REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

GOVERNMENT OF ORISSA

COMMERCIAL FOR THE YEAR 1975-76

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PREFATORY REMARKS

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, may be categorised as:—

(*i*) Government Companies;

(*ii*) Statutory Corporations; and

(*iii*) Departmentally managed commercial and *quasi*-commercial undertakings.

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

3. The cases mentioned in the Report are those which came to the notice of Audit during the year 1975-76 as well as those which had come to notice in earlier years but could not be dealt with in the previous Reports; matters relating to the period subsequent to 1975-76 have also been included, wherever considered necessary.

4. In the case of Government Companies, audit is conducted by professional auditors appointed on the advice of the Comptroller and Auditor General but the latter is authorised under Section 619 (3) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the professional auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors for looking into certain specific aspects of the working of Government Companies. These were revised in December 1965 and in February 1969.

5. There are certain companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller

and Auditor General. Names of two such companies in which Government investment was more than Rs. 10 lakhs as on the 31st March 1976 are given below:—

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

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

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

CHAPTER I

GOVERNMENT COMPANIES

SECTION A

1.1. **Introduction**—There were 46 Government Companies (including two subsidiaries) in the State at the end of March 1976 with an aggregate investment of Rs. 40,86·78* lakhs by Government as share capital (excluding two subsidiaries) as summarised below :—

	Number of Companies	Government investment (Rupees in lakhs)
(*i*) Companies wholly owned by Government (including subsidiaries)	11	38,94·41
(*ii*) Companies partly owned by Government—		
(*a*) Companies floated under the Pilot Project Scheme started in 1958 to promote small scale industries	32	54·28
(*b*) Other than those floated under the Pilot Project Scheme	3	1,38·09
Total		40,86·78

1.2. During 1975-76, Government paid loan of Rs. 5 lakhs to one company. The amount received by Government from companies during the year, on account of repayment of principal of loans, was Rs. 48·97 lakhs. At the end of the year, loans from Government amounting to Rs. 12,29·27 lakhs were outstanding.

1.3. Out of the outstanding balance of Rs. 12,29·27 lakhs against the companies on the 31st March 1976, Rs. 2,84·11 lakhs were on account of overdue principal from four companies according to the information received from departments; besides, Rs. 4,85·80 lakhs on account of interest were overdue from five companies.

1.4. Guarantees by Government

As on the 31st March 1976, Government had guaranteed the repayment of loans raised by 8 Government companies, against which Rs. 12,67·32 lakhs were outstanding as shown below :—

	Number of companies	Amount of loans guaranteed	Amounts outstanding
		(Rupees in lakhs)	
Wholly owned companies ..	3	18,65·27	12,55·32
Partly owned Pilot Project Companies ..	5	12·00	12·00

* Differs from the datails of investment shown in the Finance Accounts. The difference is under reconciliation.

The companies are required to pay to Government guarantee commission at rates ranging from 0·01 *per cent* to one *per cent* of the outstanding guarantee. All the 8 companies defaulted in payment of the guarantee commission. The aggregate amount of guarantee commission outstanding from these 8 companies and 7 other companies which had liquidated the guarantee liability in 1971-72, was Rs. 43·47 lakhs on the 31st March 1976.

1.5. Accounts in arrears

The accounts of all the companies except one, *viz.*, the Industrial Promotion and Investment Corporation of Orissa Limited, were in arrears (December 1976). The particulars of the companies in respect of which accounts were in arrears and the extent of arrears (as in December 1976) are given in Appendix-I.

1.6. Return on investment

During 1975-76, Government received dividend of Rs. 2·78 lakhs on its investments (Rs. 40,86·78 lakhs) in the share capital and Rs. 4·44 lakhs as interest on loans to Government companies.

1.7. A synoptic statement showing the summarised financial results of companies (including one subsidiary) on the basis of latest available accounts is given in Appendix II.

1.8. Section 619-B Companies

In accordance with Section 619-B of the Companies Act, 1956 (effective from February 1975), a Company became subject to the provisions of Section 619 of the Act, as if it were a Government company if 51 *per cent* or more of the Company's paid-up share capital is held by one or more of the following or any combination thereof, namely, the Central or one or more State Governments and one or more Government Companies, or Corporations owned or controlled by the Central or State Governments, or one or more Government Companies or Corporations, owned or controlled by Governments. There were two such companies in the State. These were the East Coast Breweries and Distilleries Limited, Cuttack and Mamta Drinks and Industries Limited, Rourkela with an aggregate paid-up capital of Rs. 85·43 lakhs, of which Rs. 67·04 lakhs were held by the State Government and Companies and Corporations owned or controlled by Government. The East Coast Breweries and Distilleries Limited, Cuttack had not started production (April, 1977) and the accounts of the Mamta Drinks and Industries Limited, Rourkela for the first year ending on the 31st October 1976 were not due.

