# REPORT
OF THE
# COMPTROLLER
AND
# AUDITOR GENERAL OF INDIA
FOR THE YEAR
# 1980-81

(COMMERCIAL)
GOVERNMENT OF ORISSA

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# PREFATORY REMARKS

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

—Government Companies;

—Statutory Corporations; and

—Departmentally-managed commercial and *quasi*-commercial undertakings.

2. This Report deals with the results of audit of the accounts of Government Companies and Statutory Corporations including the Orissa State Electricity Board. The Report of the Comptroller and Auditor General of India (Civil) contains the results of audit relating to the departmentally-managed commercial and *quasi*-commercial undertakings.

3. The cases mentioned in the Report are those which came to the notice in the course of audit of accounts during the year 1980-81 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1980-81 have also been included wherever considered necessary.

4. In the case of Government Companies, audit is conducted by Company auditors appointed on the advice of the Comptroller and Auditor General of India but the latter is authorised under section 619(3) (b) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the Company auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. Such directives were issued to the auditors from time to time.

5. There are 23 Companies wherein Government has invested Rs. 102·37 lakhs but accounts of which are not subject to audit by the Comptroller and Auditor General. Particulars of two such Companies in each of which Government investment was more than Rs. 10 lakhs as on 31st March 1981 are given below :

| Name of Company | Investment (Rupees in lakhs) | Percentage of Government investment to the total paid-up capital |
|---|---|---|
| Orissa Cement Limited, Rajgangpur | 40·00 | 12·9 |
| Orissa Textile Mills limited, Choudwar, Cuttack | 12·75 | 17·3 |

6. The Comptroller and Auditor General is the sole auditor of Orissa State Electricity Board and Orissa State Road Transport Corporation, (Statutory Corporations) while he has the right to conduct audit of Orissa State Financial Corporation and Orissa State Warehousing Corporation independently of the audit conducted by Chartered Accountants appointed under the respective Acts.

7. The points brought out in this Report are those which have come to notice during the course of test audit of the accouts of the above undertakings. They are not intended to convey or to be understood as conveying any general reflection on the financial administration of the undertakings concerned.

# CHAPTER I

## GOVERNMENT COMPANIES

## SECTION I

### 1.1. Introduction

There were 57 Government Companies (including 5 subsidiaries) as on 31st March 1981 as against 56 Government Companies (including 6 subsidiaries) at the close of the previous year. The following companies were incorporated or became Government Companies during the year:

| Name of Company | Date of incorporation | Authorised capital (Rupees in lakhs) |
|---|---|---|
| Orissa State Civil Supplies Corporation Limited | 3rd September 1980 | 5,00·00 |
| Orissa Police Housing and Welfare Corporation Limited | 24th May 1980 | 10,00·00 |

IPIBEL Refractories Limited ceased to be a subsidiary of Industrial Promotion and Investment Corporation of Orissa Limited with effect from September 1980 due to change in composition of share-holdings.

### 1.2. Compilation of Accounts

Two companies (including one subsidiary) finalised their accounts for the year 1980-81. In addition, 9 companies finalised their accounts for the earlier years. A synoptic statement showing the summarised financial results of 11 companies (including two subsidiaries) based on the latest available accounts is given in Appendix A. The accounts of 61 companies (including 6 companies where the shares held had been sold and which had ceased to be Government companies) were in arrears for the period noted against each as shown in Appendix B.

The position of arrears in the finalisation of accounts was last brought to the notice of Government in January 1982.

### 1.3. Paid-up capital

Against the aggregate paid-up capital of Rs. 60,57·24 lakhs in 56 Government Companies (including 6 subsidiaries) as on 31st March 1980, the aggregate paid-up capital as on 31st March 1981 had increased to Rs. 74,05·13 lakhs in 57 companies (including 5 subsidiaries) as detailed below:

| Particulars | Number of Companies | Invested by: State Government | Central Government | Others | Total |
|---|---|---|---|---|---|
| | | ( Rupees in lakhs ) | | | |
| (i) Companies wholly owned by State Government | 20 | 6,885·24 | .. | .. | 6,885·24 |
| (ii) Companies jointly owned with Central Government/others | 32 | 310·42 | 76·77 | 29·82 | 417·01 |
| (iii) Subsidiaries of Government Companies | 5 | .. | .. | 102·88 | 102·88 |
| Total .. | 57 | 7,195·66* | 76·77 | 1,32·70 | 7,405·13 |

### 1.4. Loans

The balance of long-term loans outstanding in respect of 10 Companies (excluding subsidiaries) as on 31st March 1981 was Rs. 3,546·42 lakhs (State Government : Rs. 21,18·29 lakhs, others: Rs. 14,28·13 lakhs) as against Rs, 26,73·69 lakhs as on 31st March 1980 (7 companies).

* The figure as per Finance Accounts is Rs· 72,94·72 lakhs; The difference of Rs. 99·05 lakhs is under reconciliation.



### 1·5. Guarantees

The State Government had guaranteed the repayment of loans and payment of interest thereon raised by 8 Companies. The amount guaranteed and the amount outstanding thereagainst as on 31st March 1981 were as follows :

| Name of Company | Amount guaranteed | Amount outstanding as on 31st March 1981 |
|---|---|---|
| | (Rupees in lakhs) | |
| 1. Cuttack Iron and Steel Products Limited | 0·50 | 0·50 |
| 2. Industrial Development Corporation of Orissa Limited | 4,57·37 | 27·76 |
| 3 Orissa Lift Irrigation Corporation Limited | 21,00·55 | 10,09·02 |
| 4 Orissa Maritime Chilka Area Development Corporation Limited | 65·94 | 65·94 |
| 5. Orissa Mining Corporation Limited | 3,66·00 | 1,84·19 |
| 6. Orissa Road Transport Company Limited | 70·00 | 67·50 |
| 7. Orissa Small Industries Corporation Limited | 1,54·78 | 1,47·04 |
| 8. Spark Battery Manufacturing Works Limited | 2·00 | 2·00 |
| | 32,17·14* | 15,03·95* |

* The figures as per Finance Accounts are Rs. 9,69·19 lakhs and Rs. 2,77·20 lakhs; differences are under reconciliation.

In consideration of the guarantees given by the Government, the Companies have to pay guarantee commission (rates ranging from 0·25 to 1 *per cent* per annum on amount guaranteed) to Government. In six cases the payment of guarantee commission was in arrears as on 31st March 1981 as per details given below :

| Name of Company | Amount in arrears (Rupees in lakhs) |
|---|---|
| 1. Cuttack Iron and Steel Products Limited | 0·02 |
| 2 Orissa Construction Corporation Limited | 4·01 |
| 3. Industrial Development Corporation of Orissa Limited | 0·58 |
| 4. Orissa Road Transport Company Limited | 0·22 |
| 5. Orissa Small Industries Corporation Limited | 3·51 |
| 6. Spark Battery Manufacturing Works Limited | 0·10 |
| | 8·44* |

### 1.6. Performance of the Companies

The following table gives details of 2 Companies which earned profit during the year under review and comparative figures for the previous year :

| Name of Company | Year of accounts under review | Paid-up capital | | Profit | | Percentage of profit to paid-up capital |
|---|---|---|---|---|---|---|
| | | Previous year | Current year | Previous year | Current year | |
| | | (Rupees in lakhs) | | | | |
| Orissa Forest Corporation Limited | 1976-77 | 93·00 | 93.00 | 16·84 | 18·71 | 20·1 |
| Industrial Promotion and Investment Corporation of Orissa Limited | 1980-81 | 546·57 | 699·49 | 1·87 | 7·24 | 1·0 |

* As per the Finance Accounts guarantee commission in arrears as on 31st March 1981 was Rs. 4·87 lakhs; difference (Rs. 3.57 lakhs) is undet reconciliation.



The following table gives the details of 7 companies which incurred loss during the year under review and comparative figures for the previous year:

| Name of Company | Year of accounts under review | Paid-up capital | | Loss | |
|---|---|---|---|---|---|
| | | Previous year | Current year | Previous year | Current year |
| | | (Rupees in lakhs) | | | |
| Industrial Development Corporation of Orissa Limited | 1977-78 | 20,93·11 | 21,42·79 | 21·57 | 17·84 |
| New Mayurbhanj Textiles Limited | 1977-78 | 0·93 | 0·93 | 0·03 | 0·03 |
| Orissa Agro Industries Corporation Limited | 1976-77 | 1,57·49 | 1,63·49 | 18·11 | 20·30 |
| Orissa Fisheries Development Corporation Limited | 1977-78 | 35·00 | 35·00 | 1·75 | 2·10 |
| Orissa Road Transport Company Limited | 1978-79 | 50·00 | 50·00 | 34·80 | 38·84 |
| Orissa State Cashew Development Corporation Limited | 1979-80 | .. * | 13·34 | .. | 2·26 |
| Orissa Tourism Development Corporation Limited | 1979-80 | .. * | 3·00 | .. | 0·62 |

In the case of Orissa Fisheries Development Corporation Limited (trading activity stopped from February 1970) the loss increased from Rs. 1·75 lakhs in 1976-77 to Rs. 2·10 lakhs in 1977-78 mainly on account of increase in expenditure on establishment and interest on loans.

* Incorporated in 1979-80

In the case of Orissa Agro Industries Corporation Limited the loss increased from Rs. 18·11 lakhs in 1975-76 to Rs. 20·30 lakhs in 1976-77 mainly due to increase in expenditure on repairs and maintenance of tractors and bulldozers, salaries and bonus and sharp fall in income from sales, dug well and pump installations and land reclamation.

In the case of Orissa Road Transport Company Limited the loss increased from Rs. 34·80 lakhs in 1977-78 to Rs. 38·84 lakhs in 1978-79 mainly due to increase in interest charges on term loans, contingencies, overheads, write off of development expenses and sharp fall in income on freight.

Accumulated loss in respect of the 7 Companies (paid-up capital: Rs. 24,08·55 lakhs) amounted to Rs. 5,29·89 lakhs. In respect of Orissa Fisheries Development Corporation Limited, the accumulated loss up to 1977-78 (Rs. 48·83 lakhs) exceeded the paid-up share capital (Rs. 35 lakhs).

1.7. Two Companies, viz., Sonepur Spinning Mills Limited (incorporated in January 1980) and Konark Watch Company Limited (incorporated in November 1978) were under construction and had finalised accounts for 1980-81 and 1978-79 respectively.

1.8. In addition, there were 4 Companies covered under Section 619 B of the Companies Act, 1956, including Konark Jute Limited which became a 619B Company from 1st December 1978; its accounts were in arrears since then. In respect of other 3 Companies, the details regarding paid-up capital, investments and profit or loss were mentioned in paragraph 1·07 of the Report of the Comptroller and Auditor General (Commercial) for 1979-80; accounts of these for the subsequent years are in arrears (June 1982).

1.9. The Companies Act, 1956, empowers the Comptroller and Auditor General of India to issue directions to the auditors of Government Companies in regard to the performance of their functions. In pursuance of the directions so issued, special reports of the Company Auditors on the accounts of seven Companies were



received during the year. The important points noticed in these reports are summarised below:

| Nature of defect | Number of Companies where defects were noticed | Reference to serial number in Appendix 'A' |
|---|---|---|
| (*a*) Non-maintenance of register of fixed assets | 3 | 4,9,10 |
| (*b*) Physical verification of assets not done | 2 | 1,9 |
| (*c*) Bank balances not reconciled | 3 | 4,6,9 |
| (*d*) Internal audit system not commensurate with nature and size of business | 2 | 1,9 |
| (*e*) Retention of huge cash balances | 1 | 9 |
| (*f*) Irregular maintenance of Provident Fund accounts | 4 | 4,5,9,10 |
| (*g*) Non-maintenance of register of surplus/unserviceable assets | 1 | 8 |
| (*h*) Non-receipt of confirmation of balances from sundry debtors | 2 | 1,10 |
| (*i*) Non-maintenance of reasonable records of sale and disposal of bi-products | 1 | 4 |
| (*j*) Non-issue of share certificates | 1 | 6 |
| (*k*) Improper maintenance of Stores and stock account of spare parts | 1 | 10 |
| (*l*) Non-reconciliation of General ledger balances with subsidiary ledger balances | 1 | 4 |

1.10. Under Section 619 (4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the audit reports of the Company auditors. Under this provision, the audited annual accounts of Government Companies were reviewed on a selective basis. Some of the errors/omissions *etc*., noticed are detailed below:

—Adoption of annual accounts in the Annual General Meeting without the comments of the Comptroller and Auditor General under Section 619 (4) of the Companies Act, in violation of the provisions of Section 619 (5) *ibid* (Konark Watch Company Limited for 1978-79).

—Non-disclosure of loans considered good in respect of which the Company was secured, loans for which the Company held no security other than the loanees' personal security and loans considered doubtful of recovery distinctly (serial No. 3 of Appendix 'A').

—Understatement of secured loans (serial No. 9 of Appendix 'A')

—Approval of the accounts for a particular year by the Board of Directors even though the accounts for the previous year had not been adopted in the annual general meeting in terms of Section 166 of the companies Act (Serial No. 8 of Appendix 'A').



# SECTION II

## THE ORISSA SMALL INDUSTRIES CORPORATION LIMITED

### 2.1. Introduction

The Orissa Small Industries Corporation Limited was established in April 1972 as a wholly owned Government Company.

### 2.2. Objects

The main objects of the Company are to

—aid, assist and promote the interests of small industries, whether owned or run by Government, statutory body, company, firm or individuals;

—provide the industrial units with assistance in the procurement and acquisition of raw materials for their business and

—assist the industrial units to improve their methods of manufacture, technique of production and marketing.

In order to implement the above objects, the Company had undertaken the following activities :

(*i*) Marketing assistance to Small Scale Industrial (SSI) units;

(*ii*) Procurement and distribution of industrial raw materials.

(*iii*) Provision of consultancy facilities and preparation of project reports.

(*iv*) Construction and management of industrial sheds for allotment of developed plots and/or factory sheds to entrepreneurs.

(*v*) Margin money assistance in the form of seed capital to tiny sector units to enable them to obtain industrial finance.

(*vi*) Promotion of exports of the products of SSI units.

(*vii*) Assistance to sick units.

(*viii*) Establishment of electronic testing and development centre for providing testing and calibration facilities to the electronic industries of the State; and

(ix) Management of production units—

(a) Konark Television Unit;

(b) Industries set up for rehabilitation of displaced persons; and

(c) General Engineering and Scientific works.

Audited accounts of the Company were not received from 1977-78 onwards; the figures adopted in this review from 1977-78 onwards are provisional.

**2.3. Capital structure**

The initial authorised capital of the Company was Rs. 50 lakhs which was increased from time to time to Rs. 400 lakhs as on 31st March 1981. The paid-up capital of the Company as on 31st March 1981 was Rs. 2,60·64 lakhs and the entire amount was contributed by the State Government in cash (Rs. 2,53·02 lakhs) and by way of transfer of land (Rs. 7·62 lakhs).

**2.4. Working results**

The Company earned a profit of Rs. 11·13 lakhs up to the year 1974-75 and sustained a loss of Rs. 16·28 lakhs in 1975-76 and Rs. 16·06 lakhs in 1976-77. The cumulative loss up to 1976-77 was Rs. 21·21 lakhs against the paid-up capital of Rs. 94·70 lakhs. As on 31st March 1977 the net worth of each equity share of Rs. 100 was Rs. 80·06. The Management attributed (April 1981) the losses during 1975-76 and 1976-77 mainly to recession in the trade of industrial raw materials and stiff competition for Konark Television products in the market.

**2.5. Management**

The affairs of the Company are managed by a Board of Directors. As on the 31st March 1981, there were 11 Directors including Chairman and the Managing Director. The General Manager is in overall charge of the finance wing of the Company. He is assisted by the Joint Manager (Finance). The Company has three manufacturing units at Bhubaneswar, Sunabeda and Berhampur and eight raw material depots situated at different places in the State.



**2·6. Cash Management**

**2·6·1. Loans from Government**

The Company had obtained up to 1980-81 from the State Government loans aggregating Rs. 1,41·62 lakhs, at interest ranging from 5 to 10·5 *per cent* per annum. The loans were repayable in 2 to 15 annual instalments and interest was payable annually. In case of timely payment of interest and repayment of principal the Company was entitled to rebates ranging from 0·25 to 2·50 *per cent*. Against 54 instalments of principal (Rs. 65·99 lakhs) and interest (Rs. 28·43 lakhs) which had become due up to 31st March 1981, the Company had repaid only 8 overdue instalments of principal (Rs. 24·21 lakhs) and thereby could not get the benefit of rebate of Rs 10·23 lakhs up to March 1981. The Management stated (July 1982) that they could not repay the loans due to delay in recovery of instalments of loans given to entrepreneurs. An amount of Rs. 37·56 lakhs towards principal and Rs. 28·43 lakhs towards interest were overdue for payment on 31st March 1981.

The following table indicates the term loans availed of from five nationalised banks/financial institution for implementation of various schemes as at the end of March 1981 :

| | Purpose of loan | Year of loan | Amount availed of | Amount outstanding as on 31st March 1981 |
|---|---|---|---|---|
| | | | (Rupees in lakhs) | |
| 1 | Construction of 105 industrial sheds | 1974-75<br>1975-76 | 42·37 | 42·37 |
| 2 | Construction of industrial estates at Jagatpur and Paradip | 1977-78<br>1978-79 | 48·61 | 48·61 |
| 3 | Expansion of industrial sheds at Bhubaneswar | 1979-80 | 11·17 | 11·17 |
| 4 | Construction of industrial sheds at Mancheswar | 1980-81 | 30·00 | 30·00 |
| 5 | Construction of industrial sheds at Dhenkanal | 1980-81 | 11·85 | 11·85 |
| 6 | Hire purchase of machinery by entrepreneurs | 1973-74<br>1976-77 | 30·00 | 30·00 |
| 7 | Seed capital loan | 1977-78 | 25·00 | 19·74 |
| | Total | | 1,99·00 | 1,93·74 |

The amount of interest due but not paid as on 31st March 1981 was Rs. 44·78 lakhs.

Agreements in respect of two loans (1 and 6 above) amounting to Rs. 72·37 lakhs availed of from the State Bank of India, were not finalised (June 1982).

The following further points were noticed :

(*i*) As on 31st March 1981, the Company had been operating 15 current accounts and 3 cash credit accounts with 15 branches of various banks at the raw material depots and Head Office of the Company. The Head Office of the Company maintained one current account and a cash credit account during 1979-80 and 1980-81 with the same bank and two additional current accounts with another nationalised bank in 1980-81. According to the instructions issued (September 1977) by the Company to the banks, current account balances at any time exceeding Rs. 10,000 were to be transferred to the cash credit account maintained by the Head Office.

A study of the bank statements made in Audit disclosed that the banks were keeping amounts in excess of Rs. 10,000 for periods ranging from 18 to 31 days during 1979-80 and 15 to 31 days during 1980-81 in the current account instead of transferring the excess amount to cash credit account. This resulted in an additional expenditure by way of interest amounting to Rs. 0·91 lakh on cash credit balances. The matter was not taken up with the concerned banks for reimbursement of the interest lost (June 1982). The Company had not evolved any system to ensure prompt transfer of current account balances to cash credit accounts. While accepting the factual position the Management stated (July 1982) that they had since streamlined the system.



(*ii*) It was further noticed that the Company withdrew sums of money from cash credit account and invested in term deposits as detailed below :

| Date of withdrawal | Amount withdrawn and kept in fixed deposits (Rupees in lakhs) | Period | Amount of interest (Rupees) Earned | Paid | Excess interest paid |
|---|---|---|---|---|---|
| 20th July 1979 | 10·50 | 6 months | 26,250 | 84,000 | 57,750 |
| 25th September 1979 | 3·00 | 9 months | 9,809 | 36,000 | 26,191 |
| 15th October 1979 | 1·00 | 9 months | 3,269 | 12,000 | 8,731 |
| 29th December 1979 | 2·00 | 3 months | 2,244 | 7,978 | 5,734 |
| 20th January 1980 | 15·00 | 6 months | 33,750 | 1,20,000 | 86,250 |
| | | | | Total .. | 1,84,656 |

The Company, thus, incurred an extra expenditure of Rs. 1·85 lakhs on account of payment of higher rate of interest on cash credit balances.

### 2.6.2. Short-term loans

Advancing short-term loans was not specifically covered by any of the objects of the Company. However, between December 1975 and August 1977, the Company advanced with the approval of the Managing Director to 8 SSI units, unsecured short-term loans for Rs. 3·32 lakhs at 14·5 *per cent* per annum repayable within a period ranging from one month to one year. Of these, 3 units repaid the loans in full (Rs. 0·90 lakh) between June 1977 and November 1980. The balance of Rs. 2·42 lakhs (excluding interest : Rs. 1·19 lakhs up to March 1981) was pending recovery from 5 units (June 1982). The Company filed (January 1979—February 1980) money suits for recovery of Rs. 0·62 lakh advanced to two units. Of the remaining three, one unit which took a loan of Rs. 1 lakh in December 1975 was considered sick from December 1976; an amount of Rs. 0·80 lakh was pending recovery from 2 other firms.

## 2.7. Marketing assistance

The Company formulated (January 1976) a scheme for rendering marketing assistance to the SSI units. The scheme envisaged the following main functions:

(*i*) Internal marketing

(*ii*) Sub-contracting agency

(*iii*) Export promotion

The Company had taken up only the sub-contracting agency since 1976-77. A marketing cell was opened for the purpose in September 1976. On the basis of the quotations received from SSI units, the Company submits tenders to the prospective purchasers in its own name and entrusts the execution of the works to SSI units and retains 1 to 2 *per cent* of the value of the order towards its commission. The SSI units had no direct dealing with the purchasers.

(*i*) The following table indicates the anticipated turnover and turnover achieved during the 3 years up to 1980-81:

| Year | Anticipated turnover | Number of orders procured | Value of the orders | |
|---|---|---|---|---|
| | | | Received | Executed |
| | (Rupees in lakhs) | | (Rupees in lakhs) | |
| 1978-79 | 25·00 | .. | .. | 9·92* |
| 1979-80 | 50·00 | .. | .. | 1·22* |
| 1980-81 | 1,00·00 | 8 | 37·65 | 15·00 |

The Company had obtained only 8 orders during the three years up to 1980-81 and distributed them to 39 SSI units for execution. Out of 231 units which had concluded rate contracts for supply of materials manufactured by them to prospective buyers, the coverage was 17 *per cent* of the SSI units. The actual turnover during the 3 years up to 1980-81 ranged from 2·4 to 39·7 *per cent* of the anticipated turnover. The Management stated (July 1982) that attempts had been made to improve the position.

*Supplies were executed against earlier orders.



(*ii*) The Company secured two orders (February 1977) from Orissa State Electricity Board (OSEB) for supply of 5,000 numbers of Pins for 33 KV insulators and 25,000 numbers for 11 KV insulators. The order was passed on to firm 'A' and stipulated that the required raw materials should be issued to the firm in small lots (a week's requirement) and that further issue of materials would be subject to return of finished products against the earlier issue of raw materials. Without incorporating these conditions in the agreement, the work was entrusted (March 1977) to firm 'A'.

The Company had supplied (March 1977) 17.455 tonnes of 25 mm and 32 mm rounds and 1·152 tonnes of zinc (value: Rs. 0·88 lakh) to firm 'A', which supplied 7,777 numbers of 11 K V pins and 591 numbers of 33 KV pins (including 554 incomplete pins) to the Company; the Company in turn supplied the same to OSEB, but OSEB rejected the entire lot on the ground that it was defective. Firm 'A' was requested by the Company to replace the materials but the firm did not respond; the balance materials were also not manufactured and supplied (June 1982). As the actual requirement of raw materials for the finished goods supplied by 'A' was only 11·446 tonnes of 25 mm and 32 mm rounds and 0·601 tonne of zinc (value : Rs 0·54 lakh), the value of excess materials supplied worked out to Rs. 0·34 lakh. The Management stated (July 1982) that a civil suit has been filed against 'A' in the High Court (July 1982).

## 2.8. Procurement and distribution of raw materials

2.8.1. The main objectives of the scheme of procurement and distribution of raw materials, were to ensure distribution of scarce raw materials in a broad-based manner to a large number of SSI units and to help units strengthen their limited financial, organisational and management resources in procuring the materials. As per information available with the Company, there were about 6,572 SSI units registered during the 4 years up to 1980-81 of which only 601 units (about 9·1 *per cent*) had been regularly drawing the materials (value of materials drawn up to 1980-81: Rs. 12,49·50 lakhs).

2.8.2. Price structure

The Company was entitled to a rebate of Rs. 180 per tonne on stockyard deliveries and Rs. 145 per tonne on ex-plant deliveries; the Company, was in turn to pass on Rs. 40 per tonne in both the cases to SSI units. This concession was allowed to the SSI units to enable them to compete with large scale industries.

Except for a brief period of 7 months (October 1978 to April 1979) the Company passed on only a portion of rebate of Rs. 40 per tonne to SSI units and was also levying some extra charges. Extra burden passed on the units during 1979-80 and 1980-81, amounted to Rs. 43·38 lakhs. The Company stated (July 1982) that as the margin allowed was not adequate, the Governmant of India were approached to increase the margin to Rs. 336 per tonne, who advised (September 1981) the Company to approach the State Government for subsidy. The State Government was approached accordingly (July 1982) and their reaction was awaited (July 1982).

2.8.3. Procurement of iron and steel materials

(*a*) The Company received 18 offers (value: Rs. 36·09 lakhs) between September 1980 and February 1981 from the Branch Manager, SAIL, Rourkela, for supply of iron and steel materials. The Company was to make payment within 15 days of the offer and take delivery simultaneously. The payments were not made in time and the delay ranged from 6 to 138 days resulting in an extra expenditure of Rs. 5·65 lakhs, on account of increase in the meantime. The Management stated (July 1982) that the revision of prices was not anticipated.

(*b*) According to the instructions of SAIL, the Company was required to make advance payment to the extent of 110 *per cent* of the value of the materials offered; the excess payments of 10 *per cent* was to be refunded as soon as the delivery was taken by the Company. The Company had no system to reconcile the value of materials received and advances paid to SAIL with a view to obtaining refunds soon after the delivery of materials. As per the provisional accounts, advances of Rs. 6,12·68 lakhs (including Rs. 32·83 lakhs pertaining to the period over three years) were



outstanding as on 31st March 1981. It was stated by the Management (July 1982) that arrangements were being made for reconciliation.

(*c*) Extra expenditure

In response to an offer from SAIL on 20th January 1981, for supply of 188 tonnes of 5 mm—8 mm plates at a total price of Rs. 5·64 lakhs, the Company paid (30th January 1981) Rs. 5·64 lakhs, but no materials were received. The Company again paid Rs. 6·76 lakhs for the same quantity of same materials in March 1981 against which 105 tonnes of plates were received in March 1981. The rate offered for 5 mm and 6 mm plates in January 1981 was Rs. 2,999 per tonne, while it ranged from Rs. 3,360 to Rs. 3,380 per tonne in March 1981. This resulted in an extra expenditure of Rs. 0·43 lakh on supplies received in March 1981 besides blocking up of money paid (Rs. 5·64 lakhs) in January 1981. The adjustment of excess payment of Rs. 5·64 lakhs could not be ascertained as the accounts with SAIL have not been reconciled (June 1982).

(*d*) Shortages

As per the procedure prescribed by the Board in December 1980, physical verification of stores is required to be conducted at least once in six months by the officer-in-charge and annually by the officers of Head Office. It was, however, done annually by the officers-in-charge.

The following table indicates the shortages of iron and steel materials noticed during physical verification from time to time of raw materials for the three years up to 1979-80:

| Year | Quantity | | Value | |
|---|---|---|---|---|
| | Shortage | Excess | Shortage | Excess |
| | (In tonnes) | | (Rupees in lakhs) | |
| 1977-78 | 12·917 | 6·703 | 0·44 | 0·21 |
| 1978-79 | 6·595 | 4·398 | 0·22 | 0·12 |
| 1979-80 | 68·417 | 10·908 | 2·10 | 0·32 |

The shortages in two depots (Cuttack and Rourkela) accounted for 88·6 *per cent* of the total shortages during the year 1979-80. In view of the magnitude of the shortages during 1979-80, the Board decided (July 1981) to have a thorough investigation into the matter. Physical verification of raw material conducted in December 1981 disclosed shortages (29·87 tonnes) and excesses (25·65 tonnes).

Further, there were shortages (18·15 tonnes) at the time of receipt from 3 suppliers (13·26 tonnes) and during inter depot transfers (51 cases : 4·89 tonnes) during 1980-81 in Cuttack, Rourkela and Bhubaneswar depots. The value of these shortages at minimum procurement rate was Rs. 0·43 lakh. The Management stated (July 1982) that the shortages were under investigation.

### 2.9. Financial assistance under hire-purchase scheme and seed capital loan.

#### 2.9.1. Hire-purchase scheme

The scheme for assisting the educated unemployed in the procurement of machinery and equipment on hire-purchase basis for starting small scale industries was taken up by the Company in September 1973. The Company spent Rs. 72·63 lakhs in supplying machinery and equipments to 97 entrepreneurs up to 31st March 1977 and no further loans were sanctioned.

During February 1980, the Board reviewed the position of recoveries of loans from the entrepreneurs and decided to reduce the rate of interest from the date of commencement of the scheme to 11 *per cent* per annum from 11·5 to 16 *per cent* being charged. On account of reduction of rate of interest, the loss to the Company was estimated at Rs. 12 lakhs.

In spite of reduction in the rate of interest, out of the total dues of Rs. 96·54 lakhs ( 93 cases ) towards principal ( Rs. 48·36 lakhs ) and interest ( Rs. 48·18 lakhs ) the Company could recover only Rs. 20·54 lakhs ( 67 cases ) towards principal (Rs. 7·10 lakhs) and interest ( Rs. 13·44 lakhs ) up to March 1981 which constituted 21·3 *per cent* of the total demand.



The Board reviewed the position in March 1981 and directed the Management to gear up the recovery even by resorting to coercive steps. The Management stated ( July 1982 ) that a team of officers had been deployed to improve the recovery position.

#### 2.9.2. Seed Capital Loan

The Company had been advancing seed capital loan to SSI units since inception in order to enable them to avail of term loan from financial institutions. During the three years up to 1975-76 the Company received loans of Rs 50·62 lakhs from the State Government. In addition during the years 1977-78 and 1979-80 the Company obtained Rs. 25 lakhs by way of loans from a bank and Rs. 31 lakhs from the Central Government through the State Government for disbursing seed capital loans to units set up in urban and rural areas.

The seed capital loans sanctioned and disbursed during the three years up to 1979-80 were as follows :

| Year | Number of parties benefitted | Seed Capital loan: Sanctioned | Seed Capital loan: Disbursed |
|---|---|---|---|
| | | ( Rupees in lakhs ) | |
| Up to 1976-77 | 358 | 72·31 | 51·76 |
| 1977-78 | 40 | 8·83 | 10·12 |
| 1978-79 | 210 | 14·66 | 11·33 |
| 1979-80 | 264 | 15·41 | 9·93 |
| Total | 872 | 1,11·21 | 83·14 |

From April 1980, the scheme was transferred to the Orissa State Financial Corporation.

As against the amount of Rs. 83·14 lakhs disbursed till March 1980 by the Company, an amount of Rs. 63·14 lakhs was due up to March 1981 towards principal and interest.

The Management stated (July 1982) that the realisation of seed capital loan posed problems as the Company had got only a second charge over the assets and that legal action was being taken against the defaulters after considering merits of each case.

Under the Centrally sponsored scheme for which the Company had received Rs. 31 lakhs the assistance was to be given to the units located in urban and rural areas, having a population of less than 50,000. It was noticed (September 1981) in audit that out of 101 parties who were given loans for Rs. 6·67 lakhs up to 31st March 1980, eight parties (loans : Rs. 0·88 lakh) had located their units at Cuttack and Sambalpur having a population of above 50,000.

