Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended March 2015

Government of Odisha

Report No. 2 of the year 2016

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TABLE OF CONTENTS

Annexures

PREFACE

This report deals with the results of audit of Government Companies and Statutory Corporations for the year ended March 2015.

The accounts of Government Companies (including companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 and Section 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2014-15 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2014-15 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

Overview

1. Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956 and Section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by the CAG. These financial statements are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2015, the State of Odisha had 47 working PSUs (44 Companies and 3 Statutory Corporations) and 28 non-working PSUs (all Companies), of which working PSUs employed 0.19 lakh employees. Working PSUs registered a turnover of ₹16,474.01 crore as per their latest finalised accounts as of 30 September 2015. This turnover was equal to 5.30 per cent of State GDP indicating an important role played by State PSUs in the economy. Working PSUs earned an aggregate profit of ₹1199.70 crore and had accumulated profits of ₹555.36 crore as per their latest finalised accounts as of September 2015.

Investment in PSUs

As on 31 March 2015, investment (capital and long-term loans) in 75 PSUs was ₹12,928.02 crore. It increased by 26.44 per cent from ₹10,224.98 crore in 2010-11 to ₹12,928.02 crore in 2014-15. Increase in investment was mainly due to increase in capital and loan in service sector. Share of investment in service sector increased from 2.14 per cent in 2010-11 to 30.92 per cent in 2014-15.

Performance of PSUs

Out of 47 working PSUs, 28 PSUs earned profit of ₹2,006.48 crore and nine PSUs incurred loss of ₹806.78 crore as per their latest finalised accounts during October 2014 to September 2015. One PSU prepared its accounts on 'no profit no loss' basis while nine PSUs have not yet started their operation/commercial production. Major contributors to profit were The Odisha Mining Corporation Limited (₹1,487.10 crore), Odisha Power Generation Corporation Limited (₹229.63 crore), Odisha Power Transmission Corporation Limited (₹52.30 crore) and Odisha State Beverages Corporation Limited (₹49.56 crore). Heavy losses were incurred by GRIDCO Limited (₹679.80 crore), Odisha State Financial Corporation (₹77.40 crore) and Odisha Rural Housing and Development Corporation Limited (₹31.71 crore). Losses are attributable to various deficiencies in the functioning of PSUs.

Quality of accounts

Quality of accounts of PSUs needs improvement. Out of 43 accounts finalised during October 2014 to September 2015, 42 accounts received qualified certificates and one account (GRIDCO Limited) received adverse certificate from Statutory Auditors. There were 43 instances of non-compliance with Accounting Standards in 21 accounts. Reports of Statutory Auditors on internal control of companies indicated several weak areas.

Arrears in accounts and winding up

29 working PSUs had arrears of 54 accounts as of 30 September 2015, of which 25 accounts pertained to earlier years and the remaining were 2014-15 accounts. There were 28 non-working PSUs including 17 under liquidation. Government may expedite closing down non-working PSUs for which closure/liquidation orders were already issued and for balance PSUs take appropriate action after exercising due diligence.

(Chapter 1)

2. Performance Audit relating to Government Company

Performance Audit relating to **"Operation and Maintenance Activities of Odisha Hydro Power Corporation Limited"** was conducted. Executive summary of the Audit findings are given below:

Odisha Hydro Power Corporation Limited (OHPC) was incorporated (21 April 1995) as a wholly owned State Government Company for generation of hydro power and maintenance of hydro power stations in the State. As on 31 March 2015, OHPC had six hydro electric projects (HEPs) with an aggregate installed capacity of 2,027.50 MW.

Planning

During the period 2010-15, no new hydro power projects were set up, resulting in non-augmentation of hydro power generating capacity of the State. Against the monthly and annual maintenance operation norm of 1,653 and 148 occasions respectively in six HEPs, OHPC undertook maintenance operation only on 1,091 and 66 occasions during 2010-15.

Water Management

OHPC utilised only 75.48 per cent of water available for generation due to stand by machine hours and excess forced outages.

Generation Performance

OHPC could not earn revenue of ₹63.58 crore towards capacity charges for 155 out of 360 months in six HEPs due to non-availability of plants for generation. The overall auxiliary consumption, inclusive of transformation loss, of six HEPs was beyond the norm fixed by OERC by 448.38 Million Units (MU). Despite availability of water and machines, OHPC sustained generation loss of 10,184.87 MU due to 1,28,792 standby hours during monsoon period. Due to non construction of bridge over Hati river, UIHEP utilised its capacity ranging between 23 and 64 per cent in monsoon period during 2010-15.

Outages

Against the norm of 10 per cent, there were excess forced outages in BHEP, HHEP and CHEP during 2010-15 by 9.85, 15.69 and 9.66 per cent respectively. This resulted in less generation of power of 3,243.158 MU and consequential loss of ₹133.35 crore towards capacity charges.

Repair and Maintenance

Delayed action in replacement of equipment and non-adherence to the suggestions of Original Equipment Manufacturer to carry out the additional repair work at BHEP along with failure to take timely replacement of shaft seal at HHEP led to shortfall in generation of 1,984.68 MU and loss of revenue of ₹38.08 crore towards capacity charges.

Renovation, Modernisation and Uprating (RMU) of power plants

Delay in taking up of RMU of various units at HHEP, CHEP and BHEP resulted in loss of generation of 1,093.463 MU power. Further, delay in completion of renovation and modernisation of unit 1 of RHEP resulted in loss of ₹2.16 crore to OHPC towards capacity charges.

Safety and security of dams and power houses

Safety regulations issued by CEA which became mandatory from February 2011, were not implemented by OHPC even after four years of the notification.

Recommendations

The Performance Audit contains four recommendations on need for preparing a perspective plan for increasing its installed capacity and carrying out RMU activity in time; preparing a comprehensive maintenance manual as per OEM Guidelines and carrying out scheduled maintenance of its HEPs in order to minimise forced outage; taking effective measures to maintain auxiliary consumption within the norm; and adherence to safety standards and implementation of safety regulations.

(Chapter 2)

3. Performance Audit relating to Statutory Corporation

Performance Audit relating to **"Working of Odisha State Warehousing Corporation"** was conducted. Executive summary of the Audit findings are given below:

Introduction

Odisha State Warehousing Corporation (OSWC) was established on 21 March 1958 under the Agricultural Produce (Development and Warehousing) Act, 1956 which was repealed and replaced by Warehousing Corporations Act, 1962 (Act). OSWC is a statutory body having paid-up Share Capital of ₹3.60 crore as on 31 March 2015 equally contributed by the Government of Odisha and Central Warehousing Corporation (CWC). It has its Head Office at Bhubaneswar with eight Zonal Offices and 63 warehouses with total storage capacity of 4.90 LMT (4.87 LMT owned and 0.03 LMT on hired basis). OSWC is under the administrative control of the Cooperation Department of Government of Odisha.

Planning

As against targeted capacity addition of 1.125 LMT during 2011-12 to meet the urgent requirement of the State, OSWC constructed godowns with 0.97 LMT capacity at 15 locations during 2011-15. Non-achievement of target was mainly due to delay in finalisation of tender by CWC, clearance of land disputes, getting forest clearance, delayed decision to shift the HT/LT line passing over the site and delay in completion of ancillary works. Failure of OSWC in handing over the site free from encumbrances to CWC for construction of godowns resulted in avoidable expenditure of ₹0.78 crore.

Capacity Utilisation

Out of 15 newly constructed godowns handed over by CWC, 12 godowns were utilised with a delay upto 195 days and one godown is yet to be utilised which resulted in loss of potential revenue of ₹1.28 crore towards storage charges. During 2010-15, average capacity utilisation of 10 warehouses was below 20 per cent and that of 11 warehouses was between 21 and 85 per cent resulting in low occupancy of 0.24 LMT (average) per year. Though utilisation of storage space by farmers during 2010-15 was minimal, no initiative was taken by OSWC to create awareness and to extend the benefits to the farmers as envisaged in the tariff policy.

Tariff Structure

In violation of general condition of storage, OSWC failed to levy interest amounting ₹4.05 crore though depositors failed to pay their dues within 30 days from the date of bill. Due to fixation of storage tariff for Odisha State Civil Supplies Corporation Limited (OSCSC) on negotiation basis at rates lower than CWC stipulated rate, OSWC sustained loss of ₹15.48 crore during 2010-14. OSWC failed to claim ₹1.38 crore for 2005-12 towards differential storage charges from FCI at guaranteed reservation rate for reservations made on non-guarantee basis.

Management of Warehouses

Due to deficient Malathion and Deltamethrin treatment, there were heavy infestation for which OSWC had to consume 6,341 Kg of Aluminium Phosphides. Failure to follow FIFO method resulted in deterioration of quality of foodgrains. OSWC did not collect ad-valorem surcharge from the depositors where storage charges were exclusive of insurance premium and failed to ensure insurance coverage of stocks by the depositors. Though commercial transactions of OSWC during 2010-15 increased considerably by 77 per cent i.e., from 12.33 to 21.83 LMT with capacity addition of 0.97 LMT, the manpower decreased by 17 per cent i.e., from 384 to 319.

Financial Management

Due to delay in decision, OSWC failed to avail subsidy of ₹8.44 crore under Grameen Bhandaran Yojana. During 2010-15, the outstanding warehousing charges for the year increased from ₹9.85 crore in 2010-11 to ₹44.33 crore in 2014-15. In view of non-availability of supporting documents, the chances of recovery of warehouse charges of ₹8.79 crore outstanding for the periods upto 2009-10 is remote. Though FCI/OSCSC has recovered ₹2.68 crore from the storage charges bills of OSWC due to excess storage losses beyond norms, OSWC neither analysed reasons nor took any initiative to minimise the losses.

Operation and Maintenance of Godowns

During 2010-15, 10 to 20 warehouses incurred loss of ₹2.39 crore due to low/nil occupancy and could not recoup the cost of operation. During 2010-15, OSWC, on 40 occasions, awarded contracts for repair and maintenance of head office, staff quarters, godowns, leak repair etc., valuing ₹48.93 lakh on job work basis by splitting the works on the plea of urgent nature of work and thereby avoided tendering procedure. Due to inordinate delay in decision for reconstruction and renovation through CWC, OSWC suffered potential loss of storage charges of ₹2.32 crore.

Monitoring and Internal Control

Monitoring and internal control system of OSWC was deficient and not commensurate with the size of OSWC and nature of its business.

Recommendations

Performance Audit contains five recommendations on need to rationalise augmentation of storage capacities so as to optimise utilisation of loss making warehouses/idle warehouses; create awareness among farmers and make available its godowns to farmers at reasonable rate; ensure scientific storage facility and adhere to quality control norms to avoid deterioration in quality of food grains and minimise storage loss; and strengthen monitoring and internal control system and develop a suitable MIS for effective warehouse management.

(Chapter 3)

4. Compliance Audit Observations

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

Two PSUs incurred avoidable expenditure of ₹ 235.25 crore and lost revenue of ₹ 0.87 crore due to non-compliance with rules, directives, procedures and terms and conditions of contracts.

(Paragraphs 4.8 and 4.10)

Three PSUs suffered loss of ₹ 42.94 crore and one PSU incurred extra expenditure of ₹ 0.69 crore due to non-safeguarding financial interests of organisations.

(Paragraphs 4.1, 4.2, 4.4, 4.6, 4.12.5, 4.12.9, 4.12.15, 4.12.17 and 4.12.18)

Three PSUs incurred avoidable expenditure of ₹ 1.89 crore and another PSU incurred wasteful expenditure of ₹ 5.35 crore and lost envisaged benefit of ₹ 18.26 crore due to defective/deficient planning.

(Paragraphs 4.3, 4.9, 4.11 and 4.12.4)

One PSU extended undue benefit of ₹ 0.98 crore to contractors and suffered loss of ₹ 2.68 crore due to lack of fairness, transparency and competitiveness in operations.

(Paragraph 4.7)

One PSU made excess payment of ₹ 3.62 crore and another PSU incurred extra expenditure of ₹ 3.09 crore due to inadequate/deficient monitoring.

(Paragraphs 4.5, 4.12.14 and 4.12.16)

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

Inappropriate decision by Odisha State Beverages Corporation Limited on availing of cash discount from suppliers led to extension of undue benefit of ₹ 9.75 crore to suppliers;

(Paragraph 4.1)

Delayed implementation of revised offer prices and inclusion of an inappropriate clause in the Liquor Sourcing Policy by Odisha State Beverages Corporation Limited led to loss of revenue of ₹ 1.22 crore and avoidable payment of ₹ 47.30 lakh towards insurance premium respectively;

(Paragraphs 4.2 and 4.3)

Non-recovery of dues towards weighment charges (₹ 5.59 crore) from the buyers; Irregular refund of Earnest Money Deposit/Commitment amount (₹ 0.98 crore) to the buyers in violation of the terms of tender/sales contracts; and excess payment (₹ 3.62 crore) due to adoption of higher wage component in the wage escalation formula by The Odisha Mining Corporation Limited resulted in extension of undue benefit of ₹ 10.19 crore;

(Paragraphs 4.4, 4.5 and 4.7,)

Fixation of floor price of chrome ore with +56 per cent Cr_2O_3 content considering 56 *per cent* Cr_2O_3 as the basis instead of 58 *per cent* by The Odisha Mining Corporation Limited resulted in loss of revenue of ₹ 2.72 crore;

(Paragraph 4.6)

Release of ₹ 232.51 crore by The Odisha Mining Corporation Limited for Peripheral Development and Corporate Social Responsibility activities was in contravention to its objectives and extant policies.

(Paragraph 4.8)

Violation of directions of Government and imprudent decision in rejection of L-1 bidder in procurement of cables by The Odisha Small Industries Corporation Limited coupled with procurement of RS Joist from private parties at a higher price resulted in avoidable expenditure of ₹ 2.74 crore and loss of revenue of ₹ 0.87 crore; and

(Paragraph 4.10)

Improper site selection for sub-station by Odisha Power Transmission Corporation Limited resulted in wasteful expenditure of ₹ 5.35 crore coupled with blockage of working capital of ₹ 9.34 crore and loss of envisaged benefit of ₹ 18.26 crore.

(Paragraph 4.9)

Odisha State Road Transport Corporation could not keep pace with the growing demand for public transport as its share was only 2.74 *per cent* in 2014-15. It sustained operating loss in all the years during 2012-15 due to operational inefficiencies in fleet utilisation, vehicle productivity, load factor etc.

(Paragraph 4.12)

Chapter I

1. Functioning of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2015, in Odisha there were 75 PSUs. Of these, one company[1] has listed its debt security on the Bombay Stock Exchange. During the year 2014-15, nine PSUs[2] came into the audit jurisdiction of the Comptroller and Auditor General of India (CAG). The details of the State PSUs in Odisha as on 31 March 2015 are given below.

Table 1.1: Total number of PSUs as on 31 March 2015

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies[4]	44	28	72
Statutory Corporations	3	--	3
Total	**47**	**28**	**75**

The working PSUs registered a turnover of ₹ 16,474.01 crore as *per* their latest finalised accounts as of September 2015. This turnover was equal to 5.30 *per cent* of State Gross Domestic Product (GDP) of ₹ 3,10,810.24 crore for 2014-15. The working PSUs earned an aggregate profit of ₹ 1,199.70 crore as *per* their latest finalised accounts as of September 2015. They had employed 0.19 lakh employees as at the end of March 2015.

As on 31 March 2015, there were 28 non-working PSUs existing from last four years from 2011-12 to 2014-15 and having investment of ₹ 103.86 crore.

Accountability framework

1.2 The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, "Government Company" means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of

[1] GRIDCO Limited

[2] (i) Brahmani Railways Limited (ii) Odisha Mineral Bearing Areas Development Corporation Limited (iii) Paradeep Plastic Park Limited (iv) Odisha Coal and Power Limited (v) Bhubaneswar Puri Transport Services Limited (vi) Western Odisha Urban Transport Service Limited (vii) Ganjam Urban Transport Service Limited (viii) Odisha State Medical Corporation Limited (ix) Odisha Sports Development and Promotion Company Limited

[3] Non-working PSUs are those which have ceased to carry on their operations.

[4] Government PSUs includes other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

such a Government Company. Further, as per sub-Section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

1.3 The financial statements of the Government companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as *per* the provisions of Section 139 (5) or (7) of the Act which shall submit a copy of the Audit Report to the CAG which, among other things, including financial statements of the Company under Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations, is governed by their respective legislation. Out of three Statutory Corporations, the CAG is the sole auditor for Odisha State Road Transport Corporation. In respect of Odisha State Warehousing Corporation and Odisha State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit by the CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19 A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Odisha

1.5 The State Government's stake in PSUs is mainly of three types:

- **Share Capital and Loans-** In addition to the Share Capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2015, the investment (capital and long-term loans) in 75 PSUs was ₹ 12,928.02 crore as *per* details given below

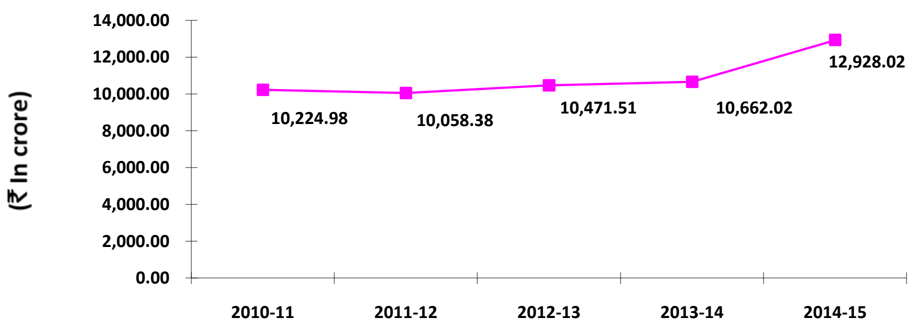
Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long-term Loans	Total	Capital	Long-term Loans	Total	
Working PSUs	2644.38	9492.51	12136.89	573.38	113.89	687.27	**12824.16**
Non-working PSUs	66.72	37.14	103.86	0	0	0	**103.86**
Total	**2711.10**	**9529.65**	**12240.75**	**573.38**	**113.89**	**687.27**	**12928.02**

As on 31 March 2015, of the total investment in State PSUs, 99.20 *per cent* was in working PSUs and the remaining 0.80 *per cent* in non-working PSUs. This total investment consisted of 25.41 *per cent* towards capital and 74.59 *per cent* in long-term loans. The investment has grown by 26.44 *per cent* from ₹ 10,224.98 crore in 2010-11 to ₹ 12,928.02 crore in 2014-15 as shown in the following graph.

Chart 1.1: Total investment in PSUs



Investment (Capital and Long-term loans)

1.7 The sector wise summary of investments in the State PSUs as on 31 March 2015 is given below:

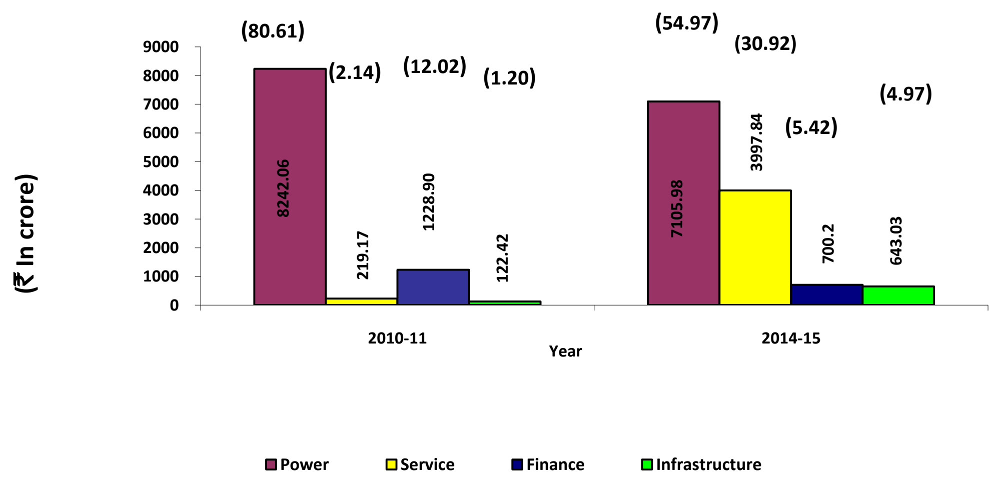
Table 1.3 : Sector-wise investment in PSUs

(₹ in crore)

Name of Sector	Government/ Other Companies		Statutory Corporations	Total Investment
	Working	Non-Working	Working	
Agriculture & Allied	129.59	0.36	--	129.95
Finance	181.25	--	518.95	700.2
Infrastructure	643.03	--	--	643.03
Manufacturing	259.46	85.42	--	344.88
Power	7105.98	--	--	7105.98
Service	3815.04	18.08	164.72	3997.84
Miscellaneous	2.54	--	3.6	6.14
Total	**12136.89**	**103.86**	**687.27**	**12928.02**

The investment in four significant sectors and percentage thereof at the end of 31 March 2011 and 31 March 2015 are indicated in the following bar chart.

Chart 1.2: Sector wise investment in PSUs



(Figures in brackets show the sector percentage to total investment)

The thrust of PSU investment was mainly in service sector and infrastructure sector, which increased from 2.14 to 30.92 *per cent* and from 1.20 to 4.97 *per cent* respectively during 2010-11 to 2014-15. However, investment in power sector and finance sector decreased from 80.61 to 54.97 *per cent* and from 12.02 to 5.42 *per cent* respectively during 2010-11 to 2014-15.

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived in respect of State PSUs are given in **Table 1.4** for three years ended 2014-15.

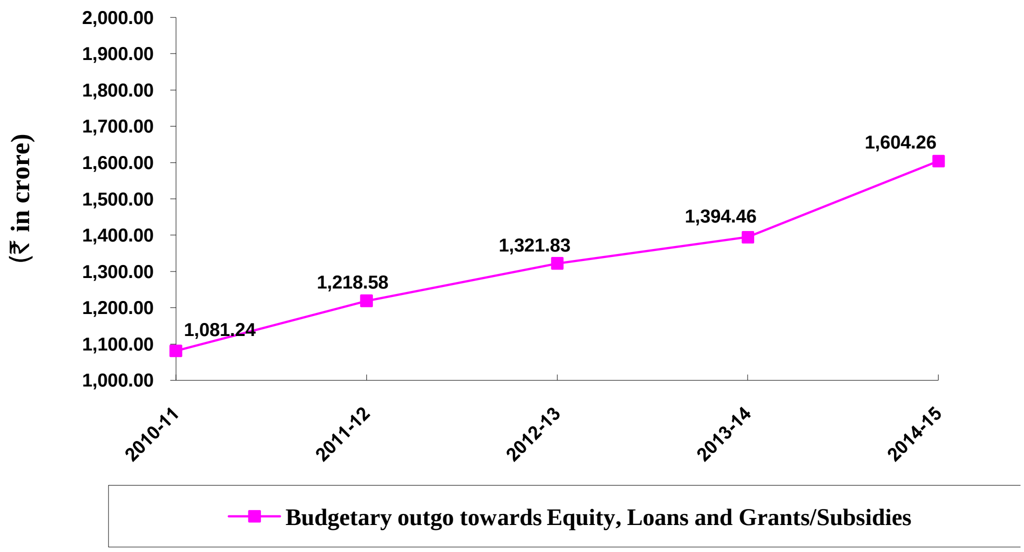
Table 1.4 : Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	61.72	2	58.00	3	74.00
2.	Loans given from budget	--	--	--	--	--	--
3.	Grants/Subsidy from budget	11	1260.11	9	1336.46	11	1530.26
4.	**Total Outgo (1+2+3)**	**13**	**1321.83**	**10**	**1394.46**	**12**	**1604.26**
5.	Waiver of loans and interest	2	2.28	2	2.28	1	3.15
6.	Guarantees issued	--	--	1	463.50	1	236.00
7.	Guarantee Commitment	2	2274.15	1	2001.37	2	1719.63

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

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



It may be noticed that year-wise budgetary outgo of the State towards equity, loans and grants/subsidy to State PSUs showed increasing trend from 2010-11 and touched the highest figure of ₹ 1,604.26 crore during 2014-15 mainly due to release of subsidy of ₹ 1,212.08 crore to Odisha State Civil Supplies Corporation Limited and equity contribution of ₹ 50 crore to Odisha Power Transmission Corporation Limited.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Odisha State Guarantee Guidelines of November, 2002 subject to the limits prescribed by the Constitution of India, for which guarantee fee is being charged. The rate is 0.50 *per cent* on the maximum of the guarantee sanctioned irrespective of amount of loan actually availed or outstanding thereagainst. The guarantee commitment decreased from ₹ 2,274.15 crore during 2012-13 to ₹ 1,719.63 crore during 2014-15. Further, four PSUs paid guarantee commission to the tune of ₹ 10.31 crore during 2014-15. There were four[5] PSUs which did not pay guarantee commission during the year and accumulated outstanding guarantee commission thereagainst was ₹ 73.72 crore as on 31 March 2015.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2015 is stated in the following table.

Table 1.5 : Equity, loans and guarantees outstanding as per Finance Accounts *vis a vis* records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2681.31	2539.15	142.16
Loans	Not Available	3235.91	--
Guarantees	1563.01	1719.63	156.62

Audit observed that differences occurred in respect of 30 PSUs[6] and some of the differences were pending for reconciliation since many years. Office of the Principal Accountant General (PAG) had from time to time written to the Administrative Departments of the State PSUs concerned highlighting the issue of long pending differences for early reconciliation, the latest being during March 2015. The Administrative Departments had also directed the PSUs to reconcile the differences. However, no significant progress was noticed. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e., by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under Section 99 of the Act. Similarly, in case of statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Table 1.6 provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2015.

[5] Sl. Nos A-12, 27, 28 and 30 of **Annexure 2**
[6] Including 8 non-working PSUs

Table 1.6 : Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
1.	Number of Working PSUs/other companies	35	36	37	38	47
2.	Number of accounts finalised during the year	39	30	35	38	43
3.	Number of accounts in arrears	39	45	47	47	54
4.	Number of Working PSUs with arrears in accounts	25	29	30	27	29
5.	Extent of arrears (numbers in years)	1 to 5 years	1 to 4 years	1 to 5 years	1 to 6 years	1 to 7 years

The number of accounts in arrears has increased from 39 in 2010-11 to 54 in 2014-15, which indicates that there was no considerable improvement in clearance of arrear accounts. Though, 43 accounts of 35 PSUs were finalised as of September 2015, still 29 PSUs[7] had arrears ranging between 1 to 7 years. Despite several correspondences and tripartite meetings held with the PSUs' management and their Statutory Auditors to pull up the arrear accounts, these PSUs did not adhere to their action plan. The Administrative Departments concerned were also pursued for finalisation of arrear accounts in a time bound manner. Thus, concrete steps should be taken by the PSUs for preparation of accounts as per statutory requirements with special focus on clearance of arrears in a time bound manner.

1.11 The State Government had invested ₹ 4,423.72 crore in nine PSUs {Equity : ₹ 58.00 crore in (two PSUs), Loan : ₹ 310.47 crore (one PSU) and Grants : ₹ 4,055.25 crore (eight PSUs)} during the years for which accounts have not been finalised as detailed in **Annexure 1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not and thus Government's investment in such PSUs remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2015, there were arrears in finalisation of accounts by non-working PSUs. Out of 28 non-working PSUs, 17 PSUs were in the process of liquidation whose accounts were in arrears for 5 to 49 years[8]. Remaining 11[9] non-working PSUs had arrears of accounts for 14 to 44 years.

Table 1.7: Position relating to arrears of accounts in respect of non-working PSUs

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
28	1966-67 to 2014-15	5 to 49 years

7 Sl. Nos A- 1, 3, 13, 14 to 17, 21, 27, 30, 35, 38, 41 and B-3 (1 year); A-2, 5, 7, 22, 25, 26, 44 and B-2 (2 years); A-6, 11, 36, 37 and 43 (3 years); and A-10 (7 years) of **Annexure 2**

8 Sl. Nos C - 3, 5 and 18 to 20 (5-10 years) ; C-6, 7, 25 and 26 (11-20 years) ; C-9 (21-30 years) ; and C-1, 4, 10, 12, 14, 15 and 24 (41-49 years) of **Annexure 2**

9 Sl. Nos C- 27 and 28 (14-20 years) ; C-16, 17, 21 and 22 (21-30 years) ; C- 2, 8, 11, 13, and 23 (31-44 years) of **Annexure 2**

Placement of Separate Audit Reports

1.13 The position depicted below shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2015) on the accounts of Statutory Corporations in the Legislature.

Table 1.8 : Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government
1.	Odisha State Financial Corporation	2013-14	2014-15	07 September 2015
2	Odisha State Warehousing Corporation	2011-12	2012-13 2013-14	25 July 2014 05 March 2015
3.	Odisha State Road Transport Corporation	2010-11	2011-12 2012-13	01 August 2014 14 August 2015

Delay in placement of SAR dilutes the financial accountability of Statutory Corporations. Government should ensure prompt placement of SARs of the Corporations in the Legislature.

Impact of non-finalisation of accounts

1.14 As pointed out above (**Paragraphs 1.10** to **1.12),** the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2014-15 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Government may:

- **set up a cell to oversee the clearance of arrears and set the targets for individual PSU which would be monitored by the cell.**
- **consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Annexure 2**. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. The following table provides the details of working PSU turnover and State GDP for a period of five years ending 2014-15.

Table 1.9 : Details of working PSUs turnover *vis-a vis* State GDP

(₹ in crore)

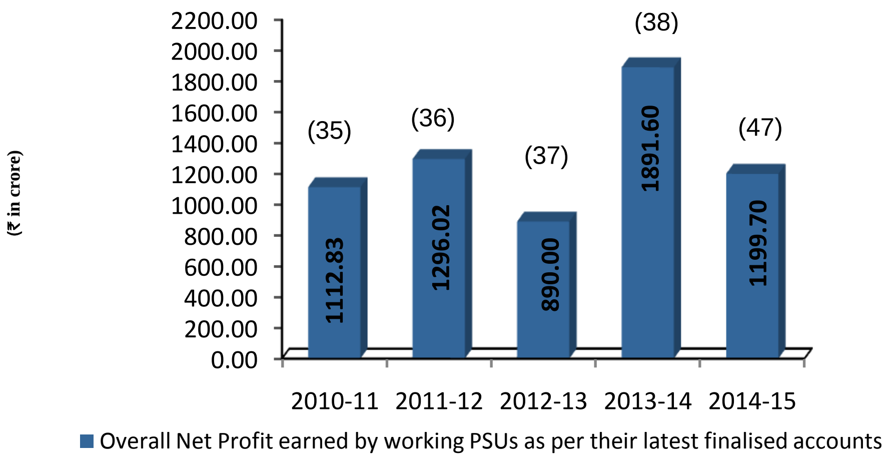
Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Turnover[10]	9,320.78	11,450.16	11,294.70	15,949.82	16,474.01
State GDP	1,86,356.00	2,26,236.14	2,58,744.09	2,88,414.31	3,10,810.24
Percentage of Turnover to State GDP	5.00	5.06	4.37	5.53	5.30

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

Turnover of PSUs did not increase in proportion to corresponding increase in State GDP except in 2011-12 and 2013-14. Turnover in 2013-14 increased by 41.22 *per cent* due to substantial increase in turnover of four PSUs.