SECTION B

Orissa Agro Industries Corporation Limited

2.1. Introduction

The Orissa Small Industries Corporation Limited was formed in October 1961 to promote the growth of small industries in the State. In July 1967, Government of India sponsored a proposal to set up Agro Industries Corporations in the States mainly to expedite mechanisation in agriculture. The State Government considered (July 1967) it more economical to reorganise the Company and to widen its scope so that it could also perform the functions of an Agro Industries Corporation and accordingly re-designated it as the Orissa Agro and Small Industries Corporation Limited in February 1968. The administrative control of the Company, which was with the Industries Department, was transferred to the Agriculture Department in March 1971.

In July 1971, a review by the State Government of the working of the Company showed that the purpose for which it was formed had not been achieved and its activities relating to agro industries were over shadowed by the small industries wing. It was found that "combining the activities in the Orissa Agro and Small Industries Corporation Limited with its bias towards promoting small industries, did not enable either of the aspects to be looked into in detail as was necessary." The activities of the small industries wing were entrusted to a separate company named the Orissa Small Industries Corporation Limited incorporated on the 3rd April 1972. In April 1974, the parent Company was renamed as the Orissa Agro Industries Corporation Limited.

2.2. Objects

The objects of the Company when it was established in 1961 were to assist, finance and promote small industries (*i. e.*, industry ordinarily with capital assets, excluding land and building, of Rs. 7·5 lakhs or less) by (i) procurement and distribution of industrial raw materials in an equitable manner, (*ii*) co-ordination between large and small industries and (iii) opening sales emporia in different trade centres of the country to promote the market for products of small industries. On the formation of the Orissa Agro and Small Industries Corporation Limited in 1968, the objects were enlarged mainly to include establishment of agro-industries for manufacture of implements and machinery required for agriculture, fisheries, poultry, animal husbandry and dairy development and promotion of agro-industries by giving financial and managerial assistance to such units.

2.3. Activities

The activities of the Company were mainly :—

Small Industries side—

(i) Procurement and distribution of raw materials,

(ii) Construction of industrial estates,

(iii) Management of Panchayat Samiti Industries till November 1969,

(iv) Setting up small scale industries for rehabilitation of displaced persons,

(v) Sale of indigenous machinery to the educated unemployed on hire-purchase,

(vi) Participation in equity capital of industrial enterprises and technicians' co-operatives organised by the educated unemployed,

(vii) Establishment of a factory to manufacture scientific instruments.

Agro-Industries side—

(i) Procurement and sale of tractors, power tillers and agricultural implements to agriculturists,

(ii) Hiring out agricultural machinery,

(iii) Installation of pump sets for irrigation,

(iv) Establishment and operation of cattle and poultry feed mixing plants,

(v) Dairy Development,

(vi) Manufacture of storage bins.

2.4. Organisational set-up

The Board of Directors consists of eighteen members representing the Union Government (three members), the State Government (nine members including the Managing Director) and the interests of agriculture and industry (six members). As on the 31st March 1976 there were 15 Directors.

The Managing Director, the only full-time Director who is appointed by the State Government, manages the day-to-day affairs of the Company. There were frequent changes in the incumbency of the Managing Director, three changes during 1972-73, two in 1973-74, one in 1974-75 and five in 1975-76.

2.5. Capital Structure

2.5.1. *Share Capital*—The Company was started with an authorised capital of Rs. 50 lakhs divided into 4,000 redeemable preference shares of Rs. 500 each and 30,000 equity shares of Rs. 100 each. Consequent on enlargement of the activities and renaming as the Orissa Agro and Small Industries Corporation Limited in February 1968, the authorised capital was raised (February 1968) to Rs. 150 lakhs which was further increased to Rs. 250 lakhs in April 1976. The total paid-up capital of the Company as on the 31st March 1976 was Rs. 1,43·49 lakhs as detailed below :

	Small industries wing	Agro industries wing	Total
	(Rupees in lakhs)		
State Government ..	29·25	55·87	85·12*
Union Government ..	..	57·77	57·77
Others ..	0·60	..	0·60
Total ..	29·85	1,13·64	1,43·49

The Company received an advance of Rs. 14 lakhs (Rs. 9 lakhs from the State Government in April 1975 and Rs. 5 lakhs from the Union Government in December 1975) towards fresh capital. The shares were allotted in April 1976 and the share certificates were issued in September 1976.

2.5.2. *Borrowings*—The Company obtained long-term loans from the State Government from time to time to finance its activities. The total borrowings stood at Rs. 56·45 lakhs on the 31st March 1976.

The debt-equity ratio was as follows :—

	Borrowings	Paid-up Share Capital	Debt equity ratio
	(Rupees in lakhs)		
Agro Industries ..	6·40	1,13·64	0·06:1
Small Industries ..	50·05	29·85	1·68:1

2.5.3. *Outstanding loans*—The outstanding balance of principal and interest amounted to Rs. 56·45 lakhs and Rs. 27·46 lakhs respectively on the 31st March 1976. The overdue principal on that date was Rs. 30·85 lakhs.

* The figure is under reconciliation with the Finance Accounts (Rs. 95·12 lakhs).