### 2.10. Preparation of feasibility reports/project reports

The Industrial Policy resolution of 1974 of the State Government provided for payment of subsidy towards the cost of feasibility reports prepared by professional consultants for the SSI units up to 50 *per cent*; this was increased to 75 *per cent* and 100 *Per cent* from April 1977 and April 1979 respectively. However, 100 *per cent* subsidy payment was subject to a maximum of 1 *per cent* of the cost of fixed assets; the entrepreneur was to provide 25 *per cent* of the cost as security deposit which would be refunded after the project was implemented in the State.

This scheme was implemented through Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) for both medium and small scale sector projects up to March 1978. Thereafter, as per orders of Government, the Company was operating the scheme.



The table below indicates the year-wise particulars of amounts received towards subsidy, amounts disbursed, number of project reports/feasibility reports entrusted, prepared, etc., up to 1980-81.

| | | 1979-80 | 1980-81 |
|---|---|---|---|
| | | (Rupees in lakhs) | |
| Amount received from Government | .. | 2·75* | 1·00 |
| Amount disbursed | .. | 0·64 | 2·49 |
| | | (Number) | |
| Applications received for preparation of reports | | 12 | 56 |
| Project reports entrusted | .. | 10 | 26 |
| Applications cancelled/withdrawn | .. | 2 | 16 |
| Applications pending | .. | .. | 14 |
| Project reports prepared | .. | 8 | 13 |
| Project reports under preparation | .. | 2 | 13 |
| Projects implemented | .. | 3 | 1 |
| Projects yet to be implemented | .. | 5 | 12 |

The reasons for non-implementation of the projects for which an amount of Rs. 1·82 lakhs was spent on preparation of 17 project reports had not been ascertained by the Company (June 1982). Security as stipulated in the scheme was, however, not recovered from any of the entrepreneurs and the reasons for not enforcing this condition were not available on records. The Management stated (July 1982) that a close watch on the implemention of projects for which technical know-how and guidance had been extended was being kept.

### 2·11. Revival of sick units

A State level Co-ordination Committee on sick units consisting of representatives of nationalised banks, the Company, Orissa State Financial Corporation (OSFC) and Small Industries Service Institute had been constituted (September 1976) to consider the proposals for revival of sick units and to recommend to Government cases for rendering assistance to them.

* Included Rs. 0.26 lakh received during 1978-79.

The Company received Rs. 12 lakhs towards capital during the 3 years up to 1980-81 from Government for the purpose.

The State level Co-ordination Committee had so far (June 1982) considered 6 units for assistance out of which 2 units were helped by the company (up to September 1980) by investing Rs. 12.30 lakhs (as against Rs. 12 lakhs received from Government) by way of share capital (Rs. 12 lakhs) and loan (Rs. 0·30 lakh).

A rubber company in which the State Government had invested (1970-71 and 1972-73) Rs. 1·64 lakhs towards share capital and to which the Company also had loaned Rs. 1 lakh in December 1975, became sick in 1976.

According to the feasibility report got prepared by the State Government (December 1977) for reviving the unit, infusion of fresh funds to the extent of Rs. 5.83 lakhs was necessary. The State level Co-ordination Committee considered the report and recommended (May 1978) that the requirement of the funds to the extent of Rs. 5.33 lakhs be met through Government investment (Rs. 2.30 lakh) and bank finance (Rs. 3.03 lakhs) and the balance (Rs. 0.50 lakh) should be met by the promoters. The Govenment accepted (May 1978) the recommendation subject to the condition that Government's share would be released only after promoters paid their contribution and bank sanctioned the loan. The bank agreed (January 1980) to allow a cash credit facility to the extent of Rs. 0.75 lakh but the Company had between July 1979 and September 1980 invested Rs. 2.30 lakhs in the unit towards share capital (Rs. 2 lakhs) and by way of loan (Rs. 0.30 lakh).

The unit resumed production during April 1980. After functioning for a period of about 3½ months, it stopped production and was lying closed (July 1980) for want of working capital. The Company's investment as on 31st March 1981 was Rs. 3.30 lakhs (Rs. 2 lakhs in share capital and Rs. 1.30 lakhs in loan).

The Management stated (July 1982) that the revival of the unit was under active consideration of State level Co-ordination Committee.



**2.12. State Emporium at New Delhi**

A sales emporium was started (1963-64) at New Delhi under the administrative control of the Orissa Co-operative Handicrafts Corporation (OCHC) which was transferred to the control of the Company in October 1974, as OCHC was not able to invest substantial funds to keep a large inventory to cater to the needs of local and foreign buyers. The emporium functioned under the control of the Company till December 1979, when it was retransferred to OCHC as per orders of the State Government.

(*ii*) During October 1974 to December 1979, the Company invested Rs. 11.92 lakhs in the emporium, and sustained a loss of Rs. 1.40 lakhs (excluding interest and head office overhead expenses) up to December 1979.

(*iii*) The Company transferred (January 1980) all assets lying with the emporium (value: Rs. 13.88 lakhs) to OCHC. As per the agreed terms (September 1979) OCHC in addition to a down payment of Rs. 3 lakhs was to pay Rs. 9 lakhs in three equal half-yearly instalments of Rs. 3 lakhs each and balance (Rs. 1.88 lakhs) by 30th June 1981 : The Company received Rs. 3 lakhs as down payment in October 1979; the balance (Rs. 10.88 lakhs) was yet to be received (June 1982). In case of default in payment, interest at bank rate was payable. The Company had not worked out the interest and billed the same, as dues payable by the Company to OCHC for supply of handicrafts, were pending reconciliation and finalisation (June 1982).

(*iv*) A test check (September 1980) of the valuation of items transferred, indicated that, 32 items of goods (value: Rs. 0.90 lakh) damaged/partly damaged were transferred at Rs. 0.45 lakh. The basis of the valuation was, however, not available. The Company had, thus, sustained a loss of Rs. 0.45 lakh on account of damaged goods.

(*v*) The Manager of the emporium had not been authorised to make credit sales. Despite lack of authority, credit sales were effected (October 1974 to December 1979) by him and an amount of Rs. 1·14 lakhs was pending recovery from 13

Government parties (Rs. 0·88 lakh) and 6 private parties (Rs. 0·26 lakh). Although the emporium was retransferred (December 1979) to OCHC, the agency by whom and the manner in which the debts would be collected had not been spelt out. It was stated by the unit management that the latest position of the debts would be known after compilation of the accounts for the year 1978-79. The accounts had not been compiled (June 1982).

**2.13. Export House**

The Company was recognised (1974) as an 'Export House' by the Government of India. The Company started an organisation in January 1980 at Bhubaneswar with specific objective of exporting handlooms, handicrafts and products of SSI units. The Company spent Rs. 1·98 lakhs on the establishment of the export house up to 1980-81. The value of the exports made during this period were of Rs. 0·18 lakh.

In this connection, it was observed that the Company's exports (Rs. 0·04 lakh) during 1979-80 were negligible compared to total exports (Rs. 94·74 lakhs) of handlooms of the State (figure of total exports for 1980-81 was not available).

According to the Management, the progress in promotion of the exports had not been satisfactory and that the Company did not make any dent in this activity (July 1982).

**2.14. Construction and management of sheds**

The State Government nominated (1973-74) the Company as Chief Agency for various schemes to be implemented under 'Half a million jobs programme'; one of the schemes under the programme was to provide ready built sheds on hire purchase to the educated unemployed for setting up industries in the State. Under the scheme, the Director of Industries prepares annual programme for construction of industrial sheds at several growth centres after keeping in view the demand for sheds. The seed money required for the implementation of the scheme was to be provided by State Government to the extent of 20 *per cent* by way of share capital the balance 80 *per cent* of the cost was to be obtained by the Company from financial institutions in the shape of term loans.



During the period 1974-75 to 1980-81 (up to February 1981), 246 sheds (17 stations) were constructed against the envisaged programme of construction of 553 sheds. Besides, 83 sheds were under different stages of construction, as at the end of February 1981. The Company had spent Rs. 2,77·29 lakhs on these works. It received Rs. 1,29·16 lakhs from Government as seed money and the balance (Rs. 1,48·13 lakhs) was financed from borrowings from banks/IPICOL.

The activity was transferred to the newly formed Infrastructure Development Corporation (IDC)—a statutory Corporation in March 1981. The value of the assets transferred was provisionally assessed by the Management at Rs. 3,38·20 lakhs; final valuation was awaited (June 1982).

The following points were noticed :

(*a*) The Management assessed (April 1979) the requirement of steel for 1979-80 at 1,100 tonnes for the proposed 200 sheds to be constructed during the year. Arrangements were made with the sales office of Hindusthan Steel Limited (HSL) at Bhubaneswar by making advance deposits (Rs. 11·81 lakhs) during January to May 1980. Against the deposits, the sales office issued invoices for supply of steel materials valued at Rs. 9·37 lakhs during the period from April to June 1980. However, as per the records of the Company materials valued at Rs. 5·75 lakhs only were received up to June 1980. The Company had not reconciled the payments made with the value of materials received so far (June 1982).

(*b*) The State Government transferred (April 1977) 446 sheds constructed at 19 growth centres to the control of the Company for allotting them to entrepreneurs on hire purchase basis. Up to February 1981 (thereafter the activity was transferred to IDC), the Company had allotted 631 sheds to 595 entrepreneurs (116 sheds-value: Rs. 1,37·02 lakhs) on hire purchase basis and on rental basis (515 sheds). The following points were noticed:

(*i*) Agreements with the entrepreneurs to take the sheds on hire purchase basis had not been concluded.

(*ii*) During the period April 1977 to February 1981, the Company collected Rs. 54·05 lakhs towards rent for the sheds as against the demand of Rs. 84·10 lakhs (515 sheds). Out of the balance of Rs. 30·05 lakhs, Rs 2·58 lakhs were due from 33 entrepreneurs who had left the sheds and Rs. 2·80 lakhs from 26 entrepreneurs who had not been paying rents since their occupation. The Company instituted legal proceedings (1979-80 and 1980-81) against these 59 entrepreneurs and had spent Rs. 0·74 lakh towards legal charges (June 1982).

(*iii*) At the end of February 1981, 61 sheds had been lying vacant. A test check revealed that 31 sheds transferred by Government and 12 sheds constructed by the Company had been lying vacant for periods ranging from 3 to 46 months resulting in loss of revenue of Rs. 2·97 lakhs.

**2.15. Konark Television**

**2.15.1. Introduction**

The Company established (August 1973) the television (TV) unit at Industrial Estate, Bhubaneswar with a licensed capacity of 5,000 TV sets per annum and started commercial production in December 1973. The Company decided to increase the installed capacity and on the basis of the feasibility report from the consultants (March 1978) the licensed capacity of the unit was increased from 5,000 to 10,000 TV sets per annum during 1978-79 which was further increased to 20,000 sets per annum during 1980-81.

**2.15.2. Working results**

The following table indicates the working results of the unit for the three years up to 1980-81:

| Particulars | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| Physical | | | |
| Production (numbers) | 8,016 | 10,273 | 10,637 |
| Sales (numbers) | 8,350 | 9,945 | 10,401 |



| | | | (Rupees in lakhs) |
|---|---|---|---|
| Financial | | | |
| Sales | 1,73.62 | 2,01·34 | 2,33·27 |
| Service contract charges | 15·59 | 41·89 | 60·13 |
| Total | 1,89·21 | 2,43·23 | 2,93·40 |
| Gross profit | 23·92 | 39·35 | 48·12 |
| Other income | 2·68 | 1·30 | 5·56 |
| Total | 26·60 | 40·65 | 53·68 |
| Other expenses | 15·92 | 24·33 | 39·74 |
| Net profit | 10·68 | 16·32 | 13·94 |

**2.15.3. Utilisation of components**

The unit had no system to ensure that all the quantities of components issued to production were actually utilised in production. A study of utilisation of picture tubes issued for assembly and number of TV sets assembled during the three years up to 1980-81 indicated the following position:

| Year | Picture tubes supplied for assembly | Sets assembled | Excess number of tubes utilised | Rate per tube | Value |
|---|---|---|---|---|---|
| | | (in numbers) | | (Rupees) | |
| 1978-79 | 8,194 | 8,016 | 178 | 400 | 71,200 |
| 1979-80 | 10,332 | 10,273 | 59 | 400 | 23,600 |
| 1980-81 | 11,336 | 10,637 | 699 | 450 | 3,14,550 |
| | | | | Total | 4,09,350 |

The Management had not investigated the reasons for excess utilisation of picture tubes (June 1982).

**2.15.4. Purchase of stores *etc.***

(i) Purchase of cabinets

The unit placed orders on firm 'U' of Cuttack for supply of 1100 TV cabinets (Bhaskara Elite: 600 cabinets; Bhaskara de-luxe: 500 cabinets) during April to June 1980. The purchase orders stipulated the delivery between April to June 1980 and the prices were fixed (Rs. 400 per Elite cabinet and Rs. 243 per de-luxe cabinet). The table below indicates the details of quantities ordered, supplied, rejected and the shortfall against the above orders;

| Model | Quantity | | | | Shortfall |
|---|---|---|---|---|---|
| | Ordered | Supplied | Rejected | Net received | |
| | (In numbers) | | | | |
| Bhaskara Elite | 600 | 321 | 34 | 287 | 313 |
| Bhaskara de-luxe | 500 | 285 | 2 | 283 | 217 |
| | | Total | | 570 | 530 |

The reasons for not supplying the entire quantities of the orders were not available. The unit at the request (June 1980) of the firm 'U' enhanced the rates for Bhaskara Elite cabinets by Rs. 90 each and Bhaskara de-luxe cabinets to the extent of Rs. 27 each and procured the cabinets short supplied earlier at the enhanced rates. The extra expenditure on 530 cabinets purchased at the enhanced rates worked out to Rs. 0·34 lakh.

(*ii*) The closing stock of stores and spares (Rs. 40·92 lakhs) as on 31st March 1981 included Rs. 9·01 lakhs towards cost of damaged (Rs. 2·06 lakhs), obsolete materials (Rs. 4·11 lakhs) and defective picture tubes (Rs. 2·84 lakhs). No action had been taken for the disposal of these items (June 1982).

(*iii*) A test check of the stock ledgers and bin cards for the year 1980-81, indicated that in respect of 60 items (value: Rs. 1·35 lakhs) quantities of stocks held were beyond the maximum limits fixed by the Unit'; the reasons for procurement of quantities in excess of the maximum limits had not been furnished (June 1982).

(*iv*) Physical verification of stores conducted by the Management in March, April and August 1981 indicated shortages of components valued at Rs. 1·04 lakhs. The matter was reported to Police between March and August 1981. The investigation was in progress (June 1982).



(*v*) The balances as per stock ledgers had not been reconciled with the balances in bin cards. Stock ledgers were also not being maintained properly; a test check made in audit revealed that 4 items procured from May to December 1980 (Rs. 1·29 lakhs) had not been taken to stock ledgers so far (June 1982).

(*vi*) No security from the store keeper was obtained and the value of closing stock of stores, etc., lying under his charge at the end of each of the three years up to 1980-81 was Rs. 18·01 lakhs, Rs. 31·18 lakhs and Rs. 40·92 lakhs respectively.

**2.16. Electronic Testing and Development Centre**

In order to provide testing and calibration facilities to SSI units at nominal charges and thereby promote the growth of electronic industries in the State, the State Government proposed (October 1972) to set up an electronic complex and testing and development centre. Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL), was directed by the Government to prepare a project report. IPICOL, in turn, requested the National Industrial Development Corporation Limited, New Delhi (NIDC) to prepare the project report. NIDC submitted (March 1975) a two part report (amount charged: Rs. 0·75 lakh) (*i*) for electronic complex and (*ii*) for Electronic Testing and Development Centre (ETDC) and recommended the establishment of both the complex and the ETDC at Bhubaneswar. IPICOL was to implement the project.

Electronic Complex intended to promote electronic industries had not yet been established (June 1982). Establishment of the ETDC estimated (March 1975) to cost Rs. 33·23 lakhs was initially proposed to be undertaken by IPICOL but later (April 1978) this project was entrusted to the Company. Up to March 1981, a sum of Rs. 29·98 lakhs had been released by the State Government (Rs. 11·44 lakhs) and the Central Government (Rs. 18·54 lakhs) as grants. IPICOL, based on the recommendations of NIDC, purchased equipment (value: Rs. 7·27 lakhs) between April 1976 and October 1977 which was transferred (April 1978) to the Company. The Company procured equipment (value: Rs. 6·93 lakhs) up to March 1981.

The equipment was installed by April 1979 and the centr started functioning from November 1980. The reasons for dela in commissioning by over one year after installation of equipment were not available. During 1980-81, testing was done in 14 case and calibration/repairs were carried out in 30 cases. No target were set (June 1982).

IPICOL engaged one part-time officer, one typist and tw casual labourers from April 1976 to March 1978, for the propose centre and spent Rs. 2·32 lakhs towards establishment and ren of the building. No centre was, however, established by IPICOL The staff was transferred to the Company in April 1978 and th Company incurred a further expenditure of Rs. 0·81 lakh til November 1980 till the centre was commissioned.

### 2.17. General Engineering and Scientific Works Unit

2.17.1. In pursuance of a decision taken by the State Govern ment in June 1978, the Company took over the General Engineerin and Scientific Works Unit in August 1978, from Orissa Agr Industries Corporation Limited (OAIC) with the existing assets The terms and conditions of the transfer had not been finalise (June 1982).

The unit manufactures laboratory and scientific instruments The value of production compared to the targets during the thre years up to 1980-81 was as under:

| Year | Produced during the year: Target | Actual | Percentage o actual productio to targets |
|---|---|---|---|
| | (Rupees in | lakhs) | |
| 1978-79 (from August 1978) | NA* | 0·79 | .. |
| 1979-80 | 2·50 | 2·38 | 95·2 |
| 1980-81 | 9·15 | 2·20 | 24·0 |

The reasons for low production during the year 1980-81 ha not been analysed by the Management (June 1982).

*N.A.—Indicates Not Available



### 2.17.2. Working results

The unit incurred a loss of Rs. 0·23 lakh in 1978-79 and earned a profit of Rs. 0·37 lakh in 1979-80 and Rs. 0·25 lakh in 1980-81.

### 2.17.3. Inventory

As on 30th June 1982 there were 80 numbers of unfinished microscopes, provisionally valued (December 1980) at Rs. 0·71 lakh; the date of manufacture of these items was not available. The unit management stated (December 1980) that the customers were interested in microscopes with German objectives and due to lack of import licence, the unit was unable to supply them. The sale of microscopes with German objectives was estimated to yield a minimum price of Rs. 2·12 lakhs against the manufacturing cost of Rs. 1·18 lakhs. No action had been taken to get the import licence for German objectives (June 1982).

### 2.17.4. Idle machinery

The Company acquired (August 1978) on transfer, 34 machines from OAIC (date of their purchase and values were not available). The position of these machines was as under :

| | Number of machines |
|---|---|
| Not installed | 14 |
| Not in working condition | 2 |
| Damaged, broken, burnt or rusted | 9 |
| Not required for immediate use | 9 |

The valuation of the above machines was pending finalisation. Action taken to utilise or dispose of the machines was awaited (June 1982).

### 2.18. Rehabilitation industries unit

2.18.1. Rehabilitation industries unit consisted of three sections, namely, carpentry, light engineering and bucket manufacturing. The Unit earned a profit of Rs. 2·06 lakhs in 1977-78 and sustained a loss of Rs. 4·99 lakhs in 1978-79 and Rs. 3·10 lakhs in 1979-80.

The Management had not analysed the reasons for losses i 1978-79 and 1979-80 (June 1982).

### 2.18.2. Conversion losses

The carpentry unit has a saw mill for converting logs in sized wood. No norms for conversion loss were fixed by th Management. A test check of the conversion of *teak* and *bi* logs into sized wood revealed the following position during th three years up to 1980-81:

| Year | *Teak* | | | *Bija* | | |
|---|---|---|---|---|---|---|
| | Quantity fed | Output | Percentage of loss | Quantity fed | Output | Percentag of loss |
| | (in cft.) | | | (in cft.) | | |
| 1978-79 | 1,373 | 747 | 46 | 13,351 | 10,134 | 24 |
| 1979-80 | 985 | 750 | 24 | 7,031 | 4,260 | 39 |
| 1980-81 | 1,363 | 486 | 64 | 2,133 | 960 | 55 |

The reasons for variation in conversion losses, and tl abnormally high incidence of the same during 1980-81, compare to that in the previous years had not been investigated by tl Management (June 1982). No accounts of the disposal of b products (such as saw dust and firewood) had been kept (Jur 1982).

### 2.18.3. Extra cost

The unit had been purchasing logs and converting them in sized wood and also purchasing sized wood from open mark It was noticed that the cost of purchase of logs and their conve sion to sized wood was more than the purchase price c sized wood, and the difference ranged from Rs. 16·35 t Rs. 185·96 per cft in respect of *teak* wood and Rs. 5·10 Rs. 20·00 per cft in respect of *bija* wood during the three yea up to 1980 81. Had the unit purchased only sized wood additional expenditure of Rs. 2·28 lakhs on conversion of logs in sized wood (*teak* wood: 1,983 cft. and *bija* wood: 15,354 cft could have been avoided.

The unit had not analysed the reasons for high cost of siz wood obtained from the conversion of log woods (June 1982).



### 2.18.4. Consumption losses

The Management had not maintained any job card in respect of several jobs undertaken for execution for various parties. Estimates were also not prepared to ascertain the quantity of wood and other materials required for each job to be executed. A test check of records of the unit indicated that 9,357 cft of sized wood (value : Rs. 5·18 lakhs) was shown to have been issued from stock between February and March 1980. Neither the supporting indents, nor the details of the works executed against the issues were available.

### 2.18.5. Purchases

The Management had not prescribed any procedure for purchases. The Branch Manager of the unit had been purchasing wood from different parties and Government Companies (Orissa Forest Corporation Limited and U. P. Forest Corporation Limited) at different rates. The following table indicates the value of wood purchased during the three years up to 1980-81 :

| Year | Value of wood purchased | | |
|---|---|---|---|
| | Private parties | Government Companies | Total |
| | (Rupees in lakhs) | | |
| 1978-79 | 7·31 | 0·20 | 7·51 |
| 1979-80 | 11·62 | 0·19 | 11·81 |
| 1980-81 | 11·44 | .. | 11·44 |

The purchases from private parties ranged from 93 to 100 *per cent* during the three years up to 1980-81. A review of the purchases made from private parties revealed the following :

(*i*) Tenders were not invited for the purchases.

(*ii*) Formal purchase orders indicating terms and conditions of supply were not being placed on the firms.

(*iii*) During the period from April to October 1980 a total quantity of 4,643 cft of sized *bija* and *sal* wood was purchased from firm 'P' at Jeypore, at rates ranging from Rs. 32 to Rs. 74 per cft. During the same period, same type of wood was purchased from firm 'B' at Sunabeda at rates ranging from Rs. 28·55 to Rs. 69·13 per cft. The extra expenditure on the purchase made from firm 'P' worked out to Rs. 0·30 lakh. The reasons for purchasing the same material at different rates from different parties during the same period were not furnished (June 1982).

The unit was purchasing materials like glass, steel windows, steel rolling shutters, hylem sheet from various suppliers by making advance payments on *ad hoc* basis. In respect of five suppliers the unit had made *ad hoc* payments of Rs. 1·04 lakhs during 1979-80 and 1980-81, whereas the value of articles supplied by them up to March 1981 was only Rs. 0·53 lakh. The unit had not taken any action for recovery of balance amount of Rs. 0·51 lakh (June 1982).

**2.18.6. Closing stock**

The book balance of wood taking into account actual receipts and issues of stock as recorded in the register and the physically verified balances for the four years up to 1980-81 were as shown below :

| Type of wood | Year | Book balance (in cft) | Physical balance | Difference | Rate (Rupees per cft) | Value (Rupees in lakhs) |
|---|---|---|---|---|---|---|
| *Bija* .. | 1977-78 | 1,378 | 69 | 1,309 | 42·21 | 0·55 |
| | 1978-79 | 1,609 | 164 | 1,445 | 39·57 | 0·57 |
| | 1979-80 | 2,806 | 654 | 2,152 | 57·85 | 1·24 |
| | 1980-81 | 4,702 | 755 | 3,947 | 61·22 | 2·42 |
| *Sal* .. | 1977-78 | 710 | 110 | 600 | 23·97 | 0·14 |
| | 1978-79 | 118 | 53 | 65 | 32·38 | 0·02 |
| | 1979-80 | 2,903 | 1,084 | 1.819 | 36·54 | 0·66 |
| | 1980-81 | 2,750 | 816 | 1,934 | 43·16 | 0·83 |
| *Teak* .. | 1980-81 | 652 | 434 | 218 | 1,02·50 | 0·22 |
| | | | | | | 6·65 |



A test check of the stock registers of wood revealed that the balances at the end of 1978-79 and 1980-81 were struck incorrectly on the lower side in 16 cases (Rs. 1·49 lakhs), closing balances were not carried forward as opening balance to 1980-81 in 4 cases (Rs. 0·32 lakh) and receipts of wood from 2 suppliers (Rs. 0·78 lakh) were not accounted for during 1979-80. The total shortages worked out to Rs. 7·75 lakhs but no action had been taken to fix responsibility for the shortages before adjusting them in the books by adopting the physical balance as the opening balance at the beginning of each year.

**2.18.7 Sales**

Sales of the unit included sales to Government organisations and others. A test check of sales indicated the following:

(*i*) Sales of shutters

During February 1979, 'V' a private party at Sunabeda placed an order for supply of *teak* and *bija* shutters (value of order: Rs. 1·96 lakhs). Though the issue of wood for the production of these shutters was indicated in the stock registers the actual production was not brought to finished stock register. The shutters (value: Rs. 0·45 lakh) were supplied to the party in May 1979 but the transaction was not passed through the books of accounts and the party was not billed. No reasons for the same were furnished (June 1982).

(*ii*) Supply of furniture

Against the orders received (value: Rs. 0·34 lakh) from the Director of Horticulture in March 1979, the unit manufactured furniture between March 1979 and December 1980, and supplied (up to December 1980) furniture valued at Rs. 0·18 lakh. Further supplies were not accepted by the Director of Horticulture nor payment (Rs. 0·18 lakh) made for the supply already effected on the ground that the furniture supplied was of poor quality. No action had been taken to dispose of the balance furniture and to realise the amount from the Director of Horticulture (June 1982).

(*iii*) Cases of sales not brought to account

According to the procedure in vogue, each sale invoice was to be supported by a gate pass and a *chalan* showing the acknowledgement by the customer of the receipt of material. Invoices were to be prepared on the basis of *chalans*. A test check of the gate passes, chalans and invoices for the year 1980-81 revealed the following:

(*a*) Chalans were not prepared in respect of sales made (Rs. 0·20 lakh) in 33 cases during April to December 1980; consequently bills were not raised against the customers (June 1982).

(*b*) Value of materials supplied to 10 parties (Rs. 0·11 lakh) was not brought to account (June 1982).

(*c*) Original bills (Rs. 4,400) preferred against three customers were revised (July and December 1980) for Rs. 1,200 on the ground that raw materials were supplied by them. But the records of the unit did not indicate the receipt of such materials.

(*d*) In three cases, original bills (Rs. 5,028) were revised to Rs. 1,660 without any recorded reason.

(*e*) In five cases gate passes were not prepared.

A review of log books of truck for the period September 1978 to September 1980 indicated that certain materials were sent to some officers of Company/Government at Cuttack. While the unit agreed (September 1981) to recover the hire charges of the vehicle (Rs. 0·09 lakh), the details of materials transported and whether the cost of that material had been billed/recovered were not furnished (June 1981).

**2.18.8. Payment of income-tax**

During the years 1977-78 and 1980-81, the Aero Engine Factory (A. E. F.) recovered Rs. 0·44 lakh towards income-tax from the bills of the unit. The cumulative loss of the Company at the end of March 1977, was Rs. 21·21 lakhs. No tax was payable for the years 1977-78 to 1979-80, as per the returns submitted by the Company and income-tax clearance certificates given by the tax authorities. The Company paid (March 1980) advance tax amounting to Rs. 1·94 lakhs for the year 1980-81. The Company had not claimed (June 1982) refund of the amount deducted by A. E. F. authorities (Rs. 0·22 lakh) for the year 1977-78.



The Management stated (July 1982) that the points brought out by audit were under investigation.

**2.19. Sundry debtors**

**2.19.1.**—The Company had not compiled the subsidiary ledgers of debtors as on the 31st March 1981; confirmation from the debtors was not obtained. The following further points were noticed in audit:

(*i*) According to the agreements with the dealers TV sets were to be supplied on cash payment. However, a sum of Rs. 4·91 lakhs was realisable as on 31st March 1981 from 28 dealers; of this, Rs. 0·94 lakh was more than 5 years old. It was also noticed that 21 out of 28 parties ceased to be dealers of the unit against whom a sum of Rs. 3·24 lakhs was outstanding since March 1977.

The circumstances under which credit sales were made were not furnished (June 1982).

(*ii*) The Branch Manager incharge of Rehabilitation Industries had no authority to make credit sales. An analysis of debts outstanding indicated that as on 31st March 1981 an amount of Rs. 0·94 lakh was due for recovery from private parties; further an amount of Rs. 0·18 lakh was outstanding against Company's own employees (65 persons) for more than one year.

(*iii*) The SSI units were to make payment at the depots before taking delivery of raw materials. No credit sale was envisaged. The Raw Material Depot at Cuttack; delivered raw materials (value; Rs. 5·03 lakhs) during the year 1978-79 to 234 SSI units without receiving advance payment. Information as to the recovery of the amount and the circumstances under which credit sales were effected were not furnished (June 1982).

## 2.20. Accounts Manual

The Company prepared set of accounting instructions i August 1980; its implementation was awaited (June 1982).

## 2.21. Internal Audit

The Company created an internal audit cell in July 197 with one senior auditor and one junior auditor for conductin internal audit of accounts of Head Office., Branches and Commer cial units. As per the decision of the Board, the internal aud cell was to function with immediate effect. No internal audit wa conducted since inception to end of March 1981, by the intern audit cell. The Company, however, formed (May 1981) a fu fledged internal audit wing with the employment of Assistan Manager, Audit in May 1981; this wing took up audit of trans actions for 1981-82 and the report was awaited (June 1982).

## 2.22. Summing up

(*i*) The Company was established with the objects of aidin assisting and promoting the interests of small scale industrie In pursance of these objects, it had extended assistance und various schemes; 601 units were supplied raw materials (Valu Rs.12,49·50 lakhs) under the scheme of distribution of raw materia 969 entrepreneurs were given financial assistance (Rs. 155·77 lakh by way of hire-purchase and seed Capital loans, 39 units were giv Marketing assistace; and 595 entrepreneurs were provided wi industrial sheds on rental and hire purchase basis.

(*ii*) The accounts of the Company were in arrears from t year 1977-78 onwards; as against the paid-up capital of Rs. 94 lakhs the cumulative loss up to 1976-77 was Rs. 21·21 lakhs;

(*iii*) The Company lost benefit of rebate on inter amounting to Rs, 10·23 lakhs on account of default in repaym of loans to Government.

(*iv*) Loss of interest on account of retention of balances current accounts instead of reducing the drawals on cash cre account amounted to Rs. 0·91 lakh.



(*v*) The Company withdrew amounts from cash credit account and kept them in short term deposits; resultant loss of interest worked out to Rs. 1·85 lakhs.

(*vi*) Out of 6,572 SSI units registered during the 4 years up to 1980-81, only 601 were regularly drawing the materials; the coverage was about 9·1 *per cent*.

(*vii*) There were shortages in physical balances (value: Rs. 2·76 lakhs) during the three years up to 1979-80 and transit shortages (value: Rs. 0·43 lakh); the shortages had not been investigated.

(*viii*) Revenue forgone on account of reduction in the rate of interest in respect of loans given under the hire-purchase scheme worked out to Rs. 12 lakhs.

(*ix*) Seventeen entrepreneurs, who were given subsidy (Rs. 1·82 lakhs) for preparation of feasibility reports were yet to implement the projects.