1.16 Overall profit earned by State working PSUs during 2010-11 to 2014-15 is given in the bar chart 1.4.

Chart 1.4: Profit/Loss of working PSUs



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

Out of 47 working PSUs, 28 PSUs earned profit of ₹ 2,006.48 crore and nine PSUs incurred loss of ₹ 806.78 crore as per their latest accounts finalised during October 2014 to September 2015. One working PSU i.e., Odisha State Civil Supplies Corporation Limited prepared its accounts on 'no profit no loss' basis while nine[11] Companies have not yet started their operation/commercial production. The major contributors to profit were The Odisha Mining Corporation Limited (₹ 1,487.10 crore), Odisha Power Generation Corporation Limited (₹ 229.63 crore), Odisha Power Transmission Corporation Limited (₹ 52.30 crore) and Odisha State Beverages Corporation Limited (₹ 49.56 crore). Heavy losses were incurred by GRIDCO Limited (₹ 679.80 crore), Odisha State Financial Corporation (₹ 77.40 crore) and Odisha Rural Housing and Development Corporation Limited (₹ 31.71 crore).

1.17 Some other key parameters of PSUs are given below.

Table 1.10 : Key Parameters of State PSUs **(₹ in crore)**

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Return on Capital Employed (*Per cent*)	9.78	15.80	13.62	14.44	13.86
Debt	7588.39	7469.11	7703.16	7503.98	9643.54
Turnover[12]	9320.78	11450.16	11294.70	15949.82	16474.01
Debt/ Turnover Ratio	0.81:1	0.65:1	0.68:1	0.47:1	0.59:1
Interest Payments	361.09	970.85	976.32	1160.85	964.74
Accumulated Profits (losses)	2339.35	2254.85	1561.36	2763.57	555.36

(Above figures pertain to all PSUs except for turnover which is for working PSUs)

Above parameters showed mixed trend in financial position of the PSUs. Return on capital employed decreased to 13.86 *per cent* in 2014-15 as against

[11] Sl. Nos.A-16, 17, 22, 26, 32, 34, 36, 41, and 44 of **Annexure 2**
[12] Turnover of working PSUs as *per* the latest finalised accounts as of 30 September

14.44 *per cent* in 2013-14 mainly due to suffering of loss of ₹ 679.80 crore by GRIDCO Limited during 2013-14 as against profit of ₹ 41.93 crore in 2012-13. Debt turnover ratio increased from 0.47:1 in 2013-14 to 0.59:1 in 2014-15 due to increase in turnover as compared to previous year. As against accumulated profit of ₹ 2,339.35 crore in 2010-11, PSUs registered an accumulated profit of ₹ 555.36 crore in 2014-15 which indicates the poor performance of the PSUs.

1.18 State Government had formulated (December 2011) a dividend policy under which all profit making PSUs are required to pay a minimum dividend of 20 *per cent* on equity or a minimum of 20 *per cent* of post tax profit whichever is higher and in case of mining and power sector PSUs, minimum dividend should be 30 *per cent* of post tax profit. As per their latest finalised accounts, 28[13] PSUs earned an aggregate post tax profit of ₹ 2006.48 crore of which 8[14] PSUs declared/paid dividend of ₹ 561.95 crore out of their profit of ₹ 1,861.06 crore.

Winding up of non-working PSUs

1.19 There were 28 non-working PSUs (all Companies) as on 31 March 2015. Of these, 17 PSUs have commenced liquidation process. The number of non-working Companies at the end of each year during the past five years is given below:

Table 1.11 : Non-working PSUs

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Number of non-working Companies	30	28	28	28	28

Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, therefore, these PSUs may be considered either to be closed down or revived. Against the 28 non-working PSUs, GoO did not furnish the details of establishment expenditure, salary etc. except for one non-working PSU (₹ 1,880) which was financed by the State Government. In absence of latest finalised accounts/data, expenditure incurred by remaining non-working PSUs could not be ascertained.

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

Table 1.12 : Closure of Non working PSUs

Sl. No.	Particulars	Number of PSUs
1.	Total number of non-working PSUs	28
2.	Of (1) above, the number under	
(a)	Liquidation by Court	10[15]
(b)	Voluntary winding up	7[16]
(c)	Closure i.e., closing orders/instructions issued but liquidation process not yet started	11

[13] Sl. Nos.A-1,2,3,4,5,6,7,8,9,11,13,14,15,19,23,24,25,28,29,30,33,35,38,39,40, & 42 and B-2 & 3 of **Annexure 2**

[14] Sl. Nos. A- 3,4,13,23,24,28,29 and B-3 of **Annexure 2**

[15] Sl. Nos.C-3,5,6,7,9,18,19,20,25 and 26 of **Annexure 2**

[16] Sl. Nos.C-1,4,10,12,14,15 and 24 of **Annexure 2**

The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 5 to 23 years. The process of voluntary winding up under the Companies Act is much faster and needs to be pursued vigorously. The Government may take a decision regarding winding up of 11 non-working PSUs.

Accounts Comments

1.21 Thirty two working companies forwarded their audited 40 accounts to the PAG during October 2014 and September 2015. Of these 40 accounts, 28 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below.

Table 1.13 : Impact of Audit Comments on working Companies (₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	12	687.10	14	1493.65	20	734.61
2.	Increase in loss	4	46.66	5	92.57	6	213.00
3.	Non-disclosure of material facts	15	4734.18	13	2305.58	13	1066.84
4.	Errors of classification	2	0.06	Nil	Nil	1	0.76

During the year, the Statutory Auditors had given qualified certificates for 39 accounts, and adverse certificate for one account (GRIDCO Limited). Based on the Audit Report of the Statutory Auditors and the preliminary observations of the PAG, the accounts of GRIDCO Limited for the year 2013-14 was reopened and recasted. The compliance of the PSUs with the Accounting Standards (AS) remained poor as there were 43 instances of non-compliance of AS in 21 accounts during the year.

1.22 Similarly, three working Statutory Corporations forwarded their three accounts to the PAG during October 2014 to September 2015. Of these, the CAG is sole auditor for the accounts of Odisha State Road Transport Corporation. The Audit Reports of Statutory Auditors and the sole/ supplementary audit of the CAG of these three Statutory Corporations indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below.

Table 1.14 : Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2012-13		2013-14		2014-15	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	16.59	2	12.46	1	1.43
2.	Increase in loss	Nil	Nil	Nil	Nil	1	0.44
3.	Non-disclosure of material facts	3	42.90	2	25.25	2	42.25

All the three accounts received qualified certificates which were based on comments towards decrease in profit, increase in loss and non-disclosure of material facts.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the CAG on PSUs for the year ended March 2015, two Performance Audits (PAs) and sixteen Audit Paragraphs were issued to the Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, replies in respect of five compliance audit paragraphs were awaited from the State Government (November 2015).

Follow up action on Inspection Reports/Audit Reports

Replies outstanding

1.24 The Report of the CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that it elicits appropriate and timely response from the executive. The Finance Department, Government of Odisha issued (December 1993) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Table No.1.15 : Explanatory notes not received (as on 30 September 2015)

Year of the Audit Report (Commercial /PSU)	Date of placement of Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	29 March 2012	3	14	2	1
2012-13	23 June 2014	2	10	1	-
2013-14	24 August 2015	2	9	2	9
Total		**7**	**33**	**5**	**10**

Out of 40 paragraphs/PAs, explanatory notes to 15 paragraphs/PAs in respect of eight departments, which were commented upon, were awaited (September 2015).

Discussion of Audit Reports by COPU

1.25 The status as on 30 September 2015 of PAs and paragraphs that appeared in Audit Reports (PSUs) and discussed by the COPU was as under.

Table No.1.16 : Reviews/Paras appeared in Audit Reports *vis a vis* discussed as on 30 September 2015

Period of Audit Report	Number of PAs/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	2	17	0	13
2009-10	2	15	0	13
2010-11	3	14	0	13
2011-12	2	18	1	18
2012-13	2	10	1	10
2013-14	2	9	0	0
Total	**13**	**83**	**2**	**67**

COPU was apprised of the pendency of the discussion of Audit Report paragraphs in their first meeting (August 2014). During 2014-15, with co-ordination and assistance of PAG, COPU had in its 9 meetings, discussed 35 paragraphs relating to Audit Reports for 2008-09 to 2012-13.

Compliance to Reports of Committee on Public Undertakings

1.26 Action Taken Notes (ATN) to 18 paragraphs pertaining to six Reports of the COPU presented to the State Legislature between August 2001 and March 2015 had not been received (December 2015) as indicated below:

Table No. 1.17 : Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
2001-02	1	8	8
2007-08	3	6	6
2013-14	2	4	4
Total	**6**	**18**	**18**

These Reports of COPU contained recommendations in respect of paragraphs pertaining to five departments, which appeared in the Reports of the CAG for the years 1993-94 to 2010-11.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

1.27 Audit observations, not settled on the spot during compliance audit, are communicated to the heads of PSUs and the administrative departments concerned of State Government through Inspection Reports (IRs). As per Regulation 197 of Regulations on Audit and Accounts, 2007, the heads of PSUs are required to furnish replies to IRs through respective heads of departments within a period of four weeks. IRs issued during 2004-05 to 2015-16 pertaining to 37 PSUs disclosed that replies to 2,013 paragraphs relating to 488 IRs remained outstanding at the end of 30 September 2015. Even initial replies were not received in respect of 124 IRs containing 509 paragraphs (PSUs under Energy Department - 71 *per cent*).

It is recommended that the Government may ensure: (a) submission of replies/ Explanatory Notes to IRs/ Draft Paragraphs/ Performance Audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this Report

1.28 This Report contains 12 Paragraphs and 2 Performance Audits i.e., on Operation and Maintenance activities of Odisha Hydro Power Corporation Limited and Working of Odisha State Warehousing Corporation, involving financial effect of ₹ 667.30 crore.

Disinvestment, Privatisation and Restructuring of PSUs

1.29 Government of Odisha under Public Enterprise Restructuring Programme identified 35 PSUs for closure (13), privatisation (13) and restructuring (9) during 2005-07. It was noticed that at the end of March 2015, 2[17] PSUs were closed, 3[18] PSUs were privatised and 1[19] PSU adopted restructuring/reform activities. Out of the balance 29[20] PSUs (Working: 18 and Non-working:11) action is in progress for closure of 11 PSUs, privatisation of 10 PSUs and restructuring of 8 PSUs.

Reforms in Power Sector

1.30 Under the Orissa Electricity Reform (OER) Act, 1995, Odisha Electricity Regulatory Commission (OERC) was formed in August 1996 with the objective of rationalisation of electricity tariff, for advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2014-15, OERC issued 82 orders (8 on Annual Revenue Requirements and Tariff related matters and 74 on others). OERC had submitted its accounts for 2014-15 under Section 104 of the Electricity Act, 2003. Audit of the accounts of OERC had been undertaken by the CAG under Section 19 (3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 104 (2) of the Electricity Act, 2003.

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

Table No.1.18: Progress of Reforms in Power Sector

Sl. No.	Particulars	Milestone	Achievement as at March 2015
1.	Hundred *per cent* metering of all consumers	December 2005	98.20 *per cent* consumers metered
2.	Hundred *per cent* metering of all distribution feeders	March 2009	Metering completed upto 77.63 *per cent*
3.	Transmission and distribution losses will not exceed 34 *per cent*, which have to be brought down to 20 *per cent*	2009-10	Transmission and Distribution losses in 2014-15 were 34.87 *per cent*
4.	Hundred *per cent* electrification of all villages	March 2012	98.97 *per cent* villages were electrified

17 Orissa Timber and Engineering Works and General Engineering and Scientific Works

18 Hirakud Industrial Works Limited, IDCOL Cement Limited and IDCOL Rolling Mills Limited.

19 Odisha State Road Transport Corporation

20 Sl. No. A- 2, 3, 4, 5, 6, 7,12, 13, 14, 17, 18, 19, 21 ,30, 32, 33 & 34; B- 1; and C- 7, 9, 13, 16, 18, 19, 20, 21, 22, 27 & 28 of **Annexure 2**

1.32 In terms of the OER Act, 1995 four[21] subsidiary companies of GRIDCO Limited were created (November 1997) to carry on the business of distribution of electricity, which were later privatised (April/September 1999) by divesting 51 per cent of its shareholding. Due to revocation of license of CESCO in view of violation of conditions of license, a utility named Central Electricity Supply Utility (CESU) was created (September 2006) by OERC to undertake the business activities of CESCO. Subsequently in March 2015, the licences of other three DISCOMs (NESCO, WESCO & SOUTHCO) were revoked under Section 19 of the Electricity Act, 2003 and CMD, GRIDCO Limited was appointed as Administrator under Section 20 (1) (d) of the said Act.

Thus, the objectives of the reform for restructuring of electricity industry for rationalisation of generation/transmission/distribution of electricity, enhance the operational efficiency by reducing losses so as to supply quality power and to attract private investment could not be achieved.

[21] Central Electricity Supply Company of Odisha Limited (CESCO), Western Electricity Supply Company of Odisha Limited (WESCO), Northern Electricity Supply Company of Odisha Limited (NESCO), Southern Electricity Supply Company of Odisha Limited (SOUTHCO)

Chapter II

2. Performance Audit relating to Government Company

Odisha Hydro Power Corporation Limited

Operation and Maintenance Activities

Executive Summary

Odisha Hydro Power Corporation Limited (OHPC) was incorporated (21 April 1995) as a wholly owned State Government Company for generation of hydro power and maintenance of hydro power stations in the State. As on 31 March 2015, OHPC had six hydro electric projects (HEPs) with an aggregate installed capacity of 2,027.50 MW.

Planning

During the period 2010-15, no new hydro power projects were set up, resulting in non-augmentation of hydro power generating capacity of the State. Against the monthly and annual maintenance operation norm of 1,653 and 148 occasions respectively in six HEPs, OHPC undertook maintenance operation only on 1,091 and 66 occasions during 2010-15.

Water Management

OHPC utilised only 75.48 per cent of water available for generation due to standby machine hours and excess forced outages.

Generation Performance

OHPC could not earn revenue of ₹63.58 crore towards capacity charges for 155 out of 360 months in six HEPs due to non-availability of plants for generation. The overall auxiliary consumption, inclusive of transformation loss, of six HEPs was beyond the norm fixed by OERC by 448.38 Million Units (MU). Despite availability of water and machines, OHPC sustained generation loss of 10,184.87 MU due to 1,28,792 standby hours during monsoon period. Due to non construction of bridge over Hati river, UIHEP utilised its capacity ranging between 23 and 64 per cent in monsoon period during 2010-15.

Outages

Against the norm of 10 per cent, there were excess forced outages in BHEP, HHEP and CHEP during 2010-15 by 9.85, 15.69 and 9.66 per cent respectively. This resulted in less generation of power of 3,243.158 MU and consequential loss of ₹133.35 crore towards capacity charges.

Repair and Maintenance

Delayed action in replacement of equipment and non-adherence to the suggestions of Original Equipment Manufacturer to carry out the additional repair work at BHEP along with failure to take timely replacement of shaft seal at HHEP led to shortfall in generation of 1,984.68 MU and loss of revenue of ₹38.08 crore towards capacity charges.

Renovation, Modernisation and Uprating (RMU) of power plants

Delay in taking up of RMU of various units at HHEP, CHEP and BHEP resulted in loss of generation of 1,093.463 MU power. Further, delay in completion of

renovation and modernisation of unit 1 of RHEP resulted in loss of ₹2.16 crore to OHPC towards capacity charges.

Safety and security of dams and power houses

Safety regulations issued by CEA which became mandatory from February 2011, were not implemented by OHPC even after four years of the notification.

Recommendations

The Performance Audit contains four recommendations on need for preparing a perspective plan for increasing its installed capacity and carrying out RMU activity in time; preparing a comprehensive maintenance manual as per OEM Guidelines and carrying out scheduled maintenance of its HEPs in order to minimise forced outage; taking effective measures to maintain auxiliary consumption within the norm; and adherence to safety standards and implementation of safety regulations.

Introduction

2.1 Availability of power at competitive rates is critical for sustaining growth in all sectors of a state economy. The power sector in Odisha registered a 73 *per cent* increase in demand from 19,410 MU in 2009-10 to 33,628 MU as of March 2015. Against the total requirement of 1,44,639 MU of power during the period 2010-15, only 1,20,927 MU was available for supply leaving a deficit of 23,712 MU[22] of power in the State. Around 19 *per cent* of the energy requirement of the State was met with OHPC supply (27,323 MU). Odisha also purchases power from thermal power units and captive generating plants. Hydel power is the cheapest source of power.

In pursuance of the Orissa Electricity Reforms Act, 1995, Odisha Hydro Power Corporation Limited (OHPC) was incorporated (21 April 1995) as a wholly owned State Government Company for generation of hydro power and maintenance of hydro power stations in the State. OHPC had an installed capacity of 1,237.50 MW at the time of transfer (April 1996) of Hydro Electric Projects (HEPs) from Government of Odisha (GoO) and erstwhile Orissa State Electricity Board. As on 31 March 2015, OHPC had six[23] HEPs with an aggregate installed capacity of 2,027.50 MW. Besides, it also has a share of 36 MW in Machhkund Hydro Electric Project (MHEP), which is a joint venture project of GoO and Government of Andhra Pradesh. The entire power produced by OHPC is fully dedicated to the State of Odisha. Under the existing legal set up, OHPC supplies its entire power to GRIDCO Limited (GRIDCO) through Power Purchase Agreements (PPAs), who in turn supplies the same to the distribution licensees of Odisha.

Performance Audit (PA) on "Operation and Maintenance Activities" of OHPC, which was included in Report of the Comptroller and Auditor General of India (Commercial), GoO for the year ended 31 March 2009, is yet to be discussed by the Committee on Public Undertakings. The recommendations

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[22] 2011-12 : 2,175 MU, 2012-13 : 7,320 MU, 2013-14 : 7,285 MU and 2014-15 : 7,833 MU with surplus of 901 MU in 2010-11.

[23] Balimela Hydro Electric Project (BHEP - 510 MW), Chiplima Hydro Electric Project (CHEP - 72 MW), Hirakud Hydro Electric Project (HHEP - 275.5 MW), Rengali Hydro Electric Project (RHEP - 250 MW), Upper Indravati Hydro Electric Project (UIHEP - 600 MW) and Upper Kolab Hydro Electric Project (UIHEP - 320 MW)

included in the PA were for increasing installed capacity, utilising the plants and machineries as well as water efficiently by avoiding forced outages, reducing auxiliary consumption, restructuring manpower and strengthening monitoring and internal control system. In the present PA, the deficiencies noticed in the implementation of the above recommendations are included in different paragraphs[24].

Organisational Set up

2.2 The management of OHPC is vested in a Board of Directors (BoD) comprising of the Chairman-cum-Managing Director (CMD) and 10 Directors appointed by GoO. CMD is the Chief Executive of OHPC, who looks after the day to day affairs of OHPC with the assistance of a Company Secretary, Director (Finance), Director (HRD) and Director (Operation) at Corporate Office and three Senior General Managers, two Deputy General Managers and one Assistant General Manager at its HEPs.

Scope and Methodology of Audit

2.3 The Performance Audit conducted during April to July 2015 covered the activities of OHPC on operation and maintenance of its HEPs. Audit methodology adopted for achieving the audit objectives with reference to the audit criteria was scrutiny of records at the Head Office of OHPC and in all its six HEPs.

The audit objectives, criteria, scope and methodology were explained to OHPC during an 'Entry Conference' held on 6 April 2015. Subsequently, audit findings were discussed with OHPC and GoO in an 'Exit Conference' held on 16 November 2015. The views expressed by them and replies furnished by GoO (November 2015) were considered while finalising this report.

Audit Objectives

2.4 The audit objectives aimed to assess whether:

- equipment were operated properly with planned, periodic inspections and check of components and systems, and whether replacement or rectification of parts was carried out to optimise the life of the plant and machineries to optimise generation of energy;

- a system was in place for maximum availability of equipment and a minimum of unplanned shutdowns through planned/ periodic shutdowns and scheduled and preventive maintenance and also through major refurbishment;
- effective and efficient Renovation, Modernisation and Uprating (RMU) of the existing units were taken up on time and that proper safety standards and safe working environment existed in operation and maintenance of power stations and switchyard.

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[24] Paragraphs 2.7 to 2.12, 2.17, 2.23 to 2.33, 2.43 and 2.44

Audit Criteria

2.5 The audit criteria adopted were based on the following:

- Agenda papers and minutes of meetings of the Board and its Committees; minutes of meeting with Department of Water Resources (DoWR) of GoO regarding availability of water resources and maintenance of dams and reservoirs;
- Hydro electric potential in the State assessed by Central/State Government authorities;
- Annual plans of GoO and OHPC for the period under review, target and achievements, annual budgets for capital and revenue expenditure, procurement policy and standard principles of material management;
- Detailed Project Reports (DPRs) and Operation and Maintenance (O&M) manual of existing HEPs; and
- Approved policy for repair and maintenance of dams/reservoirs/canals etc.

Financial Position and Working Results

2.6 The financial position and working results of OHPC for the last five years ended 2014-15 are given in **Annexure 3.** It is seen that:

- Though OHPC earned profit in all the years, the same decreased from ₹ 76.31 crore (2011-12) to ₹ 8.80 crore (2013-14) despite increase in income from ₹ 460.40 crore in 2011-12 to ₹ 647.74 crore in 2013-14. The reduction in profit to ₹ 8.80 crore was mainly due to increase in cost of finance which comprised of the interest on loan from GoO.
- Capital employed increased from ₹ 2,734.56 crore in 2010-11 to ₹ 2,784.55 crore in 2013-14 due to increase in Reserve and Surplus and decreased to ₹ 2,318.57 crore in 2014-15 due to decrease in long term borrowings.
- Net worth increased from ₹ 918.83 crore in 2010-11 to ₹ 1,017.91 crore in 2014-15.

Acknowledgement

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

Audit Findings

Planning

Capacity Addition

2.8 OHPC, in its mission statement, has placed 'development of water resources in the State by augmenting hydro power generating capacity by setting up new HEPs' as its first priority. The efforts of OHPC in this regard are discussed below:

- Three hydro projects of 320 MW were planned to be established at a cost of ₹ 2,431.70 crore. While pre-feasibility reports (PFR) were prepared in 2006, the detailed project report was prepared in 2012 for only one project (Sindol-I) which has not yet (October 2015) been submitted to GoO for approval. In the meantime, due to opposition from locals, there was no further progress in the setting up of the project.

- OHPC had planned development of pumped storage power stations of 1,420 MW at BHEP, UKHEP and UIHEP. Though PFR for these projects were prepared (September 2012) at a cost of ₹ 0.81 crore, OHPC could issue (January 2014) work order for preparation of DPR of UIHEP after a delay of 15 months. The DPR is to be submitted by the agency by January 2016.

Accepting the facts, GoO stated that, after study and analysis of the DPR, a suitable decision on implementation of the project would be taken in coordination with DoWR and GRIDCO. Thus, delay in engagement of agency for preparation of DPR resulted in further delay in the development of pumped storage power stations.

Operation and Maintenance Planning

2.9 Operation and Maintenance (O&M) of hydro power stations aims at reduction of outages by ensuring timely preventive maintenance of all vital areas of the power projects. Original Equipment Manufacturers (OEMs) also stipulate maintenance schedules to overcome breakdowns/forced outages. Apart from capital maintenance of the generating units, OHPC also followed monthly/quarterly/annual maintenance of the units.

Audit observed the following deficiencies in O&M planning:

- OHPC had not prepared any comprehensive O&M manual based on OEM guidelines. It also did not follow the OEM's maintenance schedules.

- Against the requirement of 1,653 and 148 monthly and annual maintenance operations respectively in the six HEPs, OHPC undertook 1,091 (66 *per cent*) and 66 (44 *per cent*) operations during 2010-15.

Maintenance activities carried out were not systematically recorded for the three[25] HEPs, where maintenance was outsourced.

While accepting that a comprehensive manual had not been prepared, GoO stated that OHPC was trying its best to carry out the scheduled maintenance of HEPs.

Operational Performance

2.10 Operations of OHPC are dependent on input efficiency consisting of material (water) and manpower and output efficiency like generation performance, plant availability, capacity utilisation, transformation loss, auxiliary consumption etc.

Water Management

Utilisation of water

2.11 OHPC generates power by drawing water from reservoirs located at different parts of the State. Only Upper Indravati Hydro Electric Project (UIHEP) reservoir is under the control of OHPC while other reservoirs are under the control of DoWR. OHPC is free to use water from the UIHEP reservoir as per its requirement subject to restrictions imposed by the Districts Administration for flood control. Usage of water from the other reservoirs is regulated by the Water Co-ordination Committee[26] (WCC). The details of year wise water available and its usage during 2010-15, except for Chiplima Hydro Electric Project (CHEP) (for which no data was available), were as follows:

(Figures in million cubic meter- MCM)

Year	Total water available	Loss of water due to evaporation	Water used for domestic and irrigation purposes	Water drawn by industries	Dead storage	Water available for generation	Water used for generation
1	**2**	**3**	**4**	**5**	**6**	**7 (2-3-4-5-6)**	**8**
2010-11	34517.14	1240.64 (3.59)	3223.93	252.78	3275.36	26524.43 (76.84)	17683.9545 (66.67)
2011-12	38692.01	1149.96 (2.97)	3057.41	225.90	3275.36	30983.39 (80.08)	23066.2620 (74.45)
2012-13	37731.78	1252.08 (3.32)	3042.61	112.25	3275.36	30049.48 (79.64)	22787.5018 (75.83)
2013-14	41667.68	1331.97 (3.20)	3318.91	112.25	3466.47	33438.08 (80.25)	26916.8456 (80.50)
2014-15	36183.82	1205.78 (3.33)	3311.51	112.25	3541.56	28012.73 (77.42)	22010.6158 (78.57)
Total	**188792.43**	**6180.43 (3.27)**	**15954.37**	**815.43**	**16834.11**	**149008.11 (78.93)**	**112465.1797 (75.48)**

(Source : Information submitted by OHPC)

N.B: Figures in bracket indicate percentage with reference to column-2 except for column-8 which is with reference to column-7.

[25] BHEP, UKHEP and UIHEP

[26] Comprised of officers of DoWR, GRIDCO and OHPC to regulate usage of water.

Percentage of water available for generation to water available in the reservoir ranged from 76.84 to 80.25 during 2010-15. As against 1,49,008 MCM of water available for generation during 2010-15, OHPC utilised only 1,12,465 MCM (75.48 *per cent*) of water. Non-utilisation of water was mainly due to standby machine hours and excess forced outages as discussed in **Paragraphs 2.18** and **2.26**.

Leakage of water

2.12 Leakage of water not only results in loss of generation, but also affects the safety of the power house and dams. Audit scrutiny revealed the following:

Heavy leakage of water at HHEP endangered the safety of powerhouse

- Heavy leakage of water in 470 gallery[27] of HHEP since October 2009 was not arrested by OHPC (October 2015). The safety of the powerhouse was endangered and maintenance work of generating units hampered.

Water leakage in 470 gallery of HHEP

- OERC, during its inspection (October 2009) observed heavy leakage of water in 17 out of 24 radial gates of RHEP's dam. It directed OHPC to take up the matter with DoWR and work out a time bound action plan for maximisation of generation. The matter was, however, not effectively pursued by OHPC. As a result, 3 out of 17 gates were damaged resulting in loss of water with consequential loss of generation since October 2009.

In the Exit Conference, GoO assured that leakage of water at HHEP would be arrested and the remaining three gates at RHEP would be repaired in a year.

Non-clearance of silt

2.13 OHPC observed (May 2009) deposition of silt with an average thickness of 2.5 metre in the approach channel in UIHEP. Work Order (WO) for removal of silt was issued only in June 2012, after a delay of 3 years, to a firm at a cost of ₹ 76.28 lakh for completion by 22 July 2012. After execution of work valuing ₹ 1.50 lakh, the contractor abandoned the work citing non-finalisation of mode of measurement by OHPC. Although, UIHEP Management requested (February 2015) closure of the WO and engagement of another firm, the same has not been finalised (October 2015). Meanwhile UIHEP reported that accumulation of silt had increased to an average deposit of 3 metre thickness.

GoO stated that the contract would be closed and alternate method for removal of silt would be explored in consultation with experts in the field. Thus, delay in clearance of silt may cause damage to the parts of turbine and affect the passage of water.

[27] A passageway within the body of the dam at 470 feet reservoir level inside the power house

Generation Performance

2.14 HEP wise annual generation targets are fixed by OERC based on their saleable design energy. The details of design energy[28], target fixed and actual generation of power in all the six HEPs of OHPC during 2010-15 are detailed below:

Sl. No.	Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
1	Installed Capacity (MW)	2027.50	2027.50	2027.50	2027.50	2027.50.	10137.50
2	Design Energy (MU)	5676	5676	5676	5676	5676	28380
3	Saleable design energy fixed by OERC (MU)	5619.24	5619.24	5619.24	5619.24	5619.24	28096.20
4	Actual Generation (MU)	4756.46	4971.91	4389.10	6967.98	6238.46	27323.89
5	Shortfall(-)/ Excess(+) in Generation (MU)	(-) 862.78	(-)647.33	(-) 1230.14	1348.74	619.22	(-)772.29
6	Percentage of achievement	85	88	78	124	111	97

(Source: Annual Accounts and MIS of OHPC)

From the above table it is seen that, while OHPC achieved the generation target during 2013-15, there were shortfall in generation of 2,740.25 MU during 2010-13 which ranged between 12 and 22 *per cent*.

Audit scrutiny further revealed the following:

- considering the HEP-wise generation with reference to their saleable design energy fixed by OERC, there was a generation shortfall of 4,011 MU[29] during 2010-15; and

Non-reduction of design energy of CHEP resulted in fixation of tariff at a lower side

- even after installation (June 2010) of Trash Rack Cleaning Machine in the forebay of CHEP for weed clearance, the design energy of 490 MU could not be achieved during 2010-15. This resulted in fixation of annual tariff for CHEP at a lower side.

In the Exit Conference, GoO stated that in the case of CHEP there was improvement in generation of energy after installation of TRCM but it never achieved the designed energy of 490 MU for which OERC would be requested to revise the same.

[28] Design Energy is the quantum of energy which can be generated in a 90 *per cent* dependable year with 95 *per cent* availability of installed capacity of the hydro generating station

[29] BHEP: 750 MU (2011-13), CHEP: 968 MU (2010-15), HHEP: 95 MU (2014-15), RHEP: 250 MU (2010-11), UIHEP: 1005 MU (2010-13), UKHEP: 943 MU (2010-13 and 2014-15).