The Management stated (September 1976) that default in repayment of loans was mainly due to slow recovery of hire-purchase loans given to the educated unemployed, poor return on investments in industries set up for rehabilitation of displaced persons and non-settlement of claims for Rs. 30·22 lakhs due from the State Government on account of management of Panchayat Samiti Industries.

According to the Articles of Association of the Company, funds received by the Company either for development of small industries or for agro-industries are to be utilised exclusively for the purpose for which such funds are received. Share capital received for agro-industries could not be utilised fully during the period 1968-69 to 1974-75 and surplus funds were being invested in short term deposits. At the same time, the Company resorted to cash credit facilities for financing activities of the small Industries side. The table below indicates the details:—

Year	Share capital for agro-industries at the end of the year	Amount in deposits at the end of the year out of funds indicated in Column 2	Interest received	Amount obtained as cash credit for small industries	Interest paid	Difference between interest earned and paid
(1)	(2)	(3)	(4)	(5)	(6)	(7)
			(Rupees in lakhs)			
1968-69 ..	41·15	8·00	0·03	2·11	1·56	1·53
1969-70 ..	41·15	23·00	0·11	10·36	2·22	2·11
1970-71 ..	47·65	28·50	0·35	20·65	2·38	2·03
1971-72 ..	94·27	28·50	0·39	26·17	2·91	2·52
1972-73 ..	1,04·27	55·62*	0·15	11·80	1·47	1·32
1973-74 ..	1,13·64	40·62	0·06	5·38	0·47	0·41
1974-75 ..	1,13·64	11·45	0·06	2·94	0·30	0·24

Interest paid on cash credit exceeded interest earned from short term deposits by Rs. 10·16 lakhs for the period 1968-69 to 1974-75.

The Management stated (August 1976) that cash credit was availed of because of the prohibition of transfer of funds from the agro-industries side to the small industries side.

* Rs. 15 lakhs from small industries wing.

2.6. Working results

The accounts of the Company were in arrears from 1971-72 onwards. The working results of the Company, according to provisional accounts prepared by the Management, for the five years upto the 31st March 1975, were as follows:—

	1970-71	1971-72	1972-73	1973-74	1974-75
Income—			(Rupees in lakhs)		
Sales ..	1,59·76	1,64·44	1,44·30	44·83	66·60
Work contracts ..	1·53	2·51	7·20	5·52	19·43
Other income ..	5·56	8·63	11·48	10·74	17·05
Expenditure—					
Purchase and other direct expenditure. ..	1,47·80	1,66·37	1,42·98	46·66	84·02
Other expenses including provisions	17·95	19·41	17·40	16·45	24·64
Profit(+) or Loss(—) ..	(+)1·10	(—)0·20	(+)2·60	(—)2·02	(—)5·58

The cumulative net loss on the 31st March 1975 was Rs. 28·20 lakhs. The position in respect of the small industries wing and the agro-industries wing from 1970-71 to 1974-75 is given below:—

	Net Profit(+)/Loss(—)		Total accumulated profit (+)/Loss(—)	
	Agro branch	Small industries branch	Agro branch	Small industries branch
		(Rupees in lakhs)		
1970-71 ..	(+)2·32	(—)1·22	(+)7·89	(—)30·89
1971-72 ..	(+)1·66	(—)1·86	(+)9·55	(—)32·75
1972-73 ..	(+)3·36	(—)0·76	(+)12·91	(—)33·51
1973-74 ..	(+)0·27	(—)2·29	(+)13·18	(—)35·80
1974-75 ..	(—)4·20	(—)1·38	(+)8·98	(—)37·18

Up to the 31st March 1975 the Small Industries Wing had accumulated losses totalling Rs. 37·18 lakhs against the paid-up capital of Rs. 29·85 lakhs of the small industries side. This was mainly due to loss in distribution of raw materials, poor performance of industrial units set up for rehabilitation of displaced persons, operation of the engineering and scientific works and losses sustained in the management of Panchayat Samiti industries.

2.7. Financial Position

The following table shows the financial position of the Company at the end of each year up to 1974-75 according to accounts prepared by the Company (provisional accounts from 1971-72 onwards).

	1970-71	1971-72	1972-73	1973-74	1974-75
	(Rupees in lakhs)				
Liabilities					
Paid-up capital including advance for shares	82·00	1,19·12	1,34·12	1,43·49	1,43·49
Reserves and surplus ..	0·68	Nil	0·68	0·68	0·68
Borrowings including overdraft	76·28	73·50	35·86	35·64	47·46
Trade dues and other liabilities	2,04·66	2,19·68	2,73·36	2,79·02	2,62·90
Total	3,63·62	4,12·30	4,44·02	4,58·83	4,54·53
Assets					
Gross block ..	25·71	28·53	29·37	34·27	31·16
Less-depreciation ..	9·58	12·11	13·21	16·46	5·48
Net fixed assets ..	16·13	16·42	16·16	17·81	25·68
Investments ..	0·14	0·14	0·85	0·85	1·49
Current assets and loans and advances	3,24·00	3,72·88	4,00·71	4,11·54	3,93·16
Development expenditure ..	0·35	0·35	0·30	0·30	0·30
Loss ..	23·00	22·51	26·00	28·33	33·90
Total	3,63·62	4,12·30	4,44·02	4,58·83	4,54·53
Capital employed ..	1,35·47	1,69·62	1,43·51	1,50·33	1,55·94
Net worth ..	59·33	96·26	1,08·50	1,15·54	1,09·97

Note : (*i*) Capital employed represents *net* fixed assets *plus* working capital, current assets and loans and advances *less* current liabilities and provisions.