(*x*) A sick rubber company in which Government and the Company had invested Rs. 4·94 lakhs by way of share capital and loan, had stopped working (July 1980) for want of working capital.

(*xi*) The Company was yet to receive Rs. 10·88 lakhs from OCHC towards the value of assets of emporium at New Delhi transferred (January 1980) to that Company.

(*xii*) As regards 'Export House' set up by the Company, it had not made any dent in the activity; value of the exports during the years 1979-80 and 1980-81 was Rs. 0·18 lakh against the establishment expenditure of Rs. 1·98 lakhs.

(*xiii*) There was a back log of 307 sheds to be constructed and handed over to the educated unemployed as at the end of February 1981.

(*xiv*) As at the end of February 1981 rent of Rs. 30·05 lakhs was due for recovery. This included Rs. 2·58 lakhs from 33 entrepreneurs who had left the sheds and Rs. 2·80 lakhs from 26 entrepreneurs who had not been paying rent since inception.

(*xv*) Forty-three sheds constructed by Government (31 sheds) and the Company (12 sheds) had been lying vacant for periods varying from 3 to 46 months resulting in loss of revenue of Rs. 2·97 lakhs.

(*xvi*) There were obsolete and damaged materials (Rs. 9·01 lakhs) awaiting disposal (June 1982) in Konark TV unit.

(*xvii*) On the transfer of General Engineering and Scientific Works by Orissa Agro Industries Corporation Limited, 34 machines received (value not available) were lying idle and had not been disposed of (June 1982).

(*xviii*) (*a*) The conversion losses of wood in the carpentry section ranged from 24 to 64 *per cent* during the three years up to 1980-81.

(*b*) The conversion of the logs into sized wood resulted in an additional expenditure of Rs 2·28 lakhs during the 3 years up to 1980-81.

(*c*) There were issues of sized wood (value: Rs. 5·18 lakhs) between February and March 1980 without any evidence of their having been used in any work.

(*d*) The value of shortages in wood was Rs. 6·65 lakhs during the four years up to 1980-81.

(*xix*) There were unauthorised credit sales; an amount of Rs. 12·20 lakhs relating to 4 activities, was awaiting recovery as on 30th June 1982.

The matter was reported to Government in January 1982; replies were awaited (August 1982).



## SECTION III

## ORISSA FOREST CORPORATION LIMITED

### 3.1. Introduction

The Orissa Forest Corporation Limited was incorporated on 28th September 1962 as a wholly owned Government Company with a view to undertake scientific exploitation of forest resources of the State and to establish industries based on forest products and to market them. The Company had taken up the following main activities:

—trading in timber;

—marketing of *kendu* leaves; and

—cashew plantations.

### 3·2. Capital structure

The authorised capital of the Company was Rs. 200 lakhs which was raised to Rs. 500 lakhs (consisting of 50,000 equity shares of Rs. 100 each) during the year 1980-81. The paid-up capital of the Company as on 31st March 1981 was Rs. 113 lakhs.

### 3.3 Organisational set-up

The Management of the Company is vested in a Board of Directors. There are eleven Directors in the Board who are appointed by the State Government. The Chairman and the Managing Director are full time Directors. The day to day affairs of the Company are managed by the Managing Director, assisted by a Secretary. The Financial Adviser and Chief Accounts Officer looks after financial and accounting matters.

As on 31st March 1981, the Company was having 16 divisions dealing with timber trade, 6 divisions dealing with the trade in *kendu* leaves, 2 divisions dealing with plantation work and one *bidi* manufacturing unit. The Company has three sales centres at Madras, Calcutta and Delhi for disposal of *kendu* leaves and timber.

### 3·4. Working results

Audited accounts for the years 1978-79 onwards have not been received. However, the provisional accounts revealed profits of Rs. 21.12 lakhs, Rs. 45·32 lakhs and Rs. 34·45 lakhs during the 3 years upto 1980-81 respectively.

### 3·5. Timber operations

The annual targets fixed by the Company for production during the 3 years upto 1980-81 and the achievement there-against are detailed below:

| Year | Target | Achievement |
|---|---|---|
| | (in cubic metres) | |
| 1978-79 | 1,70,651 | 1,84,749 |
| 1979-80 | 1,63,612 | 2,10,505 |
| 1980-81 | 2,55,000 | 2,60,852 |

### 3.5.1. Payment of extension fee

The Forest department allows 9 to 15 months for working the various coupes by the Company. For non-completion of the work within the time allowed, the Company has to obtain extension on payment of extension fees at the rate of one *per cent* of the royalty fixed for the coupe for each month of extension. A test check (May/August 1981) of the records of 8 divisions indicated that the divisions could not complete the working of the coupes within the stipulated time and consequently took extension ranging from one to three months. The year-wise details of extension taken and fee paid during the 3 years up to 1980-81 were as under;

| Year | Number of divisions | Number of coupes for which extension was taken | Amount (Rupees in lakhs) |
|---|---|---|---|
| 1978-79 | 7 | 94 | 2·00 |
| 1979-80 | 7 | 114 | 2·98 |
| 1980-81 | 6 | 86 | 2·25 |
| | | Total | 7·23 |



Non-completion of works in time was attributed (August 1982) by the Management to insufficient working time, inaccessibility of coupes, difficulty in transport, *etc.* It was further stated that an amount of Rs. 0·63 lakh was recovered during the three years up to 1980-81 in one division (Rourkela) from charcoal and fire wood contractors for their faults.

### 3.5.2. Illicit felling

In respect of the coupes allotted for working, the Company has to fell the trees marked by the Forest department within the area allotted. In case of any illicit felling of unmarked trees, the Company has to pay compensation as fixed by the Forest department. The Forest department had claimed compensation to the extent of Rs. 6·63 lakhs for illicit felling done in 5 divisions, during the 3 years up to 1980-81 as shown below:

| Year | Number of divisions involved | Number of cases | Amount (Rupees in lakhs) |
|---|---|---|---|
| 1978-79 | 4 | 13 | 1·24 |
| 1979-80 | 3 | 22 | 0·83 |
| 1980-81 | 2 | 136 | 4·56 |
| | | Total | 6·63 |

Out of the amount of Rs. 6·63 lakhs claimed for the three years up to 1980-81, payment was made by one of the divisions to the extent of Rs. 0·79 lakh (in respect of 1978-79), of which Rs. 0·46 lakh only was recovered in turn from the contractors concerned. The Management stated (August 1982) that verfication in other cases was in progress and action would be taken to recover amount from contractors/field staff for bad management.

### 3.5.3. Advances outstanding against transport contractors

According to the procedure followed by the Company, advances can be granted to transport contractors against the bills for transportation. A test check (May/August 1981) of the records of two divisions of the company revealed that advances were granted to the transport contractors, without any bills for transportation. In Jajpur Road division Rs. 3·08 lakhs were advanced to 12 contractors from 1970 to 1975 against which the division held a security of Rs. 0·03 lakh. In Jeypore division a sum of Rs. 0·58 lakh was advanced to 4 contractors from 1972 to 1975, against which no security was held by the division. The contractors had ceased to work for the divisions (March 1975). No action was taken by the Company to recover the amounts due (June 1982).

### 3.5.4. Conversion losses in sleepers

The Company had been supplying sleepers (broad gauge, metre gauge and narrow gauge) to Railways since inception. It has 12 divisions where sleepers are manufactured. The Company estimated the output in the form of sleepers at 30 *per cent* of the logs fed for sawing. However, during 1978-79, the total outturn in respect of all the 12 divisions was 20,662 cum against the input of 76,070 cum of logs giving an outturn of 27 *per cent.* The shortfall in the outturn worked out to 2158·79 cum. Similar data for the year 1979-80 and 1980-81 were not available with the Company in respect of all the 12 divisions. However, a test check of 5 divisions made in audit indicated the following position :

| Name of division | 1979-80 | | 1980-81 | |
|---|---|---|---|---|
| | Percentage of outturn | Shortfall over estimated outturn (cum) | Percentage of outturn | Shortfall over estimated outturn (cum) |
| Jajpur Road | N. A. | N. A. | 34·0 | .. |
| Rourkela | N. A. | N. A. | 25·5 | 535 |
| Sambalpur | 25·4 | 580 | 25·6 | 573 |
| Jeypore | 26·7 | 622 | 25·4 | 909 |
| Dhenkanal | 23·6 | 175 | 22·5 | 388 |

(N. A.—Not available)



The loss of revenue on account of shortfall in actual outturn of sleepers worked out to Rs. 35·97 lakhs during the 3 years up to 1980-81. The Divisional Managers of Jeypore and Sambalpur divisions attributed (May-July 1981) the lower outturn to the following :

(*a*) the timber received was dry and defective;

(*b*) norm fixed was based on theoritical concept for general guidance while actual outturn depends upon the nature of timber, size and quality.

### 3.5.5. Rejection of sleepers

Sleepers manufactured by the Company are inspected and passed before despatch by the nominated representative of the Railways. The table below gives the position of sleepers offered for inspection, passed and rejected during the 3 years up to 1980-81.

| Year | Number of pieces offered for inspection | Number of pieces passed | Pieces rejected | |
|---|---|---|---|---|
| | | | Number | Percentage of number of sleepers rejeted to sleepers offered for inspection |
| 1978-79 | 2,75,303 | 2,66,906 | 8,397 | 3·1 |
| 1979-80 | 3,54,333 | 3,43,239 | 11,094 | 3·1 |
| 1980-81 | 3,91,221 | 3,78,994 | 12,227 | 3·1 |

In respect of the sleepers which were rejected an expenditure of Rs. 0·56 lakh was incurred (conversion of round logs into sleepers). The Company had not maintained records showing the mode of disposal of rejected sleepers and the sale proceeds obtained by disposal of rejected sleepers to others.

### 3.5.6. Non-reimbursement of excise duty

Central excise duty was being levied on the sleepers supplied from the year 1975-76 onwards but reimbursement of such duty was not claimed by the Company. In May 1978 the Company placed the matter in the meeting held with the Railway authorities claiming reimbursement of excise duty in respect of sleepers supplied from November 1978. Representatives of the Railways assured (May 1978) that they would pay all taxes which were legally binding on the sales, but later (September 1979) they undertook to pay excise duty on sleepers which were to be supplied from November 1979 onwards. The Company decided in January/April 1980 to forgo claims of Rs. 7·43 lakhs for the period up to October 1978 on the ground that the amount involved was not considerable. In respect of supplies made during the period from November 1978 to October 1979 the Railways did not agree (June 1980) to reimburse excise duty as the rates for that period envisaged payment of sales tax only. Thus, the Company could not realise a sum of Rs. 21·11 lakhs being the excise duty paid on the sleepers supplied between November 1978 and October 1979.

### 3.5.7. Supply of sleepers

Based on mutual discussion held in April 1980 Bharat Coking Coal Limited (BCCL) placed a spot order for supply of 80,000 pieces of narrow gauge sleepers at a rate of Rs. 35 per piece exclusive of duties and taxes (rate at which the Company supplies sleepers to the Railways). Proceedings of the discussions held in April 1980 circulated by the Company, however, indicated that the rate of Rs. 35 per piece was inclusive of duties instead of 'exclusive of duties' with the result that BCCL placed an amended order in June 1980 indicating rate per piece of sleeper as Rs. 35 inclusive of Central excise duty. The Company took up the matter in September 1980 with BCCL for payment of Central excise duty but no final agreement had yet (June 1982) been reached. Due to the mistake in recording the proceedings of the meeting, the Company could not realise Central excise duty amounting to Rs. 1·25 lakhs on the supplies made (1980-81) to BCCL.



### 3.6. Working of bamboo coupes

3·6·1. The Bhubaneswar Division took up (February 1978) the working of Nashgarh bamboo coupes estimated to yield 3·70 lakh numbers of long bamboos at a royalty of Rs. 60 per tonne payable to Government. While the coupes were being worked, Government fixed (May 1978) royalty of Rs. 1·25 lakhs irrespective of the actual yield. The division extracted 1·54 lakhs bamboos and 0·17 lakh bundles of industrial bamboos as against the estimated yield of 3·70 lakh numbers and incurred an expenditnre of Rs. 1·82 lakhs towards operational cost (Rs.0·57 lakh) and royalty (Rs.1·25 lakhs) against the sale proceeds of Rs. 0·95 lakh and closing stock valued at Rs. 0·18 lakh thereby incurring a loss of Rs. 0·69 lakh.

The Company represented to Government (February 1979) that at the revised rate of royalty, the Company had sustained loss and requested restoration of royalty to Rs. 60 per tonne. Government rejected (January 1981) the representation of the Company on the ground that the Company could have obtained the estimated yield of 3·70 lakh numbers of bamboo had it worked the coupes properly. The reasons for lesser yield had not been investigated by the Company (May 1982).

3·6·2. The Berhampur Division took lease of 12 bamboo coupes from Forest department in 1979-80, to be worked up to June 1980. Royalty payable for the coupes was fixed by Forest department in November 1980 on the basis of the actual outturn obtained as indicated below:

| | Numbers | Rate per piece (paise) |
|---|---|---|
| Commercial bamboos | | |
| (i) Girth class | | |
| Above 12 cm | 4,55,266 | 75 |
| Between 8 and 12 cm | 8,61,087 | 62 |
| Below 8 cm | 4,63,075 | 17 |
| Industrial bamboos | | |
| Bundles | 1,13,795 | 75 |

Royalty was paid by the Company at these rates. But at the time of sale of 49,690 commercial bamboos of different girth class were re-classified into 4,028 bundles of industrial bamboos and 1,21,282 numbers of commercial bamboos of higher girth class were sold as lower girth class by the sub-divisions. The loss sustained by the division on account of payment of royalty at higher rates worked out to Rs. 0·75 lakh.

3.6.3. A special audit of the transactions of the division for the period February 1979 to September 1980 was conducted (May 1981) by the internal audit wing of the Company. The important irregularities brought out (August 1981) in the special audit report are summarised below:

| Type of irregularity | Value (Rupees in lakhs) |
|---|---|
| (*i*) Shortage of long salin bamboos (0·76 lakh) and Industrial bamboos (0·07 lakh) | 0·54 |
| (*ii*) Issue of forged permit for bamboos (0·38 lakh) | 0·47 |
| (*iii*) Non-accountal of bamboos (0·07 lakh) | 0·08 |
| (*iv*) Stocks of firewood (0·05 lakh) shown as stolen | 0·57 |
| (*v*) Incorrect description of bamboos shown in cash memos | 1·21 |
| Total | 2·87 |

The irregularities were attributed by the Internal Audit to inadequate supervision. The Management stated (August 1982) that the concerned Sub-divisional Manager was placed under suspension and that action was being initiated on the irregularities brought out in the report.



3.6.4. Contractor 'J' was allotted (December 1979) the work of manufacture of charcoal in 2 coupes of Malkangiri division. The manufacturing charges were agreed to be paid at Rs. 7·50 per standard bag and the work was to be completed by March 1980. Payment of advances to the contractor was to be made after reviewing the progress and taking delivery of 200 to 300 bags of charcoal manufactured. However, the contractor was paid between January and July 1980, advances amounting to Rs. 0·80 lakh without reference to the progress of work. The contractor intimated the division in September 1980 that 7,000 bags ( value: Rs. 0·53 lakh) which were ready for delivery by the end of June 1980 were not lifted by the division and that he would not be responsible for the loss, if any. The division took delivery of 3,900 bags (value : Rs. 0·29 lakh) between October and December 1980 and made arrangements for selling the same to a private party at Rs. 13 per bag. The balance 3,100 bags on which manufacturing charges amounted to Rs. 0·23 lakh and which would have fetched Rs. 0·40 lakh as sale proceeds, have not yet been taken delivery so far (June 1982). The remaining amount of advance amounting to Rs. 0·51 lakh, after adjusting Rs. 0·29 lakh in respect of 3,900 bags has also not been recovered so far (July 1982).

### 3.7. State trading in *kendu* leaves

3.7.1. The State Government nationalised the trading of *kendu* leaves from January 1973. Under the scheme of nationalisation, the Forest department took up collection and processing of leaves and the Company was entrusted (January 1973) with the marketing of leaves, on behalf of Government. A review of the records for the years 1978-79 to 1980-81 revealed the following:

### 3.7.2. Delay in disposal of *kendu* leves

*Kendu* leaves are sold in periodical auctions. Sale to bulk consumers and export outside the country are done through negotiations.

The leaves taken delivery during a particular year from the department were not disposed of fully in the same year and were carried over to subsequent years.. Since the quality of the leaves deteriorates due to long storage, the average sales realisation obtained was less compared to the average sales realisation for the year when the leaves were disposed of in the same year. The table below indicates the quantities of leaves available for sale, sold during the year, carried over and sold during subsequent years for the 4 years up to 1980-81 :

| Crop for | Sales made in 1977-78 | | 1978-79 | | 1979-80 | | 1980-81 | |
|---|---|---|---|---|---|---|---|---|
| | 1977 | 1977 | 1978 | 1977 | 1978 | 1979 | 1978 | 1979 |
| | (Quantity in lakh quintals) | | | | | | | |
| Quantity delivered | 3·90 | 0·09 | 3·64 | .. | 0·18 | 3·91 | .. | 0·17 |
| Quantity available for sale | 3·90 | 1·13 | 3·64 | 0·13 | 1·35 | 3·91 | 0·15 | 1·6[illegible] |
| Quantity disposed of | 2·86 | 1·00 | 2·47 | 0·09 | 1·20 | 2·48 | 0·06 | 1·57 |
| Balance quantity carried over to next year | 1·04 | 0·13 | 0·17* | 0·04* | 0·15 | 1·43 | 0·07* | 0·0[illegible] |
| | (Rupees) | | | | | | | |
| Average salesrealisation per quintal | 327·43 | 291·66 | 366·57 | 198·00 | 311·49 | 358·25 | 252·25 | 350·[illegible] |

The Management did not furnish any reasons for not effe-cting sales during the same year in which leaves were taken delivery of.

### 3.7.3. Sale by negotiation

The Company takes delivery of *kendu* leaves from the Kharia[r] and Jeypore divisions of the Forest department. *Kendu* leaves o[f] Jeypore division are considered inferior in quality and are sold i[n] public auctions held at periodical intervals. *Kendu* leaves o[f] Khariar division are supplied by the Company to a Co-operativ[e] Society as per the terms and conditions settled on the basis o[f]

*Shown as shortages by the Company.



mutual discussions held every year. Based on such discussions held in May 1980, the Company agreed (May 1980) to supply *Kendu* leaves of 1980 crop of Khariar division at the rates at which the leaves of 1979 crop were supplied during the year 1979-80.

At the time of finalisation of the deal (May 1980) it was known to the Company from the results of auction sales (May 1980) that the price of *Kendu* leaves of 1980 crop (which ranged from Rs. 320 to Rs. 801 per quintal during the auction) would rule high in the market because of poor crop position in the *Kendu* leaf producing States. The Company, however, did not insist on payment of higher price but agreed to supply leaves of 1980 crop at the previous year's price (Rs. 268 to 272 per quintal), the reasons for which were not available on record.

The Company supplied (between December 1980 and August 1981) 13,800·70 quintals of leaves and realised an average price of Rs. 268·88 per quintal.

In Khariar division 1,564 bags of *Kendu* leaves weighing 519·75 quintals sold in auction during 1980-81 fetched a price of Rs. 557·10 per quintal, while the *Kendu* leaves of 1980 production taken delivery by the Company from the Jeypore division of the Forest department were sold in public auction during the year 1980-81 at an average rate of Rs. 492·67 per quintal. Computed with reference to the rate (Rs. 557·10) obtained in auction sales in respect of leaves of Khariar division in 1980-81, the Company sustained a loss of Rs. 39·78 lakhs in the sale of 13 800·7 quintals of leaves to the Society.

### 3·7·4. Sale of *Kendu* leaves at Madras

During the year 1980-81 sales centre at Madras could not conduct regular auctions due to inadequate supply of leaves. The Regional Marketing Executive apprised the position in November 1980 to the Management and the instructions were issued to all the divisions dealing in *Kendu* leaves to supply 16,664 bags (unsold stock) of 1980 crop to the centre at Madras. There had been no improvement in supplies between December 1980 and

February 1981. Sizeable quantities (11,386 bags) were received during last week of March to May 1981. Of this, the sales centre sold 7,534 bags (4,520·4 quintals) in auction during April and May 1981 at prices varying from Rs. 911 to Rs. 966 per quintal. It was noticed that the prices obtained in auctions held in Madras between December 1980 and March 1981 were Rs. 1,120 to Rs. 1,250 per quintal. Had 7,534 bags of *kendu* leaves been despatched to Madras sales centre between December 1980 and March 1981, instead of despatching them in late March to May 1981, the Company could have earned an additional revenue of Rs. 10·91 lakhs.

(*ii*) *Kendu* leaves were generally despatched from various places in Orissa to Madras by rail. Three divisions, however, despatched 3,519 quintals of leaves by road during March and April 1981 at an extra cost of Rs. 1·66 lakhs. It was stated by the Management (June 1981) that due to non-availability of stocks at Madras centre auctions could not be held in September 1980 and February 1981 and due to non-availability of wagons, the divisions had sent them by road. Reasons for not planning the supplies in advance in a phased manner and ensuring regula supply at Madras, were not stated (May 1982).

(*iii*) The sales centre obtained 'processed' and '*phal*' bags of *kendu* leaves. The weight of the processed bags was standardised and each bag contained 60 kilograms. No such standardisatio was done for *phal* bags. A test check of the records of the sale centre for 1979-80 and 1980-81 indicated substantial reductio in the weight of processed leaves sold as detailed below:—

| Year | Number of bags sold | Standard weight of processed bags | Actual weight | Shorta |
|---|---|---|---|---|
| | | (in quintals) | | |
| 1979-80 | 27,031 | 16,219 | 15,466 | 753 |
| 1980-81 | 40,655 | 24,393 | 23,818 | 575 |

The value of the shortages worked out to Rs. 4·16 lakh The shortages mainly pertain to 1978 and 1979 crops and w not investigated (May 1982).



(*iv*) The sales centre preferred 118 claims for Rs. 2·51 lakhs against the Southern Railways for shortages and damages in transit during 1979-80 and 1980-81. The claims were rejected from time to time on the grounds that the loading was not supervised and clear railway receipts were not obtained. However, the sales centre issued a legal notice in March 1981 to settle claims amounting to Rs. 0·93 lakh. Further developments were awaited (June 1982). No action had been taken in respect of the remaining claims (May 1982).

### 3.7.5. Konark Bidi Industry

To provide employment to the local people as well as to facilitate disposal of *Kendu* leaves, the company established a *bidi* industry at Angul in March 1977. The scheme prepared in this connection by the Company envisaged working of 10 production centres, each engaging 100 artisans for manufacture of 10 lakh *bidis* per day with an annual production of 30 crore *bidis*.

Against the 10 centres envisaged in the scheme, the unit worked only 4 centres in 1977-78, 3 centres in 1978-79 and 2 centres thereafter based on the actual demand.

(*a*) **Production perforomance**

The table below indicates the target fixed for production and sale of *bidis* and actual achievement during the 4 years up to 1980-81:

| Year | Production | | Sales | |
|---|---|---|---|---|
| | Target | Achievement | Target | Achievement |
| | (In lakh numbers) | | | |
| 1977-78 | NA | 85·20 | NA | 17·78 |
| 1978-79 | 133·00 | 135·94 | 62·25 | 72·63 |
| 1979-80 | 50·00 | 60·98 | 57·75 | 90·97 |
| 1980-81 | 52·31 | 32·96 | 52·31 | 37·23 |

(Sales do not include free samples of 5·39 lakhs in the 4 years)

The reasons for fixing production targets at 200 *per cent* of the sales target during 1978-79 were not available on record. As at the end of March 1981 closing stook was of 91·02 lakh *bidis* valued at Rs. 2·39 lakhs.

The Company purchased on the advice of a leading manufa cturer of *bidis* of Cannanore, 10,918 kgs of Guntur Tobacco in May-June 1977 at Rs. 0·67 lakh and used 897 kgs for production during 1977-78 and 1978-79. Of 224·14 lakh *bidis* produced, 73·6 lakh *bidis* (value: Rs. 1·54 lakhs) remained unsold and were consi dered (March 1981) by the Company unsaleable as the Guntu Tobacco was not liked by the *bidi* smokers in Orissa. The balanc of Guntur tobacco 9,675 kgs (after driage loss of 346 kgs) value at Rs. 0·60 lakh could not be disposed of even after inviting quota tions/negotiations and the stock got deteriorated in quality on acco unt of long storage (May 1982).

(*b*) **Loss in disposal of *bidis***

During the 4 years up to 1980-81 the unit produced 315( lakh *bidis* at a total cost of Rs.8·26 lakhs and the avera cost of production was Rs.26·21 per 1,000 *bidis*. The Compa had sold 218·61 laKh bidis during the above period for Rs.3· lakhs against the cost of production of Rs. 5·73 lakhs resulting in loss of Rs. 2·44 lakhs. The loss was attributed by the unit fro time to time to marketing problem due to the industry being infancy and high overheads.

**3.7.6. Non-realisation of sale proceeds**

Auction for sale of *Kendu* leaves are held at periodical interva The successful bidders are required to make payment before lifti the stocks. But the Company generally extends credit facilities biddors by allowing them to lift stocks on furnishing guarantee payment from the scheduled banks. A test check of records of divisions of the Company revealed that a sum of Rs. 23·17 lak representing value of stocks lifted during the 5 years up to 1980- against bank guarantees furnished by 14 parties was yet (Ju 1982) to be realised by the Company. Meanwhile the validity the bank guarantees had expired. Records did not show action taken to recover the amount.



**3.7.7. Non-collection of interest**

Payments for the value of stocks lifted against bank guarantees are required to be made by the purchasers within two months (in the case of dealers) or six months (in the case of *bona fide bidi* manufacturers) from the date of lifting the stocks. In the event of delay in making payments beyond the stipulated period, interest at 15 *per cent* (1978-79) and 18 *per cent* (1979-80 and 1980-81) was payable by the purchasers to the Company. A test check of records of 3 divisions revealed that the divisions had not claimed interest amounting to Rs. 7·29 lakhs (up to March 1981) from 29 parties who were allowed to lift stocks after the expiry of stipulated period from February 1978 to February 1981 against submission of bank guarantees.

**3.8. Cashew plantation scheme**

The Company prepared (February 1978) a project report for undertaking cashew plantations (Centrally sponsored scheme) in 0·14 lakh hectares of red (9,000 ha) and sandy (5,000 ha) soil involving a financial outlay of Rs. 326 lakhs and also to take over 0·06 lakh hectares on which the Forest department had raised cashew plantations for maintenance and development. The Company forwarded (March 1978) the project report after approval by the State Government, to Agricultural Refinance and Development Corporation (ARDC) for refinance facilities. The ARDC approved (October 1979) the project report after limiting the total area of operations, in consultation with the company to 12,955 hectares of new plantations by cashew (11,100 ha) and other species (1,855 ha) and taking over existing plantations in 1,370 hectares, which was to be implemented by the Company over a period of five years with financial outlay of Rs. 372·52 lakhs. They also agreed to give refinance subject to acceptance of the following terms and conditions by the State Government.

(*i*) Share capital contribution of Rs. 100 lakhs to be phased over five years and guarantee for repayment of principal and payment of interest to the financing banks should be furnished by the State Government.

(*ii*) Payment of subsidy at the rate of Rs. 300 per hectare in the first year and Rs. 200 per hectare in the second year of plantations and concurrence of the Government of India to provide subsidy.

(*iii*) No lease rent was to be charged in respect of protected forests for new plantations in sandy and red soils and annual lease rent on old plantations was to be fixed at Rs. 0·18 lakh.

The State Government had so far (June 1982) not communicated acceptance of the terms and conditions.

Meanwhile the Company obtained (April 1978) permission of the State Government to raise cashew plantations in the areas included in the project report. Two divisions with headquarters at Bhubaneswar and Berhampur were established in April 1978 and the work of new plantations was taken up in 1978-79.

The project report did not mention any estimate of the extent of survival of the plants. The survival of the plants during the 3 years up to 1980-81 in Bhubaneswar Division ranged from 7·9 to 33·8 *per cent* as indicated below :

| Year of plantations | Area planted (in hectares) | Number of plants: Planted initially | Number of plants: Replaced | Survived | Percentage of: Replacement | Percentage of: Survival |
|---|---|---|---|---|---|---|
| 1978-79 | 411·2 | 79,080 | 64,415 | 11,336 | 81·5 | 7·9 |
| 1979-80 | 536·8 | 63,490 | 68,510* | 30,500 | 108·0 | 25·0 |
| 1980-81 | 488·0 | 75,148 | 50,454 | 42,453 | 67·1 | 33·8 |

(*Replacements were made more than once in respect of some plants)

The plantations raised in two forest blocks (Jagannath Prasad and Dashpur) during the 3 years up to 1980-81 involving an expenditure of Rs. 4·05 lakhs had totally failed as shown below :

| Name of forest block | Area planted in hectares | Number of plantations: Initial | Number of plantations: Replacement | Number of plantations: Survival | Expenditure (Rupees in lakhs) |
|---|---|---|---|---|---|
| Jagannath Prasad | 410·6 | 61,920 | 1,01,815 | 320 | 3·41 |
| Dashpur | 86·1 | 12,900 | 6,060 | .. | 0·64 |
| | | | | Total | 4·05 |

Reasons for failure of plantations had not been analysed by the Management (June 1982).



## 3.9. Losses and shortages

There were shortages and losses of various items dealt with by the Company to the extent of Rs. 88·22 lakhs as detailed below :

| Item | Value of losses/ shortages (Rupees in lakhs) | Remarks |
|---|---|---|
| *Kendu* leaves | 40·23 | This represents loss to crops (1973—1977) due to damage, fire, flood *etc.* Details of insurance claims lodged and settled had not been furnished (May 1982). |
| | 2·38 | Relates to shortages in two divisions (Bolangir and Jharsuguda) of 1978 and 1979 crops. The Management stated (August 1982) that the matter was being pursued with the concerned divisions. |
| | 1·70 | Represents value of *kendu* leaves which became unfit for sale during 1978. |
| Timber | 4·37 | Relates to timber abandoned in the forest in 5 divisions (Malkangiri, Rourkela, Jajpur Road, Baliguda and Sambalpur) during the 3 years up to 1980-81 on account of deterioration in quality and uneconomical transport. |
| | 11·35 | Represents value of timber extracted and transported (4283 cum) during the 4 |

| Item | Value of losses/ shortages (Rupees in lakhs) | Remarks |
|---|---|---|
| | | years up to 1980-81 which became unsaleable; of this 2946 cum (value: Rs. 6·79 lakhs), relates to one division (Malkangiri) alone. |
| | 4·94 | Represents value of 366·55 cum of old sawn timber including transportation charges sent to Calcutta between January 1979 and October 1980 by one division (Nowrangpur) against the demand for new sawn timber. The sawn timber was lying undisposed of as it was unsaleable (May 1982). |
| | 12·50 | Represents shortages of timber noticed during physical verification for the year 1976-77 and 1977-78. Of the value of shortages (Rs. 10·56 lakhs) pertaining to the years 1976-77 value of shortages in one division (Nowrangpur) alone accounted for Rs. 7·27 lakhs. The reasons for shortages had not been investigated. The Statutory Auditors had also observed in their report on the accounts for the years 1975-76 and 1976-77 that shortages were |



| Item | Value of losses/ shortages (Rupees in lakhs) | Remarks |
|---|---|---|
| | | not being specifically disclosed as such in the accounts but stood automatically written off without specific orders of the Board of Directors. |
| | 0·32 | One division (Berhampur) despatched during 1978-79 and 1979-80, 8,259·45 cft of sawn timber to Calcutta of which 6,875·16 cft only was received. The shortage had not been investigated (May 1982). |
| | 0·31 | Represents shortages of sleepers and other materials noticed (July 1980) during physical verification of stocks of one division (Rourkela). The Management framed (March 1981) charges against the concerned supervisors. Further developments were awaited (May 1982). |
| *Sal* seeds | 7·43 | Represents shortage of sal seeds relating to 3 crop years 1977 to 1979. The shortage had not been investigated and adjusted (June 1982). |

| Item | Value of losses/ shortages (Rupees in lakhs) | Remarks |
|---|---|---|
| *Mohua* seeds | 2·69 | Represents value of shortage of 1,133·31 quintals durin 1979-80 and 1980-81. Per-centage of shortage i 1979-80 worked out to 29· of the quantity collecte while it was 13·5 in 1980-81 No norm for shortage ha been fixed by the Manage ment (May 1982). |
| Total | 88·22 | |

### 3.10. Cash management

3.10.1. The Company has 22 revenue earning divisions (withi the State) and 3 sales centres at Madras, Calcutta and Del headed by Divisional Managers/Marketing Managers.