Non-achievement of Normative Annual Plant Availability Factor

2.15 Normative Annual Plant Availability Factor (NAPAF) in relation to a generating station means the availability factor as specified in Regulation 27 of CERC (Terms & Conditions of Tariff) Regulation, 2009 and as approved by OERC from time to time. As per this regulation, the annual fixed cost of power station shall be recovered through capacity charges and energy charges on 50:50 basis. The capacity charge of OHPC is reimbursed by GRIDCO on the availability of the units for generation irrespective of the quantum of power drawn or scheduled to be drawn. The following table indicates the NAPAF fixed by OERC and actual plant availability in the HEPs during 2010-15.

(in percentage)

	2010-11	2011-12	2012-13	2013-14	2014-15
UIHEP					
NAPAF	88	88	88	88	88
Actual Plant Availability	92.06	97.02	86.09	96.58	94.28
BHEP					
NAPAF	85	85	85	85	83
Actual Plant Availability	81.11	73.72	84.18	72.56	75.38
UKHEP					
NAPAF	85	85	85	85	87
Actual Plant Availability	84.77	94.61	88.53	86.85	92.56
HHEP					
NAPAF	78	78	78	78	78
Actual Plant Availability	77.63	57.66	74.25	79.75	65.21
RHEP					
NAPAF	75	75	75	75	75
Actual Plant Availability	79.24	81.04	76.33	84.83	85
CHEP					
NAPAF	75	75	75	75	75
Actual Plant Availability	82.25	80.93	73	76.65	61.47

(Source : OERC tariff orders and Sales reconciliation statement of OHPC)

Non-achievement of NAPAF resulted in loss of revenue of ₹ 63.58 crore

While RHEP achieved the NAPAF in all the years, BHEP could not achieve the same in any of the years. The other four HEPs did not achieve the NAPAF for 1 to 4 years. Due to non-availability of plants for generation, OHPC could not earn revenue of ₹ 63.58 crore[30] towards capacity charges for 155 out of 360 months against the six HEPs. In a power deficit State, the availability of plants for generation of power is critical. The reasons for non-achievement of NAPAF was attributed mainly to forced outages such as frequent outages of machines due to their age, non-availability of spares, obsolescence of critical spares, sorting out of thrust bearing problems, heavy water leakage from discharge ring, turbine fault, intake gate problem etc.

In the Exit Conference, GoO accepted loss of capacity charges due to less achievement of NAPAF in BHEP and HHEP.

[30] BHEP: 42 months (₹ 26.29 crore), CHEP: 27 months (₹ 3.87 crore), HHEP: 38 months (₹ 21.92 crore), RHEP: 17 months (₹ 5.07 crore), UIHEP: 11 months (₹ 3.86 crore), UKHEP: 20 months (₹ 2.57 crore).

Excess recovery of capacity charges in BHEP

Despite, non-availability of machines for generation, BHEP recovered excess capacity charges of ₹ 1.02 crore

2.16 BHEP sends daily plant availability report to SLDC for next day's availability of plant considering outages of machines. Scrutiny of machine log book revealed that three out of eight units of BHEP were under outages for repair of generator and turbine for 5 to 50 days during March to June 2012 and were not available for generation. Despite non-availability of these machines for generation, BHEP intimated SLDC that the machines were available for generation during this period and recovered excess capacity charges of ₹ 1.02 crore from GRIDCO which was subsequently passed on to the consumers.

While accepting the fact GoO assured that it would rectify the position by reconciling the energy bills with GRIDCO.

Auxiliary consumption

2.17 As per OERC order (November 2008), total utilisation of power (both for generation and colony consumption) shall be limited to normative level of auxiliary consumption[31] (one *per cent*) and for any excess consumption beyond the norm, OHPC shall have to reduce its Annual Revenue Requirement (ARR) to the extent of cost of excess consumption.

Excess auxiliary consumption of 448.38 MU led to loss of revenue of ₹ 16.28 crore

Audit scrutiny revealed that during 2010-15, the auxiliary consumption of the six HEPs was between 0.34 to 12.29 *per cent* against the norm of one *per cent*. This resulted in excess auxiliary consumption of 448.38 MU with consequential loss of revenue of ₹ 16.28 crore. Besides, in violation of OERC order, OHPC had not reduced its ARR by ₹ 183.66 crore during 2010-15 towards excess auxiliary consumption, resulting in burden on consumers with higher tariff.

GoO stated (November 2015) that high auxiliary consumption was due to high transformation loss which would be reduced after replacement of the generator transformers during RMU of units.

Loss of generation due to standby hours during monsoon period

2.18 OERC had time and again emphasised maximising generation of power during the monsoon period and had directed that all generating units should be operated round the clock at their full peaking capability during the monsoon months subject to the availability of inflow. The following table indicates the total available hours, running hours, standby hours for generation during July to October of 2010-15.

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[31] The quantum of energy consumed by auxiliary equipment of the generating station and transformer losses within the generating station.

Name of the HEPs	Total Available hours	Running hours	Standby hours	Percentage of standby hours to total available hours	Loss of generation due to standby hours (in MU)	Loss of revenue (*₹In Crore)*
BHEP	118080	54840	32324	27.37	2094.54	75.11
HHEP	103320	67808	14661	14.19	593.67	28.89
CHEP	44280	35927	2117	4.78	50.81	1.25
UIHEP	59040	33422	24219	41.02	3632.85	141.26
RHEP	73800	45261	20832	28.23	1042	41.21
UKHEP	59040	19543	34639	58.67	2771	52.10
TOTAL	**457560**	**256801**	**128792**	**28.15**	**10184.87**	**339.82**

(Source: Information submitted by OHPC)

There was loss of generation of 10,184.87 MU due to 1,28,792 standby hours during monsoon period

OHPC failed to utilise 28.15 *per cent* of total available hours in monsoon periods of 2010-15 which resulted in loss of generation of 10,184.87 MU.

In the Exit Conference, GoO stated that loss of generation should be considered only when the reservoirs were spilling. It also stated that in HHEP and RHEP, when machines are not available there will be actual loss and in UIHEP, BHEP and UKHEP, being carry over reservoirs, if machines are not running during monsoon, there may not be any loss. However, irrespective of this, the high percentage of standby hours in UIHEP, BHEP and UKHEP caused loss in power generation in the power deficit State particularly when OERC had directed for maximisation of power generation during monsoon period.

Non-availability of machines for generation during monsoon periods

2.19 OERC repeatedly advised OHPC to maximise generation and not to undertake any planned maintenance during the monsoon period and make the machines available for generation.

Audit scrutiny revealed that, avoidable planned maintenance of 3,109 hours were undertaken in three[32] HEPs despite repeated advice of OERC not to undertake any planned maintenance during the monsoon period, and to make the machines available for generation. Further, there was forced outage[33] for 25,556 hours out of 2,21,400 hours available during the monsoon period of 2010-15. This had resulted in possible generation loss of 1,049.126 MU.

In the Exit Conference, GoO stated that due to ageing of machines at CHEP and HHEP, there were frequent forced outages leading to generation loss.

[32] HHEP, RHEP and CHEP

[33] The time spent for synchronising back the unit subsequent to failure of any plant due to a fault or other reasons which had not been planned.

Non-operation of generating units at their rated capacity at UIHEP

Non-construction of bridge over Hati river led to under utilisation of capacity of UIHEP during monsoon period

2.20 After generation of power, UIHEP discharges water into a Tail Race Channel, which is ultimately released to Mahanadi Basin through Hati river. However, the low lying bridge over this river gets submerged during monsoon. Therefore, the District Administration does not permit OHPC to generate power at full capacity. OERC directed (August 2009) OHPC to interact with Road & Building (R&B) Department to construct a bridge on joint participation basis. No action has been taken so far.

Audit observed that due to non construction of the bridge, UIHEP utilised its capacity ranging between 23 and 64 *per cent*[34] in monsoon period (July-October) during 2010-15.

In the Exit Conference, GoO stated that the construction work of the bridge over Hati river had already been taken up by the Works Department.

Evacuation of Power

2.21 Power generated from hydro power stations is evacuated through 132 KV /220 KV feeders of the switchyard. Issues noticed in evacuation of power at different HEPs are discussed in the following Paragraphs.

Inadequate power evacuation facility at BHEP

Due to inadequate power evacuation facility, BHEP could not generate 130 MW

2.22 Balimela Hydro Electric Project (BHEP) has an installed capacity of 510 MW. Power generated is evacuated through three 220 KV transmission lines with 180 MW capacity and another line of 20 MW capacity. Due to ageing of the conductors, the three 220 KV lines were able to evacuate only 120 MW each as against capacity of 180 MW. Hence, BHEP was able to evacuate 380 MW having no scope for generation of balance 130 MW. In order to improve the evacuation of power, Odisha Power Transmission Corporation Limited[35] (OPTCL) entrusted (June 2009) Power Grid Corporation of India Limited (PGCIL) to construct one more circuit. This circuit is still under construction even after six years.

In the Exit Conference, GoO stated that matter had been taken up with OPTCL for construction of another 220 KV line by which power evacuation would be more stable.

Power evacuation facility at HHEP

2.23 Hirakud Hydro Electric Project (HHEP), Burla evacuates its power through eight 132 KV feeders, of which two are connected with a private power generating industry (Hindalco). Due to load injection/drawal by Hindalco, there were sudden fluctuations of load in the feeders resulting in tripping of generating units of OHPC. Besides, HHEP also reduces its power generation to accommodate evacuation of power generated by Hindalco and to

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[34] 2010-11 : 23, 2011-12 : 35, 2012-13 : 48, 2013-14 : 59, 2014-15 : 64 *per cent*

[35] The power transmission utility of GoO

avoid system disturbance. Audit observed that HHEP requested (September 2009) OPTCL to take suitable steps for proper evacuation of power to utilise the water during monsoon, minimise unnecessary fault tripping to ensure uninterrupted power supply and to maximise generation. No follow up action has been taken so far (July 2015) for improvement in evacuation of power. This resulted in loss of generation with consequential loss of revenue towards energy charges.

GoO stated that, OPTCL would be requested to take suitable steps for diversion of Hindalco load.

Outages

2.24 Outages represent the period for which the generating unit is not available for power generation. The following table indicates HEP-wise planned/forced outages during 2010-15 against the available hours for generation.

Name of HEP	Annual available hours for generation	Planned outage (in hours)	Percentage of planned outage to annual available hours	Forced outages (in hours)	Percentage of forced outage to annual available hours
UIHEP	175296	9838	5.61	3651	2.08
BHEP	350592	12724	3.63	69599	19.85
UKHEP	175296	16630	9.49	3359	1.92
HHEP	306768	21024	6.85	54718	17.84
RHEP	219120	33813	15.43	3079	1.41
CHEP	131472	7433	5.65	18182	13.83
TOTAL	**1358544**	**101462**	**7.47**	**152588**	**11.23**

(Source: Monthly Performance Report and information submitted by OHPC)

Planned Outages

2.25 Planned outage is the time spent for any scheduled maintenance activity. Though the total planned outages (7.47 *per cent*) during 2010-15 was within the norm (8.20 *per cent*), the planned outages at UKHEP (9.49) and RHEP (15.43) were in excess over the norm leading to non-availability of machines for earning capacity charges.

GoO stated that increase in planned outages at UKHEP and RHEP were due to capital maintenance and RMU respectively. However, non-adherence to maintenance schedule resulted in longer duration of capital maintenance and delay in completion of RMU at RHEP led to excess planned outages and loss of capacity charges.

Forced Outages

2.26 Forced outage is the time spent for synchronising back the unit subsequent to failure of any plant due to a fault or other reasons which had not been planned. As per the norms fixed by OERC, the forced outages would be for 16 to 37 days or 4.5 to 10 *per cent* of the total available machine hours in a year.

Excess forced outage in BHEP, HHEP and CHEP led to non-generation of 3,243.158 MU power valuing ₹ 133.35 crore

Audit observed that though forced outages in UIHEP, UKHEP and RHEP during 2010-15 were within the norm (maximum 10 *per cent*), the same was beyond the norm in BHEP, HHEP and CHEP by 9.85, 15.69 and 9.66 *per cent* respectively. This resulted in excess forced outages of 71,041 hours leading to non-generation of 3,243.158 MU power valuing ₹ 133.35 crore towards capacity charges. The reasons for such high forced outages were attributed mainly to turbine problems, failure of generator, stator earth fault, intake gate problem, abnormal water/oil leakage in turbine pit, etc.

In the Exit Conference, GoO stated that as machines of BHEP, HHEP and CHEP were very old, there were maximum forced outages. Thus, existence of very old machines and non-carrying out of RMU in time resulted in excess forced outages beyond the norm fixed by OERC.

Capital Maintenance of the Generating Units

2.27 OERC suggested OHPC to take up capital maintenance of its units within 3 or 5 years. Audit observed that out of 31 units in six HEPs, capital maintenance was due against 29 units for 1 to 10 times as of March 2015. OHPC, however, belatedly planned and got approval of OERC to undertake capital maintenance of six units only during 2014-15, of which work order was issued (July 2014) for two units with scheduled completion by July 2015 and May 2016 respectively. This resulted in frequent forced outages of the units.

GoO stated that delay in undertaking capital maintenance of units was due to delay in finalisation of contract with OEM, obsolescence of some equipment and delay in obtaining permission from SLDC.

Repairs and Maintenance

Delayed action for replacement of equipments

2.28 BHEP management observed (July 2010) that thrust bearing oil circulation system in the first six units was very old. In the event of failure of oil pumping system, there would be a sudden rise of temperature in the thrust bearing chamber. Three units (3, 4 and 5) of BHEP went on forced shut down (27 July 2011) due to failure of Alternating Current (AC) and Direct Current (DC) system leading to stoppage of thrust bearing cooling pumps. Due to the running of units during stoppage time without lubrication, thrust bearing pads of the above units were damaged. After procurement and replacement of the thrust bearing pads, the units could be synchronised to the grid during February to August 2012 after a delay of 10 to 201 days from the scheduled date of completion (January 2012).

Generation loss of 1033.92 MU due to delay in replacement of equipment

Audit observed that despite being aware (July 2010) of the deficiency in thrust bearing oil circulation system, there was no timely replacement of equipment resulting in non-availability of the units ranging from 159 to 351 days with consequential generation loss of 1,033.92 MU and loss of ₹ 9.84 crore towards capacity charges.

In the Exit Conference, GoO stated that the thrust bearing oil circulating system would be maintained properly in order to avoid such incidents in future.

Delay in repair and maintenance of unit-1 of HHEP

Failure to take timely replacement of shaft seal led to generation loss of 249.48 MU

2.29 Water leakage from shaft seal of unit-1 of HHEP resulted in non-lubrication of Turbine Guide Bearing (TGB). The unit management proposed (November 2013) replacement of shaft seal during the annual maintenance of the unit. The unit was under annual maintenance from 3 December 2013 and was synchronised on 11 January 2014 without replacement of the shaft seal due to delay in issue (22 January 2014) of work order. Subsequently, the unit went on forced outage (17 February 2014) and was synchronised on 16 September 2014, after replacement of shaft seal and TGB with other associated works. Due to the above events, the unit remained under forced outage for 210 days resulting in possible loss of generation of 249.48 MU and loss of capacity charges of ₹ 20.23 crore.

GoO stated that the replacement of shaft seal during annual maintenance could not be taken up as it required assistance of an external agency. It also stated that the delay in replacement of shaft seal was due to delay in lowering the stop log gates and intake gates which required the dam’s top crane, which was under control of DoWR. However, timely engagement of external agency and proper coordination with DoWR could have reduced the period of forced outage.

Non-adherence to the suggestion of OEM

Non-adherence to the suggestion of OEM led to loss of capacity charges of ₹ 8.01 crore

2.30 Unit-1 of BHEP went under forced outage since 29 January 2013 due to problem in its thrust bearing. The repair work of thrust bearing, awarded (20 February 2013) to Hy-Power Associates (HPA), Jabalpur could not be completed successfully. The work was again awarded (November 2013) to Power Machine (India) Ltd. (PMIL), which was the OEM, for ₹ 93.36 lakh. While pointing out the poor workmanship of HPA, PMIL suggested some additional work, which was not considered by OHPC. As a result, the unit could not be loaded to its full capacity and again remained under forced outage since synchronisation (14 March 2015). Thereafter, OHPC agreed (August 2014) to carry out the additional repair work through PMIL. The work order was, however, not issued till June 2015. Thus, the unit remained under forced outage from March 2014 till date (June 2015) and OHPC sustained revenue loss of ₹ 8.01 crore towards capacity charge from March 2014 to June 2015 besides possible generation loss of 701.28 MU.

GoO stated that, considering the cost and time implications, it was decided to replace the unit in the first phase of RMU for which tendering was under finalisation. The decision to not consider suggestion of the OEM for additional repair work was instrumental in the unit having to remain under forced outage.

Lapses in maintenance of switchyard at BHEP

Delayed replacement of CTs led to non-generation of 190.27 MU

2.31 The 220 KV switchyard at BHEP had 54 Current Transformers (CTs), 33 of these CTs had served for 30 to 41 years and had outlived their prescribed life. The unit management proposed (23 December 2010) their urgent replacement. Audit observed that, only 18 out of 33 CTs were replaced as of July 2015, of which 9 CTs were replaced after 3 CTs burst. Replacement of CTs were delayed by 37 and 39 days which resulted in non generation of 190.27 MU.

Further, fifteen 220 KV SF_6 Circuit Breakers (CBs), commissioned between February 1998 and January 2009, were not overhauled periodically to ensure their trouble free functioning by protecting electrical circuits from damage caused by overload or short circuit.

GoO stated that delay in replacement of the CTs was due to non availability of lifting crane at Balimela which was to be moved from UIHEP. It also stated that there was no loss of generation because it is a storage type carry over reservoir. However, irrespective of being a carryover reservoir, power could have been generated in the year concerned. Further, timely replacement of ageing CTs could have prevented outage of the unit. GoO, however, did not offer any comments on periodic overhauling of CBs.

Renovation, Modernisation and Uprating of power plants

2.32 Renovation, Modernisation and Uprating (RMU) ensure efficiency, better availability and augmentation of capacity addition. Though 15 out of 31 generating units of OHPC have outlived their normative life of 35 years, RMU of only six units were completed as of March 2015. Further, during 2010-15 renovation and modernisation of two units of RHEP was completed (May 2012-April 2013), even before their normative life of 35 years.

Non-commencement of RMU

2.33 The deficiencies in carrying out RMU of HEPs were pointed out in the Report of the Comptroller and Auditor General of India (Commercial), Government of Odisha for the year ended March 2009. In the present audit, the following further deficiencies were noticed:

- OHPC proposed (December 2010) RMU of unit 5 and 6 of HHEP. OERC rejected (July 2011/December 2012/July 2013) the same on the ground that the project cost finalised was not based on competitive bidding and directed OHPC to invite tender for complete replacement of the units. Accordingly, OHPC invited tender (February 2014) for complete replacement of units, which was finalised (July 2015) at a cost of ₹ 158.77 crore. Thus, delay in RMU of the unit resulted in reduction of machine availability from 88.41 *per cent* in 2012-13 to 40.91 *per cent* in 2014-15 and complete shutdown of the unit-6 from February 2014.

- OHPC decided to take up the RMU of unit 3 of CHEP in April 2010 which had completed its economic life in February 1999. Accordingly, after finalisation (August 2012) of DPR, OHPC invited tender in February 2014 and finalised the same in May 2015 at a project cost of ₹ 65.67 crore. Thus, delay in RMU of the unit resulted in reduction of machine availability from 92.05 *per cent* in 2010-11 to 61.12 *per cent* in 2013-14 and complete shutdown of the unit from February 2014.

- Though six units of BHEP completed their normative life during 2008-12, OHPC approved RMU of all six units at an estimated cost of ₹ 664.70 crore in November 2012 only. Accordingly, after finalisation of DPR, OHPC floated (August 2013) tender which was not finalised (July 2015). Thus, delay in RMU of six units resulted in frequent forced outage of the units and complete stoppage of one unit since February 2013.

Non-commencement of RMU of nine units led to generation loss of 1,093.463 MU

Thus, non-commencement of RMU of the above nine units resulted in generation loss of 1,093.463 MU during 2010-15.

GoO stated that inspite of best efforts the delay in RMU of nine units in HHEP, CHEP and BHEP could not be avoided.

Delay in completion of RMU of Unit- 1 of RHEP

Delay in completion of RMU of Unit-1 of RHEP led to loss of ₹ 2.16 crore towards capacity charges

2.34 OHPC obtained approval of OERC to carry out R&M of Unit-1 of RHEP through OEM (BHEL) with a completion period of 24 months from November 2009. OHPC, however, placed purchase order belatedly (July 2010-February 2012) for some critical spares like stator core insulation and stator bars due to which work was delayed by six months and completed on 31 May 2012. Thus, delay in completion of unit 1 of RHEP, resulted in loss of ₹ 2.16 crore towards capacity charges.

GoO stated that the delay in completion of the work of unit-1 was mainly due to misunderstanding and lack of coordination between OHPC and BHEL.

Inventory Management

2.35 The inventory of OHPC mainly comprises of spares for O&M of the generating units, consumables including oil and lubricants and surplus construction material like steel, cement, building materials and cables maintained separately in each HEP. For inventory control and management, OHPC decided (February 2009) to prepare procedural modalities for standardisation, codification and computerisation of the stores for its proper accounting, issue of guidelines for disposal of scrap and obsolete items and to prepare a procurement manual.

Audit observed that:

- OHPC had not prepared a Procurement Manual prescribing the ABC analysis, fixation of minimum/maximum/re-ordering levels etc.
- Bin card system was either not implemented (UIHEP) or implemented irregularly at the HEPs.
- Price stores ledger for recording quantitative details of receipt, issue and closing balance of each item of inventory were not maintained by HEPs.
- As observed from the Stock Audit Report, 518 and 1,517 different types of store materials at CHEP and HHEP respectively were lying unaccounted for in the books of accounts since completion of RMU of the units during April 1998 to May 2008.

Accepting the audit observation, GoO stated that preparation of procurement manual was under process and an agency had been assigned (July 2015) to suggest the required improvement in the inventory management.

Excess holding of inventory over the norms

2.36 The CERC Regulation (January 2009) envisaged that a generator would be entitled to a norm of fifteen *per cent* of operation and maintenance expenses for determining the carrying cost of inventory for the purpose of calculation of tariff. The following table indicates the actual value of inventory held *vis-à-vis* the norm for the five years ended 31 March 2015.

(₹in crore)

Name of the Unit	2010-11		2011-12		2012-13		2013-14		2014-15	
	Norm	Actual	Norm	Actual	Norm	Actual	Norm	Actual	Norm	Actual
HHEP	5.69	4.24	5.82	5.58	6.11	5.80	6.10	9.98	9.82	7.64
CHEP	2.39	1.67	2.44	2.52	2.56	2.40	2.56	2.26	2.35	2.39
RHEP	4.73	17.31	4.74	23.48	4.97	6.95	4.79	7.67	6.65	7.72
BHEP	6.65	2.43	6.62	3.23	6.93	4.93	6.76	4.95	10.15	5.28
UKHEP	3.42	5.92	3.45	6.74	3.61	7.33	3.47	8.11	5.25	9.15
UIHEP	8.46	21.81	8.57	15.79	9.00	15.20	8.82	14.84	9.95	22.61
Total	**31.34**	**53.38**	**31.64**	**57.35**	**33.18**	**42.60**	**32.50**	**47.81**	**44.17**	**54.79**

(Source : ARR of OHPC and Annual Accounts of HEPs)

During 2010-15, the inventory holding was in excess of the norm prescribed by CERC in all the years in case of RHEP, UIHEP and UKHEP and the same was within the norm in case of BHEP. The closing stock of inventory constitutes 4 to 734 months consumption of the respective HEPs. The value of the excess inventory ranged from ₹ 11.90 crore to ₹ 29.33 crore during 2010-15. It was also noticed that 5,878 types of non-moving store materials valuing ₹ 9 crore were lying idle for more than five years.

GoO stated that CERC norms did not restrict maintaining more inventory. Further, it was stated that some non-moving spares were carried over from the earlier periods and action was being taken to declare those as obsolete.

Non-utilisation of Inventory Management Software

2.37 Pending standardisation and codification of materials, OHPC planned (May 2010) to computerise the basic activities related to inventory management i.e. store receipt, issue and store pricing, etc., with a software package developed in-house. It was decided that during 2011-12, there would be trial run of the package and thereafter the computerised system would be implemented compulsorily. Audit scrutiny revealed that as of March 2015, although the software package has been installed in all the six HEPs, it was yet to be implemented at BHEP and HHEP.

GoO stated that the inventory management software at BHEP and HHEP, which was operational for a certain period, could not run successfully due to shortage of trained manpower.

Safety and security of dams and power houses

Safety of the Power Houses

2.38 The following deficiencies in the safety of power houses were noticed:

Safety regulations issued by CEA were not adhered

- OHPC had not prepared a Safety Manual and Emergency/ Disaster Management plans. Further, safety audits were not conducted and safety officer had not been appointed as required under CEA (Safety requirement for Construction, Operation and Maintenance of Electrical Plants and Electrical Lines) Regulation, 2011 which became mandatory from February 2011.

- Fire and smoke detection system was either not available or dysfunctional in four HEPs (CHEP, BHEP, RHEP and UKHEP). The fire fighting system was outdated and not functioning at CHEP and RHEP. The hydrant system was outdated and not functioning at RHEP, HHEP and CHEP. The non-availability of a functional fire fighting system at RHEP resulted in, RHEP being unable to control a fire breakout in June 2015. There was forced outage in generating units for 969 hours.

GoO stated that safety manual and Disaster management plans were under preparation and fire fighting and hydrant system would be renovated/installed in all the HEPs.

Security of the Power Houses

2.39 The security of HEPs was managed by engaging private security agencies and home guards deputed from police department of GoO. OHPC had neither formulated a security policy nor employed any security officer to oversee and co-ordinate security related matters. Despite assurance of OHPC (October 2009) in the reply to paragraph included in the earlier PA of 2008-09 to install CCTV cameras and construction of watch towers at vital locations in HEPs, the same were incomplete (October 2015).

GoO stated that action had been initiated for installation of CCTV cameras in vital locations and construction of watch towers in the HEPs.

Environment Management

2.40 Audit observed that there was no system in existence in OHPC for treatment of effluents before disposal and monitoring of water quality. The deficiencies noticed in Environment management are discussed in **Paragraphs 2.41** to **2.43**.

Oil leakage at power stations

2.41 OHPC is using turbine oils of different grades as recommended by OEM in different components of a generating unit. Audit noticed that during 2010-15, due to delay in rectification of oil leakage problems for a period ranging from 7 to 18 months in three[36] HEPs, there was large leakage of 85,905 litres of turbine oil valuing ₹ 1.22 crore which was released into the river, contaminating the water quality.

Accepting the fact in the Exit Conference, GoO stated that there was some negligence which had been rectified and disciplinary proceedings were initiated.

Implementation of Catchment Area Treatment Plan

2.42 UIHEP has four dams with total catchment area of 2,630 Sq. Kms. As reported (July 1995) by a consultant, the life of the reservoir would reduce from 100 years to 61.5 years due to sedimentation. Accordingly, the unit management of UIHEP proposed (May 2005) investment of ₹ 237 crore in 10 years for protection of the life of the reservoir by 3.85 years by which the State would be benefited by ₹ 2,444.53 crore in the form of generation of electricity. Audit noticed that the proposal was not brought to the notice of top level management of OHPC for a decision.

Subsequently, Department of Forest and Environment approved (June 2013) catchment area treatment plan (CATP) for an estimated cost of ₹ 595.62 crore for UKHEP (₹ 209.09 crore) and UIHEP (₹ 386.53 crore inclusive of ₹ 17.57 crore as institutional cost to be met by OHPC) for its implementation over a period of 10 years from 2013-14. Audit noticed though OHPC has paid ₹ 1.90 crore towards institutional cost for UIHEP, no effective steps were taken for reduction of sedimentation.

GoO stated that, with implementation of CATP through Forest Department, the sedimentation would be substantially reduced.

Repair of Exit point of power channel at UIHEP

2.43 The Tail Race Channel (TRC) of UIHEP carries discharged water from the power house to a barrage at Mangalpur. As severe damage at the exit point

[36] HHEP (18,600 litres: ₹ 25.29 lakh), CHEP (45,360 litres : ₹ 65.19 lakh) and RHEP (21,945 litres : ₹ 31.54 lakh)

of TRC was causing heavy impounding of reservoir due to siltation, Dam Safety Review Panel (DSRP) advised (December 2004) OHPC to take protective measures for which UIHEP prepared (December 2005) an estimate for ₹ 1.75 crore.

Audit observed that, even after a lapse of about 10 years, the work was not taken up resulting in increase in siltation, thereby endangering the dam.

In the Exit Conference, GoO assured to take up the repair work after preparation of revised estimate on the basis of some modifications proposed.

Manpower Management

2.44 Audit scrutiny revealed that against the normative manpower sanctioned strength of 3,263 during 2010-12 and 3,852 during 2012-15, the sanctioned strength of OHPC was between 3,003 and 3,053. However, the men in position (2,009 to 2,465 during 2010-15) were below its own sanctioned strength by 588 to 994 persons during 2010-15, which adversely affected the operation and maintenance of the units.

It was also noticed that though OHPC stipulated arranging site training annually four times on day to day problems in O&M of power house equipments, only 14 programmes were conducted in all the HEPs during 2011-15 against requirement of 96 programmes. Further, capacity utilisation of its training centre was between 2,459 and 3,417 mandays during 2011-15 as against capacity of 11,520 mandays per year.

GoO stated that steps had been taken from time to time to meet the manpower requirement. In the Exit Conference, it also stated that presently there was substantial improvement in imparting training to the officials. However, the manpower position was below the normative and training was inadequate.

Monitoring and Internal Control

2.45 An effective internal control and monitoring system ensures physical/financial progress as well as timely completion of projects. Following deficiencies were noticed in monitoring and internal control system of OHPC:

- OHPC did not have a full time MD during 2010-11 and 2014-15 for better control, monitoring and management of its activities

- OHPC had not implemented IT based monitoring system for effective monitoring of projects and implementation of programmes as required under National Electricity Plan, 2012.

GoO stated that implementation of Enterprise Resources Planning was in process for IT based monitoring system.

- OHPC installed Supervising Control and Data Acquisition (SCADA) system to raise the energy bill, based on data generated through SCADA system. However, the same was not utilised by OHPC for energy billing and instead energy bills of the units were raised only after receipt of hard copy of the data from each of the units.