(*ii*) *Net* worth represents paid-up capital *plus* reserves *less* intangible assets.

Small Industries

2.8. Raw material distribution

The Company was appointed by Government (1962) as a stock holder of iron, steel and scrap. It was also engaged in the procurement of zinc lead, aluminium, mercury, copper and bronze from the State Trading Corporation of India Limited, according to the indents received from the Director of Industries, Orissa, for distribution to small scale industrial units. Consequent on incorporation of the Orissa Small Industries Corporation Limited in April 1972, the Company stopped procurement of industrial raw materials

but continued to distribute the existing stock (value : Rs. 28·74 lakhs) to the small scale industries. Ferrous and non-ferrous metals valued at Rs. 0·63 lakh were in stock (May 1977).

The Company was charging a margin of 5 to 10 *per cent* on non-ferrous metals depending on the type of materials and the period of storage. In case of ferrous metals, the Company was following the prices fixed by the Iron and Steel Controller till April 1967. From May 1967, consequent on decontrol over the prices and distribution of all categories of steel, the Company fixed the margin (including incidentals and profit) at Rs. 100 per tonne on an average as a flat rate on all the ferrous metals.

According to the provisional accounts prepared by the Company, the financial results of this activity for the five years ended March 1974 were as follows :—

Year	Profit(+)/Loss(—) (Rupees in lakhs)
1969-70	(—)2·22
1970-71	(+)3·46
1971-72	(+)2·28
1972-73	(—)1·78
1973-74	(—)2·74

The figures for 1974-75 were not compiled by the Managemen tactivity-wise.

The accumulated loss on account of purchase and distribution of raw materials from 1962-63 to 1973-74 was Rs. 32·37 lakhs.

The Management stated (July 1976) that the Company had no alternative but to lift the entire quota indicated by the Director of Industries, Orissa and distribute it according to the allotment orders of the Directorate of Industries. The Company had to dispose of, in the open market, the materials which small scale industrialists failed to buy and the profit or loss depended on market conditions and could not be avoided altogether.

Stainless steel sheets—The Company procured 29·5 tonnes of stainless steel sheets of various gauges during September 1970 to April 1971. These could not be disposed of at the selling rates fixed by the Company and were sold between May and July 1972, after inviting quotations, at a loss of Rs. 2·24 lakhs as indicated below:—

Particulars of materials	Quantity (in tonnes)	Purchase rate	Rate at which sold	Difference	Loss (Rupees in lakhs)
		(In rupees per tonne)			
22 G. Imported ..	6·5	36,340	30,500	5,840	0·38
18 G. Durgapur ..	19·5	26,136	18,500	7,636	1·49
22 G. Durgapur ..	3·5	31,155	20,500	10,655	0·37
Total					2·24

2.9. Execution of works

In 1962-63, the Department of Industries entrusted to the Company, construction of buildings, including internal electrification, for the Panchayat Industrial Co-operatives. During the period 1967-68 to 1971-72 the department entrusted to the Company the construction of industrial estates at various places. Cost of construction was to be met by Government. The Company was to get 10 *per cent* of the estimated value of the works towards cost of preparation of plans and estimates and supervision charges. The Company undertook these works (estimated cost: Rs. 1,15·71 lakhs) on behalf of the Industries Department during the period 1962-63 to 1971-72 and got the work done mainly through job workers. The Company received advances totalling Rs. 85·63 lakhs from the Industries Department, Rs. 49·31 lakhs for Panchayat Co-operative buildings and Rs. 36·32 lakhs for the industrial estates.

The Company also undertook, in 1965-66 and 1966-67, execution of works on behalf of other agencies, like the Director of Public Instruction, Orissa, and the Orissa State Warehousing Corporation, for which it received advances totalling Rs. 47·60 lakhs.

No agreements were executed in respect of these works. The actual expenditure incurred on the works executed by the Company could not be ascertained, as records of work done, materials issued and utilised and expenditure on each work had not been maintained or were incomplete or defective. According to the provisional accounts for 1973-74, the Company had spent Rs. 1,18·32 lakhs (including Rs. 13·28 lakhs being the value of construction materials in hand) out of the advance of Rs. 1,33·23 lakhs received. The advances had not been adjusted (May 1977) though the works were reported to have been completed by 1974. The Management stated (September 1976) that completion of records in respect of these works would take about two years. Government stated (May 1977) that the works could not be finalised due to reversion of officers on deputation and would take some more time. The results of this activity in terms of profit or loss to the Company can be evaluated only when records are completed and accounts finalised.