According to instructions (1971 72), each division/sales cent had to operate two current accounts in banks, one for deposit o revenues collected, which were eventually to be transferred to th central current account maintained by the Company at Bhubanesw and the other was to meet day-to-day expenditure out of the fund transferred by the Headquarter's office of the Company periodical on the basis of requisitions of the divisions/sales centres f funds.

Instructions were issued from time to time (latest being April 1979) that all the branches of the bank in the field bankers remit the revenue collections to the central current account with t bank at Bhubaneswar twice a week keeping a maximum amount Rs. 200 in the field account.



3.10.2. Despite these instructions the banks had not been transferring the funds regularly twice a week. A test check (May/August 1981) of the records of 6 divisions indicated the following position :

| Year | Name of division | Weekly balances held | |
|---|---|---|---|
| | | Minimum | Maximum |
| | | ( Rupees in lakhs ) | |
| 1979-80 | Jajpur Road | 0·04 | 5·41 |
| | Sambalpur (Timber) | 0·21 | 5·26 |
| | Calcutta | 0·15 | 6·66 |
| 1980-81 | Bolangir | 0·23 | 42·21 |
| | Madras | 0·05 | 18·34 |
| | Jajpur Road | 0·04 | 5·41 |
| | Berhampur | 0·05 | 6·89 |
| | Sambalpur (Timber) | 0·03 | 17·80 |
| | Calcutta | 0·71 | 9·62 |

A further analysis of the weekly bank balances held in 2 divisions in 1979-80 and 5 divisions in 1980-81, indicated, that heavy balances were being retained by the banks for periods ranging from 15 to 180 days. The following table indicates the details:

| Period for which continuously kept (Days) | Amount retained | |
|---|---|---|
| | 1979-80 | 1980-81 |
| | ( Rupees in lakhs ) | |
| 15—45 | 29·62 | 106·50 |
| 46—90 | 2·41 | 45·58 |
| 91—180 | 2·04 | 3·42 |

The Company had not reviewed the balances retained with the banks. Had the money been kept in term deposits for the periods mentioned above, the Company would have earned an interest of Rs. 0·56 lakh during the 2 years up to 1980-81.

3.10.3. According to the instructions the divisions had to furnish monthly statements of transfer of funds from banks at the headquarters of the divisions to the Company's central current accounts at Bhubaneswar. In the absence of furnishing such monthly statements, the Company had no control over revenue deposited with the banks at the headquarters of divisional offices and transfer of funds from banks in the field to the central current accounts and could not reconcile funds transferred from the bank at the headquarters of the divisions with the corresponding credits in the central current accounts.

A test check of the bank pass books revealed that the banks had not been crediting the deposits made by the Company promptly in its accounts. A few instances are given below:

| Month of deposit | Amount ( Rupees in lakhs ) | Remarks |
|---|---|---|
| April 1974 | 1·11 | Not credited so far (June 1982) |
| June 1974 | 0·10 | |
| October 1974 | 0·12 | |
| January 1978 | 2·50 | Credited in January 1980, after 27 months of deposit. |

The Company noticed (September 1979) the short credits and moved the banks to afford the missing credits. The Company had not, however, claimed interest (May 1982) thereon.

Short-term deposits amounting to Rs. 121 lakhs matured during 18th February to 5th March 1981, were encashed on 20th March 1981. The loss of interest for the period from the date of maturity to the date of encashment worked out to Rs. 0·20 lakh.

### 3.10.4. Delay in drawal of funds

Railways earmark funds for purchase of sleepers and authorise the Managing Director of the Company to draw 90 *per cent* of the bills immediately after inspection of the sleepers by the



Railways and 10 *per cent* on receipt of sleepers at destination or within 90 days from the date of despatch, whichever is earlier. A test check of records of 1978-79 to 1980-81 maintained at the headquarters of the Company indicated that there had been delay in drawal of funds as shown below:

| Number of bills | Amount involved (Rupees in lakhs) | Month of inspection of the sleepers | Month of drawal of 90 *per cent* payment of bill | Period of delay (months) |
|---|---|---|---|---|
| 20 | 27·16 | March 1978 | September 1978 | 5 |
| 55 | 118·91 | March 1980 | May 1980 | 1 |

The delay in drawal of funds had resulted in avoidable payment of interest on cash credit availed of by the Company during the above period to the extent of Rs. 2·65 lakhs.

As regards drawal of 10 *per cent* of the bills, a test check of 62 and 109 bills issued in 1978-79 and 1980-81 respectively indicated that there had been delay at various stages from despatch of sleepers to the drawal of funds as indicated in the table given below:

| Time taken for | 1979-80 Minimum (days) | 1979-80 Maximum (days) | 1980-81 Minimum (days) | 1980-81 Maximum (days) |
|---|---|---|---|---|
| Despatch | 7 | 508 | 7 | 813 |
| Billing | 7 | 881 | 7 | 1,178 |
| Drawal of funds | 7 | 135 | 7 | 170 |

While delay in despatch of sleepers was attributed (May 1981) by the Management to non-availability of wagons, the reasons for delay in billing and drawal of funds had not been furnished. The table below gives the range of delay beyond three months in billing and drawal of funds.

| Range of delay (in months) | 1979-80 Number of cases | 1979-80 Amount involved (Rupees in lakhs) | 1980-81 Number of cases | 1980-81 Amount involved (Rupees in lakhs) |
|---|---|---|---|---|
| 1 to 3 | 18 | 4·96 | 10 | 2·67 |
| 4 to 6 | 8 | 2·52 | 5 | 1·16 |
| 7 to 9 | 1 | 0·18 | 2 | 0·37 |
| 10 to 12 | 9 | 2·29 | 1 | 0·02 |
| 13 to 24 | 6 | 0·98 | 8 | 2·06 |
| 25 to 36 | 2 | 0·31 | 1 | 0·06 |
| Beyond 36 | .. | .. | 1 | 0·12 |

Delay in drawal of funds resulted in locking up of funds and consequential loss of interest of Rs. 0·59 lakh computed at the rate of interest (2·5 to 8·5 *per cent*) applicable to term deposits with the banks.

### 3.10.5. Misappropriation of cash

(*i*) The transactions of Jharsuguda division for the period from 1972-73 to 1978-79 were checked by the Internal Audit Wing of the Company during September to November 1977. Serious irregularities like non-accountal/short accountal of cash, delay in accounting payments and receipts, *etc* were noticed. Further, misappropriation of cash to the tune of Rs. 0·47 lakh by 2 employees of the division during the period from March 1973 to November 1976 was also noticed. According to the Internal Audit, the misappropriation was made possible due to non-observance of the rules



regarding maintenance of cash book and connected records. The officials were placed under suspension and the matter was reported (March 1980) to the police; further developments were awaited (June 1982).

(*ii*) During the tenure (December 1979 to March 1980) of 'D' as Deputy Sub-divisional Manager, in-charge of the Motu Sub-division which started functioning from December 1977 under Malkangiri division, serious financial irregularities such as retention of heavy cash balances and temporary misappropriation of cash *etc* were noticed by the Divisional Manager, which were brought to the notice (December 1979) of the Chief Executive of the Company. The Chief Executive posted 'B' in place of 'D' and transferred 'D' to the division. 'D' did not hand over charge of the sub-division to 'B'. The matter was reported (January 1980) to police for investigation. 'D' was placed under suspension from 11th March 1980.

The Internal Audit Wing of the Company that took up special audit of the sub-division in March 1980, pointed out that revenues collected by 'D' each month were not remitted fully and a sum of Rs. 47,522 was misappropriated by him. Further an amount of Rs. 29,954 was outstanding towards unadjusted advances given to him during 1979-80. Charges were framed against him by the Managing Director of the Company (May 1981) for misappropriation of cash, dis-obedience of orders *etc.* The Divisional Manager stated (May 1980) that the police case against 'D' was under enquiry and action would be taken to recover the dues. Further developments were awaited (May 1982).

### 3.11. Internal Audit

The Internal Audit Cell has been functioning since May 1970 under the charge of an Audit Officer who reports to the Managing Director through Financial Adviser. The firm of Chartered Accountants that audited the accounts of the Company for the years 1975-76 and 1976-77 observed that the internal audit system was inadequte compared to the size and nature of business of the Company. The Company strengthened the Internal Audit Wing during 1980 by creating new posts. The internal audit of all the timber and *Kendu* leaf divisions was completed up to 1977-78. The progress of internal audit of the divisions for subsequent years was as under:

| Year | Number of timber divisions | Number of *Kendu* leaf divisions | Number of sales centres | Audit completed (June 1982) | | |
|---|---|---|---|---|---|---|
| | | | | Number of timber divisions | Number of *Kendu* leaf divisions | Number of sales centres |
| 1978-79 | 13 | 6 | 2 | 9 | 6 | 2 |
| 1979-80 | 13 | 6 | 3 | (in progress) | .. | 1 |
| 1980-81 | 16 | 6 | 3 | .. | .. | 1 |

Internal audit of head office of the Company was in arrears from 1976-77 onwards.

### 3.12. Other topics

#### 3.12.1. Expenditure disallowed

A test check of the records of 4 divisions made in 1980-81 revealed that an expenditure of Rs. 7·86 lakhs incurred by the sub-divisional officers up to March 1981 was not admitted by the Divisional Managers due to want of authority, genuineness of expenditure, *etc.* as detailed below:

| Name of division | Amount (Rupees in lakhs) | Period to which the amount relates |
|---|---|---|
| Rourkela | 1·45 | 1969-70 to 1980-81 |
| Jajpur Road | 2·16 | 1970-71 to 1980-81 |
| Malkangiri | 1·62 | 1977-78 to 1980-81 |
| Bhubaneswar | 2·63 | 1979-80 to 1980-81 |

An amount of Rs. 0·44 lakh in Rourkela division for the years 1969-70 and 1971-72 and Rs. 0·50 lakh in Jajpur Road division for the period up to 1975-76, was outstanding against 4 persons who were no more in service of the Company. No effective action was being taken by the Company to pursue the cases with the concerned sub-divisional officers, reasons for which were not available (June 1982).



### 3.13. Summing up

(*i*) The accounts of the Company from the year 1978-79 onwards were in arrears.

(*ii*) The Company failed to complete the work in the coupes within the time allotted and got the working period extended on payment of extension fee of Rs. 7·33 lakhs.

(*iii*) There were cases of illicit felling of trees in 5 divisions on account of which compensation of Rs. 6·63 lakhs was claimed by the Forest Department.

(*iv*) Outturn in terms of sleepers was estimated at 30 *per cent* of the logs fed for sawing. The actual outturn in all the divisions on an average was 27 *per cent* in 1978-79 and it ranged from 22·5 to 26·7 *per cent* in 4 divisions during 1979-80 and 1980-81, the loss on account of shortfall in actual outturn worked out to Rs. 35.97 lakhs.

(*v*) Central excise duty claimed by the company to the extent of Rs. 21·11 lakhs was rejected by Railways.

(*vi*) There was loss in the working of bamboo coupes to the extent of Rs. 0·69 lakh in Bhubaneswar division.

(*vii*) In Berhampur division, there was downgradation of bamboos, resulting in loss of Rs. 0·75 lakh.

(*viii*) *Kendu* leaves were disposed at lesser rates, compared to the ruling market prices to a Co-operative society; the resultant loss was of Rs. 39·78 lakhs.

(*ix*) There was a loss of Rs. 10·91 lakhs on account of non-despatch of available stocks to Madras for sale at appropriate time.

(*x*) The working of Konark *bidi* industry was uneconomical and the sale of 218·61 lakh *bidis* during the 4 years up to 1980-81 resulted in a loss of Rs. 2·44 lakhs. A stock of 73·67 lakh *bidis* (value: Rs. 1·54 lakhs) is unsaleable. Stock of tobacco (9,675 Kgs, value: Rs. 0·60 lakh) was unsaleable.

(*xi*) Bank guarantees were not encashed although the customers defaulted in payment (Rs. 23·17 lakhs).

(*xii*) In 3 divisions interest amounting to Rs. 7·29 lakhs was not claimed from 29 parties who were allowed to lift stocks of *kendu* leaves after the expiry of the stipulated period.

(*xiii*) Survival of cashew plantation in 1 division ranged from 7·9 to 33.8 *per cent* during the 3 years upto 1980-81. In two blocks, the plantations raised during the 3 years upto 1980-81 involving an expenditure of Rs. 4·05 lakhs had totally failed.

(*xiv*) There were losses and shortages of various items valued Rs. 88.22 lakhs.

(*xv*) Heavy balances were retained in current accounts at the headquarters of divisions despite instructions. No system existed for control over the revenue deposited with the banks at headquarters of divisions and transfer of funds from banks in the field to the central current account at the headquarters of the Company. The banks were yet to afford credit of Rs. 1·33 lakhs deposited in April—October 1974.

(*xvi*) There were delays in drawal of funds from Railways for supply of sleepers which involved loss of interest of Rs. 2·65 lakhs.

(*xvii*) There were misappropriations of cash in two divisions (Rs. 0·95 lakh).

(*xviii*) Internal audit was in arrears from 1978-79 in respect of some divisions.

The above points had been reported to Management/Government (May 1982). Management furnished (August 1982) replies to some points. Replies from Government were awaited (August 1982).



## SECTION IV

## ORISSA STATE COMMERCIAL TRANSPORT CORPORATION LIMITED

### 4.1. Introduction

Orissa State Commercial Transport Corporation Limited was incorporated in January 1964 as a wholly owned Government Company, with the main object of undertaking transportation of iron ore from Daitari to Paradip Port for eventual export.

### 4.2. Activities

During the period 1975-76 to 1980-81 the Company undertook the following main activities:

—loading, unloading and transportation of iron ore;

—transportation of cement;

—transportation of chrome ore and manganese ore.

In addition to transportation work, the Company had since March 1976 taken up stevedoring, clearing and handling of cargo at Paradip Port. The company has 3 units at Baliparbat, Paradip and Bargarh for carrying on these activities. There is a central stores and garage at Baliparbat.

### 4.3. Organisational set-up

The management of the Company is vested in a Board of Directors consisting of 7 Directors appointed by the State Government. The Chairman and the Managing Director are the only whole time Directors.

### 4.4. Capital structure

The initial authorised capital of Rs. 2 crores was enhanced to Rs. 3 crores in December 1970. The paid-up capital of the company at the end of March 1981 was Rs. 2·34 crores, wholly contributed by the State Government.

## 4.5. Borrowings

### 4.5.1. Loan from Government

The Company obtained 5 loans aggregating Rs. 210 lakhs during 1966-67 to 1968-69 from Government. The loans were repayable (in one to seven annual instalments) by March 1978 but were not repaid (July 1982).

Interest due up to March 1981 but not paid so far (June 1982) was Rs. 224.05 lakhs including penal interest at 2 *per cent* amounting to Rs. 61.26 lakhs on overdue instalments of principal and interest.

### 4.5.2. Temporary accommodation

To meet working capital requirements and to purchase new vehicles, the company had availed of five temporary loans for Rs. 91.50 lakhs from Orissa Mining Corporation Limited (OMC) during 1977-78 to 1980-81. The loans outstanding as on 31st March 1981 are indicated below:

| Month | Loan availed of | Loan repaid | Terms of the loan |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| June to September 1979 | 31.50 | 18.02 | Repayable in 48 monthly instalments after 3 months from the date of receipt of loan; interest at 9 *per cent* per annum. |
| August and September 1980 | 20.00 | 17.00 | Repayable in 10 equal monthly instalments; interest at 12 *per cent* per annum |

While the Company had been paying interest on the outstanding loans from time to time to OMC (interest paid from 30th June 1977 to 31st March 1981 being Rs. 0.69 lakh) no effective steps were taken to realise transportation charges amounting to Rs. 10.43 lakhs (for the period 1978-79 to 1980-81) due from OMC. Had these charges been realised promptly, much of the interest burden could have been avoided.

## 4.6. Working results

Audited accounts of the company were received up to 1974-75 only. The delay in finalisation of accounts was last brought to the notice of Government in June 1982. As per provisional



accounts, the Company incurred a loss of Rs. 63.18 lakhs in 1977-78, Rs. 4.59 lakhs in 1978-79, Rs. 33.23 lakhs in 1979-80 and Rs. 14.72 lakhs in 1980-81.

The accumulated loss of the Company up to 1980-81 amounted to Rs. 326.30 lakhs which represented 139.45 *per cent* of the paid-up capital (Rs. 234 lakhs) of the Company. As on 31st March 1978 the net worth of each equity share of Rs. 1000 was (—) Rs. 223. In view of the recurring losses sustained by the Company, the Chief Secretary and the Additional Development Commissioner of the State Government reviewed its activities in June 1979 and decided that the Company should be allowed to work for one more year before deciding its future. Government reviewed the position (November 1981) and asked the Company to prepare a viable scheme. The Company submitted (January 1982) to Government the following proposals;

—The Company should be entrusted with all transport work of OMC and all stevedoring and handling works at Paradip Port on behalf of various Government departments/Government undertakings at negotiated rates.

—The Company should be provided with a fresh capital of Rs. 20 lakhs for purchase of new vehicles and the outstanding Government loans should be converted into equity.

The above proposals of the Company are under consideration of Government (June 1982).

## 4.7. Performance analysis

### 4.7.1. Fleet strength

The fleet strength of the Company as on 31st March 1981 was 174 conventional vehicles viz. Tata (52) and leyland (43) and heavy duty vehicles (79).

According to the norm followed by the Company the life of a commercial Vehicle is 5 years with a coverage of 5 lakh Kms. As on 31st March 1981 the fleet strength (174) consisted of 149 vehicles which were more than 5 years old.

The following table indicates the number of vehicles planne to be operated and the number actually operated during the 3 year up to 1980-81;

| Year | Total fleet | Number of vehicles planned to be operated | Number of vehicles actually operated | Percentage of actu operation to: Total fleet | Planned operatio |
|---|---|---|---|---|---|
| 1978-79 | 163 | 118 | 105 | 64·4 | 89·0 |
| 1979-80 | 174 | 130 | 111 | 63·8 | 85·4 |
| 1980-81 | 174 | 116 | 109 | 62·6 | 94·0 |

The shortfall in utilisation of vehicles had not been analyse The number of vehicles which had remained off-road varied fro 36 to 37 *per cent* during the 3 years up to 1980-81. Analysis of th number of vehicle days lost at Baliparbat and Paradip units of th Company during test check in audit revealed the following positio during the 3 years up to 1980-81;

| | 1978-79 | | 1979-80 | | 1980-81 | |
|---|---|---|---|---|---|---|
| | Baliparbat | Paradip | Baliparbat | Paradip | Baliparbat | Parad |
| | | | (Numbers) | | | |
| Vehicle days available | 23031 | 2920 | 25122 | 4880 | 22988 | 572 |
| Vehicle days worked | 15027 | 2508 | 14490 | 3051 | 14515 | 371 |
| Idle vehicle days | 8004 | 412 | 10632 | 1829 | 8473 | 201 |
| | | | ( *Per cent* ) | | | |
| Percentage of idle vehicle days to total vehicle days | 34·8 | 14·1 | 42·3 | 37·5 | 36·9 | 35 |
| Break-up of idle vehicle days— | | | (Numbers) | | | |
| Repairs .. | 4228 | 274 | 5302 | 1005 | 3914 | 124 |
| Break-downs .. | 462 | 20 | 390 | 25 | 380 | 6 |
| Want of load .. | 770 | 15 | 1584 | 340 | 1256 | 19 |
| Want of spares and lubricants | 2028 | 56 | 2336 | 72 | 1993 | 4 |
| Other reasons.. | 516 | 47 | 1020 | 387 | 930 | 49 |



Idle vehicle days for want of spares and lubricants constituted 24·8, 19·3 and 19·4 *per cent* of the total idle vehicle days during 1978-79,1979-80 and 1980-81 respectively.

Specific reasons for not keeping required spares and lubricants were not furnished (May 1982).

(*b*) In Baliparbat unit, 11 to 30 vehicles were stated to have been kept idle for want of lubricants during 1980-81 for 98 vehicle days. A verification of the unit's records (July 1981), however, revealed that lubricants were available during that period. The loss of revenue on this account was Rs. 0·63 lakh.

(*c*) To get load, vehicles were to go to Ore Handling Plant of OMC situated 1 Km away from the garage of the Company. There was no system of ascertaining the availability of load from OMC before sending the vehicles. As a result, during the 3 years up to 1980-81 vehicles of Baliparbat unit returned without load on 3,610 occasions and the total dead Kms on this account was 7,220, (avoidable operational expenses Rs. 0·12 lakh).

(*d*) During September 1980, in Baliparbat unit, 38 vehicles were idle for 185 vehicle days for want of load. It was, however, seen in audit that during these days vehicles of private contractors were engaged by this unit for 569 trips for transportation of iron-ore fines to Dhanmandal. Had the Company utilised the idle vehicles at least for 370 trips (2 trips per day), it could have earned Rs. 1·15 lakhs.

(*e*) The Chartered Accountants in their report on the accounts of the Company for the year ended 31st March 1975 had observed that the log books maintained by the Company at Baliparbat unit were incomplete and they did not throw any light on the performance of the trucks The position in this regard had not improved (July 1982).

### 4.7.2. Transportation

The following table indicates the targeted quantity to be transported and the actual quantities of various items transported during the three years up to 1980-81:

| Year | | Target for all the commodities | Quantity transported | Percentage of target achieved |
|---|---|---|---|---|
| | | (in lakh tonnes) | | |
| 1978-79 | .. | 20·44 | 13·72 | 67·1 |
| 1979-80 | .. | 13·68 | 8·70 | 63·6 |
| 1980-81 | .. | 13·01 | 11·54 | 88·7 |
| Total | .. | 47·13 | 33·96 | |

Since OMC is the main customer, targets were fixed on the basis of targets of production fixed by OMC. Decline in actual transportation of commodities was due to lower quantities of commodities offered by the OMC for transportation.

(*ii*) The capacity of the total fleet, the fleet on road and the quantities transported through own and private vehicles during the 3 years up to 1980-81 are indicated below :

| Year | Capacity of the total fleet | Capacity of the vehicles operated | Actual quantity transported by | | Percentage of transportation by own vehicles to | | Percentage of quantity transported by private trucks to total quantity transported |
|---|---|---|---|---|---|---|---|
| | | | Own fleet | Private vehicles | Total Capacity | Capacity available | |
| | | | (tonnes in lakh) | | | | |
| 1978-79 | 8·89 | 4·53 | 3·03 | 10·69 | 34·1 | 66·9 | 77·9 |
| 1979-80 | 9·20 | 5·04 | 2·89 | 5·81 | 31·4 | 57·3 | 66·8 |
| 1980-81 | 9·20 | 4·89 | 3·36 | 8·18 | 36·5 | 68·7 | 70·9 |

Although the capacity of the Company's own fleet was under-utilised, the Management engaged private transporters for transportation of different ores,



While the shortfall in utilisation of the available capacity of Company's own fleet varied from 31·3 to 42·7 *per cent* the quantity transported by private transporters constituted 66·8 to 77·9 *per cent* of the total quantity transported. The reasons for not transporting the optimum quantities by Company's own fleet had not been analysed (May 1982).

### 4.7.3. Consumption of high speed diesel oil

The Company had adopted up to 1978-79 a norm of 4·5 Kms per litre of high speed diesel (HSD) oil for Tata and Leyland vehicles and 2·5 Kms per litre of HSD oil for Mitsubishi Rigid (MR) vehicles. From April 1980, the norm was revised to 3·5 Kms for Tata and Leyland vehicles and 2·3 Kms per litre for MR vehicles. The norm was again revised (October 1980) to 4·1 Kms and 4·26 Kms per litre for Tata and Leyland vehicles respectively. However, there was no revision in the norm of MR vehicles. The basis for the revision of norms from time to time was not on record. The following table gives the details of actual consumption against these norms for the 3 years up to 1980-81;

| | M. R. Vehicles | | | Tata Vehicles | | | Leyland Vehicles | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1978-79 | 1979-80 | 1980-81 | 1978-79 | 1979-80 | 1980-81 | 1978-79 | 1979-80 | 1980-81 |
| | | | | (Litres in lakh) | | | | | |
| Oil to be consumed as per norm | 11·34 | 8·41 | 9·20 | 2·83 | 4·08 | 4·58 | 1·81 | 3·19 | 4·84 |
| Actual consumption | 12·18 | 9·21 | 8·84 | 3·62 | 4·54 | 4·18 | 2·25 | 4·15 | 4·55 |
| Consumption in excess of norm | 0·84 | 0·80 | (—)0·36 | 0·79 | 0·46 | (—)0·40 | 0·44 | 0·96 | (—)0·29 |
| Percentage of excess consumption | 7·4 | 9·5 | | 27·9 | 11·3 | .. | 24·3 | 30·1 | |

The value of excess consumption of HSD oil during the 2 years up to 1979-80 amounted to Rs. 9·09 lakhs. The Company had not investigated (June 1982) the reason for excess consumption of HSD oil during 1978-79 and 1979-80.

### 4.7.4. Tyres performance

The Company followed a norm of 35,000 Kms for new tyres and 15,000 Kms for retreaded tyres. The performance of tyres during the 3 years up to 1980-81 is given below :

| | | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|
| | | | ( Numbers ) | |
| New Tyres | | | | |
| Below 10,000 Kms | .. | 138 | 139 | 8 |
| 10,000 to 20,000 Kms | .. | 167 | 121 | 18 |
| 20,000 to 30,000 Kms | .. | 191 | 101 | 45 |
| 30,000 to 35,000 Kms | .. | 167 | 78 | 66 |
| 35,000 Kms and above | .. | 677 | 563 | 615 |
| Total | .. | 1,340 | 1,002 | 752 |
| Retreaded tyres | .. | | | |
| Below 5,000 Kms | .. | 46 | 46 | 72 |
| 5,000 to 10,000 Kms | .. | 46 | 57 | 74 |
| 10,000 to 15,000 Kms | .. | 41 | 53 | 70 |
| Above 15,000 Kms | .. | 160 | 98 | 175 |
| Total | . | 293 | 254 | 391 |

There was premature failure of 1,239 new tyres and 505 retreaded tyres during the 3 years up to 1980-81.



### 4.7.5. Manpower analysis

The Company had 718 employees on its rolls as on 31st March 1981. The following table gives the details of average number of vehicles on road and the number of administrative, technical and operational staff employed per vehicle during the 3 years up to 1980-81 :

| | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| Average number of vehicles on road | 105 | 111 | 109 |
| | | (Staff per vehicle) | |
| Administrative | 2·83 | 2·70 | 2·79 |
| Technical | 1·65 | 1·81 | 1·68 |
| Operational | 2·25 | 2·16 | 2·24 |
| Total | 6·73 | 6·67 | 6·71 |

The Company has not prescribed (July 1982) any norms for the vehicle staff ratio. Statistics available in respect of Tamil Nadu Goods Transport Corporation Limited for the year 1978-79 revealed that staff ratio per vehicle was 3·77 (Administrative : 1·10 technical : 0·48 and operational : 2·19).

### 4.7.6. Transportation of iron ore and sugarcane

#### (a) Transportation of iron ore

Till September 1971, the Company was exclusively engaged by OMC for transportation of iron ore from Daitari hill top and ore handling Plant (OHP) to Paradip at rates fixed by negotiation. In October 1971, OMC invited open tenders and found the rate quoted by the Company to be higher. On refusal (November 1971) of the Company to accept the lowest rate received in tenders, the transportation contract was awarded to private transporters by OMC for the period December 1971 to February 1973. However, at the intervention of Government (January 1973) OMC started entrusting transportation work to the Company at competitive rates finalised on the basis of open tenders.

As the rates offered by OMC to the Company were found to be uneconomical, Government (December 1974) appointed a committee to recommend economical rates for transportation of iron ore from Daitari. The rates recommended after about 4 yea (July 1978) by the Committe based on operational costs were a follows :

| | Hill top to Paradip | Ore Handling Plant (OHP) to Paradip |
|---|---|---|
| | | (Rupees per tonne) |
| 1974-75 | 41·52 | 39·85 |
| 1975-76 | 43·80 | 42·02 |
| 1976-77 | 43·80 | 42·02 |
| 1977-78 | 43·80 | 42·02 |

The rates had not been accepted by OMC so far (June 198

Computed with reference to the economical rates recommend and those estimated by the Company for the year 1978-79 o wards, the Company sustained a loss of Rs. 167·34 lakhs in t transportation of iron ore during the 4 years up to 1980-81 as p the details given below :

| | Economical rates | | Rates allowed | | Quantity transported | | Lo (Rupees lakhs |
|---|---|---|---|---|---|---|---|
| | Hill top to Paradip | OHP to Paradip | Hill top to Paradip | OHP to Paradip | Hill top to Paradip | OHP to Paradip | |
| | (Rupees per tonne) | | | | (Tonnes in lakhs) | | |
| 1977-78 | 43·80 | 42·02 | 38·00 | 30·00 | 3·09 | 3·00 | 53·9 |
| 1978-79* | 43·80 | 42·02 | 38·00 | 30·00 | 1·40 | 2·31 | 35·8 |
| 1979-80* | 43·80 | 45·49 | 38·00 | 30·85 | 0·62 | 2·48 | 39·9 |
| 1980-81* | .. | 59·33 | .. | 44·65 | .. | 2·56 | 37·5 |
| | | | | | | Total | 167·3 |

**Payment of toll charges**

As per the terms of the agreement with OMC, toll char for plying the vehicles on Express Way were payable by OM The payment was being made at Rs. 3 per tonne on the actually transported in the vehicles as per the compounding m

*Cost of operation as estimated by the Company



with the Express Way authorities. In respect of vehicles for which compounding had not been made, toll charges were being paid at Rs. 3 per tonne on the basis of carrying capacity of vehicles. The Company was, however, to furnish to OMC a list of vehicles to be plied on the express way for the purpose of compounding. During the period July 1978 to March 1979, OMC paid Rs. 0·60 lakh as toll charges on 0·20 lakh tonnes on the basis of carrying capacity of vehicle on account of failure of the Company to furnish list of vehicles for compounding. As the actual quantity of ore transported by these vehicles was only 0·12 lakh tonnes, OMC recovered (November 1980) Rs. 0·24 lakh from the Company. Thus, the Company sustained a loss of Rs. 0·24 lakh.

**(b) Transportation of sugarcane**

The Company executed an agreement (November 1977) effective from December 1977 to March 1978 with a Co-operative Sugar Mills for transportation of sugarcane at rates ranging from Rs. 12·99 to Rs. 33·99 per tonne based on the distance. As per the agreement, idle charges were payable at Rs. 175 per day in case a vehicle was kept idle continuously for 24 hours within the mill premises. The Company appointed (December 1977) 'C' a transport contractor for transportation of sugarcane on its behalf keeping a margin of Rs. 2 per tonne for transportation and Rs. 5 per trip on idle charges.

Due to carriage of less sugarcane than the capacity of trucks and detention of trucks at the loading point and at the factory for periods varying from 8 to 14 hours per trip, the Company requested (December 1977) the Co-operative sugar mills for payment of detention charges at Rs. 8 per hour of detention beyond one hour. After discussion (January 1978) with the Managing Director of the Co-operative sugar mills certain revised rates of idle charges were agreed to be paid which were yet (June 1982) to be confirmed.