Conclusion

Despite intending to augment its hydro power generating capacity, OHPC could not increase its installed capacity during 2010-15. The scheduled maintenance of the HEPs was poor and resulted in frequent forced outages with consequential non-earning of definite revenue towards capacity charges. The auxiliary consumption was in excess of the norms by 448.38 MU valuing ₹ 16.28 crore. Despite availability of water and machines, 1,28,792 standby hours during monsoon period resulted in loss of generation of 10,184.87 MU. Safety regulations, issued by CEA, were not implemented in OHPC even after four years of notification. There were deficiencies in manpower management, inventory management and monitoring and internal control system of OHPC.

Recommendations

OHPC may consider:

- **Preparing a perspective plan for increasing its installed capacity and carrying out RMU activity in time;**
- **Preparing a comprehensive maintenance manual as per OEM Guidelines and carrying out scheduled maintenance of its HEPs accordingly in order to minimise forced outage;**
- **Taking effective measures to maintain auxiliary consumption within the norm; and**
- **Adherence to safety standards and implementation of safety regulations.**

In the Exit Conference, Government accepted all the recommendations.

Chapter III

3. Performance Audit relating to Statutory Corporation

Odisha State Warehousing Corporation

Working of Odisha State Warehousing Corporation

Executive Summary

Introduction

Odisha State Warehousing Corporation (OSWC) was established on 21 March 1958 under the Agricultural Produce (Development and Warehousing) Act, 1956 which was repealed and replaced by The Warehousing Corporations Act, 1962 (Act). OSWC is a statutory body having paid-up Share Capital of ₹3.60 crore as on 31 March 2015 equally contributed by the Government of Odisha and Central Warehousing Corporation (CWC). It has its Head Office at Bhubaneswar with eight Zonal Offices and 63 warehouses with total storage capacity of 4.90 LMT (4.87 LMT owned and 0.03 LMT on hired basis). OSWC is under the administrative control of the Cooperation Department of Government of Odisha.

Planning

As against targeted capacity addition of 1.125 LMT during 2011-12 to meet the urgent requirement of the State, OSWC constructed godowns with 0.97 LMT capacity at 15 locations during 2011-15. Non-achievement of target was mainly due to delay in finalisation of tender by CWC, clearance of land disputes, getting forest clearance, delayed decision to shift the HT/LT line passing over the site and delay in completion of ancillary works. Failure of OSWC in handing over the site free from encumbrances to CWC for construction of godowns resulted in avoidable expenditure of ₹0.78 crore.

Capacity Utilisation

Out of 15 newly constructed godowns handed over by CWC, 12 godowns were utilised with a delay upto 195 days and one godown is yet to be utilised which resulted in loss of potential revenue of ₹1.28 crore towards storage charges. During 2010-15, average capacity utilisation of 10 warehouses was below 20 per cent and that of 11 warehouses was between 21 and 85 per cent resulting in low occupancy of 0.24 LMT (average) per year. Though utilisation of storage space by farmers during 2010-15 was minimal, no initiative was taken by OSWC to create awareness and to extend the benefits to the farmers as envisaged in the tariff policy.

Tariff Structure

In violation of general condition of storage, OSWC failed to levy interest amounting to ₹4.05 crore though depositors failed to pay their dues within 30 days from the date of bill. Due to fixation of storage tariff for Odisha

State Civil Supplies Corporation Limited (OSCSC) on negotiation basis at rates lower than CWC stipulated rate, OSWC sustained loss of ₹15.48 crore during 2010-14. OSWC failed to claim ₹1.38 crore for 2005-12 towards differential storage charges from FCI at guaranteed reservation rate for reservations made on non-guarantee basis.

Management of Warehouses

Due to deficient Malathion and Deltamethrin treatment, there was heavy infestation for which OSWC had to consume 6,341 Kg of Aluminium Phosphides. Failure to follow FIFO method resulted in deterioration of quality of food grains. OSWC did not collect ad-valorem surcharge from the depositors where storage charges were exclusive of insurance premium and failed to ensure insurance coverage of stocks by the depositors. Though commercial transactions of OSWC during 2010-15 increased considerably by 77 per cent i.e., from 12.33 to 21.83 LMT with capacity addition of 0.97 LMT, the manpower decreased by 17 per cent i.e., from 384 to 319.

Financial Management

Due to delay in decision, OSWC failed to avail subsidy of ₹8.44 crore under Grameen Bhandaran Yojana. During 2010-15, the outstanding warehousing charges for the year increased from ₹9.85 crore in 2010-11 to ₹44.33 crore in 2014-15. In view of non-availability of supporting documents, the chances of recovery of warehouse charges of ₹8.79 crore outstanding for the periods upto 2009-10 is remote. Though FCI/OSCSC has recovered ₹2.68 crore from the storage charges bills of OSWC due to excess storage losses beyond norms, OSWC neither analysed reasons nor took any initiative to minimise the losses.

Operation and Maintenance of Godowns

During 2010-15, 10 to 20 warehouses incurred loss of ₹2.39 crore due to low/nil occupancy and could not recoup the cost of operation. During 2010-15, OSWC, on 40 occasions, awarded contracts for repair and maintenance of Head Office, staff quarters, godowns, leak repair etc., valuing ₹48.93 lakh on job work basis by splitting the works on the plea of urgent nature of work and thereby avoided tendering procedure. Due to inordinate delay in decision for reconstruction and renovation through CWC, OSWC suffered potential loss of storage charges of ₹2.32 crore.

Monitoring and Internal Control

Monitoring and internal control system of OSWC was deficient and not commensurate with the size of OSWC and nature of its business.

Recommendations

Performance Audit contains five recommendations on need to rationalise augmentation of storage capacities so as to optimise utilisation of loss making warehouses/idle warehouses; create awareness among farmers and make available its godowns to farmers at reasonable rate; ensure scientific storage facility and adhere to quality control norms to avoid deterioration in quality of food grains and minimise storage loss; and strengthen monitoring and internal control system and develop a suitable MIS for effective warehouse management.

Introduction

3.1 Odisha State Warehousing Corporation (OSWC) was established on 21 March 1958 under the Agricultural Produce (Development and Warehousing) Act, 1956 which was repealed and replaced by The Warehousing Corporations Act, 1962 (Act). OSWC is a statutory body having paid-up share capital of ₹ 3.60 crore as on 31 March 2015, equally contributed by the Government of Odisha (GoO) and Central Warehousing Corporation (CWC). OSWC is under the administrative control of the Cooperation Department of GoO. The main objectives of OSWC under the Act *ibid* are to:

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

In pursuance of these objectives, OSWC has been acquiring/building godowns and warehouses within the State of Odisha, providing storage facilities to Food Corporation of India (FCI), Odisha State Civil Supplies Corporation Limited (OSCSC) and others as also facilitating FCI for transportation of food grains to and from the warehouses. As of 31 March 2015, OSWC had 63 warehouses in the State with total storage capacity of 4.90 Lakh Metric Tonne (LMT), comprising 4.87 LMT owned and 0.03 LMT on hired basis.

Organisational Set up

3.2 The management of OSWC is vested in a Board of Directors (BoD), comprising 11 Directors of which five Directors are nominated by CWC. Six Directors are nominated by GoO including the Chairman and the Managing Director (MD). At the Head Office, the MD is assisted by General Manager (Commercial), Secretary and Financial Advisor & Chief Accounts Officer while field activities are managed by eight Zonal Managers, assisted by Warehouse Superintendents to manage warehouse operations.

Scope and Methodology of Audit

3.3 The Performance Audit on “Working of Odisha State Warehousing Corporation”, conducted during April to July 2015 covered the activities of OSWC for the five years ending March 2015 for evaluation of all activities such as warehousing operations, augmentation of warehousing capacity, handling and transportation of food grains on behalf of FCI, storage losses, fixation of storage charges, monitoring mechanism etc.

Audit methodologies adopted with reference to the audit criteria consisted of explaining audit objectives to top management during an ‘Entry Conference’ held on 07 May 2015. Audit findings were based on scrutiny of records at

Head Office of OSWC, test check of 16[37] out of 63 warehouses under four[38] out of eight Zonal Offices, interaction with officials of OSWC and issue of audit queries and draft Performance Audit report to the Management/Government for their comments. Zonal Offices and warehouses were selected through stratified random sampling method on the basis of annual average occupancy of the warehouses under different zones. Subsequently, audit findings were discussed with OSWC and GoO in an 'Exit Conference' held on 03 November 2015. Views expressed by them and replies furnished by GoO (October 2015) were considered while finalising this report.

Audit Objectives

3.4 Performance Audit on working of OSWC aimed to assess whether:

- OSWC had assessed the overall requirement of storage facilities for the State including taking steps to bridge any shortfall by creating additional capacity;
- OSWC had put its warehouses to optimum use, created awareness among the farmers and made available its warehouses to them at reasonable tariff;
- The warehouses were managed efficiently by providing safe and scientific storage of commodities with adequate manpower; and
- Effective monitoring and internal control systems and Management Information System were in place.

Audit Criteria

3.5 Audit criteria adopted for assessing the achievement of the audit objectives was based on the following:

- The Warehousing Corporations Act, 1962;
- Orissa State Warehousing Rules, 1974;
- Warehousing (Development and Regulations) Act, 2007 (WDRA);
- The Orissa Treasury Code;
- Minutes and Agenda of the meetings of Board of Directors;
- Agreements with depositors for storage of various commodities;
- Guidelines of various schemes; and
- Directions of Governments/FCI/CWC.

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[37] A. Katapali, Attabira, Balasore, Baripada, Bhadrak, Boriguma, Boudh, Dumerpani, Gunupur, Jharsuguda, Karanjia, Kendapali, Khariar Road, Malmunda, Nabarangapur and Rayagada

[38] Balasore, Koraput, Sambalpur and Titilagarh

Financial Position and Working Results

3.6 The financial position and working results of OSWC for the last five years ended 31 March 2015 are detailed in the **Annexure-4**.

It can be seen from the **Annexure** that:

- OSWC had continuously earned profit which increased from ₹ 7.04 crore (2010-11) to ₹ 20.21 crore (2014-15) mainly due to increase in storage tariff, income from new godowns and reduction in manpower cost. Net worth of OSWC also increased from ₹ 57.90 crore in 2010-11 to ₹ 109.54 crore in 2014-15 mainly due to retention of profit transferred to Reserves and Surplus. Net block and income from warehousing charges were on an increasing trend during 2010-15 mainly due to addition of new warehouses and increase in storage tariff.

- Percentage of profit to capital employed steadily increased from 12.16 (2010-11) to 17.19 (2014-15) due to increase in income from warehousing charges. However, it declined to 12.81 in 2012-13 due to increase in revenue expenditure at a higher proportion over increase in income from warehousing charges.

- Though average collection period of accounts receivables (outstanding warehousing charges) of OSWC reduced from 252 (2010-11) to 180 (2014-15) days, it failed to reduce the collection period to 90 days as envisaged in its business plan mainly due to non-enforcement of penalty clause and inadequate follow-up. The amount disallowed by depositors pending recovery increased by 89.32 *per cent* from ₹ 3.37 crore (2010-11) to ₹ 6.38 crore (2014-15) mainly due to excess billing which was under reconciliation.

Acknowledgement

3.7 Audit acknowledges the co-operation and assistance extended by OSWC at various stages of conducting the Performance Audit.

Audit Findings

3.8 Audit findings are discussed in the following paragraphs:

Planning

Planning for Capacity Addition

3.9 Ministry of Consumer Affairs, Food and Public Distribution, Government of India (GoI) directed (April 2010) FCI to identify gaps in storage capacities and submit plans for construction of further capacity under “Scheme for construction of godowns for FCI-storage requirements through Private Entrepreneurs (PEG)-2009”. Accordingly, the representatives of GoO and FCI jointly analysed the storage needs of the State and proposed (July

2010) creation of 3 LMT storage space. The High Level Committee (HLC) of GoI headed by the CMD, FCI approved (September 2010) creation of 1.125 LMT storage space by OSWC and 1.875 LMT by CWC. As identified earlier (November 2009) by GoO, CWC was designated as the project implementation agency to undertake the construction of godowns under the scheme on behalf of OSWC, on payment of supervision charges at eight *per cent*.

OSWC failed to achieve the planned capacity addition under the PEG Scheme

Audit observed that OSWC had targeted to complete capacity addition of 1.125 LMT at 17 locations during 2011-12 to meet the urgent requirement of the State on account of substantial increase in paddy procurement. However, it could only construct godowns with 0.97 LMT capacity at 15 locations during 2011-15. The construction of remaining two godowns for which 100 *per cent* capacity utilisation was guaranteed, were not started till the date of audit. Thus, OSWC failed to meet the storage needs of the State as envisaged in PEG-2009 scheme besides loss of potential revenue towards storage charges as discussed in **Paragraph 3.12**. The reasons for shortfall in achievement of planned capacity addition was mainly attributable to delay in finalisation of tender by CWC, clearance of land disputes, obtaining forest clearance, delayed decision to shift the HT/LT line passing over the site and delay in completion of ancillary works as discussed in **Paragraphs 3.12** to **3.14**.

Business Plan

3.10 The Corporate Governance Manual (November 2009) of GoO for State PSUs envisaged preparation and submission of business plan by OSWC with detailed description of its intended long term goals and objectives to the Secretary, Cooperation Department by January for the three years period commencing from April.

OSWC had not submitted its Business Plan for 2010-13 and submitted the Business Plan for 2013-16 after a delay of one year

Audit observed that OSWC had not submitted its business plan for 2010-13. However, the business plan for 2013-16, which was due for submission in January 2013, was submitted in January 2014 after a delay of one year. Further, the key issues identified to be addressed during the plan period like creation of additional warehousing capacity of 0.51 LMT during 2013-15, capacity augmentation of loss making small warehouses, renovation of dilapidated godowns, automation of warehousing operations and reduction of average collection period to 90 days etc., could not be achieved as discussed in **Paragraphs 3.6**, **3.17**, **3.21** and **3.38**.

In the exit conference, GoO accepted the fact of non-submission/delayed submission of Business Plan.

Budgeting

3.11 As per Section 26 of the Act, OSWC is required to prepare a statement of programme of its activities before commencement of each financial year and to submit, not later than three months before the commencement of the financial year, the statement of financial estimates thereof for the year concerned to CWC and GoO for approval. The budget estimates *vis-à-vis* actuals in respect of capital/revenue expenditure and income for the last five years ending March 2015 are detailed below:

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Revenue Expenditure					
Budgeted	33.65	37.52	44.87	62.48	78.80
Actual	31.54	35.75	47.43	70.92	84.91
Variance	(-)2.11	(-)1.77	(+)2.56	(+)8.44	(+)6.11
Percentage of variance to budgeted	(-)6	(-)5	6	14	8
Capital Expenditure					
Budgeted	2.82	28.99	4.70	7.18	4.80
Actual	0.28	24.11	17.27	1.27	10.34
Variance	(-)2.54	(-)4.88	(+)12.57	(-)5.91	(+)5.54
Percentage of variance to budgeted	(-)90	(-)17	267	(-)82	115
Storage Income					
Budgeted	40.63	39.36	57.96	81.75	93.16
Actual	38.58	50.04	60.81	88.92	105.12
Variance	(-)2.05	(+)10.68	(+)2.85	(+)7.17	(+)11.96
Percentage of variance to budgeted	(-)5	27	5	9	13

(Source: Budget estimate submitted to CWC and Annual Reports of OSWC)

From the above, it may be observed that:

Revenue expenditure during 2012-15 exceeded the limit by ₹ 17.11 crore

- Though the revenue expenditure during 2010-12 was within the budgeted limit, the same had exceeded the limit by ₹ 17.11 crore during 2012-15, mainly due to increase in handling and transportation charges, repair and maintenance (R&M) expenses and establishment cost towards payment of gratuity.

- Against the budgeted capital expenditure, OSWC could not utilise funds ranging between 17 and 90 *per cent* during 2010-12 and 2013-14 due to non-construction of godowns as targeted. However, the percentage of utilisation during 2012-13 and 2014-15 was 267 and 115 of allotment respectively due to completion of godowns taken up in earlier years.

- Except 2010-11, OSWC realised the budgeted storage income which was ranging between 5 and 27 *per cent* over the budgeted amount. However, in 2010-11 there was shortfall due to non-achievement of targeted income from warehousing charges.

Audit further observed that OSWC, in violation of Section 26 of the Act, submitted the statement of programme of its activities of each financial year to CWC with delays ranging from 31 to 182 days. Failure to submit the programme of activities in time resulted in delay in obtaining approval from CWC with consequential delay in construction of godowns.

In reply, GoO agreed to avoid delay in submission of statement of programme of its activities in future.

Construction of Godowns

Delay in completion of godowns

3.12 OSWC undertook construction of godowns with 1.125 LMT capacity at 17 locations through CWC at an estimated cost of ₹ 57.98 crore. As per the Memorandum of Agreement (MoA) between OSWC and CWC during August 2010, CWC was to complete the projects within 10 months from the date of issue of work order. As of July 2015, even after a lapse of five years from MoA, CWC completed only 15 out of 17 godowns.
Audit observed the following:

- In violation of instruction (August 2010) of FCI to finalise the tender within 62 days from the date of issue of tender notice, CWC delayed finalisation of tender upto 100 days in respect of eleven projects. This was not properly monitored by OSWC.

- Even after placement of work order to the contractor, there was a delay of 547 days in commencement of a work due to the failure of OSWC to take timely decision to shift the HT/LT line passing over the site at Deogarh.

Delayed completion of projects resulted in potential revenue loss of ₹ 4.72 crore

- Completion of the 15 projects were delayed by 24 to 529 days[39] mainly due to failure of OSWC to settle land disputes, obtaining forest clearance, delay in finalisation of site etc., which resulted in potential revenue loss of ₹ 4.72 crore towards storage charges. The balance two projects were not started even after lapse of 59 months from the date of sanction (September 2010) of HLC for construction of godowns due to non-finalisation of sites by OSWC.

- In 7 out of 15 completed projects, though delay in completion was attributable to contractors, penalty as envisaged in MOA was not levied, collected and remitted to OSWC by CWC.

In the exit conference, while accepting the facts, GoO assured that the matter would be examined by OSWC and penalty would be collected subject to force majeure clause.

Avoidable expenditure in construction of godowns

3.13 As per the terms and conditions of MoA, OSWC was to hand over the site/land free from encumbrances to CWC for construction of godowns. OSWC was also to release the contract value to CWC in phases.
Audit scrutiny revealed that, for construction of godown (5,000 MT) at Dhenkanal, OSWC intimated (January 2011) CWC to go ahead with tender

[39] Upto 100 days : 4, 101-200 days : 1, 201-300 days : 6, 301-400 days : 2, 401-500 days : 1 and 501-600 days : 1 godown.

process without obtaining forest clearance and possession of land for the site. OSWC, however, after possession (April 2011) of land, belatedly intimated (December 2011) forest authorities for necessary clearance. In the meantime, though, CWC entrusted (November 2011) the work to a contractor at a cost of ₹ 2.09 crore, the same was cancelled (July 2012) on the plea of non-availability of site free from all encumbrances despite forest clearance obtained in March 2012. Subsequently, CWC awarded the work to the same contractor through fresh tender (November 2012) at a higher value of ₹ 2.62 crore. The godown was completed in March 2015. Thus, delay in obtaining forest clearance by OSWC resulted in avoidable expenditure of ₹ 0.57 crore including supervision charges (₹ 0.04 crore).

Delay in obtaining forest clearance resulted in avoidable expenditure of ₹ 0.57 crore

In the exit conference, GoO stated that after taking possession of the land, Revenue Authorities requested OSWC to cut down cashew nut trees at Dhenkanal site for which OSWC need not apply for forest clearance. However, OSWC could not produce documentary evidence in support of permission from Revenue Authority to cut down the trees.

Release of advance without ensuring progress of work

3.14 OSWC requested (January 2011) CWC to initiate tender procedure for construction of godown at Angul, without taking possession of land and released (April 2011) ₹ 0.12 crore as advance. Though CWC issued (October 2011) work order to a contractor, the same could not be started due to interruptions by the villagers against construction of godown at that site. Since the problem could not be sorted out by OSWC, the project was abandoned and another plot of land identified in December 2013. In the meantime, OSWC also released (September 2011/November 2011) phase-wise advance of ₹ 0.40 crore to CWC without ensuring the progress of work. The construction work at the second site also could not be commenced due to dense forest and hilly land. Thus, release of advances without ensuring possession of land and progress of work led to blockage of borrowed funds of ₹ 0.52 crore with CWC with consequential avoidable payment of interest amounting to ₹ 0.21[40] crore. Further, due to unsuitability of the second site, the godown could not be constructed.

Release of advances without ensuring progress of work led to blockage of borrowed fund and consequential avoidable payment of interest of ₹ 0.21 crore

GoO stated that installments were released within the stipulated period as per the MoA. However, OSWC released installments without ensuring progress of work.

Delay in utilisation of godowns

3.15 CWC completed and handed over 15 godowns during 2011-15. However, only two godowns were utilised from the date of handing over while 12 godowns were utilised after a delay of upto 195 days[41]. The remaining godown at Dhenkanal was not utilised (July 2015) even after lapse of 122 days from the date of handing over (March 2015). Delay in utilisation was attributable to delay in completion of ancillary works such as external

[40] At 10.75 *per cent* per annum on ₹ 0.52 crore for 46 months (October 2011- July 2015)
[41] Upto 50 days : 4, 51-100 days : 6, and 101-200 days : 2 godowns

Delay in utilisation of completed godowns resulted in loss of potential revenue of ₹ 1.28 crore

electrification work, construction of weighbridge etc., which could have been avoided by effective monitoring of projects and this resulted in non-utilisation of the godowns and loss of potential revenue of ₹ 1.28 crore towards storage charges.

GoO stated that utilisation of these godowns were delayed due to non-completion of ancillary works. OSWC, however, took over the godowns without completion of ancillary works.

Delay in execution of lease deed and non- utilisation of idle land

Delayed/non-execution of lease deeds led to avoidable expenditure of ₹ 0.78 crore

3.16 As of March 2015, OSWC had 223.194 acres of land at 79 locations in Odisha which were either acquired on lease basis from GoO/Industrial Infrastructure Development Corporation of Odisha Limited (IDCO)/Regulated Market Committees (RMCs) or purchased from private parties. Out of 79 locations, OSWC had no Record of Right (RoR) for land at 32 locations, out of these lease deeds were executed at 20 locations and for the remaining 12 locations, lease deeds were not executed (July 2015) due to ineffective follow-up by OSWC with Revenue Authorities. Test check of records at four Zonal Offices revealed that due to delayed/non-execution of lease deeds, OSWC incurred avoidable expenditure of ₹ 0.78 crore against two warehouses[42] towards additional premium (₹ 0.61 crore) and penal interest (₹ 0.17 crore).

Though OSWC had acquired land at three[43] locations between 1985 and 2002 for construction of godowns, they were lying idle till date due to absence of approach road/refusal of FCI for utilisation. This resulted in blockage of capital and loss of potential storage charges.

While accepting the fact, GoO stated that action has been initiated for obtaining RoR and sanction of lease deed.

Capacity Utilisation

Occupancy level of warehouses

3.17 As on 31 March 2015, there were 63 warehouses having a total capacity of 4.90 LMT which included 0.03 LMT taken on hire basis. However, the average occupancy of warehouses during 2010-15 was between 91 and 95 *per cent* as detailed below:

Year	*No. of warehouses*	*Average capacity (in MT)*	*Average occupancy (in MT)*	*Percentage of utilisation*	*Average vacant space (in MT)*
2010-11	58	411479	386609	94	24870
2011-12	58	420812	399287	95	21525
2012-13	61	462628	437668	95	24960
2013-14	63	484917	460173	95	24744
2014-15	63	488440	445379	91	43061

(Source: Warehouse-wise Monthly Storage Accommodation Statement)

42 Dumerpani and Godbhaga
43 Sardola, Potangi and Semiliguda

Audit observed the following:

- Though OSWC could achieve more than 90 *per cent* of average capacity utilisation during 2010-15, the utilisation of 10 warehouses was below 20 *per cent* and that of 11 warehouses was between 21 and 85 *per cent*, resulting in non-utilisation of 0.24 LMT (average) per year. On the other hand, in 8 to 15 warehouses there was over-utilisation of capacity as discussed in **Paragraph 3.18**.

10 to 20 warehouses could not recoup their cost of operation and incurred loss of ₹ 2.39 crore

- During 2010-15, low/nil utilisation was mainly attributable to dilapidated condition of the warehouses, locational disadvantages and non-proximity to highways/railways etc. During this period, out of the 21 warehouses having low/nil occupancy, 10 to 20 warehouses[44] could not recoup their cost of operation and incurred loss of ₹ 2.39 crore. This included 3 to 9 idle warehouses where OSWC incurred ₹ 1.02 crore towards manpower cost. OSWC, however, had not taken any action for revival/closure of these warehouses.

Damaged godown at Malmunda

- There was lack of initiative by OSWC to create awareness among farmers/small traders to utilise the vacant space of godowns for storage of food grains with proper publicity.

GoO while accepting the audit observation stated that steps were being taken to improve the working of the loss making warehouses and the idle warehouses had been tagged to the nearest big warehouses to minimise the establishment cost.

Over utilisation of capacity

3.18 As per Warehouse Manual of Warehousing Development and Regulatory Authority, appropriate stacking/storage of stocks should be ensured to avoid damage to the stocks while in the custody of the warehouse. Stack plan shall be prepared in such a manner that the stacks shall not obstruct light and free flow of air into godowns. Further, minimum space should be provided between stacks (0.75 mtr), wall (0.60 mtr) and door points (1.20 mtr) for operational purpose.

[44] 2010-11 : 20, 2011-12 : 18, 2012-13 : 13, 2013-14 : 12 and 2014-15 : 10 warehouses,

Storing of food grains over and above the warehousing capacity indicated unscientific storage of food grains

Audit scrutiny revealed that during 2010-15, in 8 to 15 warehouses food grains were stored over and above its warehousing capacity i.e., upto 140 *per cent* and their capacity was over utilised for a period upto 12 months. This indicated possible storage of stock outside covered area/alleyways, increased stack height etc. Thus, the possibility of damage of food grains due to unscientific storage could not be ruled out.

In the exit conference, GoO stated that in some cases godowns are being utilised above 100 *per cent* for shorter period as per the request of FCI. However, this violated the norms for scientific storage.

Depositor-wise capacity utilisation

3.19 To encourage farmers to avail of public warehousing facilities, OSWC provided rebate of 30 *per cent* on its storage charges. In order to educate the farmers on scientific storage of food grains and post harvest loss minimisation, GoI introduced (1978-79) Farmers Extension Service (FES) Scheme which stipulates that the farmers of the adjoining villages are to be trained by OSWC on post harvest technology. The customer-wise utilisation of storage capacity during 2010-15 is detailed below:

Year	*Total Quantity handled (in MT)*	*State Govt. departments & FCI*		*Fertilizer Companies & others*		*Farmers*	
		Qty (in MT)	*% of utilisa-tion to Qty handled*	*Qty (in MT)*	*% of utilisa-tion to Qty handled*	*Qty (in MT)*	*% of utilisation to Qty handled*
2010-11	1233442	1218024	98.75	15045	1.22	373	0.03
2011-12	1389433	1358106	97.74	31202	2.25	125	0.01
2012-13	1680070	1650134	98.22	29928	1.78	08	0.00
2013-14	1909603	1885842	98.76	23761	1.24	0	0.00
2014-15	2182539	2161793	99.05	20746	0.95	0	0.00

(Source: Annual Report 2010-14 and MIS)

No initiative was taken to create awareness among farmers to utilise the vacant space of godowns

During 2010-15, the facilities provided in the warehouses were mainly utilised by the State Government departments and FCI which ranged between 97 and 99 *per cent*. However, though utilisation of the capacity by farmers during 2010-13 was minimal, the same was nil during 2013-15. Audit observed that no initiative was taken by OSWC to create awareness among farmers to utilise the vacant space of the godowns and also to extend the benefits to the farmers as envisaged in the tariff policy and FES scheme. Thus, OSWC mainly catered to the warehousing needs of the organised sector and failed to attract farmers for utilisation of storage space.

In the exit conference, GoO stated that due to shortage of manpower, no initiative was taken for creating awareness among the farmers.

Registration and Accreditation of godowns

3.20 Warehousing (Development and Regulation) Act (WDRA) enacted in 2007 and effective from 25 October 2010 stipulates that warehouses may register their storage capacity with Warehousing Development and Regulatory Authority, which would entail them to issue negotiable warehouse receipts to farmers for securing credit from the banks and to store their stocks for better realisation, by avoiding distress sale.

Failure in registration and accreditation of godowns deprived the farmers for securing credit from banks

Audit observed that though OSWC identified (June 2011) 4[45] out of its 63 warehouses for registration and accreditation with Warehousing Development and Regulatory Authority as per WDRA, the same were not registered as on the date of audit due to non-fulfillment of deficiencies pointed out (November 2014) by the accreditation agency. Thus, the purpose of extending benefits to farmers for securing credit from banks in order to avoid distress sale could not be achieved.

In the exit conference, while accepting the fact, GoO stated that, 30 more godowns have been identified which were constructed with CWC specifications for registration under WDRA.

Inordinate delay in reconstruction/renovation of warehouse

Delayed decision to re-construct and renovate the godown at Jeypore resulted in the godown remaining idle for eight years and loss of ₹ 2.32 crore towards storage charges

3.21 The Jeypore godown having 6,000 MT capacity was in a dilapidated condition. However, due to its locational advantage, FCI had requested (February 2007) to utilise the vacant space of the warehouse. Based on the report (August 2008) of Zonal Manager, OSWC decided (July 2011), after a lapse of more than three years, for reconstruction (2,500 MT) and renovation (3,500 MT) of godown through CWC to meet the requirement of OSCSC. It took more than 18 months (January 2013) to decide the cost estimate. While approving (March 2013) the cost estimate submitted by CWC, OSWC failed to fix scheduled date of completion for reconstruction and renovation work. CWC handed over the godown after completion of renovation work in March 2015 after a lapse of more than two years, but reconstruction work was not completed (July 2015). Thus, inordinate delay in deciding to reconstruct and renovate, awarding the work to CWC and execution by CWC, resulted in the warehouse remaining unutilised for more than eight years which ultimately resulted in potential loss of storage charges of ₹ 2.32 crore during 2010-15.

In the exit conference, OSWC stated that there was delay in selection of suitable roof structure of godown at their level and assured its completion by December 2015.