2.10. Management of Panchayat Samiti Industries

Mention was made of the management of Panchayat Samiti industries by the Company in paragraph 11 of the Report of the Comptroller and Auditor General of India for 1973-74 (Commercial) and in paragraph 7.9 of the Report of the Comptroller and Auditor General of India for 1974-75

(Civil). The management of Panchayat Samiti industries, which was entrusted to the Company, was withdrawn by Government in November 1969 at its request.

Out of a claim of Rs. 30·22 lakhs submitted to Government against the expenditure incurred by the Company in managing the industries, Government had paid Rs. 5·70 lakhs pending further examination of the claims (May 1977).

2.11. Industries to rehabilitate displaced persons

Mention was made in paragraph 50 of the Audit Report, 1970, of small-scale industries set up for rehabilitation of displaced persons. The State Government gave a loan of Rs. 25·55 lakhs (Rs 16·86 lakhs as capital cost and Rs. 8·69 lakhs towards working capital) to the Company for setting up seventeen industrial units. The Company incurred an expenditure of Rs. 16·48 lakhs and set up 8 units at Sunabeda and 8 at Thiruvalli. Out of the sixteen units, fourteen started production ; seven units in Thiruvalli and two in Sunabeda were closed down by 1969 when only five units in Sunabeda were functioning.

The five units at Sunabeda (Carpentry, Job building, Wooden Electrical accessories, light engineering works and G. I. Buckets) were transferred to the Orissa Small Industries Corporation Limited in August 1975. The terms of transfer and the valuation of assets were not finalised (May 1977).

The accumulated loss of all these units up to March 1975 was computed at Rs. 8·06 lakhs. The losses were attributed by the Management (May 1975) to the following:—

(*i*) Under-utilisation of capacities ;

(*ii*) Lack of works for execution ;

(*iii*) Lack of marketing facilities ;

(*iv*) Non-availability of raw materials ;

(*v*) Frequent break-down of machines ;

(*vi*) Poor out-turn of displaced persons ; and

(*vii*) Non-availability of working capital.

As against the anticipation that 817 displaced persons would be employed, 237 persons were reported to have been employed in the units from April 1964 to July 1975.

Raw materials and hardware stores worth Rs. 0·18 lakh in four closed units were lying undisposed of since 1969 (May 1977).

Dues on account of goods sold on credit to the Aero Engine Factory (of the Hindustan Aeronautics Limited), Sunabeda from 1965-66 to 1974-75 totalling Rs. 24 lakhs were outstanding (May 1977); out of this, Rs. 23·49 lakhs were due for more than three years.

2.12. Machinery for the educated unemployed

The scheme to supply machinery to the educated unemployed is a scheme sponsored by the Union Government and is intended to assist the educated unemployed in the procurement of machinery and equipment on hire-purchase basis for setting up small-scale industries of their own.

Under the scheme, the Company is to procure and supply machinery to the educated unemployed on hire-purchase basis on the recommendation of a Sub-Committee under the Director of Industries, Orissa formed in 1972-73. The Company received (June 1972) a loan of Rs. 10 lakhs from the State Government for implementing this scheme. Ninety-eight applications were received for assistance and the Sub-Committee recommended all these cases for a total loan of Rs. 32·98 lakhs between October 1972 and May 1975. Of these, the Company sanctioned 33 cases and supplied machinery worth Rs. 10 lakhs on hire-purchase basis between November 1972 and February 1977; 23 entrepreneurs were reported to have started production (May 1977).

Hire-purchase instalments (including interest) amounting to Rs. 1·11 lakhs fell due from 22 entrepreneurs as on the 31st March 1976, of which Rs. 0·22 lakh were recovered.

2.13. Equity Participation Scheme

The Company received Rs. 5 lakhs from the State Government (March 1972) as contribution towards its share capital in respect of a scheme to assist the educated unemployed; the amount was to be invested by the Company in the form of equity capital in the industrial enterprises and technicians' co-operatives to be organised by the educated unemployed. The Company received eight applications from September 1972 to March 1973 for equity participation to the extent of Rs. 8·19 lakhs. The Company sanctioned eight applications for Rs. 7·99 lakhs up to March 1973 and contributed Rs. 2·55 lakhs to equity share capital of five companies promoted by the educated unemployed up to March 1976; Rs. 2·45 lakhs out of Rs. 5

lakhs received from Government in March 1972 remained unutilised (May 1977). The details of the contributions made by the Company are given below :—

Name of the Company	Items of manufacture	Dates of investment by the Company	Company's contribution	Total Paid-up capital	Percentage of Company's contribution to paid-up capital
			(Rupees in lakhs)		
A	Aluminium building fittings	November 1972 to March 1976	0·50	1·32	38
B	Carbon paper and products	January 1973 to January 1975	0·70	1·47	47
C	H. C. fuses, A. B. Switches *etc.*	May 1974 to April 1975	0·20	0·50	40
D	Prestressed concrete poles	October 1974 to August 1975	0·75	1·50	50
E	Organic intermediary Chemicals	August 1975 to December 1975	0·40	1·05	38