The Company, however, allowed these revised rates to the transport contractor after keeping a margin of Rs. 5 per trip.

The Company received Rs. 4·80 lakhs against Rs. 5·78 lakh claimed (January—March 1978) at the revised rates. No actio was taken by the Company to recover the balance amount o Rs. 0·98 lakh (June 1982). The Company had, however, pai Rs. 4·99 lakhs to the transport contractors.

### 4.8. Clearing, forwarding, handling and stevedoring o cargo

The Company had undertaken the clearing, forwarding handling and stevedoring of cargo at Paradip Port since Marc 1976 mainly for Steel Authority of India Limited (SAIL), Foo Corporation of India (FCI), State Government and Hira Cemen Works, a unit of Industrial Development Corporation of Oriss Limited, the main cargo handled being, pig iron, coking coal, foo grains and cement. From 1977-78, the operations were entruste to private contractors.

The Company had to draw labour from Dock Labour Board Paradip Port Trust for carrying on the operation on pre-deposit o money.

The Company had embarked upon this operation with view to achieve reduction in overall operational cost and improv the working results of the Company. The Company had n worked out the net working results of these operations. Th following table indicates the number of vessels and quanti handled, direct income and direct operational cost during the thre years up to 1980-81.

| Year | Number of vessles | Quantity handled (Tonnes in lakhs) | Direct Income | Direct Expenditure | Gross surplus | per-centa of surpl to inco |
|---|---|---|---|---|---|---|
| | | | (Rupees in lakhs) | | | |
| 1978-79 | 37 | 3·91 | 57·64 | 34·69 | 22·95 | 39 |
| 1979-80 | 40 | 5·06 | 83·44 | 67·33 | 16·11 | 19 |
| 1980-81 | 27 | 4·53 | 65·22 | 53·25 | 11·97 | 18 |



There was a progressive decline in gross surplus from year to year and the percentage of surplus to gross income had declined from 39·8 in 1978-79 to 18·4 in 1980-81. In respect of the operations of 2 out of 9 vessels test checked in audit, the operational expenditure (Rs. 10·41 lakhs) was more than the operational income (Rs. 8·60 lakhs) during 1979-80, resulting in a cash loss of Rs. 1·72 lakhs.

The Management attributed (February 1981) the reduction in surplus mainly to the following :

—the agreements with the customers were one sided (did not provide for compensation to cover demurrage charges, idle wages for reason beyond the control of the Company);

—cut-throat competition from private stevedores, who were underquoting the rates;

—lack of control over port labourers who adopted go-slow methods and demanded higher payments.

The wages of the port labourers were increased by 55 *per cent* and were made applicable retrospectively from June 1977. As there was no provision for escalation in the agreements with many customers, the company could not claim the escalation from any of them.

A test check of a few operations revealed the following points:

#### (*a*) CARE cargo

The Company entered into an agreement in March 1976, for a period of 1 year and again in December 1977 for a period of 3 years (June 1977 to May 1980), with the Community Development and Social Welfare Department of the State Government for clearing and handling of gift consignments (foodstuffs) of CARE at Rs. 30 and Rs. 50 per tonne respectively.

In November 1979, the Company requested the department to increase the rate of handling from Rs. 50 to Rs. 75 per tonne in respect of the contract from June 1977 to May 1980, as subsequent to the execution of the agreement, the wages of port labourers had been increased by 55 *per cent*. At the instance of the department, the Company furnished (March 1980) details of estimated operational cost which worked out to Rs. 67·33 per tonne from 16th February 1979 and Rs 87·03 per tonne from 16th February 1980 and simultaneously requested the department for enhancement of rates to Rs. 70 per tonne from December 1979 and to Rs. 90 per tonne from 16th February 1980. Considering that the increase in wages was due to taking over of shore handling operations by the Paradip Port Trust (PPT), the department increased the rate to Rs. 75 per tonne for future work from June 1980. This was accepted by the Company. The Company thus, could not get increase in rates in full for the work done up to May 1980.

Due to non-revision of rates up to June 1980, the Company incurred a loss of Rs. 9·58 lakhs on 0·46 lakh tonnes handled during the period from 16th February 1979 to May 1980.

The following further points were noticed:

(*i*) The rates of Rs. 30 and Rs. 50 per tonne (relating to work done during March 1976 to May 1980) were inclusive of all charges up to the point of loading into railway wagons. Till June 1976, the Railways were sending the wagons inside the port area and were charging freight from that point. From July 1976 the PPT took over the rail transport within the port area and recovered (December 1978—July 1981) Rs. 2·83 lakhs from the deposit made by the Company towards haulage charges from the port area to the railway siding. The company had preferred (January 1979—August 1981) claims with the department on the ground that they had not taken the element of haulage charges from the port area to the Railway siding in the rate quoted not in the cost of operations worked out later. The recovery had not yet been effected (June 1982).

(*ii*) Agreements provided that the Company was to bear all charges till the cargo was loaded into the wagons. Cargo was allowed to be kept in the transit sheds for a period of 3 days free of charge beyond which transit shed charges were payable to PPT. During 1979-89, cargo was kept for periods ranging



from 7 to128 days as the wagons requisitioned by the Company were not arranged in time by PPT. An amount of Rs. 1·57 lakhs was recovered (between June 1979 and March 1980) form the deposit of the Company by PPT. Though the company had last brought (December 1980) to the notice of Government the difficulties in the availability of wagons, no request was made for payment of the storage charges recovered by PPT. The PPT was also not requested to waive the charges, although the non-availability of wagons was beyond the control of the Company (May 1982).

**(*b*) Damaged cargo**

CARE authorities directed (1976) the Company to deliver the damaged cargo and sweepings thereof to Orissa Agro Industries Corporation Limited (OAIC). Stevedoring charges including clearing and forwarding charges for this cargo were also to be recovered from OAIC. Accordingly, the Company delivered (1978-79) the damaged cargo and sweepings to OAIC. No agreement was executed in this behalf with OAIC., but as per the understanding, OAIC was to supply the gunny bags to the Company for collection and bagging of sweepings and damaged cargo. As OAIC could not supply adequate number of gunny bags, the CompanY used (January 1976—September 1979) 8420 gunny bags of FCI available with it without prior approval of OAIC. The Company preferred (1979) a claim of Rs. 0·21 lakh towards the cost of gunny bags (at the rate of Rs. 2·50 per bag) with OAIC without ascertaining the rate from FCI. Subsequently in April 1980, FCI deducted an amount of Rs. 0·43 lakh towards the cost of gunny bags (at the rate of Rs. 4·75 per bag plus 7 *per cent* sales tax) from the bills of the Company. When the Company raised (May 1980) revised bills, OAIC refused to pay the balance amount of Rs.0·22 lakh and had also not paid Rs.0·21 lakh claimed earlier (July 1982).

**(*c*) Stevedoring of cement vessals**

On the basis of tender submitted (August 1979) and subsequent negotiations in October 1979, the Company entered into an agreement, with Hira Cement works (HCW) in October

1979 for handling, clearing and stevedoring of imported cement in respect of one vessel at the following rates:

| Item | Rupees per tonne |
|---|---|
| (*i*) Clearing charges including documentation | 1·05 |
| (*ii*) Stevedoring .. | 8·06 |
| (*iii*) Loading of cement bags into trucks and stacking them | 5·48 |
| (*iv*) Rebagging and standardisation | 14·00 |

The rates were to be increased on mutual discussion, in case the wages of port labourers were increased by Dock Labour Board/Paradip Port Trust.

The vessel arrived on 21st March 1980. Meanwhile the Company requested (March 1980) HCW to increase the rates to Rs. 25·50; Rs. 12·25 and Rs, 20.00 per tonne in respect of items (*ii*) to (*iv*) respectively, as PPT had increased (February 1980) the wages of labourers. Again in April 1980, the Company had requested HCW to increase the rate to Rs. 28·75 per tonne in respect of stevedoring as the outturn of discharge from the vessel was only 25 *per cent* of the prescribed discharge (1,000 tonnes per day) resulting in engagement of labour for more time. The Company furnished (May 1980) details of cost of operation as desired by HCW. In August 1980 HCW offered Rs. 19·00, Rs. 7·00 and Rs. 18·00 per tonne for items (*ii*) to (*iv*) respectively but withdrew (September 1980) the offer, as the company had not accepted these rates.

The Company completed the work in respect of the vessel on 18th April 1980. It had also undertaken the same work in respect of 2 other vessels between 18th April 1980 to 18th June 1980; no ageements were executed for these two vessels and the Company did not insist on HCW for accepting the revised rates before taking up handling of these two vessels.

The shortfall in revenue compared to the revised rates (March 1980) of the Company worked out to Rs. 10·61 lakhs in respect of all the 3 vessels.



The Company referred (March 1981) the matters to the Standing Committee for settlement of inter-corporate disputes. The decision of the Committee is awaited (July 1982).

(*d*) *Payment of idle hire charges*

The Company hired shore cranes from PPT for stevedoring two vessels on behalf of SAIL, during the period 25th January to 1st June 1979. The cranes were kept idle for 148 hours.

SAIL had paid the idle hire charges of Rs. 0·23 lakh to PPT and recovered (March 1981) the same from the Company. The expenditure of Rs, 0·23 lakh could have been avoided had the company assessed the requirement of cranes properly or surrendered the cranes when not required.

The reasons for keeping the cranes idle had not been investigated by the Management so far (June 1982).

**4.9. Inventory**

The table below indicates the comparative position of inventory of tyres and tubes and spares at the close of each of the 3 years up to 1977-78.*

| | As on 31st March | | |
|---|---|---|---|
| | 1975-76 | 1976-77 | 1977-78 |
| | | (Rupees in lakhs) | |
| Closing stock .. | 68·13 | 62·64 | 56·76 |
| Consumption during the year | 47·96 | 31·64 | 42·12 |
| | | (Months) | |
| Stock in terms of months' consumption | 17·1 | 23·8 | 16·2 |

The following points were noticed:

(*i*) The Company had not fixed maximum, minimum and reordering levels for different items of stores (June 1982).

(*ii*) Stock accounts revealed that (*a*) daily quantitative balances were not worked out regularly, (*b*) there were issues of stores items without adequate book balances, (*c*) there were

* Information for the subsequent years is not available

corrections and overwritings in diesel stock registers without proper authentication and (*d*) there was no reconciliation of stock ledger balances with the general ledger.

(*iii*) Physical verification of stores and spares, required to be done annually, had not been conducted from 1979-80 onwards.

(*iv*) The unit was having non-moving and obsolete stores valued at Rs. 21·24 lakhs procured during 1967-68, the details of which are given below:

| Particulars | | Value (Rupees in lakhs) |
|---|---|---|
| Mitsubishi spares | .. | 11·66 |
| Hippo spares | .. | 4·27 |
| Mitsubishi wrecker spares | .. | 4·14 |
| Other spares | .. | 0·83 |
| Obsolete spares | .. | 0·20 |
| Tyres and tubes | .. | 0·14 |
| Total | .. | 21·24 |

The Company invited tenders (April 1978) for disposal of Mitsubishi, Hippo and Mitsubishi wrecker spares. While there was no response for Mitsubishi spares and Mitsubishi wrecker spares, 4 parties quoted for Hippo spares but subsequently backed out. These spares were yet to be disposed of (May 1982).

### 4.10 Sundry Debtors

The table below indicates the book debts at the end of each of the 3 years up to 1977-78 :

| Year | | Book debts at the end of the year | Operating revenue during the year | Outstanding debts in terms of months' operating revenue |
|---|---|---|---|---|
| | | (Rupees in lakhs) | | |
| 1975-76 | .. | 58.18 | 430·75 | 1·6 |
| 1976-77 | .. | 65.44 | 195·91 | 4 |
| 1977-78 | .. | 84.64 | 449·00 | 2 |



The following points were noticed:

(*i*) The Management had not worked out the balance of book debts as at the end of March 1979 and onwards.

(*ii*) During 1971-72 and 1972-73 the Company had transported earth, sand, boulders, metal for Orissa Construction Corporation Limited (OCC). An amount of Rs. 3·38 lakhs was due from OCC on account of services rendered for that Company. It was only in July 1980 that the Company requested OCC for payment of the amount(reasons for delayed action were not on record) whereupon OCC called for (September 1980) the copies of the bills and agreement which were furnished by the Company in November 1981. Realisation of dues was awaited (June 1982).

(*iii*) In respect of transportation of timber for Orissa Forest Corporation Limited (OFC) undertaken during the years 1965 to 1967, the Company was to get Rs. 8·56 lakhs. Even though the said amount was outstanding since 1967, no action had been taken (November 1980) for realisation of the dues. It was only in November 1980, that the Company approached OFC for payment; payment by OFC was awaited (June 1982).

The reasons for not pursuing the claim for a long time were not made available to audit (May 1982).

### 4.11. Advances

Advances were being given to the units and the employees without insisting on submission of the accounts in respect of the earlier advances granted. As a result, outstanding advances against the units and the employees were increasing year after year as indicated below:

| | | Outstanding advances at the end of | | |
|---|---|---|---|---|
| | | 1978-79 | 1979-80 | 1980·81 |
| | | (Rupees in lakhs) | | |
| Baliparbat unit | .. | 10·68 | 11·84 | 23·50 |
| Paradip unit | .. | 35·23 | 41·88 | 61·25 |
| Employees | .. | 1·09 | 1·13 | 1·23 |

The reasons for delay in rendering the accounts by the unit and the employees had not been investigated (July 1982).

A test check in audit (July 1981) indicated that a sum of Rs. 0·56 lakh was outstanding since 1975-76 from 29 ex-employees of the Company. No action had been taken to recover the amount so far (June 1982) and the reasons for the same were not made available to audit (June 1982)

**4.12 Accounts**

No accounts manual had been prepared by the Company. Some of the deficiencies noticed in the existing procedures are mentioned below;

(*i*) Bills were not being preferred promptly after the completion of work; a test check in audit revealed that during 1977-78 to 1980-81, 158 bills amounting to Rs. 53·22 lakhs relating to work done for OMC, were preferred after 30 days (delay varied from 30 to 115 days).

(*ii*) Payments and receipts were not being entered in the cash book as and when made/received.

(*iii*) Payments were being made on duplicate copies of bills without non-payment certificates in respect of original bills,

(*iv*) Bank balances as per cash book had not been reconciled with actual balances since April 1978.

**4.13. Internal audit**

In June 1981, an internal audit cell was established under the charge of Finance and Audit Officer. The cell had not started functioning so far (June 1982.)

**4.14. Other topics of interest**

**4.14.1. Deduction of income-tax at source**

According to Income Tax Act, 1961, principals are required to deduct 2 *Per cent* towards income-tax from the net amount payable to parties since 1971-72 and such parties who were net required to pay income-tax could obtain exemption from deduction of tax at source from Income-Tax authorities. Though the Company had



been sustaining losses continuously, no attempt had been made so far (May 1982) to obtain exemption from deduction of tax at source. During the period from 1971-72 to 1977-78* a sum of Rs. 9·90 lakhs had been deducted towards income-tax by the parties out of the amount paid to the Company.

In this connection, the following points were noticed;

According to Income Tax Act, 1961, claims for refund were to be filed within two years from the last day of such assessment year to which the claims related. The Company had filed the returns for 1972-73 to 1977-78 in December 1980 (reasons for the delay in filing the returns were not on record),. In respect of the years 1970-71 and 1971-72, the returns for which were submitted in November 1976, the Company could not claim the refund (Rs. 5·04 lakhs deducted in 1971-72) as the tax deduction certificates from the principals were not available with the Company. The Company had further paid advance tax (Rs. 3·70 lakhs) for the years 1969-70 to 1971-72. No refund claims for this amount had also been preferred (May 1982).

**4.14.2. Condemnation of vehicles**

The following table indicates the number of vehicles condemned, disposed of, *etc.*, during the 4 years up to 1980-81 :

| Year | Opening balance | Vehicles condemned during the year | Vehicles disposed of during the year | Closing balance of vehicles awaiting Disposal |
|---|---|---|---|---|
| | | (Numbers) | | |
| 1977-78 | . | 53 | 53 | .. |
| 1978-79 | .. | 10 | .. | 10 |
| 1979-80 | 10 | .. | 8 | 2 |
| 1980-81 | 2 | 50 | .. | 52 |
| Total | | 113 | 61 | .. |

* Figures for the subsequent year are not compiled by the Company.

The vehicles as per norms fixed (January 1964) by the Company were to cover 5 lakh Kms within a span of 5 years. It was noticed that 38 vehicles were condemned after covering 0·04 lakh Kms to 2·60 lakh Kms within a span of 4 years. The reasons for premature condemnation of vehicles were not available.

The Company had not fixed time limits for condemnation of vehicles after taking them off-road. An analysis made in audit (July 1981) revealed that time taken for condemnation of the vehicles ranged from 1 to over 36 months from the date the vehicles were taken off-road. The time taken for sale ranged from 1 to over 12 months from the date of condemnation as shown below :

| Period | Off-road to condemnation | Condemnation to sale |
|---|---|---|
| | (Number of vehicles) | |
| Within 6 months | 5 | 53 |
| 6 months to 1 year | 2 | 6 |
| 1—2 years | 17 | 2 |
| 2—3 years | 24 | .. |
| Exceeding 3 years | 65 | .. |

Reasons for delay in condemnation and sale of vehicles were not on record.

**4.14.3. Misappropriation of cash**

While adjusting the vouchers for 1976-77 in December 197[illegible] it was noticed that in 14 cases, the amounts of the vouchers were over-written for higher amounts and thus a sum Rs. 0·58 lakh was found to have been misappropriated. The Management lodged FIR with the police (January 1980) alleging misappropriation of funds and the cashier had been placed under suspension. The police report indicated (May 1981) that one assistant and a cashier were involved in the case, and that there was lack of control on the part of Manager of the unit. Departmental action against the assistant and the cashier was awaited (June 1982).



**4.14.4. Theft of cash**

On 11th February 1981, the cashier of the Company reported that an amount of Rs. 0·11 lakh was stolen from his bag while he was waiting at the counter of the State Bank of India at Cuttack for depositing the amount. The police were informed by the cashier on the very day about the theft. It was reported (March 1981) that the culprit could not be traced. Departmental proceedings started (March 1981) by the Company against the cashier were in progress (May 1982).

It was noticed in audit that no security deposit or fidelity insurance was obtained from the cashier and store keepers.

**4.14.5. Delay in claiming security deposit**

A test check of the works undertaken for 5 customers during the period 1977-78 to 1978-79 indicated that security deposit of Rs. 3·09 lakhs paid by the Company was yet to be refunded, although the yearly contracts lapsed between March 1978 and March 1980.

The Company had not approached the customers for getting refund of the amount (June 1982).

**4.14.6. Payment of idle wages**

The Company was engaged (June 1977) by OMC for transportation of ore from Baliparbat to Dhanmandal and loading it into wagons at Dhanmandal railway station, at Rs. 20 per tonne. The Company in turn engaged (June 1979) a labour contractor for the operation. Due to irregular placement of wagons, the labour employed by the contractor remained idle during 18th June to 22nd November 1979. The Company paid Rs. 1·62 lakhs to the contractor towards idle wages and requested OMC in October 1979 to increase the handling charges by Rs. 3 per tonne from 18th June 1979 onwards, on the ground that the contingency of idle labour was not anticipated while quoting the rates. OMC increased (December 1979) the rate by Rs. 3 per tonne for the period from 18th September to 22nd November 1979 and the Company realised Rs. 0·74 lakh. The Company had to bear Rs. 0·88 lakh in respect of idle wages during the period 18th June to 17th September 1979.

The operation was suspended from 23rd November 1979 as it was uneconomical.

**4.15. Summing up**

(*i*) The Company was incorporated with the main object of transporting iron ore from Daitari to Paradip for eventual export. During the three years up to 1980-81, the Company transported 33·96 lakh tonnes of various commodities against the target of 47·13 lakh tonnes.

(*ii*) The Company had not been repaying the loans (Rs. 210 lakhs) obtained from Government; the outstanding amount of principal and interest was Rs. 434·05 lakhs as on 31st March 1981. The outstanding amount included Rs. 61·26 lakhs towards penal interest.

(*iii*) The accounts of the Company were in arrears from 1975-76 onwards.

(*iv*) The cumulative loss sustained by the Company up to 1980-81 was Rs. 326·30 lakhs (provisional) as against the paid-up capital of Rs. 234 lakhs.

(*v*) Vehicle utilisation varied from 62·6 to 64·4 *per cent* during the 3 years up to 1980-81.

(*vi*) Idle vehicle days varied from 14·1 to 42·3 *per cent* of total vehicle days during the three years up to 1980-81.

(*vii*) Transportation of ore by private transporters engaged by the Company varied from 66·8 to 77·9 *per cent* of the total quantity transported during the 3 years up to 1980-81.

(*viii*) Consumption of diesel oil was more than the norms during the 2 years up to 1979-80 involving an additional expenditure of Rs. 9·09 lakhs.

(*ix*) There were premature failures of 1,239 new tyres and 505 retreaded tyres during the three years up to 1980-81.



(*x*) The rates offered by OMC to the Company were uneconomic. Based on the rates recommended by the Committee appointed by Government the Company sustained a loss of Rs. 167·34 lakhs on transportation of iron ore during the 4 years up to 1980-81.

(*xi*) In respect of transportation of sugar-cane the Company had received Rs. 4·80 lakhs against Rs. 5·78 lakhs claimed at the revised rates and Rs. 4·99 lakhs actually paid to the transport contractor. The Company had not obtained the balance amount (Rs. 0·98 lakh) so far (June 1982).

(*xii*) The profitability in stevedoring operations had been showing a declining trend. The percentage of surplus to total income had declined from 39·8 in 1978-79 to 19·3 in 1979-80 and to 18·4 in 1980-81.

(*xiii*) There was a loss of Rs. 9·58 lakhs in handling of CARE cargo (February 1979 to May 1980).

(*xiv*) An additional amount of Rs. 10·61 lakhs claimed by the Company from the Hira Cement Works on account of revised rates for unloading *etc.* of the cement vessels had not been paid.

(*xv*) There were obsolete spares (Rs. 21·24 lakhs) awaiting disposal.

(*xvi*) Sundry debts as on 31st March 1978 amounted to Rs. 84·64 lakhs; of this Rs. 11·94 lakhs were either disowned or were under dispute.

(*xvii*) No refund of income-tax deducted at source (Rs. 9·90 lakhs) from the bills of the Company up to 1977-78 had been claimed (December 1980). Also refund of income-tax (Rs. 3·70 lakhs) paid in advance (1970-71 and 1971-72) had not been claimed.

The review was reported to the Company/Government in May 1982; replies were awaited (June 1982).

# SECTION V

## LEATHER CORPORATION OF ORISSA LIMITED

### 5·1. Introduction

An estimate made (October 1975) by Government indicated an annual availability of 12.50 lakh pieces of hides and skins in the State. The existing departmental commercial and quasi-commercial units (Tanneries at Boudh and Titlagarh, Shoe Factory, Cuttack and Commercial Leather Goods Unit, Rourkela) and the other leather co-operative units managed by private agencies were utilising below 10 *per cent* of these resources and the remaining hides/skins were being exported to the neighbouring States. It was, therefore, decided (October 1975) by Government on the recommendations of the Central Leather Research Institute, Planning Commission and Indian Institute of Foreign Trade to establish a leather corporation by combining the existing commercial and quasi-commercial units for effective exploitation of the hides and skins available within the State thereby benefitting the weaker sections of the society. In accordance with the decision of Government, Leather Corporation of Orissa Limited was incorporated as a wholly-owned Government Company on 19th April 1976. The Company took over between January and June 1977 the departmentally managed tanneries at Boudh and Titlagarh, Government Shoe Factory, Cuttack and Commercial Leather Goods Unit, Rourkela. However, the valuation of the assets and liabilities of the units taken over by the Company had not been finalised (June 1982).

### 5.2. Objects

The main objects of the Company are to promote, establish, improve, develop and run flaying and curing centres, hides exchange, tanneries and to carry on the business of manufacture and sale of leather and leather articles.

The Company had not taken up any programme during the Fif Five Year Plan period. During the Sixth Five Year Plan, th programmes proposed are (*i*) expansion of hide collection centre (*ii*) expansion of tanneries at Titlagarh and Boudh, (*iii*) establishme of new tanneries at Bhadrak and Rayagada, (*iv*) expansion of sho



manufacturing units, (*v*) estabishment of new civilian footwear manufacturing units at Cuttack and Sambalpur, (*vi*) expansion of hand glove manufacturing unit at Rourkela and (*vii*) opening of raw material banks. For implementation of the schemes, the Company, during 1980-81, obtained from Government Rs. 120 lakhs towards share capital (Rs. 56 lakhs) and by way of grants-in-aid (Rs. 64 lakhs).

Civilian footwear units, Cuttack which was a part of shoe Factory was converted into a separate unit in August 1978. The Company assisted 13 co-operative societies during 1980-81, for direct collection of hides (30,000 pieces : Rs. 10·58 lakhs), opened (November 1980) raw material banks at four places and started imparting training in leather goods manufacturing technology to 50 artisans from May 1981. During the period under review (1976-77—1980-81), the Company was mainly running the taken over units.

### 5.3. Organisational set-up

The Management of the Company is vested in a Board of Directors. As on 31st March 1981 there were 11 Directors appointed by the State Government. It has a part-time Chairman. The Company is having a Managing Director who is the chief executive of the Company and is assisted by General Manager and Chief Accounts Officer.

### 5.4. Capital structure

The Company was registered with an authorised capital of Rs. 1,00 lakhs, divided into one lakh equity shares of Rs. 100 each. The paid-up captital of the Company as on 31st March 1981 was Rs. 82·58 lakhs, wholly contributed by the State Government.

### 5.5. Performance analysis

(*a*) Titlagarh Tannery

(*i*) The Titlagarh tannery unit had two sections, bark section for the production of vegetable tanned sole leather with an annual capacity of 96,000 kgs and chrome section for the production of chrome leather with an annual capacity of 5 lakh sft. The following table indicates the capacity utilised *vis-a-vis* the rated capacity during the four year up to 1980-81 :

| Year | Bark Section | | Chrome section | |
|---|---|---|---|---|
| | Actual production (kgs) | Percentage of utilisation of capacity | Actual production (Sft) | Percentage of utilisation to the rated capacity |
| 1977-78 | 25,095 | 26·1 | 1,30,754 | 26·2 |
| 1978-79 | 17,849 | 18·6 | 57,862 | 11·6 |
| 1979-80 | 11,081 | 11·5 | 97,203 | 19·4 |
| 1980-81 | 23,169 | 23·1 | 89,552 | 17·9 |

The capacity utilisation of bark section ranged from 11.5 to to 26·1 *per cent* and that of chrome section from 11·6 to 26·2 *per cent* during the four years up to 1980-81, whereas the capacity utilisation for 3 years up to 1976-77 prior to formation of the Company ranged from 20·9 to 43·7 *per cent* (bark section) and 23·4 to 27·4 *per cent* (chrome section).

The low utilisation of capacity was attributed (June 1981) by the unit management to paucity of working capital. It was, however, seen in audit that the Company had invested moneys in term deposits for periods up to one year during 1979-80 (Rs. 10·78 lakhs) and 1980-81 (Rs. 5·00 lakhs).

(*ii*) Excess consumption of materials

Government fixed (April 1974) the following norms for consumption of chemicals for conversion of 1 kg of pelt hide (weight of hide after soaking, liming and fleshing) into finished bark tanned leather :

| Name of the chemical | Quantity in grams |
|---|---|
| *Sunari* bark | 580 |
| *Harida* | 310 |
| Karanja oil | 40 |
| Lyco-watt and wattle extract | 100 |



Compared to the standards, the actual consumption of chemicals was high during the four years up to 1980-81 as detailed below :

| Name of chemical | Requirement as per the standard | Actual consumption | Excess consumption | Value (Rupees in lakhs) |
|---|---|---|---|---|
| | (In kilograms) | | | |
| 1977-78 | | | | |
| *Sunari* bark | 37,468 | 43,234 | 5,766 | 0·02 |
| *Karanja oil* | 2,584 | 2,987 | 403 | 0·02 |
| Lyco-watt and wattle extract | 6,460 | 9,403 | 2,943 | 0·16 |
| 1978-79 | | | | |
| Lyco-watt and wattle extract | 3,380 | 10,186 | 6,806 | 0·39 |
| *Harida* | 10,476 | 13,923 | 3,447 | 0·02 |
| 1979-80 | | | | |
| Lyco-watt and wattle extract. | 2,310 | 6,153 | 3,843 | 0·32 |
| 1980-81 | | | | |
| *Karanja oil* | 2,280 | 3,197 | 917 | 0·07 |
| *Sunari bark* | 33,202 | 36,971 | 3,769 | 0·03 |
| *Harida* | 17,211 | 19,014 | 1,803 | 0·07 |
| | | | Total | 1·10 |

The value of excess consumption of chemicals during the four years up to 1980-81 was Rs. 1·10 lakhs.

(*iii*) Cost of production

The average cost of production of bark tanned leather and chrome tanned leather and the average selling prices, for the four years up to 1980-81 are compared below :

| Particulars | 1977-78 Bark tanned leather (Kgs) | 1977-78 Chrome tanned leather (Sft) | 1978-79 Bark tanned leather (Kgs) | 1978-79 Chrome tanned leather (Sft) | 1979-80 Bark tanned leather (Kgs) | 1979-80 Chrome tanned leather (Sft) | 1980-81 Bark tanned leather (Kgs.) | 1980-81 Chrom tanned leather (Sft) |
|---|---|---|---|---|---|---|---|---|
| Quantity sold to sister units | 7,362 | 1,27,671 | 3,381 | 71,552 | 3,983 | 1,01,264 | 3,588 | 68,753 |
| Others | 12,520 | 10,677 | 9,530 | 6,331 | 27,896 | 14,195 | 8,314 | 9,647 |
| | (Rupess per Kg bark leather/per sft chrome leather) | | | | | | | |
| Average cost of sales — | | | | | | | | |
| (*i*) Variable cost | 17·80 | 3·28 | 14·67 | 3·44 | 23·23 | 5·27 | 26·68 | 5·31 |
| (*ii*) Fixed cost | 2·27 | 0·45 | 3·81 | 1·18 | 5·69 | 0·65 | 3·20 | 0·7 |
| Total | 20·07 | 3·73 | 18·48 | 4·62 | 28·92 | 5·92 | 29·88 | 6·1 |
| Average sales realisation in respect of sales to— | | | | | | | | |
| Sister Units | 14·73 | 3·08 | 14·79 | 1·96 | 18·64 | 4·42 | 23·68 | 5· |
| Others | 16·67 | 2·96 | 17·29 | 3·25 | 14·32 | 5·05 | 22·56 | 3· |

(Average cost of sales is exclusive of depreciation and head office overheads)

The average cost of production was higher than the averag sales realisation during all the four years up to 1980-81 and the tot loss sustained during the said period worked out to Rs. 11·67 lakh in respect of sales to others (Rs. 2·09 lakhs) and sister units (Rs. 9·5 lakhs) in bark section (Rs. 6·41 lakhs) and chrome section (Rs. 5·2 lakhs). During the years 1977-78, 1979-80 and 1980-81, the sale realisation did not cover even the variable cost of production in respe of bark tanned leather while in the case of chrome leather, the sal realisation did not cover the variable cost in all the four years und review. The cash loss on account of sales to others worked out Rs. 2·96 lakhs (bark section : Rs. 2·72 lakhs and chrome section Rs. 0·24 lakh).



(*b*) Boudh tannery

(*i*) The Boudh unit produces bark tanned sole leather meant for use in the manufacture of shoes and leather articles by the sister unit (shoe Factory, Cuttack). The unit had no power connection since 1963; twelve machines (value : Rs. 0·49 lakh) procured between March 1950 and March 1974 (run by diesel engine which was scrapped in 1963), were lying idle for want of power (May 1982). All the operations were carried out manually.