Tariff Structure

3.22 OSWC does not have its own tariff policy and follows the storage tariff structure of CWC revised from time to time for depositors, other than FCI and OSCSC. During 2010-15, CWC revised storage tariff for different notified commodities on four occasions considering increase in establishment cost,

[45] Boriguma (500 MT), Gunupur (500 MT), Kotpad (500 MT) and Nabarangapur (1,000 MT)

operational cost and other relevant factors which was followed by OSWC. The storage tariff for FCI is under an administered price regime fixed by GoI which was being revised from time to time and applicable from 01 April of the respective year. During 2010-15, the storage rates for FCI were revised eight times and were applicable retrospectively from 01 April 2005 to 01 April 2012. The tariff for OSCSC was fixed based on negotiation. Irregularities noticed in implementation of tariff are discussed in **Paragraphs 3.23** to **3.25.**

Non-levy of interest on overdue storage charges

3.23 The general condition of storage and reservation of OSWC stipulates that, in case of stocks belonging to Centre/State Government, Government Undertakings, Co-operatives and private depositors, the storage charges shall be realised on presentation of bills. If the depositors fail to pay their dues within 30 days from the date of bill, they would be liable to pay interest at the rate of 18 *per cent* on the outstanding dues.

OSWC failed to levy interest of ₹ 4.05 crore towards delayed collection of storage charges

Test check of warehousing charges bills of 2012-15 revealed that though overdue storage charges were collected from depositors with a delay up to 570 days, OSWC failed to incorporate a suitable clause in the agreements which led to non-levy of interest amounting to ₹ 4.05 crore.

In the exit conference, OSWC stated that the penal interest was not charged due to absence of any agreement with FCI and no specific clause in the agreement with OSCSC.

Adoption of special tariff for OSCSC

3.24 As per policy of CWC, a rebate of 10 *per cent* on storage charges was to be extended to State Civil Supplies for storage of food grains. However, OSWC fixed storage tariff for OSCSC on negotiation basis, which was lower than the tariff communicated by CWC. The tariff communicated by CWC *vis-a-vis* fixed for OSCSC is detailed below:

(Rate in ₹)

Period	***Rate of rice per 50 kg bag***			***Rebate actually allowed (in per cent)***	***Excess rebate allowed (in per cent)***
	Communi-cated by CWC	***Applicable after 10 per cent rebate***	***Fixed after negotia-tion***		
April 2010 to June 2011	3.55	3.20	2.66	25	15
July 2011 to March 2012	4.15	3.74	2.66	36	26
April 2012 to March 2013	4.45	4.01	2.87	36	26
April 2013 to March 2014	5.80	5.22	3.75	35	25
April 2014 to March 2015	6.25	5.63	3.38	46	36

(Source: Records of OSWC and CWC Tariff Structure)

Audit observed that, in violation of provisions of standing policy of CWC, OSWC allowed special rebate on storage rate (exclusive of weighment charges) during 2010-14, which ranged between 25 and 36 *per cent*. Further, during 2014-15, it allowed storage rate of ₹ 3.38 per 50 kg bag per month (inclusive of weighment charges) at par with FCI, as was unilaterally decided

OSWC allowed special rebate to OSCSC in violation of Standing Policy of CWC resulting in loss of ₹ 15.48 crore during 2010-14.

by OSCSC. The same was accepted by OSWC resulting in higher percentage (46 *per cent*) of rebate to OSCSC. As the tariff for FCI was under an administered price regime being fixed each year by GoI, acceptance of the same tariff for OSCSC was not justifiable. Thus, by allowing special tariff to OSCSC in violation of standing policy of CWC, OSWC sustained loss of ₹ 15.48 crore during 2010-14.

In the exit conference, OSWC stated that, OSCSC being a bulk depositor, facility was provided to it. However, the rebate was in addition to that already allowed by CWC.

Non-realisation of differential storage charges

3.25 The godown space of OSWC is utilised by FCI either on guarantee or on non-guarantee basis. Under guarantee basis, FCI agrees to reserve the space of godown for a minimum period of one year or more, while on non-guarantee basis, space is taken for less than one year. The storage tariff for guaranteed reservation is fixed by GoI which is lower than the rates of non-guaranteed reservation as fixed by CWC.

Realisation of storage charges from FCI at old rates resulted in non-realisation of ₹ 1.38 crore for 2005-12.

Audit observed that though the storage charges for non-guaranteed reservation was on the higher side, FCI was releasing payments at rates applicable for guaranteed reservation basis. Even though the rates for storage charges under guaranteed reservation were revised (2010-15) upwards by GoI from time to time and effected retrospectively, OSWC however had been realising at the old rate from FCI. This resulted in non-realisation of ₹ 1.38 crore for 2005-12.

GoO while accepting the audit observation, stated that the warehouses in-charge concerned would be asked to raise differential storage charges in respect of utilisation of space by FCI on occupancy basis.

Non-realisation of dues against Private Entrepreneurs Guarantee godowns

3.26 In terms of the agreement (November 2013) between FCI and OSWC in respect of 12 Private Entrepreneurs Guarantee **(**PEG) godowns, FCI reserves the space for storage of food grains by State Government for a period of six years. The agreement also stipulates that GoO would make efforts to plan at least 80 *per cent* occupancy of the godowns at all times. If utilisation of space is affected due to fault on the part of OSWC, rent would not be paid on unutilised portion.

OSWC failed to obtain a certificate from GoO to the effect that it was not in fault for low occupancy, resulting in non-realisation of ₹ 0.96 crore from FCI

Audit scrutiny revealed that FCI deducted ₹ 0.96 crore from the storage charges bills of OSWC during the period from April to November 2014 on the ground that the occupancy of the godowns was below 80 *per cent.* On request (February 2015) of OSWC for release of withheld amount, FCI intimated (May 2015) to obtain a certificate from GoO to the effect that OSWC was not in fault for low occupancy. Due to non-submission of certificate from GoO, ₹ 0.96 crore could not be realised from FCI.

OSWC, while accepting the audit observation, stated that steps had been taken to obtain necessary certificate from OSCSC for onward submission to FCI for release of withheld storage charges.

Transit loss on handling and transportation activities

In absence of any mechanism to ascertain the exact transit loss, OSWC could not realise ₹ 0.70 crore from H&T contractors

3.27 OSWC undertakes handling and transportation (H&T) activities through contractors on behalf of FCI and is reimbursed actual expenditure incurred on H&T, along with supervision charges at the rate of 8 *per cent* thereon from FCI. The Transit Loss (TL) incurred beyond 0.5 *per cent* is deducted by FCI from the H&T bills of OSWC, which in turn is deducted from the bills of the H&T contractors. Audit scrutiny revealed that during 2010-15, FCI deducted ₹ 1.49 crore towards TL which was beyond the norms, from the storage charges bills of OSWC. However, OSWC could recover ₹ 1.01 crore from the H&T contractors. In absence of any mechanism to ascertain the exact loss during transit, OSWC could not realise ₹ 0.70 crore (including ₹ 0.22 crore prior to 2010-11) from the H&T contractors as of March 2015.

OSWC, while accepting the audit observation, stated that the amount would be realised from the H&T contractors shortly after reconciliation.

Management of Warehouses

Quality Control

3.28 In terms of quality control manual of FCI, based on the insect population, Malathion and Deltamethrin treatments are to be undertaken every 15 and 90 days by diluting them with water in the ratio 1:100 and 40 grams to 1 liter respectively. In case of heavy infestation, fumigation of the stocks was to be taken up using Aluminium Phosphides (AP).

Shortfall in technical treatment of food grains resulted in higher storage loss and deterioration of stocks

Audit observed that in deviation of the norm, OSWC followed spraying of Malathion for 20 *per cent* of entire stock twice in a month and spraying of Deltamethrin once in every three months over balance 80 *per cent* stock. As assessed by audit, against the requirement of Malathion treatment for 723 times in 11 warehouses during 2011-15, on 433 occasions, either there was no Malathion treatment (109 occasions) or consumption was below the norm (324 occasions). Similarly, there were also less consumption of Deltamethrin in 78 out of 127 occasions. Due to deficient Malathion and Deltamethrin treatment, there was heavy infestation for which OSWC had to consume 6,341 Kg of AP. Thus, shortfall in technical treatment of food grains resulted in higher storage loss, deterioration of stock and issue/dispatch of infested stock as discussed in **Paragraphs 3.29** and **3.36**.

OSWC stated that, due to shortage of man power, for maintenance of food grains as per norms of scientific storage, one agency has been engaged from July 2015 on pilot basis for preservation, maintenance and security of food grains.

Irregularities in issue of stocks

Failure to follow FIFO method in issue of stocks led to deterioration of quality of food grains

3.29 GoI guidelines on procurement of food grains for the State Governments envisaged issue of stocks on "First-In-First-Out" (FIFO) so as to avoid deterioration of quality of food grains and higher storage loss due to prolonged storage. Audit scrutiny revealed that FIFO method was not followed in seven out of 16 test checked warehouses. Consequentially, in three[46] warehouses, rice stock of 1,89,280.07 quintals pertaining to the crop years 2012-13 and 2013-14 were declared (December 2014/May 2015) beyond rejection limit (BRL)[47] by the State Enforcement squad of GoO. OSWC issued the said BRL stock after upgradation leaving 3,280.62 quintals which were declared as 'not fit for human consumption' and the same were lying in the warehouses. Thus, failure to follow FIFO method resulted in deterioration of quality of food grains like discoloration, sprouting, development of undesirable odour, contamination etc., leading to higher storage loss and avoidable expenditure for disinfestations.

While accepting the facts, OSWC stated that instructions had been issued to follow FIFO method strictly and responsibility would be fixed on warehouses in-charge for their failure.

Scientific Storage


Excreta of Birds at Bhadrak Godown

3.30 As per quality control norms, for scientific storage of stock, adequate measures should be taken to maintain the godown storage worthy. Audit noticed that in 14 out of 16 test checked warehouses, the fire fighting systems were not available in 10 warehouses. The systems installed long back in four warehouses, were out of order. Further, in all 16 test checked warehouses except Boriguma, which was vacant, the stack cards/tally cards were not displayed properly showing the date of receipt of food grains, moisture reading at the time of receipt, treatment carried out etc. There were roof leakages at three warehouses (Rayagada, Malmunda and Bhadrak) with consequential damage of stock. Skylights of three godowns (Balasore, Bhadrak and Baripada) were in damaged condition leading to entry of birds and creating unhygienic condition in the godowns. Rolling shutters of Bhadrak godown was not working and remained closed leading to poor ventilation. These deficiencies in the warehouses would adversely impact the quality of stored stocks.

46 Dumerpani, Kendapali and Khariar Road.
47 Damaged, discoloured, etc.

OSWC stated that steps were being taken for proper preservation of food grain stock stored in the warehouses and to maintain the godown storage worthy.

Insurance coverage

3.31 In case of storage charges inclusive of insurance, OSWC undertakes insurance annually through tender for the stock stored in different warehouses against risk of fire/flood/burglary. Against the claim of ₹ 0.39 crore for damage of stock due to flood/cyclonic storm (September 2011/October 2013) at Banki and Jagannathpur, Insurance Companies settled the claim amount by ₹ 0.09 crore and balance claim of ₹ 0.30 crore was rejected on the ground of under insurance. The under insurance was attributable to, 50 *per cent* insurance coverage instead of 100 *per cent* of declared value and excess storage of stock in the godown than the declared stock on the day of calamity. Further due to non-insurance of godown at Jagannathpur, OSWC incurred avoidable expenditure of ₹ 0.11 crore on R&M of warehouse damaged due to cyclonic storm.

Further, in case of storage charges exclusive of insurance, an ad-valorem surcharge should be recovered towards insurance/indemnification charges. Test check of relevant records revealed that, except for fertilizer depositors, no ad-valorem surcharge was collected from the other depositors where storage charges were exclusive of insurance premium. OSWC also had not ensured the insurance coverage of these stocks by the depositors, which indicated lack of financial prudence.

OSWC stated that, from 2015-16, insurance coverage had been taken for the full value of stock stored along with godowns and weigh bridges.

Manpower management

3.32 According to staffing norm (June 1984) of OSWC, 5 to 17 employees were required to be posted at various warehouses depending upon their storage capacity. On direction (December 2004) of GoO to abolish 75 *per cent* of the base level vacant posts, OSWC revised its sanctioned strength from 511 to 472 without any reference to the norms. As per Warehouse Manual of Warehousing Development and Regulatory Authority, effective from October 2010, manpower requirement is to be decided based on commercial transactions and technical considerations.

Audit observed the following:

- Though the commercial transactions of OSWC during 2010-15 increased considerably by 77 *per cent* i.e., from 12.33 to 21.83 LMT with capacity addition of 0.97 LMT, the manpower decreased by 17 *per cent* i.e., from 384 to 319.

Deployment of manpower was below the staffing norm

- In 15 out of 16 test checked warehouses, actual deployment of manpower was 72 against staffing norm of 191, which was short by 62 *per cent* and shortage of manpower ranged from 1 to 14. Even the requirement of 150 staff as envisaged in Warehouse Manual of

Warehousing Development and Regulatory Authority which was much lower than the norm of OSWC, was not fulfilled.

- As 9 out of 16 warehouses (capacity ranged between 2,500 MT and 24,400 MT) were managed by Superintendents without assistance of any Warehouse Assistants, and not able to cope up with the technical operations resulting into quality complaints from the depositors.

OSWC stated that after receipt of Government approval, action would be initiated on the manpower management.

Repair and Maintenance of Warehouses

3.33 Repair and Maintenance (R&M) of warehouses is required at regular intervals. During 2010-15, OSWC had not prepared any periodical R&M schedule, due to which expenditure on R&M activities was unevenly distributed among the warehouses and Head Office (8 and 31 *per cent* of total expenditure) and the urgent works at warehouses like repair of roofs, shutters, skylights, cracks/crevices/floors etc., could not be taken up. Audit observed the following irregularities:

- During 2010-15, OSWC on 40 occasions, awarded contracts for R&M of Head Office, staff quarters, godowns, leak repair etc., valuing ₹ 48.93 lakh on job basis by splitting these works by two to seven times based on stated urgency and thereby avoided tendering procedure. However, test check of 17 works revealed that on 15 occasions, the works were undertaken either with a delay of 5 to 24 months or the works were not of urgent nature.

- In violation of Sub-Rule 509[48] of Odisha Treasury Code (Vol-I), advances of ₹ 0.42 crore were granted (2008-11) to four Engineers, which were adjusted in 2011-13 after a lapse of 12 to 53 months of which 47 vouchers of 2008-10 were adjusted in March 2012. In absence of TIN number on the vouchers and measurement book for the volume of work done, the authenticity of work done could not be vouchsafed.

OSWC stated that due to limited engineering personnel, it was practically difficult to prepare R&M schedule. It further stated that small and urgent nature of work was undertaken on job basis to avoid lengthy process followed in open tender.

Financial Management

Non-availment of subsidy/cheaper loan for construction of godowns

3.34 As per the Grameen Bhandaran Yojana (GBY) guideline, OSWC was entitled to subsidy from NABARD equal to 25 *per cent* of the capital cost of

[48] Advances granted shall be adjusted within one month of payment of such advances supported by vouchers and second/subsequent advance shall not be granted before adjustment of earlier advance.

godowns constructed in rural areas, subject to availment of minimum of 50 *per cent* of the project cost as term loan from commercial banks. For availing subsidy, OSWC was to submit a loan application to the implementing agency, the Directorate of Marketing and Inspection (DMI) of GoI, through the bank.

Since NABARD also provided loans for construction of warehouses under Rural Infrastructure Development Fund (RIDF) scheme, GoO directed (July 2011) OSWC to furnish the estimated amount of fund required under RIDF-XVII. Following deficiencies were noticed in availing subsidy under GBY and loan from NABARD.

Due to non-adherence to GBY guidelines, OSWC failed to avail subsidy of ₹ 8.44 crore

- OSWC, without endorsing the loan application and claim for subsidy to DMI, availed (October 2011 to March 2012) of a loan of ₹ 23.47 crore out of ₹ 40 crore sanctioned (September 2011) by SBI. It belatedly intimated (May 2012) SBI to avail subsidy under GBY scheme. Though SBI took up (August 2012) the matter with NABARD, no subsidy was sanctioned by NABARD due to late submission of claim for availing subsidy. Further, GoI had stopped (August 2014) providing subsidy under GBY. Thus, due to non-adherence to the GBY guidelines, OSWC failed to avail subsidy of ₹ 8.44 crore[49].

Failure in availing cheaper loan under RIDF, resulted in incurring avoidable expenditure of ₹ 2.54 crore

- In the meantime, though OSWC applied (November 2011) NABARD to avail cheaper (6.5 *per cent*) loan of ₹ 40 crore under RIDF-XVII to swap with the costlier (10.75 *per cent*) loan availed from SBI, NABARD disallowed (March 2012) the loan assistance due to delay in submission of detailed project report and Government Guarantee (GG). The delay in obtaining GG was attributable to non-finalisation of Annual Accounts for the year 2010-11, delay in payment of dividend and non-opening of Escrow account by OSWC. Further, the proposal (March 2013) of OSWC to avail loan under RIDF XVIII (2012-13) was also rejected (October 2014) by NABARD on the ground that majority of expenditure was already incurred prior to April 2012. Thus, failure of OSWC in availing of cheaper loan under RIDF led to avoidable expenditure of ₹ 2.54 crore up to 31 March 2015.

- OSWC invested (March 2012) ₹ 21.13 crore in fixed deposit out of bank loan of ₹ 23.47 crore as it had already paid (August 2010 and September 2011) ₹ 18.40 crore to CWC (implementing agency) from its own fund. Thereafter, it also decided (September 2013) to infuse its own funds without availing balance loan of ₹ 16.53 crore for which SBI deducted ₹ 0.62 crore towards commitment charges till July 2015.

In the exit conference, OSWC accepted the audit observation and stated that the matter had been taken up with SBI for refund of commitment charges.

[49] 25 *per cent* on ₹ 33.75 crore (project cost of ₹ 3000 per MT x 112500 MT)

Outstanding Warehousing Charges

3.35 As of March 2015, outstanding warehouse charges against different depositors was ₹ 44.33 crore and the unadjusted advance was ₹ 1.25 crore. Year wise outstanding warehousing charges were as follows:

(₹ in crore)

Name of Agency	Upto 2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	Total
FCI	4.04	0.80	0.73	0.22	0.71	20.01	26.51
OSCSC	1.42	0.22	0.20	0.53	2.25	7.93	12.55
Others	3.33	0.04	0.04	0.15	0.21	1.50	5.27
Total	**8.79**	**1.06**	**0.97**	**0.90**	**3.17**	**29.44**	**44.33**

(Source: Information furnished by OSWC)

Outstanding warehousing charges increased from ₹ 9.85 crore in 2010-11 to ₹ 44.33 crore in 2014-15

Outstanding warehousing charges increased from ₹ 9.85 crore in 2010-11 to ₹ 44.33 crore in 2014-15. Outstanding warehousing charges of ₹ 8.79 crore upto 2009-10 included ₹ 2.83 crore outstanding against depositors with whom there were no transactions during the last five years. OSWC had neither done any year-wise analysis nor initiated any action for recovery of the same. Further, in absence of any supporting documents, the chances of recovery are remote.

OSWC stated that a CA firm would be engaged for detailed analysis of the debtors and adjustment of long pending dues.

Storage Loss

There was excess storage loss of ₹ 2.68 crore beyond norms fixed by GoI

3.36 Audit scrutiny revealed that during 2010-15, FCI/OSCSC has recovered ₹ 2.68 crore from the storage charges bills of OSWC towards excess Storage Loss (SL) beyond norms fixed by GoI from time to time. Excess SL was attributed to long storage period and lack of prophylactic treatment as per prescribed norms as discussed in **Paragraphs 3.28** and **3.29**. The reason for continuous SL beyond norms in warehouses were neither analysed nor was any action taken to reduce the losses to the minimum possible level by OSWC. Further, against the recovery of ₹ 5.33 crore (including ₹ 2.65 crore prior to 2010-11) as of March 2015 by FCI/OSCSC, OSWC could recover ₹ 0.99 crore (including ₹ 0.06 crore during 2010-15) from officials responsible for excess SL.

In the exit conference, OSWC stated that initiative had been taken to reduce the losses to the minimum possible level on the basis of periodicity of storage of stocks.

Monitoring and Internal Control

3.37 An effective monitoring mechanism is a pre-requisite for ensuring physical/financial progress as well as timely completion of projects. Deficiencies noticed in monitoring and internal control mechanism of OSWC are discussed in succeeding paragraphs.

Inadequate Management Information System

3.38 OSWC has not devised any comprehensive Management Information System (MIS) for collection, consolidation and analysis of various data/information for effective governance. Though it implemented the Short Messaging Service (SMS) facility from April 2012 for collection of daily stock position from warehouses for creation of database (SMS portal), the same was not adhered to. Test check of database of SMS portal for the month of January to March of 2013-15, revealed that 17 to 58 warehouses did not submit the daily stock data through SMS. Even OSWC failed to achieve the computerisation of large warehouses at Jagatpur and A. Katapali by 2014-15, as envisaged in its business plan.

In the exit conference, OSWC accepted the fact and noted it for improvement.

Excess payment of service tax

Excess payment of service tax of ₹ 0.47 crore could not be claimed from FCI/OSCSC

3.39 Audit scrutiny revealed that failure of OSWC in timely raising tax invoices, resulted in FCI declining to pay interest of ₹ 0.13 crore from January to December 2013 on delayed payment of Service Tax (ST). Further, payment of ST on total bill amount for rice and wheat instead of for actual quantity of rice led to excess payment of ₹ 0.47 crore to GoI which could not be claimed from FCI/OSCSC.

In the exit conference, OSWC stated that calculation was made hurriedly at Head Office without having adequate data to avail the benefit of Voluntary Compliance Encouragement (VCE) scheme which resulted in excess payment of ST. However, through effective MIS, excess payment could have been avoided.

Internal Control

3.40 Internal control is a Management tool used to provide reasonable assurance that the Management's objectives are being achieved in an efficient and effective manner. Audit observed the following deficiencies in the Internal Control system being followed by OSWC.

- Since June 2010, the post of MD of OSWC was being held on additional charge by the MD of OSCSC which may lead to conflict of interest as OSCSC is one of the major depositors.

- In terms of the Corporate Governance Manual of GoO, Audit Committee (AC) of OSWC was required to meet at least three times in a year to oversee the internal control and financial reporting process. It was, however, noticed that AC meeting was held only on four occasions as against the requirement of 15 meetings during 2010-15 and discussed only matters relating to annual accounts.

- Though, Audit Committee advised (November 2013) for holding the Departmental Internal Audit Committee (DIAC) meeting once in a month to review the observations of the Internal Auditors, it could meet five times as against the requirement of 16 meetings upto March 2015. The reason for shortfall in holding the meetings was attributable to delay in submission of monthly report by Internal Auditors and non-submission of compliance in time by OSWC. Further, the reports of Internal Auditors with respect to audit of warehouses were not discussed in DIAC meetings.

- Despite comments by the Statutory Auditors in their reports every year that the internal control of OSWC was not commensurate with the size of OSWC and nature of its business with regard to raising of bills for warehousing charges, follow up action for collection of receivables and monitoring of advances, was not taken by OSWC.

Conclusion

OSWC failed to achieve the planned capacity addition under the PEG scheme. OSWC mainly catered to the warehousing needs of the organised sector and failed to attract farmers for utilisation of storage space. There were deficiencies in scientific storage of stock and OSWC could not adhere to the quality control norms. Godowns could not be operated effectively and efficiently due to inadequate manpower as well as deficient financial management and improper maintenance of warehouses. There was ineffective monitoring and internal control system in OSWC.

Recommendations

OSWC may consider the following:

- **Rationalise augmentation of storage capacities so as to optimise utilisation of loss making warehouses/idle warehouses;**

- **Create awareness among farmers and make available its godowns to farmers at reasonable rates;**

- **Ensure scientific storage facility and adhere to quality control norms to avoid deterioration in quality of food grains and minimise storage loss; and**

- **Strengthen monitoring and internal control system and develop a suitable MIS for effective warehouse management.**

Government accepted all the above recommendations in the exit conference.

Chapter IV

4. Compliance Audit Observations

Important audit findings emerging from test check of transactions of the State Government Companies/Statutory Corporations are included in this Chapter.

Government Companies

Odisha State Beverages Corporation Limited

4.1 Undue benefit to suppliers

Inappropriate decision on availing of cash discount from suppliers led to extension of undue benefit of ₹ 9.75 crore to suppliers

Odisha State Beverages Corporation Limited (OSBC) procures beverages[50] from suppliers registered with it and sells the beverages to licensed retailers in terms of its Liquor Sourcing Policy (LSP). Agreements with suppliers provided that, OSBC was entitled for cash discount of 1.5, 1 and 0.5 *per cent* for payment made to suppliers within 15, 30 and 45 days respectively from the date of receipt of materials. In the absence of a Management Information System, OSBC was unable to monitor the period of receipt of supplies with that of sale. Therefore, OSBC decided (December 2006) to avail cash discount from the suppliers at a uniform rate of 0.75 *per cent* on ad-hoc basis and to install the required system within a period of three months.

Failure of OSBC to install the software was brought out in Para 3.8 of the Report of the CAG, Government of Odisha for the year ended March 2011. Committee on Public Undertakings (CoPU), while discussing (July 2013) the para, recommended for its installation at the earliest. Meanwhile, since the agreements stipulated that cash discount would be considered 'from date of supply' whereas payment becomes due 'from the date of sale' to retailers, Audit Committee of OSBC recommended (May 2013) that the LSP and agreements with the suppliers be reviewed. Accordingly, the management of OSBC proposed to (June 2013) the BoD that as responsibility of sale lies with the suppliers, OSBC was responsible to make payments from the date of sale. Hence, the counting of days for the purpose of getting cash discount should be from the date of sale. It was also proposed to make necessary amendments in the agreements by substituting the words 'receipt of supplies' with the word 'sale' to avail the cash discount of 1.5 *per cent* from the sale proceeds as OSBC was paying the suppliers twice a month. The BoD[51], however, decided (June 2013) to constitute a Committee to examine the issue and suggest amendments to the LSP and agreements with the suppliers. On the recommendations of the Committee, BoD approved (September 2013) the change in procedure for calculation of cash discount from the date of sale (June 2013). The revised procedure was to be implemented from the date of

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50 Indian Made Foreign Liquor, beer and country sprit

51 Comprising of Principal Secretary of Excise Department, Excise Commissioner of Odisha, Special Secretary of Finance Department and Managing Director of OSBC

notification of the revised LSP. The revised LSP 2013-14 was approved (January 2014) and became effective from 1 February 2014.

Audit observed that:

- OSBC was aware of the fact that by substituting the words 'receipt of supplies' with the word 'sale' in the agreements, it could have availed cash discount of 1.5 *per cent* without installation of software. However, the same was not brought to the notice of CoPU during discussions held on 17 July 2013 for necessary direction/recommendation.

- Though, the fact of proposed amendment to the agreements was brought to the notice of the BoD in June 2013 itself, it didn't take appropriate decision to implement the proposal with immediate effect pending finalisation of the modalities for the same.

Thus, failure on the part of BoD to implement the recommendations of the Audit Committee deprived OSBC of availing additional cash discount of ₹ 9.75 crore during July 2013 to January 2014.

Government stated (August 2015) that the view point of Audit Committee and decision taken by BoD did not appear to be technically correct in a competitive environment. Reply is not acceptable as OSBC has exclusive rights in carrying out wholesale trade of liquor in the State and the BoD, which had taken the decision, was chaired by the Principal Secretary to Excise Department.

4.2 Loss of revenue

Delayed implementation of revised offer prices led to loss of revenue of ₹ 1.22 crore towards OSBC's margin and VAT

Odisha State Beverages Corporation Limited (OSBC) is engaged in wholesale trade of beverages like India Made Foreign Liquor, beer and country spirit in the State in terms of its Liquor Sourcing Policy (LSP). It enters into agreements with suppliers for procurement of beverages at their offer price[52] as approved by the Price Fixation Committee (PFC) constituted by Excise Department of Government of Odisha. The Managing Director of OSBC is the member- convenor of the PFC. Entry tax and Import Fee are added to the offer price to arrive at the landing cost. Thereafter, Excise Duty and margin of OSBC are added to the landing cost to arrive at the issue price on which VAT is imposed. Thus, the offer price is the basis for determination of State levies and the margin of OSBC.

[52] The price offered by the suppliers to sale their beverages to OSBC on FOR destination basis

Audit scrutiny revealed the following:

- During 2013-14, PFC in their six meetings revised upwards the offer price of 104 brands of liquor. The decisions of PFC in five out of six meetings were implemented with a delay 8 to 27 days mainly due to delay in obtaining signature of the members of PFC in the minutes and communication thereof to depots and other concerned for necessary action. It was noticed that OSBC sold 10,81,320 cases (95 out of 104 brands) of beverages at lower prices, even after upward revision of prices, which deprived OSBC and Government of an additional margin of ₹ 37.55 lakh and VAT of ₹ 84.38 lakh respectively.
- Despite the financial implication of the revision in offer prices, the effective date of implementation of revised prices was not spelt out in the LSP/agreements with the suppliers nor in the decisions of PFC.

Thus, delayed implementation of revised offer prices led to loss of revenue of ₹ 1.22 crore towards OSBC's margin and VAT.

Management, while accepting (February 2015) the audit observation for the future, stated that as per the earlier practice the approved offer price was implemented after signing of the minutes by all the members of the PFC, which was often delayed. However, to protect its financial interest as well as of Government, OSBC should have implemented the revised prices without any delay.

The matter was reported to the Government (June 2015); its reply is awaited.

4.3 Avoidable expenditure

Avoidable payment of insurance premium of ₹ 47.30 lakh due to inclusion of an inappropriate clause in the Liquor Sourcing Policy

Odisha State Beverages Corporation Limited (OSBC) is engaged in wholesale trade of beverages[53] in the State. In terms of its Liquor Sourcing Policy (LSP), OSBC enters into agreements with registered suppliers for procurement of beverages and sells them to licensed retailers. The suppliers deliver beverages at OSBC's depots at their risk and cost, from where sale is carried out inside the State. The LSP 2009-10 (clause 21), effective up to January 2014, stipulated that beverages stock would be covered by insurance on yearly basis and the insurance charges would be recovered from the suppliers. However, apprehending financial loss in terms of incurring liability to pay service tax, OSBC amended the insurance coverage clause in the revised LSP 2013-14, effective from February 2014, with a stipulation that all the beverages stocks in the depots of OSBC would be covered by insurance on yearly basis by OSBC. Accordingly, OSBC paid insurance premium of ₹ 47.30 lakh for 2014-15.

[53] Indian Made Foreign Liquor, Foreign Made Foreign Liquor, Beer and Country Spirit

Audit observed that, since agreements with the suppliers provided that the warehouse losses due to breakages and other reasons would be fully borne by the suppliers, the risk of storage of beverages in OSBC's depots lay with the suppliers. Hence, bearing the cost of insurance by OSBC was not correct. As such, the revision of insurance coverage clause of the LSP 2009-10 was not prudent which led to avoidable payment of ₹ 47.30 lakh towards insurance premium.

Thus, inclusion of a clause in LSP 2013-14 to bear insurance premium, which was a departure from the earlier policy of 2009-10, resulted in avoidable payment of ₹ 47.30 lakh.