Companies A, C and E started production in 1972-73, 1973-74 and 1975-76 respectively. Companies B and D had not started production (May 1977). The losses sustained by the three units (A, C and E), as in their latest accounts available with the Company, are given below:—

Company	Year ended	Loss (Rupees in lakhs)
A	December 1974	0·29
C	March 1974	0·05
E	March 1976	0·67

2.14. Establishment of factories to manufacture scientific instruments

The Company purchased (May 1964) for Rs. 0·95 lakh the assets and goodwill of the General Engineering and Scientific Works, Waltair, to start an instrument factory at Berhampur. The factory was set up and commissioned at Berhampur in June 1964. The owner of the firm was also employed by the Company from May 1964 on a salary of Rs. 2,000 per month on contract for five years, to get the benefit of his expertise. He resigned in March 1966.

The Unit had sustained losses since its inception; the working results for the three years up to March 1975 according to provisional accounts of the Company are given below:—

	1972-73	1973-74	1974-75
		(Rupees in lakhs)	
Opening stock (Finished and semi-finished)	1·94	2·14	2·14
Raw materials consumed ..	0·65	0·51	0·43
Wages ..	0·74	0·76	0·88
Salaries ..	0·30	0·27	0·32
Other expenditure ..	0·44	0·53	0·81
Depreciation and interest on capital ..	0·07	0·13	0·05
Total ..	4·14	4·34	4·63
Sales ..	1·09	0·69	1·05
Other income ..	0·28	0·23	0·31
Closing stock (Finished and semi-finished)	2·14	2·14	2·54
Total	3·51	3·06	3·90
Net loss ..	0·63	1·28	0·73

The accumulated loss of the Unit at the end of March 1975 was Rs. 3·81 lakhs. The Management attributed (July 1976) the loss mainly to under-utilisation of men and machinery because of insufficient demand.

Amounts due to the Unit awaiting realisation at the end of March 1976 totalled Rs. 1·48 lakhs, of which Rs. 0·51 lakh were more than three years old.

The stocks of finished goods held at the end of each of the three years upto March 1975 were:—

	1972-73	1973-74	1974-75
		(Rupees in lakhs)	
Sales (excluding miscellaneous income)	1·09	0·69	1·05
Closing stock ..	1·21	1·09	1·16

(Figures are provisional)

The closing stocks represented about 13 months', 19 months' and 13 months' sales during the years 1972-73, 1973-74 and 1974-75 respectively.

The State Government decided (July 1975) to transfer the Unit to the Orissa Small Industries Corporation Limited. The latter expressed certain difficulties in taking over the management of the unit, if it was not viable. Government asked (August 1976) the Industrial Promotion and Investment Corporation of Orissa Limited to undertake a viability study of the Unit. Final action to transfer the Unit to Orissa Small Industries Corporation was awaited (May 1977).

Agro Industries

2.15. Purchases and sale of tractors

In August 1971, the Company imported 50 T-25 tractors at a cost of Rs. 8·45 lakhs for sale to farmers. The model being new, the tractors did not prove popular among farmers. Approaches made by the Company in 1973-74 to Agro Industries Corporations in other States for disposal of these tractors did not also evoke any response. Disposal of these tractors was spread over a period ; 12 were sold in 1971-72,8 each in 1972-73 and 1973-74, 17 in 1974-75 and one each in 1975-76 and 1976-77. Three tractors valued at Rs. 0·56 lakh were still in stock (May 1977).

2.16. Hiring of agricultural machinery

A scheme for opening agricultural machinery hiring centres through Agro Industries Corporations of States was proposed by the Union Government in October 1968. The State Government, which was already operating similar hiring schemes in Cuttack and Puri districts, advised the Company in August 1969 to open a centre in Phulbani, where it was not operating. Meanwhile, the Company had started (July 1969) a pilot unit for hiring out of tractors in Cuttack covering both Cuttack and Puri districts. The scheme was extended to two more centres at Berhampur and Sambalpur in 1971-72.

Tractors—Mention was made in paragraph 3.2 of the Report of the Comptroller and Auditor General of India for 1974-75 (Civil) of a departmental scheme for reclamation of land and hiring of tractors. As the operations of the Government departmental scheme and by the Company's units were overlapping, the Company asked the State Government in May 1972 for allocation of specific areas for operation of its Tractor Hiring Scheme. No decision had been taken by Government (May 1977) ; the scheme was operated both by Government and the Company in the same areas.

According to the Company's Tractor Hiring Scheme, each tractor was to work for 2,400 hours a year with 8 working hours per day for 300 days. Subsequently, in May 1969, this was revised to 1,000 hours per annum.