(*ii*) Excess consumption of raw materials

The actual consumption of chemicals compared to the standards indicated in paragraph 5·5 (a) (*ii*) was high during the four years up to 1980-81, as detailed below :

| Name of chemical | Requirement as per standard | Actual consumption | Excess consumption | Value (Rupees in lakhs) |
|---|---|---|---|---|
| | ( In kilograms) | | | |
| 1977-78 | | | | |
| Lyco-watt and wattle extract | 7,757 | 14,381 | 6,624 | 0·53 |
| *Sunari* bark | 44,991 | 54,806 | 9,815 | 0·07 |
| *Harida* | 24,047 | 30,069 | 6,022 | 0·04 |
| 1978-79 | | | | |
| Lyco-watt and wattle extract | 6,483 | 6,900 | 417 | 0·04 |
| *Sunari* bark | 37,604 | 40,680 | 3,076 | 0·01 |
| *Harida* | 20,099 | 28,031 | 7,932 | 0·07 |
| 1979-80 | | | | |
| Lyco-watt and wattle extract | 3,396 | 7,982 | 4,586 | 0·41 |
| *Sunari* bark | 19,696 | 31,740 | 12,044 | 0·04 |
| *Harida* | 10,527 | 20,375 | 9,848 | 0·04 |
| 1980-81 | | | | |
| Lyco--watt and wattle extract | 8,601 | 9,850 | 1,249 | 0·11 |
| *Sunari* bark | 49,888 | 69,142 | 19,254 | 0·12 |
| *Harida* | 26,664 | 30,746 | 4,082 | 0·05 |
| Total | | | | 1·53 |

The value of excess consumption of chemicals during the four years up to 1980-81 works out to Rs. 1.53 lakhs, of which lyco-watt and wattle extract accounted for Rs. 1.09 lakhs. The

Company had not investigated the reasons for excess consumption of chemicals (May 1982).

(*iii*) Cost of production

The sale of vegetable tanned sole leather to the sister unit (Shoe Factory, Cuttack) and to others, cost of production and sales realisation during the four years up to 1980-81 are detailed below :

| Particulars | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|
| | | ( In | kilograms) | |
| Quantity sold to sister unit | 29,937 | 29,798 | 18,084 | 28,557 |
| Others | 374 | 1,187 | 7,764 | 254 |
| Average cost of sales— | | (Rupees | per kg) | |
| (*i*) Variable cost | 15·82 | 11·70 | 21·61 | 20·28 |
| (*ii*) Fixed cost | 2·18 | 1·84 | 4·93 | 3·41 |
| Total | 18·00 | 13·54 | 26·54 | 23·69 |
| Average sales realisation in respect of sales to— | | | | |
| Sister Units | 13·47 | 9·86 | 13·88 | 20·25 |
| Others | 13·47 | 9·86 | 6·20 | 10·15 |

In this connection, the following points were noticed :

(*i*) The Company had not laid down any policy regarding fixation of sale prices to sisters units and others.

(*ii*) The Company had not analysed the reasons for sudden fall in the average cost of sales from Rs. 18 per kg in 1977-78 to Rs. 13·84 per kg in 1978-79 and the increase in the average cost of sales to Rs. 26·54 per kg in 1979-80.

(*iii*) The fall in average sales realisation in respect of sales to 'others', during 1979-80 (Rs. 6·20 per kg), was due to old and spoiled leather (6,032 kg) disposed of (January / February 1980) to a firm of Hyderabad at Rs. 5·25 per kg.

(*iv*) In all the four years upto 1980-81, the sales realisation could not cover even variable cost of production. The total loss sustained during the four years upto 1980-81 was Rs. 7·39 lakhs in respect of sales to others (Rs. 1·67 lakhs) and sister unit (Rs. 5·72 lakhs). The cash loss on account of sales to others worked out to Rs. 1·25 lakhs.



(*c*) Shoe Factory, Cuttack

The Shoe Factory, Cuttack, was mainly meant to cater to the requirements of Government departments and Public sector undertakings. The production capacity of the factory was 36,000 pairs of shoes per annum ; as against this, the actual production during the four years upto 1980-81 is given below:

| Year | Actual Production | Percentage of utilisation of capacity |
|---|---|---|
| 1977-78 | 29,200 | 81·1 |
| 1978-79 | 12,229 | 34·0 |
| 1979-80 | 22,984 | 63·8 |
| 1980-81 | 15,684 | 43·6 |

The Management attributed (March 1980) low production to paucity of funds.

**Sales**

The following table indicates the projected and actual sales during the three years upto 1980-81:

| | Projected sales | Actual sales | Percentage of sales to projected sales |
|---|---|---|---|
| | ( Rupees | in lakhs ) | |
| 1978-79 | N.A. | 5·34 | .. |
| 1979-80 | 21·75 | 14·64 | 67·3 |
| 1980-81 | 32·26 | 12·49 | 38·7 |

A review of individual cases of sales revealed the following :

(*i*) The unit received (April 1978) an order from Hindusthan Steel Limited (HSL), Rourkela for supply of 1,200 pairs of safety boots at a negotiated rate of Rs. 62·90 per pair. The supply as per the approved sample was to be completed by July 1978. The unit could not start manufacture of safety boots till August 1978, due to dispute with workers as such it placed an order (December 1978) with a private firm at Boudh for suppiy of 852 pairs of safety boots at Rs. 58·50 per pair; the balance quantity was to be manufactured at the factory. In the meantime, HSL reduced (January 1979) the ordered quantity from 1,200 to 1,000 pairs of safety boots. The unit supplied (December 1978/June 1979) 1,062 pairs of safety boots (820 pairs received from the private firm, 242 pairs manufactured by the factory) to HSL which were rejected (August 1979) due to (*i*) easy bending of steel shank fitted in the shoe, (*ii*) low hardness of sole, (*iii*) non-cementing of shoe toe, (*iv*) poor quality of finishing *etc*. On the matter being taken up (August 1979) with the private firm it disowned the responsibility on the ground that the manufacture was as per the sample and with the materials supplied by the unit. The cost of the rejected safety boots (1,062 pairs) was Rs. 0.63 lakh and the boots were awaiting disposal (June (1982).

(*ii*) Finished goods worth Rs. 0·39 lakh received from Titlagarh Tannery (Rs. 0·15 lakh), Company's head office (Rs. 0·11 lakh, Civilian unit, Cuttack (Rs. 0.13 lakh) and safety boots 1,062 pairs (Rs. 0·63 lakh) were not brought to account.

(*d*) Industrial Leather Products division, Rourkela

(*i*) Commercial Leather Goods unit which was renamed as Industrial Leather Products Division after take over (April 1977) by the Company was engaged in the manufacture of industrial hand gloves to cater to the requirements of Hindusthan Steel Limited (HSL), Rourkela and the other heavy and medium industries.

As against the installed annual capacity of 72,000 pairs of gloves actual production during the four years up to 1980-81 is given below :

| Year | Actual production | Percentage of utilisation of capacity |
|---|---|---|
| 1977-78 | 25,727 | 35·7 |
| 1978-79 | 17,304 | 24·0 |
| 1979-80 | 35,498 | 49·3 |
| 1980-81 | 39,281 | 54·6 |



The Management attributed (March 1981) under-utilisation of capacity to lack of orders from HSL and irregular supply of natural chrome leather by Titlagarh tannery, a sister unit. It was, however, seen in audit that the Company received orders from HSL for supply of 60,000 pairs of gloves in 1979-80 and for 40,000 pairs of gloves in 1980-81 but the orders to the extent of 9,350 pairs were off loaded to private agencies in 1980-81 even though required quantity of natural chrome leather was also available with the sister unit.

(*ii*) Cost of production

The cost of production and sales realisation during the four years up to 1980-81 are indicated below :

| | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|
| Number of gloves sold (in pairs) | 24,902 | 11,474 | 41,984 | 36,607 |
| | (Rupees per pair) | | | |
| Cost of production— | | | | |
| Variable cost | 5·56 | 8·31 | 7·15 | 9·17 |
| Fixed cost* | 0·83 | 1·56 | 1·04 | 0·96 |
| Total | 6·39 | 9·87 | 8·19 | 10·13 |
| Average sales realisation per pair | 8·76 | 11·89 | 9·48 | 10·40 |

The reasons for increase in the variable cost during 1978-79 and 1980-81 compared to the previous year, were not investigated by the Company (June 1982).

**5.6 Closing stock**

(i) In Titlagarh Tannery, bark leather weighing 10,301 kgs (value : Rs. 1·57 lakhs) was deducted from the book balance of finished stock towards driage at 2·5 *per cent* of the total production for the period from 1968-69 to 1976-77 when the unit was under Government control without ascertaining the actual loss due to

*The fixed cost does not include depreciation and head office expenses.

driage. Driage has to be allowed to the extent it had actually occurred (subject to the ceiling prescribed) and no percentage deduction is permissible as a matter of course.

The finished stock ledgers were not checked and reviewed at any time ; opening and closing balances of stock were not worked out and the ledgers contained many interpolations and over-writings.

(ii) In respect of Boudh Tannery, the internal audit wing of Government conducted physical verification of stock (August 1979) and noticed shortage (value : Rs. 0·20 lakh) for the period ending March 1977. No action has been taken yet for the regularisation of the loss (June 1982).

(iii) The physical verification conducted (August 1980) for the Shoe Factory, Cuttack for the year 1979-80 revealed shortage of stores (value : Rs. 0·32 lakh).

The Company had not investigated the reasons for the shortages (July 1982).

(iv) There were in stocks goods valuing Rs. 1·06 lakhs manufactured prior to the Company's take over of the units (Shoe Factory : Rs. 0·64 lakh., Boudh Tannery : Rs. 0·24 lakh and Industrial Leather Production Division : Rs. 0·18 lakh). No action has been taken to dispose of the old items (July 1982).

### 5.7. Sundry debtors

The Company had not worked out (June 1981) the amount recoverable from sundry debtors since take over of the units. Prior to the take over of the units by the Company debts outstanding were Rs. 17·25 lakhs relating to Shoe Factory (Rs. 7·32 lakhs), Titlagarh Tannery (Rs. 4·79 lakhs) and Boudh Tannery (Rs. 5·1 lakhs)., of which details for Rs. 0·76 lakh relating to Titlagarh Tannery were not available. No amount had been realised from t parties so far (June 1982). The year-wise break-up of the ou standing amount was not available (July 1982).



### 5.8. Accounts and internal audit

The Company appointed (February 1978) a firm of Chartered Accountants for conducting internal audit and compilation of accounts for 1976-77 (first year of operation) on a remuneration of Rs. 4,500. The firm submitted the compiled accounts only in March 1980 and the internal audit report was yet to be received (June 1982). The work relating to internal audit and compilation of accounts for 1977-78 to 1979-80 was also entrusted (May 1980) to the same firm on a remunaration of Rs. 11,000 for each year. Neither the accounts for these years had been compiled nor internal audit had been completed (May 1982) even though the firm was paid Rs. 0·23 lakh between March 1980 and February 1981. When the Government desired to know the reasons for delay in finalisation of accounts, the Company stated (July 1980) that the delay was due to—

(*i*) non-preparation of accounts and valuation of assets by the Directorate of Industries as on the date of transfer of the units to the Company and

(*ii*) non-maintenance of accounts during the initial period in a proper manner.

Government, however, did not see any justification for delay as qualified accountants were posted and repeated instructions were given to the Company for bringing the accounts up to date.

### 5.9. Other topics of interest

The entries in the cash book were not checked at any stage. During September 1977 to May 1978 there was short accountal of cash amounting to Rs. 0·12 lakh due to wrong totalling of cash book (Rs. 1,100), incorrect working of closing balance (Rs. 380·25), non-accountal of recoveries from staff (Rs. 506), amount shown as paid against cancelled bills (Rs. 160) and amount shown as remitted into a bank (January/May 1978) but not acknowledged by the bank (Rs. 10,123·86). In addition, during the period from September 1977 to May 1978, an amount of Rs. 657 was shown excess on eight occasions in the cash book.

### 5.10. Summing up

(*i*) The Company was formed (April 1976) with a view to exploiting the hides and skins available in the State for the benefit of the weaker sections. But the Company had not taken up any programme during the Fifth Five Year Plan.

(*ii*) The accounts of the Company had been in arrears since inception.

(*iii*) Capacity utilisation varied from 11·5 to 26·2 *per cent* in Titlagarh Tannery, from 34 to 81·1 *per cent* in Shoe Factory and 24·0 to 54·6 *per cent* in Industrial Leather Production Division during the four years up to 1980-81.

(*iv*) The value of excess consumption of materials over the norms fixed was Rs. 2·63 lakhs in Titlagarh Tannery (Rs. 1·10 lakhs) and Boudh Tannery (Rs. 1·53 lakhs) during the four years up to 1980-81.

(*v*) Average sales realisation did not cover the variable cost and the consequent cash loss in respect of sales to others amounted to Rs. 4·21 lakhs in Titlagarh tannery (Rs. 2.96 lakhs) and Boudh Tannery (Rs. 1.25 lakhs) during the 4 years up to 1980-81.

(*vi*) Safety boots (1,062 pairs) supplied by the Company to Hindusthan Steel Limited were rejected by them on account of manufacturing defects; the value of these boots was Rs. 0·63 lakh.

(*vii*) Debts amounting to Rs. 17·25 lakhs pertaining to period prior to 1976-77 were yet to be realised.

The above points were reported to the Company/Government in August 1981/May 1982 respectively ; replies were awaited (August 1982).



## SECTION VI
## OTHER TOPICS OF INTEREST
## INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

### 6.1. Non-realisation of dues from shipping agent

The Company appointed a partnership firm of Calcutta as clearing and forwarding agents for their Ferrochrome plant for the period from April 1970 to March 1973. The terms of appointment as clearing agent did not provide for payment of any advance to the firm towards port charges and other incidental expenses. However, the Company without obtaining any security deposit or bank guarantee from the firm, advanced Rs. 1·47 lakhs, throughout the contract period, to the firm for meeting port charges and other incidental expenses. A sum of Rs. 1.18 lakhs was adjusted (January 1971 and August 1973) from the bills of the firm and for the balance of Rs. 0·29 lakh, the Compay filed a suit in February 1976. The suit was decreed in August 1979 *ex-parte* in favour of the Company as the whereabouts of the firm were not known. Company could not initiate execution proceedings against the firm (July 1982) as the details of property owned by any of the partners of the firm were not known.

The Management stated (December 1980) that all possible steps to ascertain the whereabouts and details of property of the parties to execute the decree within the prescribed time limit (12 years from the date of decree) were being taken.

Government stated (December 1981) that the Company had been requested to take precautionary measures in future to ensure non-recurrence of this type of irregularity.

### 6.2. Extra expenditure

The Ferrochrome plant of the Company invited (April 1980) tenders for supply of 650 tonnes of carbon electrode paste of Grade 'A' in cylinder form/blocks. Out of three offers received within the stipulated date, one firm did not quote any specific rate. The rates quoted by the other two firms 'A' and 'B' were Rs. 5,508·50 and Rs. 5,731·07 per tonne respectively (including excise duty, sales tax, insurance and freight up to the destination). The rates were subject to price fluctuation and the materials were to be invoiced at rates ruling on the date of despatch. Firm 'A', whose offer was valid up to 9th May 1980 agreed to supply the material at the rate of 80 tonnes per month. No purchase order was placed on the firm. The plant asked (May 1980) two other firms 'C' and 'D' to quote their rates. While firm 'C' did not respond, firm 'D' quoted (May 1980) a rate of Rs. 5,769 (all inclusive) f.o.r destination and a purchase order was placed on firm 'D' in July 1980 but the firm 'D' informed (August 1980) its inability to supply. In the meantime, firms 'A' and 'B' had increased their rates to Rs. 7,845·95 and Rs. 7,941·03 per tonne respectively, effective from 1st July 1980. Considering the urgency of requirement, the plant placed an order (August 1980) on firm 'A' for 50 tonnes at the increased rate of Rs. 7,845·95 per tonne and lifted the material through road transport. Subsequently, another order (September 1980) for 600 tonnes for supply at 150 tonnes per month was placed on firm 'A' and the supply was completed in March 1981. It may be mentioned that firm 'A' was a regular supplier of electrode paste and the plant had considered its products dependable on previous occasions. Had the plant taken action to place supply order on firm 'A' in April 1980 itself, the unit would have got 160 tonnes at 80 tonnes per month in May and June as agreed by the firm earlier at the rate of Rs. 5,508·50 per tonne and avoided extra expenditure of Rs. 3·80 lakhs (including extra expenditure of Rs. 0.06 lakh on road transportation of 50 tonnes).

The Management attributed (February 1982) the delay in placing the purchase order to plant shut down on account of power cuts, availability of stock in sufficient quantities for three months and inadequate response to the tender. Government, however, stated (April 1982) that the Company was asked to take precautionary measures in future to ensure non-recurrence of such irregularity and fix responsibility in cases of lapses of the officials of the Company.



## HIRA STEELS AND ALLOYS LIMITED

### 6.3. Purchase of cranes

The Company, a subsidiary of Industrial Development Corporation of Orissa Limited (IDCOL) placed (February 1975) an order on a firm 'F' of Bombay for supply of 2 cranes (part of the equipment required for establishment of plant) at a cost of Rs. 16·60 lakhs and paid an advance of Rs. 8·30 lakhs (February/June 1975) in terms of the order which also stipulated that the advance so paid would stand forfeited in the event of cancellation of the order by the buyer. The Company did not take delivery of the cranes although they were ready for delivery in May 1976 due to paucity of funds. As the delivery of the cranes was not taken, the firm 'F' forfeited the advance paid by the Company.

The Company became defunct in December 1980 and had been under liquidation since then. Attempts made by deputing an official delegation to Bombay (October/November 1980) by IDCOL (holding Company) to retrieve the advance were not successful.

The Management of the IDCOL stated (November 1981) that as they had substantial interest in the subsidiary Company they had moved on their own accord to salvage the advance paid but the matter had not yet been settled. The Government to whom the matter was reported (October 1981) stated (December 1981) that the holding Company had been asked to take adequate measures to salvage the amount and to make good the loss sustained in this regard. Further developments were awaited (June 1982).

## EAST COAST SALT AND CHEMICAL INDUSTRIES LIMITED

### 6.4. Misappropriation of cash

The Company, a subsidiary of IDCOL was regularly receiving the bank scrolls in respect of transactions with bank 'A' but reconciliation of the same with the cash book of the Company was not being done. Due to refusal of the Bank to allow withdrawal though as per books of the Company there was sufficient bank balance, the Chairman ordered an investigation (November 1978) whereupon it was noticed by the Company that there were discrepancies between the drawals from the bank and those accounted for in the cash book to the extent of Rs. 0·60 lakh during July 1977 to January 1978. An officer 'R' of the Company, incharge of both handling cash and maintenance of accounts was alleged to have altered the figures in the cheques after these had been signed by the Chairman, for higher amounts and thereby drawing Rs. 92,240 from the bank but accounting for only Rs. 32,240 in the cash book and had, thus, misappropriated Rs. 0·60 lakh. The officer was placed under suspension with effect from December 1978. The Officer refunded Rs. 0·60 lakh in January 1979 in 2 instalments and a further sum of Rs. 0·01 lakh in March 1979 towards interest on misappropriated amount. Balance of interest (Rs. 0·07 lakh) was still due (March 1981).

After enquiry, the officer 'R' was dismissed from service (March 1981).

A further verification of the records of the Company for the period 1968 to 1978 made (October 1979) at the instance of the Chairman of the Company revealed alleged misappropriation of Rs. 0·55 lakh by 'R' during July 1968 to July 1978. This constituted advances received from IDCOL but not accounted for (Rs. 10,000); amounts shown as paid to IDCOL but not received and acknowledged by the holding Company (Rs. 10,000); forgery of credit advice in respect of cash collected from customers (Rs. 13,800); non-accountal of cash received from site office of IDCOL (Rs. 5,839); amounts drawn from IDCOL as advances but accounted for as expenses (Rs. 1,550); interpolations in the cheques drawn from cash credit account with bank 'A' (Rs. 0·06 lakh); and other interpolations in cash book (Rs. 7,943).

It was stated (December 1981) by the Management that steps were being taken to file civil/criminal cases against 'R'. Further developments were awaited (June 1982). The matter was reported to Government (October 1981); reply was awaited (June 1982).



## ORISSA LIFT IRRIGATION CORPORATION LIMITED

### 6.5. Transportation of cement

The Company was allotted 4,160 tonnes of cement for the first quarter ending March 1980, for which the Assistant Regional Cement Controller issued release orders (March 1980) in favour of ten divisions of the Company with instructions to the supplier—Andhra Pradesh State Trading Corporation Limited (APSTC) to despatch to the respective destination rail heads indicated in the release orders ex-Visakhapatnam docks. Accordingly, APSTC despatched cement to the respective destination rail heads. In the case of two rail heads Cuttack and Bolangir, cement was despatched in open wagons due to non-availability of closed wagons. On inspection (May 1980) of wagons at the respective destinations by the officers of the Company, shortages to the extent of 3,165 bags (value : Rs. 0·87 lakh) were noticed at Cuttack (3,032 bags) and Bolangir (133 bags).

The Company stated (May 1982) that the railway authorities disowned responsibility as the despatches were made in open wagons under 'said to contain' railway receipts. The matter was taken up with APSTC but that Company rejected (June 1980) the claim on the ground that the loading into the wagons at Visakhapatnam was supervised by four agencies namely APSTC, Port Trust, Clearing and forwarding agents of APSTC and an independent surveyor who certified the quantities despatched. No representative of the Company was, however, present. Thus, the Company sustained a loss of Rs. 0.87 lakh on account of shortages. The matter was reported to the Management/Government (December 1981); replies were awaited (June 1982).

## ORISSA MINING CORPORATION LIMITED

### 6.6. Investment of funds

Between January and December 1976, the Company kept its temporary surplus funds amounting to Rs. 831 lakhs in 42 short-term deposits, initially for 16 days to 9 months, bearing interest at 3 to 5 *per cent* per annum. Of this, the Company withdrew Rs. 510 lakhs within a period of 1 to 3 years after piecemeal renewals and continued to keep the balance of Rs. 321 lakhs after yearly renewals (October 1981). Had the Company initially deposited the amount (Rs 321 lakhs) for 5 years instead of keeping it on short-term deposits which were renewed from time to time it could have earned an additional interest of Rs. 57·78 lakhs.

The Management stated (February 1982) that there were heavy liabilities (Rs. 5,74·87 lakhs by the end of 1976-77 towards agency commission payable to State Government and Rs. 84 lakhs on account of penal interest levied by the Government of India) for meeting which the surplus funds were kept under temporary deposits withdrawable at a short notice. However, with proper planning for cash requirement the Company could have earned higher amount of interest.

The matter was reported (December 1981) to Government, but Government also endorsed the views of the Management (February 1982).

## EAST COAST BREWERIES AND DISTILLERIES LIMITED

### 6.7. Payment of penalty

According to the agreement entered into (December 1978) by the Company with Orissa State Electricity Board for supply of power, the power factor to be maintained was to be not less than 90 *per cent* and in the case of shortfall, the energy charges were to be increased by 0·5 *per cent* for every one *per cent* of shortfall or part thereof. A review of the energy bills made in audit indicated that the power factor ranged from 58 to 76 *per cent* during the period December 1979 to December 1981 ; consequently the Company paid (December 1979 to December 1981) an additional amount of Rs. 0·55 lakh. The Management stated (May 1981) that power capacitors would be purchased to improve the power factor. Further developments were awaited (June 1982).

### 6.8. Idle machinery

The supply and erection of main plant and equipment (contract value : Rs. 1,13.45 lakhs) was entrusted (March 1973) to a Firm 'L' of Bombay with a stipulation that the erection would



be completed by February 1975. This, however, was completed only in May 1979 due to dispute between the Management and Industrial Development Corporation of Orissa Limited.

One kamitter filter machine costing Rs. 3·10 lakhs was procured (March 1974) on the suggestions of the firm 'L' but was not put to use as the plant was under construction.

On the advice of Chief Brew Master of the Company that the use of this filter machine would not be economical, the Management procured (May 1979) another brand of filter at a cost of Rs. 3.77 lakhs after negotiation with firm 'B' of New Delhi. The Board of Directors authorised (April 1979) the Managing Director to dispose of the kamitter filter machine. The Management intimated (September 1981) that the Company had in the past advertised in different newspapers the sale of kamitter filter but there was no response and had, therefore, written to the manufacturing firm of filter machine to dispose off the said filter to their customers. Disposal was still awaited (June 1982).

The matter was reported to Government (June 1982) ; replv was awaited (June 1982).

## ORISSA CONSTRUCTION CORPORATION LIMTED

### 6.9. Delay in realising the value of bonds

Between December 1967 and February 1968, the Company purchased 5·75 *per cent* Government of Orissa loan bonds 1979. of the value of Rs. 4 lakhs, repayable in September 1979. Interest on these bonds was payable half-yearly.

The Company pledged the bonds with various departments of Government as security for the works undertaken. The Company did not encash the bonds on maturity (September 1979). Loan bonds for Rs. 2·75 lakhs, presented (January/ February 1931) to the Reserve Bank of India, were returned to the Company due to non-furnishing of a resolution duly passed by the Board authorising sale/disposal of the bonds. After compliance, the Company resubmitted the bonds in June/November 1981 and the balance of loan bonds (Rs. 1·25 lakhs) were also sent for encashment in November 1981. It realised (April/August 1982) Rs. 3·05 lakhs; the realisation of the balance amount (Rs. 0·95 lakh) was awaited (August 1982). Loss of interest for the period from October 1979 to October 1981 worked out to Rs. 0·50 lakh computed at the rate of 6 *per cent* per annum i. e., the rate of interest applicable to one year term deposit. It was further noticed that the Company had not been collecting the interest periodically on loan bonds, since the date of their purchase and an amount of Rs. 2.76 lakhs towards interest up to February 1980 was yet to be realised on this account (June 1982).

While accepting the factual position, the Management stated (February 1982) that the delay in the release of the bonds was due due to non-finalisation of the final bills of works by departments with which these were pledged. It was further stated that the departments would not release the bonds until the final bills were settled and the half yearly interest due on the loan bonds could not be collected as these were pledged with various departments and were not in the possession of the Company.

Government endorsed (March 1982) the views of the Management.

## ORISSA MARITIME AND CHILIKA AREA DEVELOPMENT CORPORATION LIMITED

**6.10. Investment in short—term deposits**

Orissa Maritime and Chilika Area Development Corporation Limited was incorporated on 28th August 1978, as a fully owned Government Company.

In April 1979, the Company received Rs. 60 lakhs towards share capital from the State Government for financing the scheme 'exploration of off-shore fisheries and utilisation of low priced fish



at Paradip'. The Company kept (May 1979) the amount in short term deposits with four nationalised banks initially for periods ranging from 16 to 91 days at interest ranging between 2·5 and 4·5 *per cent* per annum. Of these, the period of deposit in respect of Rs. 25 lakhs was renewed from time to time and the amount was continued to be kept in short term deposits up to March 1981 (Rs. 10 lakhs for 668 days ; Rs. 5 lakhs for 610 days ; Rs. 5 lakhs for 686 days and Rs. 5 lakhs for 595 days).

Had the Company planned its requirement of funds and invested the surplus funds for a minimum period of one year instead of piece-meal renewals, it would have earned an additional interest of Rs. 1·11 lakhs.

While accepting the factual position, the Company stated (September 1980) that as the activities of the Comapny had just started and different divisions were asking for funds at short notice, it was neither possible nor practicable to assess the requirement of funds correctly and keep the deposits for longer duration.

Government stated (December 1981) that the Company anticipated that a major part of the amount available as on 30th April 1979 would be spent by 31st March 1980. However, it was noticed in audit that against the anticipated expenditure of Rs. 37·26 lakhs, the actual expenditure was Rs. 3·91 lakhs during 1979-80.

## ORISSA TOOLS AND ENGINEERING COMPANY LIMITED

**6.11. Infructuous expenditure**

The Company took over the tool room in April 1978 for a consideration of Rs. 14·57 lakhs from Orissa Small Industries Corporation Limited, a Government Company, and planned its expansion (April 1978) to manufacture special tools like cutting tools and simple fixtures from April 1979. This did not materialise (July 1982) as the machinery for the manufacture of special tools received (July 1979 to September 1981) for Rs. 72·70 lakhs (indigenous machines): Rs. 17·10 lakhs, imported machines: Rs. 55·60 lakhs) was yet to be commissioned (July 1982).

Meanwhile, the Company appointed 'K', the co-promoter, as Joint Managing Director of the Company for organising sales of special tools at Calcutta. A building owned by 'K' at Calcutta was taken on hire (Rs. 2,500 per month) from July 1978 for housing the office. The Joint Managing Director appointed staff (9 persons) to look after the sales promotion activities. The Finance Director in his report (November 1979) submitted to the Company stated that no steps to organise or promote sale of products had been taken during July 1978 to August 1979. The report of the Finance Director was placed (November 1979) before the Board of Directors and it was decided (November 1979) to close the office from 1st January 1980. However, it was again decided (January 1980) by the Board of Directors to re-open the office at Calcutta from 1st February 1980 for marketing the Company's products expecting that the factory would go into production from June 1980. The sales office at Calcutta could not procure any orders during July 1978 to March 1981. The expenditure on maintenance of the office during the period (Rs. 4·06 lakhs) therefore, proved to be infructuos. The Company continued to maintain the office at Calcutta and the average monthly expenditure was Rs. 10,000 (July 1982).

The Management stated (April 1981) that opening of Calcutta office before implementation of the project was premature and re-opening of the office with the hope that the factory would go into production in May 1980 had belied their expectations.

The matter was reported to Government (December 1981); reply was awaited (June 1982).



# CHAPTER II
## SECTION VII
## STATUTORY CORPORATIONS

### 7.1. Introduction

There were 4 Statutory Corporations as on 31st March 1981:

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

The accounts of Orissa State Road Transport Corporation were in arrears from 1979-80 and onwards (June 1982). The position of arrears in the finalisation of accounts was being brought to the notice of Government from time to time; the last such communication was made in January 1982.

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

### 7.2. Orissa State Electricity Board

The working results and operational performance of the Orissa State Electricity Board have been reviewed in Section VIII of this Report.

### 7.3. Orissa State Financial Corporation

#### 7.3.1. Introduction

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

#### 7.3.2. Paid-up capital

The paid-up capital of the Corporation as on 31st March 1981 was Rs. 700.15 lakhs (State Government: Rs. 3,42·15 lakhs*, IDBI: Rs. 3,42·15 lakhs, Others: Rs. 15.85 lakhs) against the paid-up capital of Rs. 2,66 lakhs (State Government: Rs. 1,47·15 lakhs, IDBI: Rs. 1,03 lakhs, and Others: Rs. 15.85 lakhs) as on 31st March 1980.

*The figure as per the Finance Accounts is Rs. 3,55·01 lakhs; the difference of Rs. 12·86 lakhs is under reconciliation.

### 7.3.3. Guarantees

The Government have guaranteed the repayment of share capital of Rs. 6,70·15 lakhs (excluding special share capital of Rs. 30 lakhs) under Section 6 (1) of State Financial Corporations Act, 1951 and payment of minimum dividend at the rate of 3.5 *per cent* per annum on the share capital of Rs. 620·15 lakhs and 4 *per cent* per annum on Rs. 50 lakhs raised during 1962-63. Subvention paid by Government (up to 1977-78) towards the guaranteed dividend amounted to Rs. 14·87 lakhs out of which Rs. 12·87 lakhs were outstanding for repayment as on 31st March 1981. The State Government have also guaranteed the repayment of open market loans and payment of interest thereon under Section 7 (*i*) of the State Financial Corporations Act, 1951. The Corporation has to pay guarantee commission of 1 *per cent* per annum. The amount of loan and interest thereon outstanding against guarantee as on 31st March 1981 were Rs. 15,07·50 lakhs and Rs. 1,02·40 lakhs respectively. The arrears of guarantee commission payable by the Corporation at the end of 1980-81 amounted to Rs. 13·98 lakhs.