Management stated (March 2015) that once the goods reached the godown and were stored, their safety became the responsibility of OSBC. Payment of insurance premium was a kind of expense in this regard. However, the same circumstances also prevailed during pre-revised LSP period when OSBC recovered insurance premium from the suppliers. Further, it was not prudent on the part of OSBC to pay insurance premium when risk of the beverages stock lies with the suppliers.

The matter was reported to the Government (June 2015); its reply is awaited.

The Odisha Mining Corporation Limited

4.4 Undue favour

Non-recovery of dues towards weighment charges from the buyers in violation of the terms of sales contracts resulted in extension of undue benefit of ₹ 5.59 crore to the buyers at Company's own cost.

The Odisha Mining Corporation Limited (OMC) produces iron and chrome ore at its mines and sells it by entering into sales contracts with buyers from time to time. In terms of the sales contracts, iron/chrome ore are sold inclusive of royalty on ex-mines/ex-stockyard basis. The sales contract stipulates that the responsibility of OMC ceases once the material is loaded into trucks. The buyer would keep OMC indemnified for any liability which may arise during contract or thereafter on account of loading, transport and such other matters related thereto.

In terms of the Clause-11(5) of Odisha Minerals (Prevention of theft, smuggling & illegal mining and regulation of possession, storage, trading & transportation) Rules, 2007, all carriers would pass through check post(s) or check post-cum-weighbridge(s) of the Department or other weighbridge(s) installed in leasehold area or plant or factory premises of the licensee approved by the Director of Mines. Government would engage checking staff to supervise the weighment of other weighbridges and expenditure on this account will be borne by the weighbridge owner. In pursuance of the above Rule, Government of Odisha (GoO) in Steel and Mines department approved (March 2010) weighment charges at ₹ 35 per vehicle (₹ 25 towards cost of weighbridge maintenance and ₹ 10 towards salary component of Government staff) for weighment of mineral carriers. As weighbridges were installed by

OMC at its various mines for carrying out weighment, it paid only the salary component of Government staff at ₹ 10 per trip.

Audit observed that since OMC was selling minerals on ex-mines basis and as the sales contracts provided for recovery of any liability which would arise during contract or thereafter, weighment charges at ₹ 35 per trip approved by GoO was recoverable from buyers. Scrutiny of records at six[54] operative mines of OMC revealed that these mines had not recovered ₹ 5.59 crore towards weighment charges (at GoO approved rate of ₹ 35 per trip) for 15,97,937 trips of minerals sold during 2010-15 (upto February 2015) which included ₹ 1.60 crore paid/payable to GoO towards salary of Government staff deployed at its weighbridges.

Thus, non-recovery of dues towards weighment charges from the buyers in violation of the terms of sales contracts resulted in extension of undue benefit of ₹ 5.59 crore to the buyers at Company's cost.

Government stated (July 2015) that no term or condition of the tender notice/e-auction notice/sales contract of OMC envisages collection of weighment charges from the buyers. It also stated that had the same been mentioned in the tender condition, logically the buyer would have quoted an equivalent amount less in the tender.

The reply is not acceptable since the terms and conditions of tender notice/sales contract stipulate that the buyer would keep OMC indemnified for any liability which would arise during contract. Further, contention of OMC that buyers would have quoted lower rate is not tenable as all future liabilities were to be paid by the buyers.

4.5 Excess payment

Adoption of higher wage component in the wage escalation formula resulted in avoidable excess payment of ₹ 3.62 crore and extension of undue benefit to two agencies

The Odisha Mining Corporation Limited (OMC) entered into (August 2010/May 2011) agreements with two agencies[55] for excavation/raising of iron ore and chrome ore at its Gandhamardan (Part-I) iron ore mines (GIOM) and South Kaliapani chromite mines (SKCM) respectively based on their tender offers and subsequent negotiations. The period of works were for ten and five years respectively and were subject to annual renewal based on assessment of performance of the agencies at the sole discretion of OMC. The agreements were also subject to amendments on mutual agreement of both OMC and the agencies. The agreements included provision for escalation/de escalation in rate of wages as per the agreed formula which stipulates that wage component would be 20 *per cent* of the

[54] SGBK mines (26,292 trips), Gandhamardan Iron ore mines (4,98,774 trips), Daitari Iron ore mines (1,42,205 trips), Kurmitar Iron ore mines (6,63,816 trips) and JK Road Chrome Region (South Kaliapani and Sukrangi chromite mines - 2,66,850 trips).

[55] Susanta Kumar Samal (renamed as SS Mining & Infra Private Limited) and Dhansar Engineering Company Private Limited at GIOM and SKCM respectively

awarded rate. This formula for wage escalation was included in the tender notifications which was based on the formula adopted in concluding excavation contracts.

During 2011-15, OMC paid ₹ 151.97 crore including ₹ 7.25 crore towards wage escalation to the agencies for excavation of 5,96,344 MT iron ore (₹ 12.59 crore) and 78,40,250 cum of chrome ore (₹ 139.38 crore).

Scrutiny of records revealed the following:

- The agencies quoted ₹ 19.30 and ₹ 13.19 as wage component in their price bids which was 8.98 and 8.14 *per cent* of the quoted rates of ₹ 215 per MT and ₹ 162 per Cum for GIOM and SKCM respectively against 20 *per cent* as mentioned in the tender notifications. While finalising the bids through negotiation, the negotiation committee of OMC headed by General Manager (Finance) had not negotiated with the agencies to adopt the lower wage component in the escalation formula as quoted by the agencies. However, agreements were executed with the agencies incorporating 20 *per cent* as wage component in the escalation formula as was mentioned in the tender notifications.
- Though the concerned Mines Managers of OMC certified that the actual expenditure incurred by the agencies towards wages during 2011-15 were 6.80 and 9.15 *per cent* of gross bill value, Additional General Manager (Mining) did not appraise the same to the BoD at the time of annual renewal of agreements for necessary amendment in the formula for payment of wage escalation as contemplated in the agreements. Further, Management also did not review the earlier contract with reference to actual expenditure towards wages incurred by the contractor which ranged from 2.86 to 5.73 *per cent* only during 2006-11 as noticed in case of SKCM.
- Although OMC approved (July 2012) a policy of uniform escalation provision in mining contracts, it neither reviewed the agreements in line with the approved policy which required preparation of a detailed departmental estimate to determine the actual wage component nor endeavoured for amendment to the conditions of agreement during annual renewal but continued to allow 20 *per cent* as wage component in the escalation formula.

Thus, adoption of higher wage component in wage escalation formula than that actually[56] incurred by the agencies resulted in excess payment of ₹ 3.62 crore to the agencies towards wage escalation (₹ 3.23 crore) and service tax (₹ 0.39 crore) thereon.

Government while noting the observations of audit stated (June 2015) that the existing escalation policy will be re-examined with reference to escalation policies followed by other mining PSUs for changes, if any.

[56] Worked out to 6.80 and 9.15 *per cent* on an average during 2011-15 considering percentage of wage component ranging from 2.32 to 8.22 and 6.13 to 13.28 at GIOM and SKCM respectively and rounded off to 10 *per cent*

4.6 Loss of revenue

Fixation of floor price of chrome ore with +56 *per cent* Cr_2O_3 content considering 56 *per cent* Cr_2O_3 as the basis instead of 58 *per cent* resulted in loss of revenue of ₹ 2.72 crore.

The Odisha Mining Corporation Limited (OMC) produces chrome ore from its chrome ore mines which are classified into different grades based on their percentage of chromium oxide (Cr_2O_3) content. Pursuant to the decision (March 2012) of its Board of Directors, OMC was selling chrome ore through e-auction since August 2012 by engaging (May 2012) Metals Scrap Trading Corporation Limited (MSTC) inside and outside the State, instead of its earlier practice of selling through Price Setting Tender. While issuing the e-auction notice, OMC invites offers from the buyers for sale of various grades of chrome ore including +54 *per cent* Cr_2O_3 graded chrome ore considering 54 *per cent* Cr_2O_3 as the basis. Billing is made on the basis of actual *per cent* of Cr_2O_3 content on prorata basis.

Before inviting tenders for e-auction, Sales Committee of OMC determines floor price of chrome ore based on Export Reserve Price (ERP) in US Dollar, fixed by Minerals and Metals Trading Corporation Limited (MMTC) from time to time. ERP of MMTC is converted into Indian National Rupee from which certain expenses towards margin of canalising agent (MMTC), moisture content, export duty, transport cost and port expenses are deducted to arrive at the Net Realisable Price i.e., the floor price. The price quoted by any bidder should not be less than the floor price. During August 2012 to June 2014, OMC sold different grades of chrome ore of 10.17 lakh MT which included 24,076.040 MT of chrome ore with 56-58 *per cent* Cr_2O_3 content.

Audit observed that OMC calculated floor price of +54 *per cent* Cr_2O_3 chrome ore on the basis of ERP fixed by MMTC in respect of chrome ore having 54-56 *per cent* Cr_2O_3 with 56 *per cent* basis, instead of segregating the chrome ore into 54-56 and 56-58 grades with 56 and 58 *per cent* Cr_2O_3 as the basis respectively, as was graded by MMTC. This resulted in short fixation of floor price for chrome ore having +56 *per cent* Cr_2O_3 content and consequential short realisation of sales revenue amounting to ₹ 2.72 crore in the sale of 24,076.040 MT +56 *per cent* chrome ore during August 2012 to June 2014.

Thus, fixation of floor price of chrome ore with +56 *per cent* Cr_2O_3 content considering 56 *per cent* Cr_2O_3 as the basis instead of 58 *per cent* resulted in short realisation of revenue of ₹ 2.72 crore.

Government stated (August 2015) that MMTC had fixed the ERP of 56-58 *per cent* Cr_2O_3 grade chrome ore with 58 *per cent* Cr_2O_3 basis of Tata origin having SiO_2 (silica) content of maximum one *per cent*. It further stated that since the chrome ore of 56-58 *per cent* Cr_2O_3 of OMC origin possesses more than one *per cent* SiO_2 (silica) content, it cannot be equated with that of Tata Steel in terms of price. The reply is not tenable, since as per the terms and conditions of the e-auction notice, chrome ores are graded only on the basis of

Cr_2O_3 content without any mention about the silica content which was accepted by the buyers.

4.7 Undue favour

Irregular refund of Earnest Money Deposit/Commitment amount to the buyers in violation of the terms of tender/sales contracts resulted in extension of undue benefit of ₹ 0.98 crore to the buyers with consequential loss of revenue of ₹ 2.68 crore

The Odisha Mining Corporation Limited (OMC) produces iron ore at its mines and sells it through Price Setting Tenders[57] (PST) finalised on quarterly basis. The tendered quantity is allotted to the H1 bidder and to other bidders/buyers at the rate of H1 bidder on their request, based on availability. The bidders deposit the Earnest Money Deposit (EMD) prescribed in the tender. Other allottees deposit commitment amount at five *per cent* of the total material value at base price. On finalisation of PST, EMDs are refunded to the bidders other than the H1 bidder. As per the conditions of tender and sales contracts, the EMD/commitment amount shall be forfeited in case the H1 bidder and other allottees fail to lift 90 and 80 *per cent* of the allotted quantity respectively during the scheduled period of lifting. The tender/sales contracts further provide that if the reason for non-lifting/shortfall in lifting is found to be not attributable to the buyer, then OMC may decide to refund the EMD/commitment amount.

OMC invited (November 2013) PST for sale of different grades of iron ore fines from its Gandhamardan Iron Ore Mines for the quarter ending February 2014 and allotted (December 2013) 50,000 MT to Fortune Associates (P) Ltd (FAPL), being the H1 bidder, on deposit of ₹ 0.51 crore as EMD. Further, on the request (November 2013) of Shark Mines and Minerals Pvt. Ltd. (SMMPL), OMC allotted 45,000 MT at H1 price on deposit of commitment amount of ₹ 0.47 crore. During the scheduled period of lifting, FAPL and SMMPL could lift 10,194.33 MT (20.39 *per cent*) and 12,243 MT (27.21 *per cent*) against the allotted quantities. Despite their failure to lift the minimum required quantity within the stipulated period, both the buyers requested (January/February 2014) OMC to refund the EMD and Commitment amount on the ground that their plots at Paradip Port were cancelled (December 2013) by the Paradip Port Trust Authorities pursuant to orders of Hon'ble Supreme Court. Accordingly, OMC as per the decisions (March/May 2014) of its Sales Committee headed by the Chairman-cum-Managing Director, refunded (April/May 2014) EMD (₹ 0.51 crore) and commitment amount (₹ 0.47 crore) of ₹ 0.98 crore to FAPL and SMMPL respectively.

Audit observed that though the buyers were well aware (since August 2012) of the disputes relating to their plots at Paradip Port, they did not communicate the same to OMC prior to executing (December 2013) sales contract and SMMPL, had also not informed OMC that the procurement was for export. Refund of EMD/commitment amount to the defaulting buyers, in violation of

57 PST is the mechanism through which the quarterly rates for domestic sale of iron ore are decided by OMC.

conditions of tender/sales contracts, on the ground of cancellation of plots was neither communicated to OMC nor was it a pre-condition in the tender/sales contract. Hence, the refund of EMD/commitment amount was irregular.

The remaining 72,562.67 MT of ore was subsequently sold at a lower price, lesser by ₹ 370 per MT through PST. The loss of ₹ 2.68 crore could have been reduced, had OMC not refunded the EMD/commitment amount to the buyers. Thus, irregular refund of EMD/commitment amount to the defaulting buyers in violation of the terms of tender/sales contracts resulted in extension of undue benefit of ₹ 0.98 crore to the buyers with consequential loss of revenue of ₹ 2.68 crore.

Government stated (September 2015) that, since the shortfall in lifting was not attributable to the buyers, as recommended by the Sales Committee of OMC, EMD/commitment amount was refunded. It also stated that at the time of tender, there was no such Court order which could have influenced OMC to adopt precautionary measure for smooth sale of ore. The contention of the Government is not tenable in view of the buyers' suppression of the fact of the pendency of the case.

4.8 Improper release of funds

Improper release of funds for peripheral development and Corporate Social Responsibility activities in contravention to its objectives and extant policies failed to maximise the socio-economic wellbeing of the local people

Corporate Social Responsibility (CSR) is a Company's commitment to operate in an economically, socially and environmentally sustainable manner while recognising interest of its stakeholders. The Odisha Mining Corporation Limited (OMC) formulated a policy during December 2009 to implement Periphery Development (PD) and CSR activities. This was amended (June 2014) consequent upon enactment of Companies Act, 2013 and promulgation (February 2014) of Companies (Corporate Social Responsibility) Rules, 2014 (CSR Rules) by Government of India. The CSR activities of OMC broadly covered expenditure on peripheral development of the mines and donations/contribution for social activities including contribution to Chief Minister's Relief Fund (CMRF).

The PD and CSR policy (December 2009) of OMC *inter alia* included the following:

- A maximum of upto five *per cent* of net profit of previous year can be utilised for PD and CSR activities, and the annual outlay for the purpose will be decided by the Board of Directors (BoD) of OMC.
- Sixty *per cent* of funds allocated for PD and CSR activities shall be earmarked for expenditure in the districts where the mines are located which should include 15 *per cent* for villages falling within a radius of 8 kilometres (kms) from the mines. Balance 40 *per cent* of the allocated funds shall be for expenditure in the State as a whole.

- District-wise and mine-wise apportionment of allocation shall be made in proportion to turnover of mines recorded in the previous year.

During 2010-14[58] OMC sanctioned ₹ 409.18 crore and released ₹ 391.60 crore for various PD and CSR activities including ₹ 359 crore contributed to the Chief Minister's Relief Fund (CMRF). The details of funds released and utilised are as under:

(₹ in crore)

Year	Amount Sanctioned	Amount released under PD &CSR	Contribution to CMRF	Spent in the district		Spent in other parts of the State	Percentage of amount released under PD and CSR for :-			
				In the mines periphery areas	Beyond mines periphery area		mines periphery areas	the district including its mines periphery areas	Contribution to CMRF	other parts of State including contribution to CMRF
1	2	3= (4+5+6+7)	4	5	6	7	8=5/3 *100	9=(5+6) /3*100	10=4/3 *100	11= (4+7) /3 * 100
2010-11	232.68	232.68	220	11.32	0.74	0.62	4.86	5.18	94.55	94.82
2011-12	17.58	17.58	15	0.49	0.69	1.40	2.79	6.71	85.32	93.29
2012-13	96.27	84.21	74	0.07	7.53	2.61	0.08	9.02	87.88	90.98
2013-14	62.65	57.13	50	0.10	1.11	5.92	0.19	2.12	87.52	97.88
Total	**409.18**	**391.6**	**359**	**11.98**	**10.07**	**10.55**				

(Source: Database of The Odisha Mining Corporation Limited)

It may be observed from the table that:

- Against stipulation of 60 *per cent* expenditure in the districts where mines are situated the actual expenditure during 2010-14 ranged from 2.12 to 9.02 *per cent*.
- Expenditure within a radius of 8 kms from the mines periphery areas was between 0.08 to 4.86 *per cent* as against provision of 15 *per cent* of allocated funds.
- The percentage of expenditure in the State other than the districts where mines are located, including contribution to CMRF was between 90.98 and 97.88, as against provision of 40 *per cent* wherein contribution to CMRF alone was between 85.32 and 94.55 *per cent*.

Audit further observed the following:

- During 2010-14, OMC in violation of its policy released ₹ 229.90 crore, being 1 to 27 *per cent*[59], over and above the norm of maximum five *per cent* of profit of preceding year. Further, turnover of mines concerned were also not considered in apportionment of the allocated funds.
- No annual outlay for CSR activities was appraised to the BoD for decision except for the year 2011-12. No annual action plan was also prepared to assess and identify areas for utilisation of CSR funds as the funds were sanctioned based on the applications submitted by various agencies.

58 Period in which PD&CSR policy of 2009 was in force

59 27 *per cent* in 2010-11, 2 *per cent* in 2012-13 and 1 *per cent* in 2013-14

- While according (February 2011) approval for contribution of additional ₹ 200 crore to CMRF during 2010-11, though BoD directed execution of an agreement with CMRF authorities[60] for proper utilisation of funds towards development of mineral-rich areas of the State, OMC released (March 2011) the funds without executing any agreement. Further, out of the above contribution, CMRF authorities released ₹ 156.57 crore to various departments for implementation of ongoing Government schemes covering the whole State instead of spending it exclusively for development of mineral-rich areas.

- OMC, on the request of various Government authorities[61] released ₹ 0.61 crore during 2010-14 towards renovation and modernisation of their offices, installation of electrical equipments etc., despite the fact that these did not form a part of CSR activities as per its own policy.

- Release (March 2014) of ₹ 2.00 crore by OMC under CSR activities to Odisha Sports Development and Promotion Company (OSDPC) for sponsoring a hockey team for participation in the Hero Hockey India League, which being a commercial venture, was not justified.

- Release (July 2011) of ₹ 0.50 crore to the Superintendent of Museum, Bhubaneswar against sanction of ₹ 1.50 crore for renovation of Mines and Geology gallery without ensuring the plan of expenditure led to non-utilisation of the same so far.

- The impact assessment of expenditures incurred under PD and CSR activities was not carried out to ensure that the objective of OMC "to take care of the socio-economic well being of the local people and environment protection even after closure of mines and to create various means of livelihood based on infrastructure and other capital assets created" was achieved effectively.

Thus, improper release of funds for peripheral development and Corporate Social Responsibility activities in contravention to its objectives and extant policies didn't maximise the socio-economic wellbeing of the local people as maximum funds were not utilised in the mines periphery areas.

Government stated (September 2015) that:

- Non-compliance of CSR budget allocation need not be deemed to be a deviation to Companies Act 2013.

- OMC has no role in utilisation of funds donated to CMRF and it may not be held accountable for non-execution of agreement;

- As per the policy, for PD and CSR activity in the mining districts as well as in the State, proposals received from various Government authorities were considered for sanction.

- Funds to OSDPC were released to promote hockey in the State.

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[60] Chief Secretary of the State being the Managing Trustee of the Fund

[61] Deputy Director of Mines, Superintendent of Police, Tahasildars, Collectors, Additional District Magistrates etc.

The reply is not tenable since:

- Non-compliance of CSR budget allocation was in violation of its own policy.
- As per the directions of BoD, OMC was required to ensure that the fund was utilised in the mineral rich area of the State and also to execute an agreement with CMRF authorities.
- Proposals received from various Government authorities other than for PD and CSR activity in the mining districts/State were considered in contravention of the policy.
- Release of funds to OSDPC for sponsoring a hockey team for participation in the Hero Hockey India League was not in the nature of promoting hockey but of commercial nature.

Odisha Power Transmission Corporation Limited

4.9 Wasteful expenditure

Wasteful expenditure of ₹ 5.35 crore coupled with blockage of working capital of ₹ 9.34 crore and loss of envisaged benefit of ₹ 18.26 crore due to improper site selection for sub-station

In order to improve the transmission network and to meet future load demand, Board of Directors (BoD) of Odisha Power Transmission Corporation Limited (OPTCL) accorded (September 2008) in principle approval for construction of 220/132/33 KV grid sub-station and associated transmission lines at Kuanrmunda, Sundargarh with a direction to take up survey, Detailed Project Report (DPR) and other preliminary work. The BoD directed that, after completion of the survey, a detailed proposal with realistic estimates, cost benefit analysis etc., be submitted for their consideration. Accordingly, on the request (February 2009) of the Executive Engineer EHT (C) Division, Jharsuguda to Tahsildar, Kuanrmunda, a site for the sub-station was handed over (November 2010) to OPTCL. Subsequently, the Director (Engineering) informed (March 2009) the BoD that the estimate of the project was prepared for ₹ 67.59 crore after preliminary survey. The BoD accorded (March 2009) administrative approval for the project. DPR envisaged an annual revenue of ₹ 9.13 crore towards reduction in transmission losses and supply of additional energy. The project was to be completed by March 2013.

OPTCL issued (October 2010) Notification of Awards (NoA) separately for supply (₹ 26.36 crore) and erection (₹ 13.32 crore) of equipments/materials in favour of the L1 bidder[62]. The site for the sub-station was handed over to the contractor in November 2010 and the work was started. During execution, Sr. General Manager (TP & C) visited (February 2011) the site and observed that the site was quite uneven and would remain water logged during rainy season. Hence, with approval of MD, OPTCL, Sr. GM (TP & C) referred (February 2011) the matter to a consultant for advice on site leveling and

[62] Mahasakti Conductors (P) Limited, Punjab with JV partner Powercon Projects and Associates Limited

drainage of rain water. On advice (April 2011) of the consultant, the scope of the work was amended from time to time with additional civil works and material cost of ₹ 1.33 crore alongwith amendments to the scheduled completion period up to May 2014. Meanwhile, OPTCL decided (March 2014) to keep construction of the project in abeyance due to technical reasons like low level of switchyard, requirement of additional drainage, remodeling of structure/equipment foundation, filling of switchyard area etc. Subsequently, on the recommendation (July 2014) of the Purchase Sub-Committee, BoD, while expressing its displeasure regarding the selection of site, decided (September 2014) to short close the contract and to shift the project to a suitable site. Accordingly, the contract was short closed on 31 October 2014.

It is evident that the preliminary survey was not conducted properly. Further, in terms of the conditions of the bid document, the contractor was required to visit the site and fully appraise himself before bidding. As the amendments were made due to site specific reasons, it is clear that neither was the preliminary survey conducted properly nor did OPTCL enforce/ensure the site inspection by the bidder. Even after 'in principle' approval for the work in September 2008 and award of work to the contractor in October 2010, the unsuitability of the site was discovered belatedly in February 2011. OPTCL incurred ₹ 14.69 crore till the closure of the project. The expenditure of ₹ 5.35 crore incurred on civil works was rendered wasteful apart from blockage of working capital of ₹ 9.34 crore towards supply of materials till their utilisation in other projects and loss of envisaged benefit of ₹ 9.13 crore *per annum*.

Government stated (October 2015) that there had been no improper site selection, but the delay was due to inadequate civil design. It was also added that, the project would be revived with additional expenditure towards the extra civil construction since no suitable land was available in and around Kuanrmunda. The reply of the Government is not acceptable as the OPTCL management had realised the fact of the site's unsuitability and extra expenditure was incurred to make it suitable which did not even materialise.

The Odisha Small Industries Corporation Limited

4.10 Avoidable expenditure and Loss of revenue

Violation of directions of Government and imprudent decision in rejection of L-1 bidder in procurement of cables coupled with procurement of RS Joist from private parties at a higher price resulted in avoidable expenditure of ₹ 2.74 crore and loss of revenue of ₹ 0.87 crore.

Government of Odisha (GoO) entrusted The Odisha Small Industries Corporation Limited (OSIC) to take a lead role in supporting Energy Department for procurement of materials, labour etc., for restoration of electricity in the cyclone (October 2013) hit Ganjam district. For timely supply of various electrical items like AB cables and RS Joist etc., to

SOUTHCO[63], OSIC decided (November 2013) to supply the materials at OERC approved rate. Items for which no rates were available or materials that were not available in the approved rate would be obtained by calling short quotation/tender through OSIC website. Audit scrutiny on procurement and supply of AB cables and RS Joist are discussed in the following Paragraphs:

(A) Procurement and Supply of AB cables

Based on Letters of Award (LOA) issued (November 2013/February 2014) by SOUTHCO for supply of 1,850 kms of "3 x 50 + 1x 35 sq.mm AB Cables", OSIC issued (November 2013) short tender call notice inviting quotations from manufacturers only for supply of 1,000 kms of AB cables. Out of the four bidders who participated in the tender, OSIC rejected the L-1 (₹ 1, 26,000 per km) bidder[64] on the ground of non-submission of Earnest Money Deposit (EMD) and approved the L-2[65] rate of ₹ 1,48,999.59 per km. OSIC procured 1,190.693 kms of cables at L-2 rate during December 2013 to June 2014 and supplied the same to SOUTHCO.

Audit observed that in violation of directions (February 2013) of GoO that Micro and Small Enterprises (MSEs) registered with National Small Industries Corporation (NSIC) would be extended the benefits of exemption from payment of tender cost and EMD, OSIC rejected the offer of L-1 bidder (who was also a manufacturer) even after the submission of their valid NSIC registration certificate. OSIC, in violation of the tender condition, accepted the price of L-2 bidder who was not a manufacturer. This resulted in avoidable excess expenditure of ₹ 2.74 crore[66] on procurement of 1,190.693 kms of cables at L-2 rate.

Thus, irregular rejection of a valid lowest tender and subsequent procurement at a higher rate resulted in avoidable extra expenditure of ₹ 2.74 crore.

Government stated (July 2015) that due to the failure of L-1 bidder to submit EMD and tender paper cost, the bid was rejected. Government further stated that the offer of L-2 bidder was accepted since it had submitted proper documents as an authorised firm of the manufacturer.

The reply is inadequate since the L-1 bidder, being registered with NSIC, was exempted from payment of EMD as per GoO directions (February 2013). Further, the L-2 bidder was only an authorised dealer and did not possess any authorisation to quote for the tender on behalf of the manufacturer.

(B) Procurement and Supply of RS Joist

Similarly, based on LoAs (October 2013) of SOUTHCO for supply of 1,773.49 MT RS Joist of different specifications, OSIC decided (October 2013) to procure the materials available with Steel Authority of India Limited

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63 Southern Electricity Supply Company of Odisha Limited is the private power distribution company for the district

64 Rakman Industries Limited

65 JD Mining Engineering Pvt. Ltd.

66 1,190.693 x (₹ 1,48,999.59 - ₹ 1,26,000)

(SAIL) and to supply the same to SOUTHCO at ₹ 55,000 per MT being the approved rate of OERC. OSIC also decided that, for procurement of materials from suppliers other than SAIL, it would deduct service charges at one *per cent* from the gross bill value. OSIC procured 2,284.26 MT RS Joist from SAIL (1,256.40 MT[67]) and three[68] private parties (1,027.86 MT of 150 X 150 mm) and supplied the same to SOUTHCO during October 2013 to June 2014. On procurement of 1027.86 MT of 150 X 150 mm RS Joist from the private parties at a cost of ₹ 55,000 per MT, OSIC earned revenue of ₹ 5.65 lakh towards service charges at one per cent of gross bill value (₹ 5.65 crore).

Audit scrutiny revealed that despite the assurance (October 2013) of SAIL to supply the entire size-wise steel items on a time bound basis and direction (October 2013) of GoO to procure from Government organisations like Rourkela Steel Plant (a unit of SAIL), OSIC procured 1,027.86 MT from private parties without enquiring the availability of 150 X 150 mm RS Joist with SAIL. OSIC could have availed a margin of ₹ 92.51 lakh at ₹ 9,000[69] per MT in procurement of the same from SAIL as against ₹ 5.65 lakh earned as service charges in procurement from private parties.

Thus, due to imprudent decision to procure from the private parties, OSIC sustained loss of revenue of ₹ 0.87 crore.

Government stated (July 2015) that action of OSIC was justified in order to avoid huge investment of funds in procurement of material from SAIL and non-realisation of huge pending dues from SOUTHCO.

However, the fact remains that SAIL had agreed to extend special credit terms for uninterrupted steel supplies of entire size range to facilitate reconstruction work on a time bound basis.

4.11 Extra expenditure

Non-shifting of stockyard resulted in extra expenditure of ₹ 1.20 crore

The Odisha Small Industries Corporation Limited (OSIC) is the sole distributor of Tiscon reinforcement rebars manufactured by TATA Steels Limited (TSL) in the State. As per the terms of the annual distributorship agreements, OSIC takes delivery of the rebars from TSL stockyard at Bomikhal and despatches the stock to its central stockyard at Mancheswar or to its Depots at other locations for distribution/sale by engaging private transporters.

As per Retail Commercial Price (RCP) structure, TSL provided ₹ 100 per MT towards freight, for lifting of materials from TSL stockyard at Bomikhal to the OSIC's stockyard at Mancheswar. Subsequently, TSL shifted (December 2013) its stockyard to Tangi which was 45 kms away from Mancheswar. The proposed transfer of the stockyard of TSL to Tangi was

[67] 150 X 80 mm : 943.710 MT and 200 X 100 mm : 312.69 MT
[68] S.K. Mahapatra, Kalinga Enterprises and Anand Steel
[69] Billing to SOUTHCO: ₹ 55,000 per MT less cost of procurement from SAIL: ₹ 46,000 per MT

intimated to OSIC prior to June 2012. In order to avoid the extra transportation cost, OSIC invited (June 2012) Expression of Interest (EOI) for acquiring land on rent at Tangi for functioning of a new stockyard. The Committee formed to examine the EoIs, recommended (August 2012) acquisition of land on rent at ₹ 1.40 lakh per month. No decision was taken by OSIC till April 2013. Subsequently, the Managing Director formed (April 2013) another Committee which decided to invite fresh quotations from the existing applicants. The Board of Directors (BoD) was apprised of the issue only during December 2013 (causing further delay of eight months). The BoD directed OSIC to hire land near TSL stockyard at Tangi and to outsource the allied activities through tendering.