The following table indicates utilisation of the tractors during the five years ended March 1976:—

Year		Number of tractors deployed	Number of available hours	Actual hours utilised	Percentage of utilisation
1971-72	..	15	15,000	10,604	70·7
1972-73	..	23	23,000	11,685	50·8
1973-74	..	23	23,000	12,885	56·0
1974-75	..	19	19,000	12,232	69·5
1975-76	..	22	22,000	14,156	64·3

(Source : Memorandum placed before the Board of Directors)

The low utilisation was attributed by the Management (July 1976) to the following factors:—

(*i*) hiring operations were too diffused and uneconomic for effective supervision, and

(*ii*) agricultural operations being seasonal, demand for tractors came at one time and tractors remained idle for the rest of the period.

The following hire charges were initially fixed (August 1969) assuming that each tractor would work for an average of 1,000 hours annually :—

Period	Rate per hour (In rupees)	
	With petrol, oil and lubricants	Without petrol, oil and lubricants
From April 1971 to April 1972 ..	16·00	12·50
From April 1972 to 19th August 1974 ..	18·50	14·00

The rates were revised from the 20th August 1974 ; the revised rates ranged from Rs. 15·00 to Rs. 30·70 per hour depending on the nature of the service (puddling, tilling, ploughing, threshing, *etc.*).

The Company had not compiled the financial results of this scheme separately. The working results of the scheme for the two years ended March 1976, as worked out in audit from the particulars available, are given below:—

	1974-75	1975-76
	(Rupees in lakhs)	
Operational expenditure— salaries of staff ..	1·10	1·16
Cost of fuel ..	0·42	0·41
Depreciation ..	0·63	0·99
Other expenditure ..	0·84	1·05
Total ..	2·99	3·61
Income ..	2·20	2·71
Loss ..	0·79	0·90

(Figures provisional as accounts are in arrears from 1971-72)

Bulldozers—The Company acquired 8 bulldozers between 1970-71 and 1974-75 at a total cost of Rs. 19·33 lakhs for hiring out to farmers. Two more bulldozers were purchased in February 1976 at a cost of Rs. 9·20 lakhs for reclamation works. Bulldozers were hired to farmers up to March 1974 and, thereafter, were engaged on land reclamation work alongwith tractors.

The table below indicates the actual hours of operation *vis-a-vis* the available hours for the three years ended March 1974, when the bulldozers were hired out to farmers.

Year	Number of bulldozers utilised	Number of hours available	Number of hours utilised
1971-72 ..	1	1,000	1,205
1972-73 ..	1	1,000	1,204
1973-74 ..	3	3,000	1,074

(SOURCE : Note prepared by Internal Audit of the Company)

The Management attributed (March 1976) the idle time to (*i*) break-down of machinery, (*ii*) want of spares and (*iii*) want of operators.

The working results of the scheme, based on figures furnished by the Company, for the four years up to March 1974 are given below:—

	1970-71	1971-72	1972-73	1973-74
1. Number of bulldozers engaged ..	1	1	1	3
2. Actual hours worked ..	1,044	1,205	1,204	1,074
3. Gross income (Rupees in lakhs) ..	0·61	0·69	0·72	0·92
4. Operational expenses including depreciation (Rupees in lakhs)	0·36	0·37	0·47	1·83
5. Excess of income over expenditure (+) excess of expenditure over income (—)	(+)0·25	(+) 0·32	(+)0·25	(—)0·91

Government stated (May 1977) that the Company had started hiring bulldozers to industrialists and mine holders from 1976-77, to increase utilisation.

The Company undertook land reclamation work from April 1974 for the Tribal Development Agencies operating in Ganjam and Koraput districts. No targets were fixed by the Company for reclamation work for the year 1974-75. For the year 1975-76 it was estimated that 3,500 acres would be reclaimed ; 1,443 acres were reported to have been reclaimed.

The working results of the scheme for the two years ended March 1976 are given below:—

	1974-75	1975-76
Bulldozers engaged ..	7	10*
Tractors engaged ..	3	14
Area reclaimed ..	804 acres	1,443 acres
	(Rupees in lakhs)	
Gross income (recovery of reclamation charges)	6·66	10·34
Expenditure—		
Salary and allowances ..	0·72	3·66
Fuel ..	0·85	1·18
Depreciation ..	5·14	4·02
Other expenditure ..	1·94	3·28
Total expenditure ..	8·65	12·14
Loss ..	1·99	1·80

(Figures are taken from the Progress Reports with the Company and are provisional)

The Management stated (August 1976) that the loss was mainly due to "unabsorbed depreciation". Against 7,670 hours available, the bulldozers were utilised for 4,246 hours ; the reasons for poor utilisation as stated by the Management have been mentioned earlier in the context of idle time of Bulldozer.

* Including 2 from February 1976

Power tillers—Ten power tillers were purchased in 1971-72 for Rs. 0·90 lakh for resale to the farmers. The Board approved (August 1972) a scheme to hire out these tillers to farmers. Hire charges were fixed (August 1972) at Rs. 7 per hour without P. O. L. and Rs. 9 per hour with P. O. L. assuming that each power tiller would work for at least 500 hours per year. The scheme was operated with 8 power tillers from August 1972 to June 1973. Against the estimate of 2,667 and 1,000 hours planned, the power tillers worked for 1,390 and 168 hours during 1972-73 and 1973-74 respectively. According to the Management, the operational loss for 1972-73 was Rs. 0·13 lakh. The Board examined the working of the scheme (May 1973) and discontinued it in July 1973, as it was not profitable. Thereafter, three tillers were sold and the remaining used for demonstrations.

