from the Management regarding recovery of the amount.

Sl. No.	Para	Year of IR	Amount	Remarks
6.	Non-realisation of licence fees of Rs. 0.12 lakh from a retired employee (Sri A.S. Raghunath) who retained the quarters for one year after his retirement.	IR No 13/ 2003-04 EHT (M) Circle, Berhampur	0.12	No response was received from the Management regarding recovery of the amount.
7.	Non-recovery of Rs. 0.09 lakh towards private calls over cell phone from Sri S.P. Rath, S.E., EHT (M) Circle, Berhampur during the period February to April 2003.	IR No 13/ 2003-04 EHT(M) Circle, Berhampur	0.09	No response was received from the Management regarding recovery of the amount.
8.	Non-realisation of excess payment of Rs. 0.03 and Rs. 0.02 lakh towards daily allowance and travelling allowance respectively to six employees between August 2000 and March 2003 in G.M. Telecom Circle, Bhubaneswar.	IR No 15/ 2003-04 EHT(Teleco-mmunication) Circle, Bhubaneswar	0.05	No response was received from the Management regarding recovery of the amount.
9.	Non-realisation of a sum of Rs. 0.37 lakh towards house building advance due from Sri D.K. Bhoi, an employee under LD&TC Division-II, Bhubaneswar though he had been terminated from service.	IR No 98/ 2003-04 LD&TC Division-II, Bhubaneswar	0.37	No response was received from the Management regarding recovery of the amount.
	Total-B		**51.88**	
	Total-A+B		**59.63**	

Annexure 9
Statement showing paragraphs/reviews for which explanatory notes were not received as on 30 September 2009

(Referred to in paragraph 4.18.1)

Sl. No.	Name of the Department	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Total
1.	Industries	--	--	1	--	--	1	--	--	5	**7**
2.	Public Enterprises	--	--	--	--	2	1	2	1		**6**
3.	Energy	--	--	--	--	--	--	--	2	13	**15**
4.	Commerce and Transport	1	--	--	--	--	--	--	--		**1**
5.	Water Resources	--	--	--	--	--	--	1	--		**1**
6.	Works	--	--	--	--	--	--	--	1		**1**
7.	Tourism and Culture	--	--	--	--	--	--	--	1		**1**
8.	Agriculture	--	--	--	--	--	--	--	1		**1**
9	Steel and Mines									4	**4**
10	Excise									1	**1**
11	Food Supplies and Consumer Welfare									1	**1**
12	Housing and Urban Development									1	**1**
	Total	**1**	**--**	**1**	**--**	**2**	**2**	**3**	**6**	**25**	**40**

Annexure 10
Statement showing department-wise outstanding Inspection Reports as on 30 September 2009
(Referred to in paragraph 4.18.3)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding Paragraphs	Year from which Paragraphs outstanding
1.	Industries	10	36	147	2004-05 to 2008-09
2.	Steel and Mines	1	11	64	2004-05,2006-07, 2008-09
3.	Home	1	4	21	2005-06 to 2008-09
4.	Housing and Urban Development	1	4	20	2005-06 to 2008-09
5.	Excise	1	1	2	2007-08
6.	Commerce and Transport	1	37	123	2004-05 to 2008-09
7.	Tourism and culture	1	3	8	2004-05,2007-08, 2008-09
8.	Energy	4	113	562	2004-05 to 2008-09
9.	Water Resources	2	5	39	2006-07 to 2008-09
10.	Fisheries and Animal Resources Development	1	4	10	2005-06 to 2008-09
11.	Agriculture	4	16	73	2004-05 to 2008-09
12.	Works	1	4	12	2004-05,2005-06, 2007-08, 2008-09
13.	Co-operation	1	1	3	2007-08
14.	Food Supplies and Consumer Welfare	1	80	291	2004-05 to 2008-09
15.	Forest and Environment	1	5	49	2004-05,2006-07,2007-08 2008-09
16.	Information and Technology	1	1	1	2007-08
	TOTAL	**32**	**325**	**1,425**	

Annexure 11

Statement showing department-wise draft paragraphs/reviews reply to which are awaited

(Referred to in paragraph 4.18.3)

Sl. No.	Name of the Department	No. of draft paragraphs	No. of reviews	Period of issue
1.	Energy	6	--	March to June 2009
2.	Food Supplies and Consumer Welfare	1*		March to June 2009
3.	Commerce and Transport		1	August 2009
	Total	**7**	**1**	

NOTE:-* one DP related to both Energy and Food Supplies and Consumer Welfare Department and not included here.

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