TSL shifted its stockyard in December 2013. On the assurance of OSIC to open its stockyard at Tangi by 01 February 2014, TSL agreed to reimburse the additional expenditure towards transportation of rebars from Tangi to Mancheswar as a temporary arrangement. Since OSIC failed to create parallel infrastructure in Tangi, TSL discontinued the reimbursement of the additional expenditure on transportation from April 2014.

Audit scrutiny revealed the following:

- Despite being aware since June 2012 regarding shifting of TSL stockyard from Bomikhal to Tangi, OSIC failed to appraise the BoD till December 2013. Despite directions (December 2013) from the BoD to shift its stockyard, OSIC took follow up action only in November 2014 to invite tender.
- OSIC had been incurring ₹ 329.03 per MT towards transportation cost from Tangi to Mancheswar. TSL discontinued reimbursement of extra transportation charges (₹ 229.03 per MT) from April 2014 and further refused to enhance the freight cost (₹ 100 per MT). This resulted in OSIC incurring extra expenditure of ₹ 119.76[70] lakh on transportation of 52,291.50 MT rebars transported from Tangi to Central Stockyard at Mancheswar during 2014-15.

Thus, non-shifting of stockyard resulted in extra expenditure of ₹ 1.20 crore.

Government stated (August 2015) that as the selected rented land was not suitable for operation of stockyard, it would have to invest about ₹ 7 crore to make it suitable for which there would have been interest loss of ₹ 70 lakh *per annum* apart from rental expenses of ₹ 11.20 lakh *per annum*. Reply is not acceptable since it was not based on any cost benefit analysis and it is only an afterthought on being pointed out by Audit. Further, timely decision for outsourcing stockyard operation could have avoided the extra expenditure.

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[70] 52,291.50 MT * ₹ 229.03 per MT

Statutory Corporation

Odisha State Road Transport Corporation

4.12 Acquisition and Utilisation of buses

Introduction

4.12.1 Odisha State Road Transport Corporation (OSRTC) was set up on 1 May 1974 by the Government of Odisha (GoO) under Section 3 of the Road Transport Corporations Act, 1950 (RTC Act) with the objective of providing efficient, adequate and economical road transport services to the public. OSRTC is under the administrative control of the Commerce and Transport (C&T) Department of GoO.

As of March 2015, there were 16,712 registered buses in Odisha including 458 buses (2.74 *per cent)* of OSRTC as against 13,565 buses including 370 buses (2.73 *per cent*) of OSRTC as of March 2012. The fleet strength of 458 buses of OSRTC included 160 buses[71] procured during 2012-15.

Audit on "Acquisition and Utilisation of buses by OSRTC" was conducted during April to July 2015 through test check of records at Head office of OSRTC at Bhubaneswar and at 6[72] out of its 16 depots covering the period of 2012-15 to assess whether the procurement and utilisation of buses were done economically, efficiently and effectively. Replies furnished (December 2015) by GoO had been considered while finalising this Paragraph.

Acquisition of buses

Non-formulation of Procurement Policy

OSRTC had not formulated a procurement policy

4.12.2 The Corporate Governance Manual (November 2009) of GoO for State PSUs envisaged that MD of each PSU shall ensure that the procurement policy is formulated and approved by the Board after which it shall be duly notified. The policy should be transparent, well documented and strictly followed. The policy should also ensure that a competitive tendering process is followed before awarding the contracts. It was noticed in audit that no such policy was prepared by OSRTC. In absence of any standardised policy, the procedure adopted by OSRTC for procurement of buses like floating of tender, negotiation of rates with suppliers were not transparent.

During 2012-15, OSRTC procured 132 built-in buses including 57[73] small buses and 28 chassis which were built into buses at a total cost of ₹ 34.34 crore with GoO funding of ₹ 24 crore (share capital: ₹ 16 crore and grant: ₹ 8 crore).

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71 Chassis:28 and Built-in-Buses:132
72 Bhubaneswar, Bhawanipatna, Cuttack, Jeypore, Sambalpur and Vizianagaram (Andhra Pradesh)
73 Under Biju Gaon Gadi Yojana (BGGY) of GoO

GoO stated that purchase committee of OSRTC, formed in terms of Section 12 of RTC Act, decides the source and quantity of purchase from manufacturers based on the technical parameters and suitability of the rate. However, OSRTC had not adhered to the provisions of Corporate Governance Manual of GoO for formulation of procurement policy.

Planning

4.12.3 Road transport plays a dominant role in passenger movement in the State. The Transport Policy (May 2007) of GoO inter alia envisaged adequate availability of transport services in the State and evolving an improved urban transport system. OSRTC was to keep its fleet strength adequate and modern by replacing the overaged buses. As per the annual Memorandum of Understanding (MoU) with C&T Department for 2012-13, OSRTC should have at least 25 *per cent* share of the passenger transport sector of the State with 2,500 buses which was, however, reduced to 10 *per cent* share with 1,000 buses in the MoUs of 2013-15.

OSRTC had not prepared its corporate plan for 2012-15

It was noticed in audit that during 2012-15, no corporate plan was prepared and submitted to C&T department of GoO as required under the Corporate Governance Manual of GoO for State PSUs. Despite stipulations of transport policy of GoO to keep its fleet strength adequate, OSRTC could contribute to 2.74 *per cent* of overall public transport due to non-enhancing of fleet strength as well as non-replacement of overaged buses as discussed in **Paragraph 4.12.7**. Further, against the targeted fleet strength of 1,000 buses by March 2015 as per its MoU, the fleet strength of OSRTC remained at 458.

GoO stated that, due to paucity of funds, OSRTC could not purchase new vehicles to meet the demand of public.

Avoidable expenditure

Non-procurement of buses as per initial tender resulted in avoidable expenditure of ₹ 0.22 crore

4.12.4 OSRTC floated (June 2011) a tender for procurement of buses/chassis without specifying the number of buses/chassis to be procured, wherein three parties participated and quoted their rates. The Price Negotiation Committee of OSRTC after negotiation finalised the rates (₹ 10.69 lakh per chassis) during August 2011. However, owing indecision on the number of buses to be procured and keeping in view the fund constraints, no purchase orders were placed. Subsequently, with reference to the tender floated in June 2011, OSRTC again invited (March 2012) proforma invoice from two parties (Ashok Leyland Limited and Tata Motors Limited) who participated in the earlier tender, the Price Negotiation Committee finalised the rates at ₹ 12.65 lakh and ₹ 12.45 lakh which were on the higher side by ₹ 1.96 lakh and ₹ 1.76 lakh per chassis respectively, compared to earlier negotiated rates. Accordingly, OSRTC purchased 6 chassis from each of the two parties. Thus, failure of OSRTC to acquire the buses as per initial tender resulted in avoidable expenditure of ₹ 22.32 lakh.

GoO stated that the delay was due to further examination of the matter at different levels by which time the price validity of the concerned firms expired.

Extra expenditure

4.12.5 Project Approval Committee of GoO approved (December 2012) procurement of 100 buses by OSRTC. Based on this, OSRTC procured 75 built-in buses (Hi-tech : 30 and Hi-comf : 45). In addition, it procured 16 chassis from Ashok Leyland and Tata Motors for body building on the ground that body building of more number of chassis would be time consuming. As per the existing rate contracts with OSRTC, the local bus body builders agreed for body building of chassis at a cost of ₹ 12.11 lakh per Hi-tech bus within a period of 30 to 60 days for the first bus and 10 to 20 days for subsequent buses.

Delayed receipt of Leyland built-in-buses led to extra expenditure of ₹ 0.69 crore and loss of contribution of ₹ 0.90 crore

Audit scrutiny revealed that, the cost (₹ 24.59 lakh) of Tata Motors built-in buses were lower than the cost of (₹ 24.70 lakh)[74] of body built[75] Tata Motors buses whereas the cost (₹ 27.97 lakh) of the built-in Leyland Hi-tech buses were higher than the body built Hi-tech buses on Leyland chassis (₹ 24.85 lakh)[74] by ₹ 3.12 lakh per bus. However, OSRTC procured 22 built-in Leyland Hi-tech buses on the plea that, the delivery period of built-in buses will be less than the body built buses. However, as against the stipulation period of 32 to 72 days for delivery of body-built buses, built-in Leyland Hi-tech buses were delivered with a delay ranging from 112 to 298 days. As a result, OSRTC incurred an extra expenditure of ₹ 68.64 lakh in procurement of 22 Leyland built-in buses apart from loss of contribution of ₹ 90.44 lakh due to delay in receipt of built-in buses.

GoO stated that investment in purchase of chassis would be blocked for a longer period for construction of bus body whereas built-in buses are purchased and operated immediately. The reply is not tenable as the ground on which the built-in buses were procured was not achieved, resulting in loss of contribution of ₹ 90.44 lakh.

Irregularity in procurement of buses under Biju Gaon Gadi Yojana

4.12.6 GoO launched (September 2013) "Scheme for rural transport connectivity in the scheduled and other backward areas of the State", which was subsequently (February 2014) renamed as Biju Gaon Gadi Yojana (BGGY). The provisions of scheme *inter alia* included that OSRTC had to procure 100 small buses at ₹ 21 crore including reimbursement (₹ 3 crore) of road tax and insurance for four years. The buses would ply in Left Wing Extremist (LWE) affected areas of the State where the private operators were reluctant to operate. Against the procurement cost of ₹ 18 crore, GoO released (December 2013/November 2014) ₹ 8 crore to OSRTC and OSRTC procured (February 2014/February 2015) 57 buses (Tata: 35 and Leyland: 22) at ₹ 8.68 crore.

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[74] Includes cost of chassis : Tata Motors - ₹ 12.59 lakh and Ashok Leyland - ₹ 12.74 lakh.
[75] Chassis fabricated into buses by local bus body builders

Audit scrutiny revealed the following:

- Technical Sub-committee of OSRTC, while examining (January 2014) the suitability of buses of three companies, certified that Tata model was best, followed by Leyland and SML Isuzu considering their technical specifications like fuel efficiency, vibration and passenger sitting comfort etc. The Purchase Committee, instead of procuring all the buses of Tata model, decided for procurement in the ratio of 50:40:10 without any justification.

GoO stated that OSRTC always purchase buses from Ashok Leyland and Tata Motors which had already been tested and found suitable. It also stated that purchase of 10 buses from SML Isuzu was decided to evaluate its performance for future intake. However, Purchase Committee did not record any justification for procurement of buses in the ratio of 50:40:10.

Despite funding by GoO, OSRTC could not utilise the same in acquisition of new buses

- GoO had earlier released (March 2014) ₹ 8 crore as share capital towards its 50 *per cent* share for procurement of 100 buses. Since the same remained unutilised with OSRTC, GoO directed (July 2014) for utilisation of the same for procurement of buses under BGGY. OSRTC, however, had not procured the buses under the scheme due to which it could not increase its fleet strength.

- Audit test checked records of 1 (Jeypore) out of 6 selected depots where 16 buses were allotted under the scheme. OSRTC could not get permits for 7 out of 12 routes identified by GoO. Hence, in absence of permit for the identified routes, seven buses were plying in other routes as permitted by the RTO, depriving the people living in LWE affected areas of transport services.

No specific reply was furnished by GoO regarding non-utilisation of share capital and plying of buses without permit in non-identified routes.

Utilisation of buses

Age profile of fleet

4.12.7 OSRTC had fixed (January 1986) a norm of 5.80 lakh kms for Leyland vehicle and 4.80 lakh kms for Tata vehicle or nine years for both, whichever is earlier, for replacement. The following table shows the age profile of the buses held by OSRTC during 2012-15.

Year	2012-13	2013-14	2014-15
Total number of buses held at the beginning of the year	370	379	436
Additions during the year	12	116	32
Buses scrapped during the year	3	59	10
Buses held at the end of the year	379	436	458
Number of overaged buses	154	156	150
Percentage of overaged buses	42	41	34

(Source: Information furnished by OSRTC)

150 buses had covered their normative life and were overaged upto six years

As of March 2015, 150 buses has covered their normative life and were overaged upto 6 years. These vehicles, which were due for replacement as per OSRTC norms, could not be replaced due to inadequate funds. Though OSRTC had a depreciation reserve of ₹ 29.94 crore as of March 2013, no separate fund was created to replace overaged buses.

GoO, while accepting the audit observation, stated that the reserve fund of ₹ 29.94 crore was a book balance only and there was no actual cash investment in this regard. It also stated that overaged buses were being operated on road after taking up major repair which was less expensive than purchasing new buses. It is evident that, OSRTC has not followed its own norm for replacement of overaged buses and operated the same with repairs which may increase the operational cost.

Fleet utilisation

4.12.8 Fleet utilisation represents the ratio of buses on road to the buses held by OSRTC. The following table indicates the details of fleet utilisation of OSRTC during 2012-15.

Particulars	2012-13	2013-14	2014-15
Average number of buses held	376	422	446
Average number of buses on road	294	299	339
Percentage of utilisation of buses	78	71	76
Average number of off road buses	82	123	107

(Source: Information furnished by OSRTC)

Low fleet utilisation resulted in operational loss of ₹ 23.72 crore

Though average number of buses held increased from 376 in 2012-13 to 446 in 2014-15, percentage of vehicle utilisation decreased from 78 in 2012-13 to 71 in 2013-14 and 76 in 2014-15 which is on the lower side as compared to the all India average of 90.8 and 89.5 *per cent* during 2012-13 and 2013-14 respectively. Due to low fleet utilisation OSRTC sustained operational loss of ₹ 23.72 crore during 2012-15. Reasons for low utilisation of buses were mainly due to inadequate maintenance, low pay load, shortage of crew etc., as discussed in **Paragraphs 4.12.9, 4.12.17** and **4.12.19**.

GoO stated that effective steps were being taken to replace the condemned vehicles and fleet utilisation of OSRTC would be enhanced to 80 *per cent*.

Cancellation of scheduled kilometres

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

(in lakh Kilometres)

Sl.No	Particulars	2012-13	2013-14	2014-15	Total
1	No. of buses held	379	436	458	--
2	Scheduled kilometres	357.39	363.02	389.62	1110.03
3	Effective kilometres	320.53	293.65	312.00	926.18
4	Kilometres cancelled	36.86	69.37	77.62	183.85
5	Percentage of cancellation	10.31	19.11	19.92	16.56
6	Effective kilometres per bus per day in km (3/1/365)	231.71	184.52	186.64	--
7	Contribution per km (in ₹)	7.04	7.69	9.25	8.21
8	Loss of contribution (4X7) (₹ in crore)	2.59	5.33	7.18	15.10

(Source: Information furnished by OSRTC)

Cancellation of 183.85 lakh scheduled kilometers led to loss of contribution of ₹ 15.10 crore

As seen from the above table the percentage of cancellation of scheduled kilometers increased from 10.31 in 2012-13 to 19.92 in 2014-15 leading to total loss of contribution of ₹ 15.10 crore during 2012-15. Audit further observed the following:

- As verified in the test checked units, cancellation of scheduled kilometers was attributable to breakdown, want of permit/vehicles/crew, low traffic, deserted by charterers, local strike and for other reasons.
- Due to cancellation of scheduled kilometers, effective kilometers per bus per day was decreased from 231.71 km in 2012-13 to 186.64 km in 2014-15. Further, effective kilometres *per* bus *per* day in 2012-13 and 2013-14 as less as compared to all India average of 317.80 and 304.1 km respectively.

GoO while accepting the fact stated that non-replacement of old buses and operation of overaged buses resulted in breakdown of services and loss of scheduled kilometers.

Ineffective pursuance with STA

4.12.10 As per Sub-section 3(d) of Section 71 of the Motor Vehicles Act, 1988, preference shall be given to applications for permits from State Transport Undertakings. Further Section 102 (1) of the Act provides that the State Transport Undertakings would be given adequate opportunity of being heard in respect of any proposed modification in the time table. Test check of records at two (Bhubaneswar and Cuttack) out of six selected depots relating to issue of permits revealed the following.

- The route between Bhubaneswar and Raruan of District Transport Manager (DTM), Bhubaneswar which was operating from 24 May 2014, was discontinued by the charterer of the route within four months from its operation citing low income due to clash of time with private operators. OSRTC, instead of taking up the issue with STA in terms of Sub-section 3(d) of Section 71 of the Act to avail preference over the private operator, surrendered (July 2014) the permit and could not operate the buses in the route.

- The route between Cuttack-Narasinghpur, operated by DTM, Cuttack as an 'Express' bus service, was changed (August 2014) as Ordinary service by STA with alteration in its timing of operations without giving reasonable opportunity to the DTM for being heard as per Section 102 (1) of the Act. Subsequently, the request (September 2014) of the DTM, Cuttack for restoration of earlier status/timing of the bus service was not considered (March 2015) by STA on the ground that it was not congenial to travelling public. OSRTC, however, had not brought it to the notice of GoO (Transport Department) and thus lost the opportunity of earning higher revenue at express service rate.

GoO stated that practically, the provisions of the Act are not being given effect by STA, Odisha and no action to redress the grievances of OSRTC had been given effect. It is evident that control over the STA requires to be more effective.

Operation of Buses under Biju Gaon Gadi Yojana (BGGY)

4.12.11 Under BGGY, GoO procured and allotted (February 2014/February 2015) 57 small buses to six[76] LWE affected areas. Scrutiny of records revealed that:

14 buses of Jeypore depot operated in routes other than the identified routes without any permit

- 14 out of 16 buses, allotted to one (Jeypore) out of six depots test checked, operated for 3,292 to 85,548 kms as of May 2015 in LWE areas in routes other than the identified routes, without any permit. Other two were not operated for want of permit since their procurement (February 2015); and
- Eight out of nine buses allotted to Malkanagiri and Nawarangpur in February 2015, remained idle for want of permit as of May 2015.

Thus, failure to get permits had defeated the very purpose of providing public transport service in LWE areas.

GoO stated that the Regional Transport Authorities concerned were informed to get these routes, which had earlier not been identified, approved by Government.

Insurance coverage of buses

4.12.12 Under Section 146 (1) of the Motor Vehicles Act, 1988, no person shall use a motor vehicle in a public place without insurance. Sub section 3 of the said Section further prescribes that appropriate Government may exempt any vehicle owned by any State Transport Undertaking provided that a fund has been established and maintained by that authority for meeting any liability arising to third parties.

[76] Bhanjanagar:4, Jeypore:16, Malkanagiri:11, Nawarangpur:6, Phulbani:11 and Rayagada:9

OSRTC had neither insured 294 out of 351 buses on-road nor obtained exemption from Government

As of March 2015, OSRTC had neither insured 294[77] out of 351 buses on-road nor obtained exemption from Government. The fund created (April 1957) under the Act with a nominal amount of ₹ 1 lakh was not in operation and had no balance. Resultantly, OSRTC incurred ₹ 67.81 lakh towards cost of repair (₹ 17.59 lakh) against 66 accidents and settlement of 40 MACT[78] cases (₹ 50.22 lakh) during 2012-15. As of March 2015, 1,361 MACT cases involving claim of ₹ 21.68 crore were pending settlement.

GoO stated that it had released (September 2015) ₹ 5 crore for creation of Accident Reserve Fund. However, the fund is inadequate to meet the pending MACT claims.

Condemnation

Disposal of 28 condemned buses were delayed by 10 to 53 months

4.12.13 OSRTC had fixed (January 1986) a norm of nine years or 5.80 lakh KMs for Leyland vehicle and 4.80 lakh kms for Tata vehicle, whichever is earlier, for condemnation. As of March 2015, OSRTC had 150 overaged buses, after considering 72 buses scrapped during 2012-15. OSRTC, however, did not furnish the year-wise details of the condemnation of buses and disposal thereof to audit. Out of 43 condemned buses disposed off during December 2013 to February 2015, the disposal of 28 buses were delayed by 10 to 53 months and as of March 2015, 29 condemned buses were awaiting disposal. GoO stated that steps would be taken to condemn the vehicles for disposal.

Poor performance of tyres

1233 tyres were condemned prematurely leading to avoidable expenditure of ₹ 0.32 crore

4.12.14 OSRTC had fixed (May 1989) target of life of a tyre as 97,000 kms. Audit noticed that, in 14 including 6 selected depots, 1233 tyres were condemned pre-maturely during 2012-15 with total shortfall of 256.39 lakh kms which could have saved replacement of 264 tyres involving ₹ 31.68 lakh at a minimum cost of ₹ 12,000 per tyre.

GoO, while confirming the facts, stated that instructions had been issued to unit officers for recovery of proportionate cost of prematurely failed tyres.

Chartering of buses

Despite non-deposit of sales proceeds by the charterers, OSRTC had not forfeited their security deposit

4.12.15 In order to boost its revenue, OSRTC hired out its buses to the charterers i.e., conductors or outsiders through tendering process or extending period of previous charterers. In terms of the agreements, the charterers had to deposit the sales proceeds after completion of the trip and three hours before the scheduled departure of the bus for the next trip, failing which the security deposit would be forfeited.

Audit observed:

- In five out of six test checked units, 138 charterers had not deposited sales proceeds of ₹ 34.64 lakh relating to 2007-15. Despite this, OSRTC had not forfeited their security deposit.

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[77] 57 buses procured (February 2014/February 2015) under BGGY had insurance coverage.
[78] Motor Accidents Claim Tribunal

GoO stated that the process of forfeiture and adjustment takes three to four months. However, the dues were pending since 2007 onwards.

- In terms of the agreement, though the cost of excess consumption of HSD oil was to be recovered from the charterers, the unit managements of 2 (Bhawanipatna and Jeypore) out 6 test checked depots had not recovered ₹ 6.45 lakh for excess consumption of HSD oil during 2012-15.
- Despite providing new buses to the charterers, the unit management of Bhawanipatna depot had enhanced (February/April 2014) the consumption rate of HSD oil by 8 and 4 litres *per* trip in two routes without proper justification.
- During 2013-14, OSRTC realised revenue of ₹ 40.04 crore through chartering of 99 routes as against ₹ 41.06 crore worked out by audit on the basis of the allotted payload. This resulted in short accountal of ₹ 1.02 crore, which remained unreconciled till the date of audit.

GoO did not furnish reply to the above observations.

- The route between Bhubaneswar and Cuttack was operated on chartered basis by the DTM, Cuttack at 102 *per cent* payload from September 2011 to August 2012. After the charter period was over, without re-tendering or renewal of agreement, the route was allotted to the same charterer till September 2013 at 102 *per cent* payload. Subsequently, the same charterer was allowed to operate the route without any fixed payload and it achieved 63 to 81 *per cent* payload till February 2014. Thereafter, on tendering basis, the charterer was allowed to operate the route at 91 *per cent* payload from March 2014 to March 2015. Thus, operating the route at lower payload without tendering (October 2013 to February 2014) and acceptance of lower payload thereafter led to loss of revenue to OSRTC.

Though GoO confirmed the facts, no reasons were adduced for non-tendering of the route.

Consumption of HSD oil

4.12.16 OSRTC fixes depot-wise monthly fuel consumption targets in terms of Kilometer per litre (KMPL) with instructions that in case of any shortfall, the unit officers would be held responsible. Audit observed that:

There was excess consumption of 3.97 lakh litres of HSD oil valuing ₹ 2.13 crore

- all the depots of OSRTC could not achieve KMPL targets fixed by its Head office during different periods of 2012-15, which resulted in excess consumption of 3.97 lakh litres of HSD oil valuing ₹ 2.13 crore. However, no action was taken against the unit officials;
- as against the All India average[79] of 4.94 KMPL,OSRTC in 5 out of 6 test checked depots, achieved only 4.57 KMPL leading to excess expenditure of ₹ 3.75 crore towards excess consumption of 7 lakh litres HSD oil during 2012-15;

[79] As per statistic published by Central Institute of Road Transport, Pune

- in 3[80] out of 6 test checked units, even for vehicles of the same age group operating in the same route, there were significant variation in consumption of fuel leading to excess consumption of 5,441 litres during 2012-15; and

- the buses of OSRTC were operated for 8.03 lakh idle kilometers including 2.53 lakh kilometers for refueling. However, the reasons for operation of balance 5.50 lakh idle kilometers were not analysed and segregated leading to avoidable consumption of 1.19 lakh litres of HSD valuing ₹ 64.40 lakh during 2012-15.

GoO stated that recovery from the drivers/charters concerned is going on towards excess consumption of HSD oil and excess consumption is being monitored. It also stated that unit officers have been told to minimise operation of idle kilometers.

Repair and Maintenance

4.12.17 OSRTC incurred ₹ 21.59 crore towards repair and maintenance (R&M) of buses during 2012-15. The following table indicates year-wise R&M expenditures.

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15
1	Repair & Maintenance expenses	7.88	6.90	6.81
2	Total number of buses	379	436	458
3	Average expenditure per bus	0.02	0.016	0.015

(Source: Information furnished by OSRTC)

Delay in repair of buses, led to non-operation of the buses for 60.02 lakh KMs resulting in loss of contribution of ₹ 5.55 crore

Despite incurring substantial amount on R&M, 82 to 107 buses remained off road mainly due to want of repair and maintenance. Normally, major repair of buses takes 2 months time. Audit scrutiny of the records revealed that, out of 75 buses for undertaking major repair as of November 2014, repair of 31 buses could be completed by July 2015 of which repair of 29 buses were delayed by 3 to 36[81] months. The remaining 44 buses are awaiting for 9 to 38 months for repair. As a result of above, OSRTC could not operate buses for 60.02 lakh kms[82] resulting in loss of contribution amounting ₹ 5.55 crore. Two vehicles kept for major repair at Vizianagaram depot from April 2014 were completely damaged by a cyclone in October 2014.

GoO, while accepting the delay in taking up major repair works, stated that the tender process for repair had been started and would be finalised soon. It also stated that two damaged vehicles at Vizianagaram were proposed for condemnation.

[80] Bhawanipatna, Sambalpur and Vizianagaram

[81] Upto 6 months: 6 buses, > 6 to 12 months: 12 buses, >12 to 24 months: 8 buses, beyond 24 months:3 buses

[82] Considering effective Km operated (186.64 Km) and contribution earned (₹ 9.25 per Km) in 2014-15

Non-availing of Central assistance

4.12.18 In response to a proposal (September 2011) of OSRTC for ₹ 2.71[83] crore, Government of India (GoI) sanctioned (February 2012) ₹ 1.35 crore towards one time assistance being 50 *per cent* of actual capital cost under the scheme for strengthening of Public Transport System. GoI released (March 2012) first installment of ₹ 67.50 lakh being 50 *per cent* of sanctioned amount. The balance was to be released during 2012-13 after submission of interim progress report and Utilisation Certificate (UC) by OSRTC. The detailed project report of the scheme envisaged earning additional surplus of ₹ 4.09 crore in the first year after implementation of the project. The project, scheduled for completion by February 2013, was extended upto August 2013.

Audit noticed that out of ₹ 107.98 lakh sanctioned towards 'Depot maintenance and MIS' and 'development of web based Ticket booking system', OSRTC incurred ₹ 47 lakh towards depot maintenance and MIS (₹ 37.35 lakh) and development of web based Ticket booking system (₹ 9.65 lakh), but did not initiate any action for other aspects[84] of the scheme. The materials procured were not utilised for the envisaged purpose in absence of required software. As of March 2015, OSRTC submitted (November 2013) UC for ₹ 36.18 lakh only out of ₹ 67.50 lakh. Though GoI directed (July 2014) to submit the progress report and UC for the first installment, UC for the balance amount (₹ 31.32 lakh) was not submitted for which GoI assistance of ₹ 67.50 lakh (second installment) could not be availed. Thus, the project remained incomplete even after lapse of more than two years and the envisaged benefit of ₹ 4.09 crore per annum could not be achieved.

GoO stated that OSRTC could not implement the scheme effectively due to dearth of computer personnel. It also stated that the utilisation of the balance amount was under active process. However, the project scheduled to be completed by August 2013 remained incomplete.

Manpower

4.12.19 Manpower cost constituted 23 to 25 *per cent* of total operational expenditure of OSRTC during 2012-15. The table below indicates the details of manpower, its cost and productivity during 2012-15.

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[83] Web based ticketing system (₹ 22.31 lakh), vehicle tracking system & fuel monitoring system (₹ 35.18 lakh), real time seat occupancy and Passenger Information system (₹ 78.59 lakh), Electronic ticketing system (₹ 49.59 lakh) and Depot maintenance & Management Information system(₹ 85.67 lakh)

[84] Vehicle tracking system & fuel monitoring system, real time seat occupancy and Passenger Information system and Electronic ticketing system

Sl. No.	Particulars	2012-13	2013-14	2014-15
1	Manpower-regular	811	697	606
2	Manpower-contractual	755	674	984
3	Manpower-total	1566	1371	1590
4	Manpower cost (₹ in crore)	18.47	19.05	19.38
5	Effective kms operated (in crore)	3.21	2.94	3.12
6	Manpower cost per effective kms -4/5 (in ₹)	5.76	6.49	6.19
7	Productivity per day per person (5/3/365)	56.08	58.68	53.94
8	Total buses at the end of the year	379	436	458
9	Manpower per bus – 3/8	4.13	3.14	3.47

(Source: Information furnished by OSRTC)

As may be seen from the above table:

- manpower per bus decreased from 4.13 in the year 2012-13 to 3.14 in the year 2013-14 but increased moderately to 3.47 in the year 2014-15. However, manpower per bus of OSRTC was below the all India average of 5.4 during 2012-14;
- the manpower cost per km ranged from ₹ 5.76 to ₹ 6.49 during 2012-15;
- number of regular employees decreased steadily from 811 as on 31 March 2013 to 606 as on 31 March 2015 as against sanctioned strength of 2642 for which OSRTC was depending upon contractual staff and chartering its buses; and
- though 77 *per cent* of regular employees were above 50 years of age, OSRTC had not formulated any planning to fill up the vacancy arising from time to time.

The following table indicates requirement of drivers and conductors *vis a vis* persons in position and shortage of drivers and conductors.

Sl. No.	Particulars	2012-13	2013-14	2014-15
1	Number of buses held at the end of the year	379	436	458
2	Requirement of drivers as per norm of 2.5 per bus	948	1090	1145
3	Actual drivers available at the end of the year	640	666	720
4	Shortage of drivers (2-3)	308	424	425
5	Requirement of conductors as per norm of 1.4 per bus	531	610	641
6	Actual conductors available at the end of the year	357	186	406
7	Shortage of conductors at the end of the year	174	424	235

(Source: Information furnished by OSRTC)

Shortage of drivers and conductors led to non-operation of buses and cancellation of scheduled kilometers

There was a shortage of 425 drivers and 235 conductors as of March 2015 which was a major factor for non-operation of buses leading to cancellation of scheduled kilometres.

GoO stated that shortage of regular personnel in OSRTC was due to absence of any regular appointment since 1991-92. Presently they were planning regularisation of contractual employees to fill up the base level posts. However, shortage of manpower resulted in non-operation of buses leading to cancellation of scheduled kilometers.