### 7.3.4. Financial position

The table below summarises the financial position of the Corporation under broad headings for the 3 years up to 1980-81.

| | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| Capital and liabilities | | | |
| (*a*) Paid-up capital | 1,76·00 | 2,66·00 | 7,00·15 |
| (*b*) Reserve fund, other reserves and surplus | 87·20 | 89·03 | 1,21·24 |
| (*c*) Borrowings: | | | |
| (*i*) Bonds and debentures | 9,37·50 | 11,50·00 | 15,07·50 |
| (*ii*) Others | 8,00·12 | 13,91·28 | 22,09·08 |
| (*d*) Subvention paid by the State Government on account of dividends | 12·87 | 12·87 | 12·87 |
| (*e*) Other liabilities and Provisions | 1,46·62 | 2,38·80 | 3,60·86 |
| Total | 21,60·31 | 31,47·98 | 49,11·7 |



| | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| Asse's | | | |
| (*a*) Cash and Bank balances | 80·49 | 81·07 | 1,91·61 |
| (*b*) Investment | 1.92 | 1·92 | 1·92 |
| (*c*) Loans and advances | 19,48·10 | 28,26·29 | 43,23·73 |
| (*d*) Debentures, shares, *etc.* acquired under under-writing agreements | 24·45 | 24·45 | 24·45 |
| (*e*) Net fixed assets | 8·56 | 9·64 | 14·65 |
| (*f*) Dividend deficit account | 12·87 | 12·87 | 12·87 |
| (*g*) Other assets | 83·92 | 1,91·74 | 3,42·47 |
| Total | 21,60·31 | 31,47·98 | 49,11·70 |
| Capital invested | 19,14·10 | 28,08·76 | 44,18·21 |
| Capital employed | 18,00·63 | 24,48·56 | 37,17·13 |

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

2. Capital employed represents the mean of the aggregate of opening and closing balances of (*i*) paid-up capital, (*ii*) bonds and debentures, (*iii*) reserves, (*iv*) borrowings including refinance and (*v*) deposits.

### 7.3.5. Working results

The following table gives details of the working results of the Corporation for the 3 years up to 1980-81:

| Particulars | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| 1. Income | | | |
| (*a*) Interest on loans and advances | 1,89·30 | 2,07·88 | 3,60·55 |
| (*b*) Other income | 6·31 | 8·63 | 7·92 |
| Total | 1,95·61 | 2,16·51 | 3,68·47 |
| 2. Expenses | | | |
| (*a*) Interest on long-term loans | 1,29·70 | 1,50·72 | 2,30·44 |
| (*b*) Other expenses | 65·31 | 60·98 | 99·66 |
| Total | 1,95·01 | 2,11·70 | 3,30·10 |
| 3. Profit before tax | 0·60 | 4·81 | 38·37 |
| 4. Provision for tax | 0·35 | 2·78 | 21·62 |
| 5. Other appropriations | (—)5·62 | (—)5·01 | 3·31 |
| 6. Amount available for divdend | 5·87 | 7·04 | 13·44 |
| 7. Dividend paid | 3·75 | 4·87 | 7·04 |
| 8. Total return on capital employed/ capital invested (2 (*a*)+3) | 1,30·30 | 1,55·53 | 2,68·81 |
| 9. Percentage of return on capital employed | 7·2 | 6·4 | 7·2 |
| Capital invested | 6·8 | 5·5 | 6·1 |

### 7.3.6. Disbursement and recovery of loans

The performance of the Corporation in the disbursement/recovery of loans during the 3 years up to 1980-81 is indicated below:

| Particulars | 1978-79 | | 1979-80 | | 1980-81 | | Cumulative since inception | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount (Rupees in lakhs) | Number | Amount (Rupees in lakhs) | Number | Amount (Rupees in lakhs) | Number | Amount (Rupees in lakhs) |
| 1. Applications pending at the beginning of the year | 109 | 1,62,31 | 560 | 6,09.80 | 541 | 5,22.17 | .. | .. |
| 2. Applications received | 1841 | 19,60·48 | 3300 | 17,59·48 | 7949 | 35,86·59 | 16819 | 13,617·45 |
| 3. Total .. | 1950 | 21,22·79 | 3860 | 23,69·28 | 8940 | 41,08·76 | 16819 | 13,617·45 |
| 4. Applications sanctioned | 1260 | 12,58·94 | 3179 | 16,40·96 | 7564 | 29,37·33 | 14322 | 91,17·41 |
| 5. Applications cancelled/withdrawn | 130 | 2,54·05 | 140 | 2,06·15 | .. | .. | 1258 | 28,63·06 |
| 6. Applications rejected | .. | .. | .. | | .. | .. | 313 | 4,65·55 |
| 7. Applications pending at the close of the year | 560 | 6,09·80 | 541 | 5,22·17 | 926 | 11,71·43 | 926 | 11,71·43 |
| 8. Loans disbursed | 515 | 5,24·21 | 1989 | 10,78·09 | 2263 | 17,63·13 | 5930 | 50,06·64 |
| 9. Amount outstanding at the close of the year | 1069 | 16,63·65 | 3567 | 25,52·46 | 5796 | 40,13·74 | .. | .. |
| 10. Amount overdue for recoveries— | | | | | | | | |
| (a) Principal | .. | 506·09 | .. | 594·74 | .. | 768·37 | .. | .. |
| (b) Interest | .. | 258·49 | .. | 247·86 | .. | 347·38 | .. | .. |
| 11. Percentage of default to total loans outstanding | .. | 30·4 | .. | 23·3 | .. | 27·7 | .. | .. |

NOTE:—In the accounts of the Corporation for 1979-80 the closing balance of pending applications was shown as 541 (amount: Rs. 522·17 lakhs) whereas in the accounts for 1980-81 the opening balance was shown as 1336 applications (amount: Rs. 152·98 lakhs).



The age-wise analysis of the overdue amount has not been worked out by the Corporation. The amount in default as on 31st March 1981 included amounts due in respect of suit-filed cases: (cases 68: Rs. 94·68 lakhs) and units taken over by the Corporation by invoking the provisions of Section 29 of the State Financial Corporations Act, 1951 (cases 42: Rs. 48·09 lakhs).

## 7.4. Orissa State Road Transport Corporation

### 7.4.1. Introduction

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

### 7.4.2. Paid-up capital

The paid-up capital of the Corporation as on 31st March 1979 was Rs. 1,007·27 lakhs contributed by the State Government (Rs. 807·60 lakhs) and Central Government (Rs. 199·67 lakhs).

### 7.4.3. Financial position

The table below summarises the financial position of the Corporation under the broad headings for the 3 years up to 1978-79:

| | 1976-77 | 1977-78 | 1978-79 |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| Capital and liabilities | | | |
| (a) Capital .. | 961·12 | 1007·27 | 1007·27 |
| (b) Reserves and surplus .. | 220·69 | 322·75 | 374·40 |
| (c) Borrowings .. | 100·56 | 106·21 | 186·74 |
| (d) Trade dues and other current liabilities | 295·06 | 196·05 | 375·84 |
| Total .. | 15,77·43 | 17,32·28 | 19,44·25 |

| | | | | |
|---|---|---|---|---|
| **Assets** | | | | |
| *(a)* Gross block | .. | 1,085·02 | 1,100·28 | 1,307·12 |
| *(b)* Less: Depreciation | .. | 27·62 | 17·20 | 97·16 |
| *(c)* Net fixed assets | .. | 1,057·40 | 1,083·08 | 1209.95 |
| *(d)* Capital works-in-progress | .. | .. | 0·42 | 1·09 |
| *(e)* Current assets, loans and advances | | 313·89 | 336·21 | 312·79 |
| *(g)* Miscellaneous expenditure | .. | 9·82 | 18·46 | 14·50 |
| *(g)* Accumulated losses | .. | 196·32 | 294·11 | 405·91 |
| Total | .. | 1,577·43 | 1,732·28 | 1,944·25 |
| Capital employed | .. | 845·68 | 766·50 | 770·23 |
| Capital invested | .. | 1,060·91 | 1,087·57 | 1,193·73 |

Note:—1. Capital employed represents net fixed assets excluding capital works-in-progress *plus* working capital.

2. Capital invested represents capital contribution by the State and Central Governments and secured loans.

### 7.4.4. Working results

The following table gives details of the working results of the Corporation for the 3 years up to 1978-79.

| | | 1976-77 | 1977-78 | 1978-79 |
|---|---|---|---|---|
| | | | (Rupees in | lakhs) |
| 1. (a) Operating | | | | |
| Revenue | .. | 649·54 | 686·45 | 734·26 |
| Expenditure | .. | 629·80 | 702·50 | 743·07 |
| Surplus (+)/Deficit(—) | .. | (+)19·74 | (—)16·05 | (—)8·81 |
| (b) Non-operating | | | | |
| Revenue | .. | 13·60 | 5·87 | 7·50 |
| Expenditure | .. | 88·54 | 87·61 | 110·50 |
| Surplus(+)/Deficit(—) | .. | (—)74·94 | (—)81·74 | (—)1,03'00 |
| (c) Total | .. | | | |
| Revenue | | 663·14 | 692·32 | 741·76 |
| Expenditure | .. | 718·34 | 790·11 | 853·57 |
| Net profit(+)/loss(—) | .. | (—)55·20 | (—)97·79 | (—)111·81 |
| 2. Interest on capital and long-term loans | .. | 61·01 | 61·00 | 66·93 |
| 3. (a) Total return on capital employed | | (+)5·81 | (—)36·64 | (—)44·88 |
| (b) Total return on capital invested | .. | (+)5·81 | (—)36·79 | (—)44·88 |
| 4. Rate of return on— | | | (*per cent*) | |
| (a) Capital employed | .. | 0·7 | .. | .. |
| (b) Capital invested | .. | 0·5 | .. | .. |



## 7.5. Orissa State Warehousing Corporation

### 7.5.1. Introduction

The Orissa State Warehousing Corporation was established on 21st March 1958 under the Agricultural Produce (Development and Warehousing) Act, 1956 subsequently replaced by the Warehousing Corporations Act, 1962.

### 7.5.2. Paid-up Capital

The paid-up capital of the Orissa State Warehousing Corporation as on 31st March 1981 was Rs. 86·76 lakhs (State Government : Rs. 42·88* lakhs; Central Warehousing Corporation ; Rs. 43·88 lakhs) against the paid-up capital of Rs. 75.76 lakhs(State Government : Rs. 37·88 lakhs; Central Warehousing Corporation : Rs. 37·88 lakhs) as on 31st March 1980.

### 7.5.3. Financial position

The table below summarises the financial position of the Corporation under the broad headings for the 3 years up to March 1981:

| | | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|
| | | | (Rupees in lakhs) | |
| **Capital and liabilities** | | | | |
| (a) Paid-up capital | .. | 59·76 | 75·76 | 86·76 |
| (b) Reserves and Surplus | .. | 17·88 | 19·06 | 23·24 |
| (c) Trade dues and other current liabilities | | 62·78 | 94·47 | 94·06 |
| Total | .. | 1,40·42 | 1,89·29 | 2,03·96 |
| **Assets** | | | | |
| (a) Gross block | .. | 21·46 | 40·24 | 54·81 |
| (b) Less : Depreciation | .. | 2·87 | 3·76 | 5·00 |
| (c) Net fixed assets | .. | 18·59 | 36·48 | 49·81 |
| (d) Current assets, loans and advances | | 1,15.77 | 1,46.75 | 1,48·06 |
| (e) Investments | .. | 6·06 | 6·06 | 6·09 |
| Total | .. | 1,40·42 | 1,89·29 | 2,03·96 |
| Capital employed | .. | 77·23 | 94·46 | 1,12·97 |
| Capital invested | .. | 66·88 | 83·48 | 95·18 |

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

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

* The figure as per the Finance Accounts is Rs. 45·68 lakhs; the difference of Rs. 2·80 lakhs is under reconciliation.

### 7.5.4. Working results

The following table gives details of the working results of the Corporation for the 3 years up to 1980-81.

| Particulars | | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|
| | | (Rupees in lakhs) | | |
| 1. Income | | | | |
| (i) Warehousing charges | .. | 35·97 | 62·99 | 89·84 |
| (ii) Other income | .. | 0·61 | 0·70 | 0·67 |
| Total | .. | 36.58 | 63·69 | 90·51 |
| 2. Expenses | | | | |
| (i) Establishment charges | .. | 8·96 | 8·49 | 12·03 |
| (ii) Interest | .. | .. | 0.36 | 0.27 |
| (iii) Other expenses | .. | 24·36 | 52·04 | 74·81 |
| Total | .. | 33·32 | 60·89 | 87·11 |
| 3. Profit before tax | .. | 3·26 | 2·80 | 3·40 |
| 4. Provision for tax | .. | 0·84 | 0·17 | 0·32 |
| 5. Other appropriations | .. | 0·99 | 1·03 | 1·19 |
| 6. Amount available for dividend | .. | 1·43 | 1·60 | 1·89 |
| 7. Dividend paid | .. | 1·29 | 1·49 | 0·20 |
| 8. Total return on : | | | | |
| Capital employed | .. | 3·26 | 3·16 | 3·67 |
| Capital invested | .. | 3·26 | 2·80 | 3·40 |
| | | | (Per cent) | |
| 9. Rate of return on : | | | | |
| (a) Capital employed | .. | 4·2 | 3·4 | 3·2 |
| (b) Capital invested | .. | 4·9 | 3·4 | 3·6 |

### 7.5.5. Operational performance

The following table gives details of the storage capacity created, capacity utilised and other information about the performance of the Corporation for the 3 years up to 1980-81:

| Particulars | | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|
| Number of stations covered | .. | 34 | 37 | 36 |
| Storage capacity created up to the end of the year (tonnes in lakhs) | | | | |
| (a) Owned | .. | 0·09 | 0·15 | 0·18 |
| (b) Hired | .. | 0·47 | 0·50 | 0·55 |
| Total | .. | 0·56 | 0·65 | 0·73 |
| Average capacity utilised during the year (tonnes in lakhs) | | 0.44 | 0.49 | 0·50 |
| Percentage of utilisation | .. | 78·6 | 75·4 | 6·85 |
| Average revenue per tonne per year (rupees) | | 83 | 130 | 180 |
| Average expenses per tonne per year (rupees) | | 78 | 124 | 126 |



# SECTION VIII

## ORISSA STATE ELECTRICITY BOARD

### 8.1. Introduction

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

### 8.2. Capital

The capital requirements of the Board are provided in the form of loans from the State Government, public, banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board was Rs. 382,08.10 lakhs at the end of March 1981 and represented an increase of Rs. 25,19.73 lakhs, i. e. 7.1 *per cent* of the long-term loans of Rs. 356,88.37 lakhs as at the end of the previous year. Details of loans obtained from different sources and outstanding at the close of the 2 years up to 1980-81 are as follows ;

| Source | Amount outstanding as on 31st March | | Percentage increase over previous year |
|---|---|---|---|
| | 1980 | 1981 | |
| | (Rupees in lakhs) | | |
| State Government | 181,34·18 | 180,76·38 | .. |
| Other sources | 175,54·19 | 201,31·72 | 14·7 |
| Total | 356,88·37 | 382,08·10 | 7·1 |

### 8.3. Guarantees

Government had guaranteed the repayment of loans raised by the Board from time to time to the extent of Rs. 172,45.57 lakhs and the payment of interest thereon. The amount of principal guaranteed and outstanding as on 31st March 1981 was Rs. 157,45.73 lakhs.

### 8.4. Financial position

The financial position of the Board at the close of the 3 years up to 1980-81 is given in the following table :

| Liabilities | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| (a) Loans from Government .. | 145,86·24 | 181,34·18 | 180,76·38 |
| (b) Other long-term loans (including bonds) | 146,76·29 | 175,54·19 | 201,31·72 |
| (c) Reserves and surplus .. | 14,77·70 | 19,61·84 | 22,76·36 |
| (d) Current liabilities and provisions .. | 37,63·99 | 67,04·75 | 121,39·21 |
| | 345,04·22 | 443,54·96 | 526,23·67 |
| **Assets** | | | |
| (a) Gross fixed assets .. | 214,35·77 | 289,87·63 | 330,15·38 |
| (b) Less: Depreciation .. | 37,49·11 | 38,52·79 | 47,12·94 |
| (c) Net fixed assets .. | 176,86·66 | 251,34·84 | 283,02·44 |
| (d) Capital work-in-progress .. | 92,55·13 | 91,87·11 | 99,86·20 |
| (e) Current assets (including investments) | 74,60·64 | 99,23·95 | 142,17·57 |
| (f) Miscellaneous expenses .. | 1,01·79 | 1,09·06 | 1,17·46 |
| | 345,04·22 | 443,54·96 | 526,23·67 |
| Capital employed .. | 219,44·69 | 283,28·14 | 303,65·70 |
| Capital invested .. | 297,02·34 | 361,28·18 | 386,47·91 |

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

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



### 8.5. Working results

The working results of the Board for the 3 years up to 1980-81 are summarised below :

| | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| (a) Revenue Receipts .. | 48,11·23 | 46,46·84 | 63,00·84 |
| (b) Subsidy from State Government for Rural Electrification Schemes | 1,90·00 | 11,90·00 | 30,20·00 |
| Total .. | 50,01·23 | 58,36·84 | 93,20·84 |
| (c) Revenue expenditure .. | 40,87·43 | 32,31·72 | 42,44·54 |
| (d) Gross surplus .. | 9,13·80 | 26,05·12 | 50,76·30 |
| (e) Appropriations | | | |
| (i) Depreciation .. | .. | 53·74 | 7,97·70 |
| (ii) Interest on Government loans .. | .. | 14,39·64 | 29,09·07 |
| (iii) Interest on other loans and bonds | 9,10·15 | 11,11·74 | 13,69·53 |
| Total (i+ii+iii) .. | 9,10·15 | 26,05·12 | 50,76·30 |
| (f) Total return on capital employed/invested (ii+iii) | 9,13·80 | 25,51·38 | 42,78·60 |
| | (per cent) | | |
| (g) Rate of return on— | | | |
| Capital employed .. | 4·2 | 9·0 | 13·2 |
| Capital invested .. | 3·1 | 7·1 | 11·1 |

As on 31st March 1981 the Board had a cumulative contingent liability of Rs. 40,65·56 lakhs as detailed below :

| | For the year 1980-81 | Cumulative as on 31st March 1981 |
|---|---|---|
| | (Rupees in lakhs) | |
| Interest on Government loans | (—)14,72·71* .. | 24,18·01 |
| Depreciation .. | 37·19 | 16,47·55 |
| Total .. | (—)14,35·52 | 40,65·56 |

* Indicates the liability discharged during the year.

### 8.6. Operational performance

The following table indicates the operational performance of the Board for the 3 years up to 1980-81 :

| | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| 1. Installed capacity (MW) | | | |
| (i) Thermal | 258·250 | 258·250 | 250·000£ |
| (ii) Hydro | 664·425 | 664·425 | 664·425 |
| (iii) Others | 0·250 | 0·250 | @ |
| Total | 922·925 | 922·925 | 914·425 |
| 2. Normal maximum demand (MW) | 650·000 | 551·000 | 619·000 |
| 3. Power generated (MKWH) | | | |
| (i) Thermal | 726·267 | 697·695 | 744·003 |
| (ii) Hydro | 1,044·782 | 1,786·635 | 2,391·400 |
| (ii) Others | .. | .. | .. |
| Total | 1,771·049 | 2,484·330 | 3,135·403 |
| Less Auxilary consumption (MKWH) .. | 84·005 | 92·513 | 95·501 |
| 4 Net power generated (MKWH) .. | 1,687·044 | 2,391·817 | 3,039·902 |
| 5. Power purchased (MKWH)* .. | 1,684·617 | 383·977 | 148·091 |
| 6. Total power available for sale (MKWH) | 3,371·661 | 2,775·794 | 3,187·993 |
| 7. Power sold (MKWH) .. | 2,756·766 | 2,267·824 | 2,609·514 |
| 8. Transmission and distribution loss (MKWH) | 614·895 | 507·970 | 578·479 |
| 9. Load factor (*per cent*) .. | 62·8 | 49·6 | 51·6 |
| 10. Percentage of transmission and distribution loss to total power available for sale | 18·2 | 18·3 | 18·1 |
| 11. Number of units generated per KW of installed capacity | 3,348 | 2,951 | 3,429 |

£ This excludes Choudwar thermal power station which became defunct.

@Diesel power stations were closed.

* Includes power purchased from Government controlled power houses included in installed capacity.



(*b*) The following table gives other details about the working of the Board as at the end of the 3 years up to 1980-81 :

| Particulars | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| 1. Villages/towns electrified (number) | 17,509 | 19,232 | 20,955 |
| 2. Pumpsets/wells energised (number) | 9,466 | 12,111 | 15,522 |
| 3. Number of sub-stations | 779 | N.A | N.A |
| 4. Transmission/distribution lines (circuit KM) | | | |
| (i) High/medium voltage | 10,298 | N.A | N.A |
| (ii) Low voltage | 36,280 | N.A | N.A |
| Total .. | 46,578 | | |
| 5. Connected load (KW) | 1,045.682 | 1,110.374 | 1,153.208 |
| 6. Number of consumers | 3,94,448 | 4,49,812 | 5,17,502 |
| 7. Number of employees | 12,055 | 12,940 | 21,690 |

Out of 46,992 villages in the State 20,955 villages (44·6 *per cent*) were electrified up to 31st March 1981.

(*c*) The following table gives the details of power sold and revenue, expenses and profit/loss per kwh sold during the 3 years up to 1980-81 :

| | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|
| 1. Units sold (MKWH) | | | |
| (*a*) Agriculture | 34·280 | 45·000 | 58·500 |
| (*b*) Industrial | 1,972.358 | 1,750.396 | 2,094.299 |
| (*c*) Commercial | 77.612 | 85.400 | 64.029 |
| (*d*) Domestic | 95·461 | 112·000 | 112·073 |
| (*e*) Others .. | 577·055 | 275·028 | 280·613 |
| | 2,756·766 | 2,267·824 | 2,609·514 |
| 2. Revenue per kwh (paise) (excluding subsidy from State Government) | 16·9 | 19·6 | 21·02 |
| 3. Expenditure per kwh sold (paise)* | 17·2 | 17·5 | 19·50 |
| 4. Profit (+)/Loss(—) per kwh (paise) | (—)0·3 | (+)2·1 | (+)1·52 |

N. A.—Denotes not available

* Worked out after excluding interest payable on loans but after including depreciation on fixed assets.

## 8.7. Construction of Extra High Tension Transmission lines

### 8.7.1. Introduction

All the power stations of the Board/Government are inter-connected by a net work of Extra High Tension (EHT) transmission lines. The construction of EHT transmission lines undertaken by the Board was financed by the credit afforded by International Development Association (IDA) and loans provided by Rural Electrification Corporation Limited (REC), besides the Board's own funds and other borrowings.

The capital expenditure on the construction of EHT transmission lines was Rs. 90,78.75 lakhs up to the year 1980-81, as against the Board's total capital expenditure pf Rs. 4,35,45·01 lakhs (provisional).

### 8.7.2. Loan assistance from REC

Rural Electrification Corporation Limited provides loan assistance to the Board under special transmission and distribution (T and D) scheme to meet the cost of construction of EHT transmission lines and sub-stations intended to feed the load demand of rural areas electrified with loan assistance given separately by REC. The estimated capital cost of special T and D schemes excluding cost of buildings in excess of Rs. 2 lakhs (or 50 *per cent* of the capital cost of supporting area schemes)* whichever is less, is given as loan by REC.

The following table indicates the special T and D schemes undertaken by the Board during the Fifth and Sixth Five Year Plans, estimated cost of the schemes, loan amount availed of by the Board :

| | | Fifth Five Year Plan Amount | Sixth Five Year Plan Amount (up to 1980-81) |
|---|---|---|---|
| Number of special T and D Schemes Undertaken | | 5 | 4 |
| | | (Rupees in lakhs) | |
| Original estimated cost | .. | 398·63 | 683·00 |
| Revised estimated cost | .. | 910·77 | .. |
| Estimated cost of the supporting area schemes | .. | 2076·55 | 1367·86 |
| Loan eligibility | .. | 877·95 | 606·09 |
| Loan applied for | .. | 721·31 | 606·09 |
| Loan availed of | .. | 721·31 | 192·00 |
| Expenditure (up to 1979-80) | .. | 927·91 | 1·46 |

* The scheme of electrification of the villages covered by the EHT line concerned.



In respect of all the schemes undertaken during the Fifth Five Year Plan, the Board was eligible to draw Rs. 877.95 lakhs as loan from REC but it applied for and obtained only Rs. 721.31 lakhs and met the balance requirement from loans obtained from Life Insurance Corporation (LIC), at an interest rate of 13 *per cent* per annum. The rate of interest on REC loans being less (8 *per cent*), the extra interest burden amounted to Rs. 7·83 lakhs till March 1981. The reasons for applying for a loan less than what was admissible, were not on record.

The expenditure on the schemes undertaken during the Fifth Five Year Plan up to 1979-80, exceeded the estimate by Rs. 17.14 lakhs. The reasons for the excess expenditure had not been analysed by the Board (April 1982).

REC releases the first instalment after appraisal of the estimates. The second and subsequent instalments (up to fourth, *i. e.* last instalment) can be drawn only after utilising the funds released under the earlier instalments. In respect of 4 schemes undertaken in the Sixth Five Year Plan period, the Board had drawn till March 1980 (no drawal during 1980-81) only Rs. 192 lakhs against the first instalment of Rs. 212·79 lakhs sanctioned in March 1980. Second instalment of the loan (Rs. 151.75 lakhs) could not be drawn as the funds released in earlier instalment had not been utilised. No expenditure was incurred in respect of 3 schemes while the expenditure in respect of the remaining one scheme was only Rs. 1.46 lakhs up to March 1980.

### 8.7.3. Growth of EHT transmission lines

Up to 1975-76, the Board constructed 3,110 ckms of EHT lines. According to the targets fixed by the Board (January 1976) 755 ckms of 220 KV lines and 1,000 ckms of 132 KV lines were to be completed by April 1980 against which 147 ckms of 220 KV lines and 551.34 ckms of 132 KV lines were only constructed upto March 1981.

The reasons for shortfall in execution of works (741.66 ckms relating to 1 D.A works and 315 ckms relating to other works) had not been intimated by the Board (April 1982).

### 8.7.4. Incomplete works

Out of 17 works, relating to the 5 schemes, undertaken by the Board during the Fifth Five Year Plan, 4 works, due to be completed between May 1978 and April 1980, were left incomplete. The details are given below:

| Name of the line | Route length involved | Date of commencement of work | Target date of completion | Route length completed as on March 1981 (Kms) | Estimated cost | Expenditure up March 1981 |
|---|---|---|---|---|---|---|
| | | | | | (Rupees in lakhs) | |
| 132 KV lines | | | | | | |
| (i) Theruvali-Rayagada Second circuit | 19 | N A | May 1978 | Nil | 18·64 | 9·32 |
| (ii) Theruvali-Kesinga single circuit | 104 | N A | June 1979 | Nil | 93·58 | 165·79 |
| (iii) Khurda-Ganjam .. | 112 | February 1978 | April 1980 | 49 | 219·51 | 168.54 |
| 220 KV lines | | | | | | |
| (v) Balimela-Theruvali third circuit | 224 | November 1977 | April 1980 | 123 | 571·15 | 493·29 |

A test check of 3 out of the 4 works (July 1981), revealed the following points:

*(a)* Theruvali-Rayagada Second circuit line

The first circuit line was commissioned in 1966-67. The construction of second circuit line was taken up during 1975-76 with a view to ensure system stability. The work was abandoned (1977) on the ground that with the installation of two sub-stations at Bhanjanagar and Jeypore, the second circuit line was not necessary. An amount of Rs. 9·32 lakhs had been spent on procurement of materials (Rs. 8·89 lakhs) and wages (Rs. 0·43 lakh). The materials were transferred to other works of the Board in March 1979. The Board constructed (1975-76) a dead end terminal tower at a cost of Rs. 0·45 lakh for the second circuit line. The Executive Engineer had stated (December 1979) that the terminal tower was being used for the existing first circuit. It was, however, not clarified (June1982) as to how the first circuit line was commissioned in the year 1966-67 without a dead end tower.



*(b)* Theruvali—Kesinga 132 KV line

*(i)* The construction of the line was estimated (August 1974) to cost Rs. 93·58 lakhs. With a view to execute the work departmentally, the Board purchased and kept at site materials valued at Rs. 136·90 lakhs during the period 1976-77 to 1979-80 and incurred an expenditure of Rs. 6·24 lakhs on establishment and wages. No work was, however, done departmentally as the decision on taking up of the work was pending with the Board. After approval by the Board (December 1979) execution of the work (erection portion) was entrusted (June 1980) to Industrial Development Corporation of Orissa limited (IDCOL) a Government Company at an estimated cost of Rs. 21·84 lakhs. Final profiles and tower schedules were given to IDCOL in May 1981. The work had not been commenced so far (June 1982) eventhough the work was stipulated to be completed by February 1982. There was, thus, an infructuous expenditure of Rs. 6·24 lakhs on wages, besides locking up of funds in the shape of materials for periods up to 4 years. It was also seen that original survey for this work was done by a project division of the State Government between February and June 1974 at a cost of Rs. 0·34 lakh which was reimbursed by the Board (August 1981). As the traces of the original survey were not found due to passage of time, a resurvey was done again (May 1976-March 1977) at a cost of Rs. 0·46 lakh.

*(ii)* The erection of this line was awarded to IDCOL at Rs. 21,000 per km on the basis of negotiations, while the cost of erection of such lines departmentally was assessed (December 1979) by the Board at Rs. 15,000 per km and would involve an additional expenditure of Rs. 6·24 lakhs. The Board approved awarding the work at a higher rate on the consideration that the IDCOL would be able to build up its own organisation and expertise and the Board would be utilising their services in future also.

*(c)* Khurda-Ganjam 132 KV lines

The original scheme, sanctioned in February 1976, envisaged consturction of a 132 KV line from Khurda to Ganjam with a route length of 112 km with necessary bay extensions at the existing Khurda and Ganjam sub-stations. While the work was in progress, it was decided (August 1978) by the Board to connect the line to the sub-station proposed to be installed at Chatrapur instead of the sub-station at Ganjam as originally planned. The line already constructed (March 1981) at a cost of Rs. 1,68.54 lakhs would remain idle till the installation of sub-station at Chatrapur which as expected (June 1980) to come up by May 1982. Materials valued at Rs. 5·78 lakhs (included in Rs. 1,68·54 lakhs) procured during 1976-77 and 1977-78, for bay extension at Ganjam were lying at the work site without being diverted for other works (May 1982).

While conducting survey for the work done by one of the divisions of the Board between January 1971 and March 1975 at a cost of Rs. 0.71 lakh, the existence of a co-axial cable line in close proximity of the proposed route alignment of the EHT line was not taken into account. As a result, the proposed alignment had to be changed, keeping a distance of 2 kms from the co-axial cable line as advised (May 1977) by Power Telecommunication Co-ordination Committee (PTCC). Fresh survey was, therefore, done between May and December 1977. The cost of fresh survey had not been worked out separately.

### 8.7.5. Construction of sub-stations

Construction of 7 EHT sub-stations (one 220/132 KV and six 132/33 KV) was entrusted to a contractor on item-rate basis at an estimated cost of Rs. 96·89 lakhs. In terms of the work order issued in January 1978, the contractor was to commence the works within 30 days from the date of work-order and complete the works by the end of January 1979. Penalty was leviable at 0·25 *per cent* per week subject to a maximum of 5 *per cent* of the contract value remaining incomplete within the stipulated period of completion.