Conclusion

OSRTC could not keep pace with the growing demand for public transport as its share was marginally increased from 2.73 *per cent* in 2011-12 to 2.74 *per cent* in 2014-15. It sustained operating loss in all the years during 2012-15 due to operational inefficiencies in fleet utilisation, vehicle productivity, load factor etc. OSRTC did not ensure economy in operations as its fuel cost was higher than its internal targets. The MIS was not adequately improved for monitoring key operational parameters by the top management.

Bhubaneswar
The 02 MAR 2016

(Devika)
Principal Accountant General
(Economic and Revenue Sector Audit), Odisha

Countersigned

New Delhi
The 03 MAR 2016

(Shashi Kant Sharma)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

Statement showing investment made by State Government in PSUs, whose accounts are in arrears
(Referred to in paragraph 1.11)

(Figures in column 4 & 6 to 8 are ₹ in crore)

Sl. No	Name of the Public Sector Undertaking	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years of which accounts are in arrear		
					Equity	Loans	Grants/ Subsidy
1	2	3	4	5	6	7	8
A.	**Working Government Companies**						
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2013-14	1.10	2014-15	0.00	0.00	0.50
2	Odisha State Cashew Development Corporation Limited	2013-14	1.55	2014-15	0.00	0.00	1.52
3	Odisha Lift Irrigation Corporation Limited	2012-13	74.73	2013-14	0.00	0.00	43.88
				2014-15	0.00	0.00	44.48
4	Odisha Pisciculture Development Corporation Limited	2012-13	2.21	2013-14	0.00	0.00	2.00
				2014-15	0.00	0.00	0.00
5	Odisha Rural Housing and Development Corporation Limited	2007-08	48.16	2008-09	0.00	52.52	0.00
				2009-10	0.00	47.22	0.00
				2010-11	0.00	47.50	0.00
				2011-12	0.00	163.23	0.00
				2012-13	0.00	0.00	0.00
				2013-14	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00
6	Odisha Power Transmission Corporation Limited	2013-14	303.07	2014-15	50.00	0.00	255.00
7	Odisha State Civil Supplies Corporation Limited	2011-12	11.03	2012-13	0.00	0.00	1182.66
				2013-14	0.00	0.00	1283.41
				2014-15	0.00	0.00	1212.08
8	Ganjam Urban Transport Services Limited	First year account for the year 2013-14 yet to be finalised	--	2013-14	0.00	0.00	15.52
				2014-15	0.00	0.00	0.00
Total A			**441.85**	**-**	**50.00**	**310.47**	**4041.05**
B.	**Working Statutory Corporations**						
1	Odisha State Road Transport Corporation	2012-13	154.44	2013-14	8.00	0.00	3.60
				2014-15	0.00	0.00	10.60
				-	0.00	0.00	0.00
Total B			**154.44**	**-**	**8.00**	**0.00**	**14.20**
Total A+B			**545.92**	**-**	**58.00**	**310.47**	**4055.25**
C.	**Non-working Government Companies**		**-**	**-**	**-**	**-**	**-**
Grand Total (A+B+C)			**545.92**		**58.00**	**310.47**	**4055.25**

ANNEXURE-2

Summarised financial position and working results of Government Companies and Statutory Corporations as per their latest finalised Financial Statements and Accounts

(Referred to in Paragraph 1.15)

(Figures in column 5 to 12 are ₹ in crore)

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed[@]	Return on capital employed [$]	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A.	**Working Government Companies**												
AGRICULTURE AND ALLIED													
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2012-13	2014-15	1.10	0.00	0.47	0.52	0.17	2.50	4.07	0.38	**9.34**	33
		2013-14	2015-16	1.10	0.00	0.62	0.32	0.23	-1.96	5.82	0.29	**4.98**	
2	The Odisha Agro Industries Corporation Limited	2012-13	2014-15	7.15	0.00	-25.41	480.92	12.57	0.00	-17.95	14.15		190
3	Odisha State Cashew Development Corporation Limited	2013-14	2014-15	1.55	0.00	18.25	13.15	3.23		33.28	3.23	**9.71**	379
4	Odisha Forest Development Corporation Limited	2013-14	2014-15	5.00	0.00	-127.39	111.33	14.52	-35.70	-122.39	17.67		2194
		2014-15	2015-16	5.00	0.00	-116.83	132.71	16.14	0.44	-111.83	20.03		
5	Odisha Lift Irrigation Corporation Limited	2012-13	2014-15	74.73	0.65	-0.38	49.91	0.78	-40.56	140.78	0.78	**0.55**	1096
6	Odisha State Seeds Corporation Limited	2011-12	2014-15	2.62	29.14	22.01	170.30	2.66	1.01	86.10	5.16	**5.99**	131
7	Odisha Pisciculture Development Corporation Limited	2012-13	2015-16	2.21	5.44	-2.96	84.03	1.26	0.00	8.20	1.32	**16.10**	187
Sector Wise Total				**94.36**	**35.23**	**-104.70**	**931.34**	**36.87**	**-41.07**	**144.40**	**44.96**	**31.14**	**4210**

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed $	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
FINANCING													
8	The Industrial Promotion and Investment Corporation of Odisha Limited	2014-15	2015-16	83.14	0.00	-5.40	1.42	4.92	-92.62	89.38	4.92	**5.50**	86
9	The Odisha Film Development Corporation Limited	2012-13	2014-15	5.40	2.56	0.63	0.45	0.03	-0.18	11.00	0.03	**0.27**	21
10	Odisha Rural Housing and Development Corporation Limited.	2007-08	2012-13	48.16		-103.12	15.70	-31.71	-340.92	550.87	10.82	**1.96**	37
11	The Odisha Small Industries Corporation Limited	2011-12	2014-15	40.80	1.19	6.14	481.89	15.00	-2.91	48.25	15.28	**31.67**	214
Sector Wise Total				**177.50**	**3.75**	**-101.75**	**499.46**	**-11.76**	**-436.63**	**699.50**	**31.05**	**4.44**	**358**
INFRASTRUCTURE													
12	The Industrial Development Corporation of Odisha Limited	2013-14	2014-15	57.12	78.92	45.02	7.58	-3.00	-2.98	181.06	-0.94		**82**
		2014-15	2015-16	57.12	76.34	46.02	1.60	-11.21	-14.49	179.48	-8.81		
13	Odisha Construction Corporation Limited.	2012-13	2014-15	17.50	279.34	10.33	251.32	3.76	-49.35	307.47	3.85	**1.25**	483
		2013-14	2015-16	17.50	466.13	12.67	326.25	4.56	-7.10	496.59	4.60	**0.93**	
14	Orissa Bridge and Construction Corporation Limited	2012-13	2014-15	9.31	0.00	-0.89	9.24	2.22	-0.25	8.42	2.22	**26.37**	225
		2013-14	2014-15	9.31	0.00	0.25	10.18	1.70	0.00	9.56	1.70	**17.78**	
15	The Odisha State Police Housing and Welfare Corporation Limited	2013-14	2014-15	5.63	0.00	65.48	308.20	20.14	-5.15	71.11	20.14	**28.32**	302
16	Brahmani Railways Limited	2013-14	2014-15	11.00	0.00	0.00	0.00	0.00	0.00	11.12	0.00		11
17	Odisha Mineral Bearing Areas Development Corporation Limited				0.00								4

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed $	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
Sector Wise Total				**100.56**	**542.47**	**124.42**	**646.23**	**15.19**	**-26.74**	**767.86**	**17.63**	**2.30**	**1107**
MANUFACTURING													
18	Baitarani West Coal Company Limited	2014-15	2015-16	30.00	0.00	-0.11	0.00	-0.04	0.00	29.89	-0.04		**9**
19	IDCOL Ferro Chrome & Alloys Limited(subsidiary of Sl.No.A-12)	2014-15	2015-16	18.81	0.00	25.52	110.41	4.12	-0.61	44.33	4.58	**10.33**	249
20	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. A-12)	2013-14	2014-15	120.10	0.00	-117.31	133.77	-13.49	-3.70	2.79	-12.89		694
		2014-15	2015-16	150.10	0.00	-125.58	64.48	-5.06	-0.39	24.52	-4.89		
21	Konark Jute Limited (Subsidiary of Sl. No. A-12)	2013-14	2014-15	5.94	11.85	-31.82	0.00	-0.23	-1.69	-14.03	-0.08		6
22	The Mandakini B-Coal Corporation Limited	2012-13	2014-15	8.31	0.00	0.00	0.00	0.00	0.00	8.31	0.00		0
23	The Odisha Mining Corporation Limited	2014-15	2015-16	31.45	0.00	3482.33	1881.26	1487.10	-390.92	5688.00	1520.45	**26.73**	3148
24	Odisha State Beverages Corporation Limited	2012-13	2014-15	1.00	0.00	172.55	2195.13	112.35	-14.94	192.56	112.35	**58.35**	230
		2013-14	2014-15	1.00	0.00	202.08	2554.64	82.57	-18.95	227.79	82.57	**36.25**	
		2014-15	2015-16	1.00	0.00	210.67	2905.05	49.56	-10.46	238.65	49.56	**20.77**	
25	Nuagaon Coal Company Limited	2012-13	2014-15	2.00	0.00	0.08	0.00	0.09	0.00	2.08	0.09	**4.33**	0
26	Paradeep Plastic Park Limited				0.00								0
Sector Wise Total				**247.61**	**11.85**	**3561.09**	**4961.20**	**1535.54**	**-404.07**	**6021.75**	**1569.67**	**26.07**	**4336**
POWER													
27	GRIDCO Limited	2013-14	2014-15	576.71	2255.47	-3205.00	6372.26	-679.80	-174.29	-372.82	209.11		50
28	Odisha Hydro Power Corporation Limited	2014-15	2015-16	339.80	1300.66	15.59	493.24	46.68	24.45	2318.58	101.12	**4.36**	2009

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed $	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
29	Odisha Power Generation Corporation Limited	2014-15	2015-16	490.22	836.92	853.58	539.27	229.63	-5.83	2331.06	229.63	**9.85**	705
30	Odisha Power Transmission Corporation Limited	2013-14	2014-15	303.07	724.82	-146.91	598.89	52.30	-5.35	1868.04	94.95	**5.08**	3123
31	Odisha Thermal Power Corporation Limited	2014-15	2015-16	228.41	0.00	-7.32	0.00	-1.21	0.61	221.09	-1.21		7
32	Kalinga Bidyut Prasaran Nigam Private Limited	2014-15	2015-16	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00		1
33	Green Energy Development Corporation of Odisha Limited	2014-15	2015-16	49.89	0.00	0.08	0.00	0.77	0.00	59.97	0.77	**1.28**	7
34	Odisha Coal and Power Limited				0.00								2
Sector Wise Total				**1988.11**	**5117.87**	**-2489.98**	**8003.66**	**-351.63**	**-160.41**	**6425.93**	**634.37**	**9.87**	**5904**
SERVICES													
35	IDCOL Software Limited (Subsidiary of Sl. No.A-12)	2013-14	2014-15	1.00	0.00	0.62	5.72	0.40	-0.06	1.62	0.40	**24.69**	4
36	Lanjigarh Project Area Development Foundation	2011-12	2012-13	0.05	0.00	0.00	0.00	0.00	0.00	44.36	0.00	**0.00**	0
37	Odisha State Civil Supplies Corporation Limited	2011-12	2014-15	11.03	3781.34	3.00	1239.46	0.00	-30.80	3811.85	299.43	**7.86**	564
38	Odisha Tourism Development Corporation Limited	2013-14	2014-15	9.62	0.00	8.66	25.32	4.26	0.00	18.78	4.28	**22.79**	585
39	Bhubaneswar Puri Transport Services Limited	2014-15	2015-16	1.00	0.00	3.38	1.78	1.73	-0.12	4.38	1.74	**39.73**	6
40	Western Odisha Urban Transport Service Limited	2014-15	2015-16	1.00	0.00	0.58	0.60	0.82	0.00	1.58	0.82	**51.90**	2

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed $	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
41	Ganjam Urban Transport Service Limited				0.00								2
42	Odisha State Medical Corporation Limited	2014-15	2015-16	10.00	0.00	0.46	0.00	0.64	0.00	10.46	0.64	**6.12**	6
Sector Wise Total				**33.70**	**3781.34**	**16.70**	**1272.88**	**7.85**	**-30.98**	**3893.03**	**307.31**	**7.89**	**1169**
MISCELLANEOUS													
43	Kalinga Studios Limited (Subsidiary of Sl. No. A-9)	2011-12	2013-14	2.54		-3.29	0.22	-0.12	0.00	0.06	-0.03		2
44	Odisha Sports Development and Promotion Company Limited												1
Sector Wise Total				**2.54**	**0.00**	**-3.29**	**0.22**	**-0.12**	**0.00**	**0.06**	**-0.03**		**3**
Total A (All sector wise working Government Companies)				**2644.38**	**9492.51**	**1002.49**	**16314.99**	**1231.94**	**-1099.90**	**17952.53**	**2604.96**	**14.51**	**17087**
B. Working Statutory corporations													
FINANCE													
1	Odisha State Financial Corporation	2014-15	2015-16	415.34	103.61	-476.90	11.53	-77.40	-0.44	545.19	-77.40		183
Sector Wise Total				**415.34**	**103.61**	**-476.90**	**11.53**	**-77.40**	**-0.44**	**545.19**	**-77.40**		**183**
SERVICES													
2	Odisha State Road Transport Corporation	2012-13	2015-16	154.44	10.28	180.81	65.53	19.38	0.33	-10.53	20.49		1590
Sector Wise Total				**154.44**	**10.28**	**180.81**	**65.53**	**19.38**	**0.33**	**-10.53**	**20.49**		**1590**
MISCELLANEOUS													
3	Odisha State Warehousing Corporation	2013-14	2014-15	3.60	0.00	0.00	81.96	25.78	-1.43	94.69	27.84	**29.40**	328
Sector Wise Total				**3.60**	**0.00**	**0.00**	**81.96**	**25.78**	**-1.43**	**94.69**	**27.84**	**29.40**	**328**

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed $	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
Total B (All sector wise working Statutory Corporations)				**573.38**	**113.89**	**-296.09**	**159.02**	**-32.24**	**-1.54**	**629.35**	**-29.07**		**2101**
Grand Total (A + B)				**3217.76**	**9606.40**	**706.40**	**16474.01**	**1199.70**	**-1101.44**	**18581.88**	**2575.89**	**13.86**	**19188**
C.	**Non working Government companies**												
AGRICULTURE AND ALLIED													
1	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	1972-73	1975-76	0.01									0
2	Orissa Fisheries Development Corporation Limited	1982-83	1983-84	0.35				-0.04		0.20	-0.03		0
Sector Wise Total				**0.36**		**0.00**	**0.00**	**-0.04**	**0.00**	**0.20**	**-0.03**		**0**
MANUFACTURING													
3	ABS Spinning Orissa Limited (Subsidiary of Sl. No.A-12). (Under liquidation)	2006-07	2010-11	3.00	1.40	-48.89		12.24		-7.69	12.48		0
4	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	1968-69	1974-75	0.04						0.02	0.00		0
5	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-12). (Under liquidation.)	1975-76	1976-77	0.12						0.27	0.00		0
6	IPITRON Times Limited (Subsidiary of Sl.No.C-19). (Under liquidation since 1998)	1997-98	2005-06	0.81	1.68	-9.47		-0.92		-2.07	-0.92		0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed $	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
7	Kanti Sharma Refractories Limited (Subsidiary of Sl. No. A 11). (Closed since 5 December 1998)	1996-97	2008-09	0.75		-1.26		-0.81		1.92	-0.53		0
8	Konark Detergent and Soaps Limited (Subsidiary of Sl.No. A-11)	1981-82	1996-97	0.06						0.05	0.00		0
9	Konark Television Limited (Defunct since 1999-2000)	1991-92	1998-99	1.20	2.01	-6.04	14.05	-0.95		6.00	0.36	**6.00**	0
10	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	1965-66	1982-83	0.01						0.00	0.00		0
11	Mayurbhanj Textiles Limited	1970-71	1976-77	0.04		0.00				0.00	0.00		0
12	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	1972-73	1975-76	0.04		0.00				0.03	0.00		0
13	New Mayurbhanj Textiles Limited	1981-82	2003-04	0.02		0.03		0.03		0.05	0.03	**60.00**	0
14	Orissa Boat Builders Limited (under liquidation)	1970-71	1997-78	0.05		0.00				0.01	0.00		0
15	Orissa Electrical Manufacturing Company Limited	1966-67	1973-74	0.05		0.00				0.05	0.00		0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed $	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
16	Orissa Instruments Company Limited	1987-88	2000-01	0.09		0.00	0.00	-0.06	0.00	0.36	-0.04		0
17	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-21)	1991-92	1995-96	0.65	1.77	0.00			0.00	1.92	0.00		0
18	Orissa Textile Mills Limited (Under liquidation since 2001)	1997-98	1998-99	24.70	14.68	-53.41		-10.24		5.17	-7.66		0
19	Orissa State Electronics Development Corporation Limited	2004-05	2008-09	20.03	0.19	-2.80		-0.26	-	0.00	-0.26		0
20	Orissa State Handloom Development Corporation Limited (under liquidation)	2003-04	2011-12	3.53	1.58	-20.77	0.03	-0.59	0.00	-5.60	-0.36		0
21	Orissa State Leather Corporation Limited (closed since 18 June 1998)	1988-89	2004-05	1.85	0.37	-2.46		-0.23		1.71	-0.17		0
22	Orissa State Textile Corporation Limited	1993-94	2003-04	2.62	1.62	-15.95	3.52	-3.10		-5.45	-1.80		0
23	Orissa Tools and Engineering Company Limited (619-B)	1982-83		0.44		-0.43				0.00	0.00		0
24	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	1966	1973-74	0.02		0.00				0.00	0.00		0
Sector Wise Total				**60.12**	**25.30**	**-161.45**	**17.60**	**-4.89**	**0.00**	**-3.25**	**1.13**		**0**
SERVICES													
25	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-19)	1997-98	2005-06	1.58	2.00	-6.87		-0.50		1.76	-0.50		0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year	Accumul-ated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/Loss (-)	Net Impact of Accounts Comments	Capital employed[@]	Return on capital employed [$]	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
26	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-19 Under liquidation since 1998)	1997-98	2005-06	0.64	0.72					-1.46	0.00		0
27	ELMARC Limited (Subsidiary of Sl. No. C-19)	2000-01	2006-07	1.02	0.57	-2.25	0.77	-0.07		-0.56	-0.07		0
28	Orissa State Commercial Transport Corporation Limited	1998-99	2014-15	3.00	8.55	19.53	0.00	-2.99	-0.39	0.62	-2.74		0
	Sector wise total			**6.24**	**11.84**	**10.41**	**0.77**	**-3.56**	**-0.39**	**0.36**	**-3.31**		0
	Total C (All sector wise non working Government Companies			**66.72**	**37.14**	**-151.04**	**18.37**	**-8.49**	**-0.39**	**-2.69**	**-2.21**		0
	Grand Total (A + B + C)			**3284.48**	**9643.54**	**555.36**	**16492.38**	**1191.21**	**-1101.83**	**18579.19**	**2573.68**	**13.86**	**19188**

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

@ Capital employed represents Shareholders Fund plus Long Term Borrowings except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

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

* Paid-up capital includes share application money

ANNEXURE-3

Statement showing Financial Position and Working Results of OHPC during 2010-15

(Referred to in paragraph 2.6)

A. Financial Position

(₹in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Equity & Liabilities					
Share Capital	320.80	320.80	320.80	320.80	339.80
Reserves & Surplus	598.03	624.31	681.61	687.13	678.11
Long Term Borrowings	1815.73	1806.96	1792.47	1776.62	1300.66
Other Long Term Liabilities	31.39	24.77	22.71	301.79	350.91
Long Term Provisions	62.49	96.86	115.89	0.39	43.67
Short Term Borrowings	0.00	15.00	0.00	0.00	0.00
Trade Payables	8.35	1.28	2.03	0.81	2.01
Other Current Liabilities	96.64	103.94	133.55	101.91	402.74
Short Term Provisions	58.53	85.14	73.83	49.98	42.15
Total	**2991.96**	**3079.06**	**3142.89**	**3239.43**	**3160.05**
Assets					
Tangible Assets	1656.58	1557.98	1471.45	1375.90	1085.17
Capital Work-in-Progress	39.00	62.75	58.43	44.87	50.40
Non-current Investments	15.94	16.94	21.94	121.20	174.12
Long Term Loans and Advances	8.78	8.41	8.67	8.36	7.15
Other Non-Current Assets	1.41	0.99	441.15	633.19	622.09
Inventories	53.38	57.35	42.60	47.81	54.79
Trade Receivables	335.56	441.41	192.13	44.97	136.45
Cash & Cash Equivalents	816.81	860.79	844.78	862.34	912.47
Short Term Loans and Advances	38.63	39.78	38.81	45.26	77.67
Other Current Assets	25.87	32.66	22.93	55.53	39.74
Total	**2991.96**	**3079.06**	**3142.89**	**3239.43**	**3160.05**
Capital Employed[1]	2734.56	2752.07	2794.88	2784.55	2318.57
Net Worth[2]	918.83	945.11	1002.41	1007.93	1017.91

[1] Paid up capital+Reserve & Surplus+Long Term Borrowings

[2] Paid up Capital+Reserve & surplus less Intangible assets

B. Working Results ***(₹in crore)***

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15
Income					
Revenue from Operations	338.72	358.68	353.12	451.73	493.24
Other Incomes	54.86	101.72	92.46	196.01	131.59
Total	**393.58**	**460.40**	**445.58**	**647.74**	**624.83**
Expenses					
Employee benefit expenses	149.58	144.72	179.45	153.56	159.90
Repair &Maintenance (R&M) to Dam	17.77	17.03	20.83	22.54	32.20
R&M to building and civil works	8.45	4.87	9.90	10.10	8.05
R &M to Plant &machinery	3.77	5.48	10.98	12.12	18.97
R&M Others	3.69	3.31	2.39	3.63	2.86
Total Repair& Maintenance Expenses	33.68	**30.69**	**44.10**	**48.39**	**62.08**
Power, Fuel, Oil and Lubricants	2.29	3.20	3.40	3.82	3.28
Insurance charges	1.24	1.28	1.28	1.31	1.45
Watch &Ward	1.86	2.19	3.14	3.92	3.51
Other Operational expenses	1.11	0.91	1.06	1.24	1.61
Total Operational Expenses	**6.50**	**7.58**	**8.88**	**10.29**	**9.85**
Administrative & general expenses	13.55	19.17	17.21	21.02	18.72
Selling & Distribution expenses	5.85	0.00	0.00	0.03	4.31
Total O&M Expenses excluding O&M expenses included in Prior period adjustments	**209.16**	**202.16**	**249.64**	**233.29**	**254.86**
Finance Costs	6.98	17.01	12.61	292.50	58.47
Depreciation & amortisation expenses	127.61	123.10	124.10	126.11	294.73
Total	343.75	342.27	386.35	651.90	608.06
Prior year adjustments and exceptional items	2.91	22.52	0.31	-15.29	-29.91
Profit before tax	46.92	95.61	58.92	11.13	46.68
Net Current Tax Liability	9.35	19.30	11.79	2.33	31.09
Profit/(Loss) for the period	37.57	76.31	47.13	8.80	15.59

ANNEXURE-4

Statement showing Financial Position and Working Results of OSWC during 2010-15

(Referred to in paragraph 3.6)

A. Financial Position

(₹in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15 (Provisional)
Liabilities					
Paid up capital	3.60	3.60	3.60	3.60	3.60
Reserves and Surplus	54.30	67.87	80.53	91.12	105.92
Long term Borrowings	0.00	23.47	20.31	17.15	7.97
Trade dues and other current liabilities (including provisions) (CL)	43.46	49.66	57.92	81.54	95.98
Total	**101.36**	**144.61**	**162.36**	**193.41**	**213.49**
Assets					
Gross Block	32.80	46.25	66.54	71.81	80.98
Less: Depreciation	11.49	12.93	13.89	10.57	14.06
Net Block (NB)	21.31	33.32	52.65	61.24	66.91
Capital Works-in-progress (CWIP)	0.02	10.73	7.71	3.72	4.89
Value of Dead Stock	1.14	1.68	2.87	3.76	4.20
Current Assets, Loans and Advances					
Cash and Bank balance	19.24	38.04	29.79	29.72	32.04
Outstanding warehousing charges(A)	26.08	26.54	28.72	42.39	44.33
Amount disallowed by depositors recoverable (B)	3.37	4.39	5.67	6.55	6.38
Sundry Debtors (Accounts Receivables) (A+B)	**29.46**	**30.93**	**34.40**	**48.93**	**50.70**
Other current assets, loans & advances	30.19	29.90	34.94	46.04	54.75
Total	**101.36**	**144.61**	**162.36**	**193.41**	**213.49**
Net Worth#	57.90	71.47	84.13	94.72	109.54
Capital Employed (NB+CWIP+CA-CL)	57.90	94.94	104.44	111.87	117.52
Percentage of profit to capital employed	12.16	15.05	12.81	16.09	17.19
Debt equity Ratio	0.00	0.33	0.24	0.18	0.07
Average collection period (in days)*	252	226	210	186	180

B. Working Results

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15 (Provisional)
Income					
Income from warehousing charges	37.12	48.81	56.63	81.86	101.08
Income from Weigh bridge	0.03	0.02	0.08	0.10	0.12
Other Income	1.40	0.91	2.90	2.49	3.92
Total	**38.55**	**49.74**	**59.61**	**84.45**	**105.12**
Expenditure					
Establishment charges	13.22	10.82	11.16	11.62	12.38
Handling and Transport Charges	11.68	13.45	20.10	39.23	51.33
Other Expenses	4.70	4.43	9.61	12.29	10.75
Total	**29.60**	**28.71**	**40.88**	**63.14**	**74.47**
Profit (Loss) before tax	**8.95**	**21.03**	**18.74**	**21.32**	**30.65**
Prior period adjustment income / (Expenditure)	(0.14)	0.30	1.01	3.93	(0.02)
Provision for tax	1.77	7.04	6.37	7.25	10.42
Profit (Loss) after tax	**7.04**	**14.29**	**13.38**	**18.00**	**20.21**

Paid up capital plus Reserves and Surplus

* Average collection period = Average accounts receivable x No. of working days in a year / Operating income.

Glossary of Abbreviations

Sl. No.	Abbreviation	Description
1.	AC	Alternating Current
2.	ATNs	Action Taken Notes
3.	BGGY	Biju Gaon Gadi Yojana
4.	BHEP	Balimela Hydro Electric Project
5.	BoD	Board of Directors
6.	BRL	Beyond Rejection Limit
7.	CAG	Comptroller and Auditor General of India
8.	CATP	Catchment Area Treatment Plan
9.	CBs	Circuit Breakers
10.	CERC	Central Electricity Regulatory Commission
11.	CESCO	Central Electricity Supply Company of Odisha Limited
12.	CESU	Central Electricity Supply Utility
13.	CHEP	Chiplima Hydro Electric Project
14.	CMD	Chairman-cum-Managing Director
15.	CMRF	Chief Minister’s Relief Fund
16.	COPU	Committee on Public Undertakings
17.	CSR	Corporate Social Responsibility
18.	CTs	Current Transformers
19.	CWC	Central Warehousing Corporation
20.	DC	Direct Current
21.	DMI	Directorate of Marketing and Inspection
22.	DoWR	Department of Water Resources
23.	DPRs	Detail Project Reports
24.	DSRP	Dam Safety Review Panel
25.	DTM	District Transport Manager
26.	EMD	Earnest Money Deposit
27.	EOI	Expression of Interest
28.	ERP	Export Reserve Price
29.	FCI	Food Corporation of India
30.	FIFO	First-In-First-Out
31.	GBY	Grameen Bhandaran Yojana
32.	GDP	Gross Domestic Product
33.	GIOM	Gandhamardan Iron Ore Mines
34.	GoO	Government of Odisha
35.	H&T	Handling and Transportation
36.	HEPs	Hydro Electric Projects
37.	HHEP	Hirakud Hydro Electric Project
38.	HLC	High Level Committee
39.	IDCO	Industrial Infrastructure Development Corporation of Odisha Limited
40.	IRs	Inspection Reports
41.	JV	Joint Venture
42.	KMPL	Kilometer per liter
43.	LMT	Lakh Metric Tonne
44.	LOA	Letter of Award
45.	LOI	Letters of Intent
46.	LSP	Liquor Sourcing Policy
47.	LWE	Left Wing Extremist

Sl. No.	Abbreviation	Description
48.	MD	Managing Director
49.	MHEP	Machhkund Hydro Electric Project
50.	MIS	Management Information System
51.	MMTC	Minerals and Metals Trading Corporation Limited
52.	MoA	Memorandum of Agreement
53.	MoU	Memorandum of Understanding
54.	MSEs	Micro and Small Enterprises
55.	MSTC	Metal Scrap Trading Corporation Limited
56.	MU	Million Units
57.	NAPAF	Normative Annual Plant Availability Factor
58.	NESCO	North Eastern Electricity Supply Company of Odisha Limited
59.	NSIC	National Small Industries Corporation
60.	O&M	Operation and Maintenance
61.	OEMs	Original Equipment Manufacturers
62.	OERC	Odisha Electricity Regulatory Commission
63.	PAG	Principal Accountant General
64.	PD	Periphery Development
65.	PEG	Private Entrepreneurs Guarantee
66.	PFC	Price Fixation Committee
67.	PGCIL .	Power Grid Corporation of India Limited
68.	PMIL	Power Machines (India) Limited.
69.	PST	Price Setting Tenders
70.	PSU	Public Sector Undertakings
71.	R&B	Roads and Buildings
72.	R&M	Repair and Maintenance
73.	RIDF	Rural Infrastructure Development Fund
74.	RMCs	Regulated Market Committees
75.	RMU	Renovation, Modernisation and Uprating
76.	RoR	Record of Right
77.	SAIL	Steel Authority of India Limited
78.	SARs	Separate Audit Reports
79.	SCADA	Supervising Control and Data Acquisition
80.	SKCM	South Kaliapani Chromite Mines
81.	SLDC	State Load Despatch Centre
82.	SMMPL	Shark Mines and Minerals Private Limited
83.	SOUTHCO	Southern Electricity Supply Company of Odisha Limited
84.	ST	Service Tax
85.	STA	State Transport Authority
86.	TGB	Turbine Guide Bearing
87.	TL	Transit Loss
88.	TRC	Tail Race Channel
89.	TSL	TATA Steel Limited
90.	UC	Utilisation Certificate
91.	UIHEP	Upper Indravati Hydro Electric Project
92.	WDRA	Warehousing (Development and Regulation) Act, 2007
93.	WESCO	Western Electricity Supply Company of Odisha Limited

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