The following table shows the actual dates of commencement and completion of the sub-stations:

| Name of sub-station | Date of commencement | Period of delay in commencement (months) | Date of completion | Period of delay (months) |
|---|---|---|---|---|
| 132/33K V sub-station | | | | |
| *(i)* Aska | May 1978 | 3 | February 1980 | 12 |
| *(ii)* Bhadrak | September 1978 | 7 | July 1979 | 5 |
| *(ii)* Balasore | November 1979 | 21 | March 1981 | 25 |
| *(iv)* Kendrapara | June 1978 | 4 | August 1979 | 6 |
| *(v)* Paradip | March 1979 | 13 | May 1981 | 27 |
| *(vi)* Rairangpur | February 1979 | 12 | June 1981 | 28 |
| 220/132KVsub-station | | | | |
| *(vii)* Rourkela | June 1978 | 4 | In progress | |

The Board has not taken any action against the contractors for delay in completion of works. Due to delay in completion of the sub-stations, the connecting lines were not charged and thus remained idle for periods ranging from 6 to 35 months as detailed below:

| Particulars of line | Capital outlay (Rupees in lakhs) | Route] length (km) | Date of completion | Date of commissioning | Idle period (Months) |
|---|---|---|---|---|---|
| 132 *KV* | | | | | |
| (i) Berhampur to Aska | 105·04 | 33·96 | February 1978 | February 1980 | 24 |
| *(ii)* Jajpur to Bhadrak* | 79·50 | 43·932 | January 1979 | July 1979* | 6 |
| (iii) Bhadrak to Balasore | 121·82 | 74·50 | July 1980 | March 1981 | 8 |
| (iv) Kendrapara to Paradip | 189·39 | 34·77 | September 1980 | May 1981 | 8 |
| (v) Joda to Rairangpur | 149·95 | 106.00 | March 1980 | June 1981 | 15 |
| (vi) 220 KV Double Circuit line from Talcher to Rairangpur | 162·26 | 146·91 | July 1978 | June 1981 | 35 |
| (vii) 220 KV Talcher-Rourkela | 248·44 | 192·00 | March 1979 | December 1979 | Commissioned at 132 KV i. e. the existing capacity of the sub-station |
| Total | 1056·40 | | | | |

*The line was charged at 33 KV in March 1979

### 8.7.6. Transmission losses

While formulating the Fifth Five Year Plan, the Board decided to invest on system improvement works with a view to effect reduction in transmission losses and made a study of the trend of the losses with the existing system of transmission and envisaged reduction of such losses, as shown in the table below:

| Year | Proposed investment | Trend of losses without corrective steps | Projected losses |
|---|---|---|---|
| | (Rupees in lakhs) | (*per cent*) | |
| 1977-78 | 7,68·53 | 13·6 | 13·5 |
| 1978-79 | 5,98·42 | 14·4 | 13·0 |
| 1979-80 | 4,01·37 | 15·0 | 13·5 |
| 1980-81 | 2,66·61 | 15.7 | 14·2 |
| | 20,34.93 | | |

The following table shows the actual transmission losses, during the 4 years up to 1980-81:

| Particulars | 1977-78 | 1978-79 | 1979-80 | 1980-81 |
|---|---|---|---|---|
| Investment in EHT and system improvement work (Rupees inlakhs) | 7,68·53 | 8,84·39 | 10,90·57 | 13,58·22 |
| Units availabe for sale including purchase (MKwh) | 3,168·346 | 3,371·661 | 2,775·794 | 3,187·993 |
| Units sold (MKwh) | 2,719·316 | 2,756·766 | 2,267·824 | 2,609·514 |
| Transmission loss (Mkwh) | 449·030 | 614·895 | 507·970 | 578·479 |
| Percentage of loss to units available for sale | 14·2 | 18·2 | 18·3 | 18·1 |
| Projected loss (*per cent*) | 13·5 | 13·0 | 13·5 | 14·2 |
| Units lost in excess over projected loss (Mkwh*) | 21·304 | 176·580 | 133·238 | 125·784 |
| Revenue per Kwh sold excluding subsidy (paise) | 12·1 | 16·9 | 19·6 | 21·02 |
| Value of losses in excess over projected loss (Rupees in lakhs) | 25·78 | 298·42 | 261-15 | 264·40 |

Even though the capital outlay during the years exceeded the Plan programme, the actual transmission losses were more than the projected losses and were also more than the losses anticipated even without implementing the corrective measures.



### 8.7.7. Consumption of materials

The Board had not fixed any norm for utilisation/ wastage of materials like conductors, insulators, etc. A test check of works accounts made (August 1981) in Audit, indicated the following position in respect of conductors and insulators:

(*a*) Conductors

| Name of line | Length of line | Total quantity issued | Actual consumption | Quantity consumed per Ckm of length | Scrap | Percentage of scrap to actual consumption |
|---|---|---|---|---|---|---|
| | (Ckms) | (kms) | (kms) | (kms) | (kms) * | |
| 132 KV | | | | | | |
| Chiplima-Bolangir | 106·68 | 385·00 | 369·43 | 3·40 | 15·57 | 4·2 |
| Joda-Rairangpur | 106·00 | 331·06 | 320·85 | 3·03 | 10·21 | 3·2 |
| Jajpur-Paradip | 195·76 | 609·42 | 602·15 | 3·08 | 7·27 | 1·2 |
| Kesinga-Bolangir | 66·73 | 237·55 | 211·32 | 3·17 | 26·23 | 12·4 |
| 220 KV | | | | | | |
| Talcher-Joda | 146·91 | 447·89 | 443·21 | 3·02 | 4·68 | 1·1 |

*Kgs. Converted in Kms.

It will be seen that 3·02 kms of conductors were utilised per km of the line in respect of 220 KV line from Talcher to Joda executed through a contractor while in other works executed departmentally, 3.03 to 3.40 kms of conductors were consumed per km of the line. The value of excess consumption in 4 lines (132 KV) compared to the line (220 KV) executed through the contractor worked out to Rs. 7.45 lakhs. The percentage of scrap to actual consumption of conductors was on higher side in respect of three lines. The reasons for excess utilisation and higher percentage of scrap have not been analysed (April 1982).

(b) Tension insulators

| Name of line | Requirement | Actual issue | Wastage | Percentage of waste to requirement |
|---|---|---|---|---|
| | (In | numbers) | | |
| Kesinga-Bolangir 132 KV line | 1860 | 2863 | 1003 | 53·9 |
| Talcher-Rourkela 220 K V D/C line | 11,160 | 12,301 | 1,141 | 10·2 |
| Jajpur-Paradip 132KVD/C | 7,140 | 7,750 | 610 | 8·5 |
| Joda-Talcher 220KVD/C line | 5,566 | 6283 | 717 | 13·0 |

In respect of 220 KV line (Talcher-Joda) awarded to a contractor, normal wastage was stipulated at 2 *per cent*. Compared to this, the actual wastage ranged from 8.5 to 53.9 *per cent*. The value of excess wastage worked out to Rs. 2·19 lakhs. The reasons for excess wastage had not been investigated (April 1982).

### 8.7.8. Procurement of materials

A test check (August 1981) of 3 works accounts revealed that materials valued at Rs. 30·39 lakhs were either procured much in advance of requirements or without any need as shown below:

| Name of the work | Name of the material | Quantity | Value (Rupees in lakhs) | Remarks |
|---|---|---|---|---|
| 220 KV Double circuit line from Talcher to Rourkela | Tower materials | 320·230 tonnes | 15·88 | The materials were procured and stored at the site of works during the period November 1977 to March 1978 while these were likely to be required during 1981-82. |
| 220 KV second circuit line from Joda to Talcher | Sheep conductor | 46·84 kms | 8·93 | Out of 490·15 kms drawn for the work between January and March 1977, 443·210 kms was used in the work. The balance quantity was treated as scrap, while the actual quantity of scrap as per records was only 4·68 kms. The circumstances under which 42·16 kms (value: Rs. 8·38 lakhs) became scrap were not available. The materials were lying at the site of work (July 1981) |
| 132 KV line from Berhampur to Aska | Lynx conductor | 76·14 kms | 5·58 | The material was drawn for the work in March 1977. As the conductor was not required for the work it was returned (June 1980) to stores as scrap. The circumstances under which the materials got damaged without being used, had not been investigated. |
| | | | 30·39 | |



### 8.7.9. Payment of Customs duty

The Board placed seven purchase orders between (April/May 1975) on foreign suppliers for import of equipments/materials covered by IDA credit. The consignments arrived at Calcutta port between June 1976 and May 1978. Deliveries were taken (January 1977 to May 1978) on payment of Rs. 1,07·20 lakhs towards customs duty.

According to the prescribed tariff, customs duty on materials, imported for use on projects is assessable at a concessional rate of 40 *per cent* of normal rates, if the import licences are embossed with the words 'Project imports' by the Chief Controller of Imports and Exports (CCIE).

The Board approached (March 1977) the Central Electricity Authority (CEA) for certifying that these imports were intended for excecution of projects covered by IDA credit. Accordingly the CEA recommended (April 1977) to CCIE for necessary embossment of the Import Licences. The licences were finally embossed in May 1978 and in the mean time the materials had been got released from the port after paying the customs duty at normal rates. Customs duty payable at concessional rates against these imports worked out to Rs. 42·88 lakhs.

The Board preferred (May-October 1978) 17 claims with the Assistant Collector, Customs for refund of Rs. 64·32 lakhs being the customs duty paid in excess. Of these, 10 claims for Rs. 24·65 lakhs were rejected (December 1978) as time-barred under section 27 of the Customs Act, 1962.

Appeals were filed by the Board before Appellate Collector of Customs in July 1979. Of these, 9 cases were rejected (October 1979) by the Appellate Collector of Customs, Calcutta, on the ground that original claims were rejected as time-barred under section 27 of the Act which was mandatory. In the other case, the appeal was rejected (October 1979) on the ground that benefit of assessment could not be granted since the contract was not registered with the Custom House under Project Import Rules. The Board submitted revision appeals in all the 10 cases (April 1980: 9 cases and July 1980: 1 case). Final orders were awaited (April 1982).

Information called for (September 1981) as to whether refund relating to the balance of 7 claims for Rs. 39.67 lakhs was obtained, was awaited from the Board (May 1982).

**8.7.10. Interest payment on delayed deposits of rupee equivalent.**

According to the prescribed guidelines for direct payment procedure relating to imports against IDA credit, the importer was required to deposit into the Government account the rupee equivalent of the value of goods, calculated at the composite rate of exchange, prevailing on the date of such deposit. Based on such deposits, the Government of India would authorise the IDA authorities to make disbursement to the foreign suppliers; on receipt of intimation about the disbursement, the rupee equivalent was to be recalculated by the Government of India at the composite rate prevailing on the date of actual disbursement and the importer was required to make a further deposit, if there was a shortfall. In case of delay in depositing the shortfall in earlier deposit, interest was payable at 9 *per cent* per annum for the first 30 days and at 15 *per cent* per annum thereafter, reckoned from the date of making payment to foreign suppliers.

The Board paid (May 1977 to June 1979) additional deposits amounting to Rs. 67·56 lakhs in 20 cases after delay of 1 to 25 months involving interest liability of Rs. 6·70 lakhs.

**8.7.11. Purchase of tower materials**

The Board placed (April 1975) a purchase order with firm 'K' of Bombay for supply of 3,485.93 tonnes of tower materials required for the work "220 KV DC line from Talcher to Rourkela" at a



rate of Rs. 4,770 per tonne. Two extension orders were placed in September and November 1977 for supply of further quantities of 320·23 tonnes and 64·00 tonnes respectively. The purchase orders stipulated payment for tower materials on the basis of actual weight supplied, if the actual weight of supply was less than the designed weight. In case the actual weight exceeded the design weight, payment was to be restricted to the design weight.

In respect of these 3 orders, the supplies against which were completed between December 1975 and June 1978, the actual weight of the towers exceeded the design weight by 42·355 tonnes but payments were made between March 1976 to November 1979 on the basis of actual weight without restricting to design weight involving an excess payment of Rs. 2.07 lakhs. No action had been taken to get refund of the excess amount paid (May 1982).

**Payments to contractor**

(a) Ground levelling

*(i)* The contract for erection of sub-stations entered into with the contractor (January 1978) provided for a rate of Rs. 1·50 per sq.m. for levelling of ground. According to the Chief Construction Engineer (August 1978), in respect of 5 out of 7 sub-stations, levelled ground was provided to the contractor. Payment was, however, made for levelling of ground for these sub-stations for a total quantity of 30,368·32 sq.m. involving Rs. 0·46 lakh.

*(ii)* In the case of other two sub-stations (viz., Rourkela and Rairangpur) a revised rate of Rs. 6 per cum was sanctioned (August 1978) for levelling of the sub-stations' yard. According to the prescribed specification forming part of the contract (January 1978) excavation, depositing and spreading of the excavated earth was to be done within the area selected and in the manner directed by the Engineer-in-charge. The rate for excavation covered filling in the depressed area of the ground. Scrutiny of the detailed measurements for the levelling item of work in the case of these sub-stations (August 1981) indicated that although the

rate for excavation covered the work relating to filling of earth, the quantity of earth filled in (6677 cum) had been added to the quantities excavated and payments made resulting in excess payment (at Rs. 6 per cum) of Rs. 0·40 lakh.

(b) Erection of equipments

The contract (January 1978) provided for a rate of Rs. 450 per tonne for erection of structures. Separate rates were provided for erection of equipment along with supports for equipments.

Scrutiny of detailed measurements in respect of 5 sub-stations revealed (August 1981) that erection of equipment supports (177·552 tonnes) was paid (March 1981) for separately and was also included in the quantity for erection of structure, resulting in an excess payment of Rs. 0·80 lakh. No action was initiated for obtaining refund of the amount (April 1982).

It was noticed that survey for the work 132 KV single circuit line was done by Electrical Construction Division during April to June 1972 at a cost of Rs. 0·38 lakh. As the markings of the original survey were not traceable, fresh survey was done by another division during August 1976 to May 1977. The expenditure on orig inal survey had thus become infructuous.

**8.7.12. Summing up**

(*i*) The EHT lines were intended for stabilisation of transmission system by reducing voltage drop and also, with the aid of other system improvement works, to secure economy by reduction of transmission losses. As against the targets of 755 ckms of 220 KV lines and 1,000 ckms of 132 KV lines to be completed by April 1980, only 147 ckms of 220 KV lines and 551·34 ckms of 132 KV lines were constructed up to March 1981.



(*ii*) There was shortfall in drawal of loans from REC to the extent of Rs. 156·64 lakhs in respect of schemes undertaken during the Fifth Five Year Plan. In respect of these schemes expenditure up to 1979-80, exceeded the estimated cost (revised) by Rs. 17·14 lakhs.

(*iii*) In respect of schemes relating to the Sixth Five Year Plan, part of the loan (Rs.20.79 lakhs) against first instalment was yet to be drawn although loan was sanctioned in March 1980. Second instalment of loan (Rs. 151·75 lakhs) could not be drawn as funds released against earlier instalment had not been utilised.

(*iv*) Erection of Theruvali-Kesinga line originally contemplated to be taken up departmentally was entrusted to a Government Company after six years of sanction of the estimate. Materials drawn for the work (Rs. 136·90 lakhs) remained unutilised and there was also infructuous expenditure on labour and survey (Rs. 6·58 lakhs). The work was awarded to a Government Company at Rs. 21,000 per km against the departmental cost of Rs. 15,000 per km involving an additional expenditure of Rs 6·24 lakhs.

(*v*) Idle capital outlay on Khurda—Ganjam line on account of change in the scope of work amounted to Rs. 168·54 lakhs. Infructuous expenditure on survey was Rs. 0·71 lakh.

(*vi*) Delay in completion of sub-stations for periods ranging from 5 months to 28 months resulted in delay in energisation of lines completed at a cost of Rs. 1056·40 lakhs.

(*vii*) The percentage of transmission losses was more than the projected losses and also exceeded the losses estimated without corrective steps. The value of losses in excess of the projected losses worked out to Rs. 849·75 lakhs during the 4 years up to 1980-81.

*(viii)* There was excess consumption of materials in construction of 4 lines to an extent of Rs. 7·45 lakhs.

*(ix)* Materials of the value of Rs. 30·39 lakhs were either procured in advance of requirement or without any need.

*(x)* Due to delay in getting the import licences embossed with the words "Project imports" there was excess payment of customs duty to the extent of Rs. 64·32 lakhs.

*(xi)* There was interest liability of Rs. 6·70 lakhs on account of delay (1—25 months) in payment of rupee equivalent relating to imports against IDA credit.

*(xii)* There were excess payments in purchase of tower members (Rs. 2·07 lakhs) and in levelling of sub-station grounds and erection of equipment (Rs. 1·66 lakhs).

*(xiii)* There was infructuous expenditure of Rs. 0·38 lakh on account of survey.

The matter was reported to the Board/Government in February 1982; replies were awaited (July 1982).

### 8.8. Other topics of interest

### 8.8.1. Construction of control room for 132 KV sub-station at Paradip.

On the basis of tenders invited in November 1976, Executive Engineer, Civil Works Division, awarded (May 1977) the work of construction of the control room for the 132 KV sub-station at Paradip to contractor 'S', at Rs. 1.91 lakhs. The work was to be completed by May 1978. After executing a portion of the work (value : Rs. 1·05 lakhs) 'S' expressed his inability (August 1979) to complete the work mainly due to non-supply of construction



materials like cement and MS rods by the Board and also due to escalation in the cost of labour and material and revision of State schedule of rates in January 1979. The Executive Engineer rescinded (November 1979) the contract and got the balance work left over by 'S' completed (February 1981) by another contractor 'T' (value: Rs. 1 lakh) and job workers (value: Rs. 1·07 lakhs). Thus the total expenditure on the work amounted to Rs. 3·12 lakhs against the original work order value of Rs. 1·91 lakhs resulting in an extra expenditure of Rs. 1·21 lakhs which could not be recovered from the contractor by the Board due to delay in supplying the materials required for the work.

The matter was reported to the Board/Government (October 1981); replies were awaited (June 1982).

### 8.8.2. Idle wages

Between August 1974 and July 1978 three trucks (one from August 1974, another from October 1974 and the third from October 1975), one pick-up van (from July 1975) and one tractor trailer (in April 1973) went out of order, in Khurda and Kendrapara electrical divisions of the Board. In addition, one launch at 'Aul' under Kendrapara Electrical Division went out of order since October 1977. The staff (6 drivers and 4 helpers) engaged on these vehicles and launch were not transferred to other divisions for gainful utilisation of their services. The expenditure of Rs. 0·94 lakh incurred on the pay and allowances of the staff (from the month subsequent to the month from which the vehicles and launch went out of order) up to March 1981 had thus proved to be infructuous. The Executive Engineer, Khurda Electrical Division stated (May 1980) that the proposal for transfer of these staff members was being submitted to the appointing authority.

The matter was reported to the Board/Government (December 1981); replies were awaited (June 1982).

**8.8.3. Delayed payment of Employees Provident Fund**

According to the Employees Provident Fund (EPF) Act, 1952, the contributions recovered from the employees/workers together with the employer's share and administration charges relating to a month are required to be remitted to the Regional Provident Fund Commissioner before 15th of the following month and in case of default, the Commissioner could impose damages not exceeding the amount of arrears.

Between January 1967 and September 1977, 8 divisions had not paid Rs. 51.41 lakhs representing the contributions together with employer's share and administration charges in time and the period of delay ranged from 2 to 1,470 days. During April to July 1979, the Regional Provident Fund Commissioner imposed damages up to Rs. 23·20 lakhs which were subsequently reduced to Rs. 14·33 lakhs. Of this, a sum of Rs. 12·69 lakhs was paid (March/August 1981); the balance amount was yet to be paid (June 1982).

The matter was referred to the Board (October 1981)/ Government (November 1981); replies were awaited (June 1982).

**8.8.4. Unauthorised reduction of contract demand**

The Board entered (May 1978) into an agreement with a Co-operative Mill, 'K' for supply of electricity at 250 KVA, 750 KVA and 1,200 KVA with effect from May 1978, September 1978 and March 1979 respectively. The consumer was being billed minimum charges as no meter to record consumption was installed. The consumer requested (January 1979) the Board for revision of the contract demand to 250 KVA, 500 KVA, 750 KVA, 1,000 KVA and 1,200 KVA with effect from February, March, April, May and June 1979 respectively. The Executive Engineer, Dhenkanal Electrical Division from whose jurisdiction the consumer was getting supply of energy, revised (June 1979) the bills for February to May 1979 without proper sanction. The Board, thus, sustained



a loss of Rs. 0·42 lakh on account of unauthorised revision of bills. The revision of the bills also had not been ratified by the competent authority so far (June 1982).

The matter was reported to Board (November 1981)/Government (May 1982); replies were awaited (June 1982).

V. Ramanathan

(V. RAMANATHAN)
*Accountant General-II, Orissa*

BHUBANESWAR
The 2 4 FEB 1983

Countersigned

G. Prakash

(GIAN PRAKASH)
*Comptroller and Auditor General of India*

NEW DELHI
The 8 MAR 1983

# APPENDICES

# APPENDIX 'A'

(Reference : Paragraph 1.2, Page 1)

**Summarised financial results of working of Government Companies on the basis of the latest available accounts**

| Sl. No. | Name of the Company | Name of the Department | Date of incorporation | Year of account | Total capital invested | Profit (+)/ loss (—) | Total interest charged to profit and loss account | Interest on long-term loans | Total return on capital invested (7+9) | Capital employed | Total return on capital employed (7+8) | Percentage of total return on capital invested | Percentage of return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) |
| | A—Companies wholly owned by State Government | | | | | | | | | | | | |
| | | | | | | Rupees in lakhs | | | | | | | |
| 1 | Industrial Development Corporation of Orissa Limited | Industries .. | 29th March 1962 | 1977-78 | 31,52·97 | (—)17·84 | 1,76·05 | 80·09 | 62·25 | 28,44·10 | 1,58·21 | 2·00 | 5·6 |
| 2 | Sonepur Spinning Mills Limited | Industries .. | 4th January 1980* | 1980-81 | 48·12 | .. | .. | .. | .. | 8·64 | .. | .. | .. |
| 3 | Industrial Promotion and Investment Corporation of Orissa Limited | Industries .. | 12th April 1973 | 1980-81 | 8,59·89 | (+)7·24 | 8·19 | 8·18 | 15·42 | 7,58·16 | 15·43 | 1·80 | 2·0 |
| 4 | Konark Watch Company Limited | Industries .. | 22nd November 1978** | 1978-79 | 5·07 | .. | .. | .. | .. | 4·58 | .. | .. | .. |
| 5 | Orissa Forest Corporation Limited | Forest, Fisheries and Animal Husbandry | 28th September 1962 | 1976-77 | 93·00 | (+)18·71 | 33·92 | .. | 18·71 | 2,69·59 | 52·63 | 20·1 | 19·5 |
| 6 | Orissa State Cashew Development Corporation Limited | Agriculture .. | 6th April 1979 | 1979-80 | 13·34 | (—)2·26 | .. | .. | (—)2·26 | 10·36 | (—)2·26 | – | .. |

| Sl. No. | Name of the Company | Name of the Department | Date of Incorporation | Year of account | Total capital invested | Profit (+)/ loss (—) | Total interest charged to profit and loss account | Interest on long-term loans | Total return on capital invested (7+9) | Capital employed | Total return on capital employed (7+8) | Percentage of total return on capital invested | Percentage of return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) |
| | | | | | | Rupees in lakhs | | | | | | | |
| 7 | New Mayurbhanj Textiles Limited | Industries .. | 2nd June 1976 | 1977-78 | 0·93 | (—)0·03 | 0·06 | .. | (—)0·03 | 1·58 | 0·03 | .. | .. |
| 8 | Orissa Tourism Development Corporation Limited | Tourism .. | 3rd September 1979 | 1979-80 | 3·00 | (—)0·62 | .. | .. | (—)0·62 | 2·03 | (—)0·62 | .. | .. |
| 9 | Orissa Fisheries Development Corporation Limited | Forest, Fisheries and Animal Husbandry | 8th August 1962 | 1977-78 | 48·88 | (—)2·10 | 0·90 | 0·90 | (—)1·20 | (—)3·95 | (—)1·20 | .. | .. |
| | B—Companies partly owned by the State Government | | | | | | | | | | | | |
| 10 | Orissa Agro Industries Corporation Limited | Agriculture .. | 20th October 1961 | 1976-77 | 1,68·70 | (—)20·30 | 1·32 | 0·27 | (—)20·03 | (—)1,61·88 | (—)18·98 | .. | .. |
| 11 | Orissa Road Transport Company Limited | Commerce and Transport | 1st October 1950 | 1978-79 | 1,06·45 | (—)38·84 | 6·87 | 6·87 | (—)31·97 | 91·63 | (—)31·97 | .. | .. |

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

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

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

* The Company capitalised the revenue expenditure (Rs. 3·56 lakhs) since it is under construction.

** This was the first account for the period from 22nd November 1978 to March 1979.

## APPENDIX 'B'

(Reference: Paragraph 1·2, Page 1)

### Statement showing arrears in accounts

| Sl. No. | Name of the Company | Year fom which accounts are in arrears |
|---|---|---|
| | (a) Companies wholly owned by State Government— | |
| 1 | Orissa State Commercial Transport Corporation Limited | 1975-76 |
| 2 | Orissa Lift Irrigation Corporation Limited .. | 1975-76 |
| 3 | Leather Corporation of Orissa Limited .. | 1976-77 |
| 4 | Orissa Small Industries Corporation Limited ... | 1977-78 |
| 5 | Orissa Forest Corporation Limited .. | 1977-78 |
| 6 | Orissa Construction Corporation Limited ... | 1977-78 |
| 7 | Industrial Development Corporation of Orissa Limited | 1978-79 |
| 8 | Orissa Mining Corporation Limited ... | 1978-79 |
| 9 | Orissa State Handloom Development Corporation Limited | 1978-79 |
| 10 | New Mayurbhanj Textiles Limited .. | 1978-79 |
| 11 | Orisssa Fisheries Development Corporation Limited | 1978-79 |
| 12 | Film Development Corporation of Orissa Limited | 1979-80 |
| 13 | Orissaa Maritime and Chilka Area Development Corporation Limited | 1979-80 |
| 14 | Similipahar Forest Development Corporation Limited | 1979-80 |



| Sl. No. | Name of the Company | Year from which accounts are in arrears |
|---|---|---|
| 15 | Orissa Fish seed Development Corporation Limited | 1979-80 |
| 16 | Orissa Police Housing and Welfare Corporation Limited | 1979-80 |
| 17 | Orissa State Cashew Development Corporation Limited | 1980-81 |
| 18 | Orissa Tourism Development Corporation Limited | 1980-81 |
| 19 | Orissa State Civil Supplies Corporation Limited | 1980-81 |
| | (b) Companies partly owned by State Government— | |
| 20 | Mayurbhanj Textiles Limited .. | 1971-72 |
| 21 | Orissa Agro Industries Corporation Limited .. | 1977-78 |
| 22 | Orissa Road Transport Corporation Limited .. | 1979-80 |
| 23 | Orissa State Seeds Corporation Limited .. | 1979-80 |
| | (c) Subsidiary Companies— | |
| 24 | East Coast Salt and Chemical Industries Limited | 1976-77 |
| 25 | Hira Steels and Alloys Limited* .. | 1976-77 |
| 26 | Konark Watch Company Limited .. | 1979-80 |
| 27 | Konark Detergents and Soaps Limited .. | 1978-79 |
| | (d) Pilot Project Companies— | |
| | (i) Companies working— | |
| 28 | Orissa Agrico Limited .. | 1969-70 |
| 29 | Orissa Boat Builders Limited .. | 1971-72 |
| 30 | Cuttack Iron and Steel Products Limited .. | 1968-69 |
| 31 | Orissa Instrument Company Limited .. | 1977-78 |
| 32 | Spark Battery and Manufacturing Works Limited | 1972-73 |

*Under Liquidation as per the orders of the High Court, Orissa.

| Sl. No. | Name of the Company | Year from which accounts are in arrears |
|---|---|---|
| | *(ii)* Companies where the assets are sold— | |
| 33 | Orissa Board Mills Limited .. | 1968-69 |
| 34 | Orissa Electrical Manufacturers Limited .. | 1967-68 |
| 35 | Eastern Acquatic Products (India) Limited .. | 1973-74 |
| 36 | Gajpati Steel Industries Limited .. | 1969-70 |
| 37 | Manufacture Electro Limited .. | 1962-63 |
| | *(iii)* Companies under revival— | |
| 38 | Modern Electronics Limited ... | 1967-68 |
| 39 | Premier Bolts and Nuts Company Limited ... | 1967 |
| 40 | Orissa Tiles Limited ... | 1976-77 |
| | *(e)* Companies under liquidation— | |
| 41 | Orissa Sports Manufacturing and Fabrication Limited (August 1972) | 1963-64 |
| 42 | Cocacola (India) Limited (May 1964) .. | 1963-64 |
| 43 | Hansanath Ceramic Industries Limited (May 1972) | 1963-64 |
| 44 | Kalinga Fruit Products Limited (January 1964) | 1963-64 |
| 45 | Madhusudan Chemical Industries Limited (January 1971) | 1963-64 |
| 46 | Orissa Trunk and Enamel Works Limited (January 1971) | 1963-64 |
| 47 | Konark Processing works Limited (January 1971) | 1963-64 |
| 48 | Balanga Iron Works Limited (July 1971) .. | 1965-66 |



| Sl. No. | Name of the Company | Year from which accounts are in arrears |
|---|---|---|
| 49 | Utkal Fruit Products Limited (July 1966) | 1966-67 |
| 50 | Orissa Wood Products Limited (March 1972) | 1967-68 |
| 51 | Chilka Cashew Manufacturing Works Limited (August 1971) | 1967-68 |
| 52 | Kalinga Steel and Wire Products Limited (August 1971) | 1968-69 |
| 53 | Orissa Timber Products Limited (September 1972) | 1968-69 |
| 54 | Manorama Foundry Works Limited (March 1972) | 1968-69 |
| 55 | Modern Malleable Casting Company Limited (March 1976) | 1973-74 |

*(f)* Companies in which Government shares were sold—

| Sl. No. | Name of the Company | Year (s) for which accounts were in arrears |
|---|---|---|
| 56 | Jagannath Chemical and Pharmaceutical Works Limited | 1965-66 to 1971-72 |
| 57 | Orissa Foundry Company Limited .. | 1968-69 |
| 58 | Kalinga Foundry Limited .. | 1970-71 and 1971-72 |
| 59 | Utkal Metal Products Limited .. | 1970-71 |
| 60 | Utkal Foundry and Engineering Company Limited | 1976-77 to 1977-78 |
| 61 | Rourkela Fabrication Industries Limited .. | 1978-79 |

*Note*—The date in brackets indicates the date from which the companies went into liquidation.

 

APPENDIX 'C'

(Reference Paragraph 7·1 Page 117)

**Summarised financial results of working of Statutory Corporations as per latest available accounts**

| Sl. No. | Name of the Corporation | Name of the Department | Date of incorporation | Year of account | Total capital invested | Profit (+)/ loss (—) | Total interest charged to profit and loss account | Interest on long-term loan | Total return on capital invested (7+9) | Capital employed | Total return on capital employed (7+8) | Percentage of total return on capital invested | Percentage of return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) |
| | | | | | | (Rupees in lakhs) | | | | | | | |
| 1 | Orissa State Electricity Board | Irrigation and Power | March 1961 | 1980-81 | 38,647·91 | .. | 4,278·60 | 4,278·60 | 4,278·60 | 30,365·70 | 4,278·60 | 11·1 | 13·2 |
| 2 | Orissa State Financial Corporation | Industries .. | March 1956 | 1980-81 | 4,418·21 | (+)38·37 | 230·44 | 230·44 | 268·81 | 3,717·13 | 268·81 | 6·01 | 7·2 |
| 3 | Orissa State Road Transport Corporation | Commerce and Transport | May 1974 | 1978-79 | 1,1 93·73 | (—)111·81 | 66·93 | 66·93 | (—)44·88 | 770·23 | (—)44·88 | .. | .. |
| 4 | Orissa State Warehousing Corporation | Agriculture and Co-operation | March 1958 | 1980-81 | 95·18 | (+) 3·40 | 0·27 | .. | 3·40 | 112·97 | 3·67 | 3·6 | 3·2 |

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

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

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

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