2.17. Cattle and poultry feed mixing plants

The Company decided in May 1971 to establish cattle and poultry feed plants in different parts of the State and to take over the existing Government poultry feed mixing centres at Angul, Bhubaneswar, Sundargarh, Bhanjanagar and Koraput. The Company assessed (April 1972) the block capital and working capital requirements for this activity at Rs. 0·32 lakh and Rs. 12·45 lakhs respectively.

The Company opened, in February 1973, a centre at Berhampur at a cost of Rs. 0·27 lakh, at the instance of Small Farmers' Development Agency which had set up a Milk Producers' Co-operative Society there. The centre started production in February 1973.

Of the five Government centres, only one (Bhubaneswar) was transferred to the Company in August 1974 with the buildings and plant and machinery valued at Rs. 2·63 lakhs. The terms of transfer and the valuation of the assets had not been finalised (May 1977).

Cattle and Poultry feeds are manufactured from maize, rice, bran, oil cakes and pulses. The process involves grinding and mixing the ingredients. The rated capacity and actual production of the centres at Berhampur and Bhubaneswar were :

Year		Rated capacity (In tonnes)	Production	Percentage of production to rated capacity
Berhampur				
1973-74	..	2,400	740	30·8
1974-75	..	2,400	1,280	53·7
1975-76	..	2,400	1,035	43·1
Bhubaneswar				
1974-75	..	6,000	587	9·8
1975-76	..	6,000	1,188	19·8

(Source : Production records of the units)

The Management attributed (July 1976) the shortfall in production mainly to lack of demand, failure of electricity and shortage of raw materials. Government stated (May 1977) that a Committee had been constituted (April 1972) to suggest measures for increasing the offtake.

The unit-wise working results are given below:—

		Berhampur		Bhubaneswar
		1973-74	1974-75	1974-75
		(Rupees in lakhs)		
Opening Stock	..	0·13	0·51	..
Raw materials consumed	..	4·19	10·28	4·97
Wages	..	0·09	0·22	0·11
Salaries	..	0·54	0·76	0·36
Other expenditure	..	1·21	0·87	0·41
Depreciation	..	0·04	0.04	0·32
Total	..	6·20	12·68	6·17
Sales, transfers and other receipts	..	5·79	12·45	5·49
Closing Stock	..	0·51	0·05	0·22
Total	..	6·30	12·50	5·71
Net Profit (+)/Loss (—)	..	(+) 0·10	(—) 0·18	(—) 0·46

(Provisional *pro forma* accounts compiled by the Company)

The cumulative loss sustained by the units up to March 1975 amounted to Rs. 1·24 lakhs including loss (Rs. 0·61 lakh) on centralised sale of feed obtained from different units of the Company.

2.18. Dairy development scheme

The Cuttack Milk Union Scheme started functioning from November 1963 as a departmental undertaking at Phulnakhara to cater to the needs of urban consumers in Cuttack, Bhubaneswar and Puri and to provide marketing facilities to the rural milk producers. Mention was made in paragraph 33 of the Report of the Comptroller and Auditor General of India for the year 1970-71 of certain aspects of this scheme. As indicated therein, collection of milk was poor and the working expenses exceeded receipts by Rs. 3·90 lakhs during the three year period ended March 1971. Considering the constant labour problem and the loss sustained by the State Government by departmental operation, the question of forming a separate Corporation was considered by Government. Eventually, the Company took over the Scheme in November 1974. The fixed assets, including three chilling plants at Nimapara, Niali and Phulnakhara were transferred to the Company. The value of the assets was tentatively fixed by Government at Rs. 21·30 lakhs after providing for depreciation of Rs. 5·09 lakhs, against a value of Rs. 17·91 lakhs estimated by the Company. The Company appointed a firm of Chartered Accountants in June 1976 for physical verification and valuation of the assets with the help of a techincal expert and asked Government in July 1976 to depute a technical expert for the purpose. Government stated (May 1977) that physical verification and valuation had been taken up (March 1977) and was expected to be completed by June 1977.

Collection of Milk—The chilling plants can handle 6,000 litres daily. The average quantities of milk, collected daily after the Company took over operation, up to March 1976 are indicated below:—

Year		Average collection of milk per day (Litres)	As a percentage of the installed capacity
1974-75 (From November 1974)	..	1,605	27
1975-76	..	1,922	32

Collection of milk daily during 1973-74 and 1974-75 (up to October 1974) when the unit was run as a departmental unit was 26 and 34 *per cent* of the installed capacity respectively.

The Management attributed (September 1976) the shortfall in collection to the following :—

(*i*) Non-functioning of cold storage and pasturisation plant ;

(*ii*) Insufficiency of vehicles ;

(*iii*) Unsettled position of transfer of assets and staff ;

(*iv*) Irregular collection and supply of milk on account of competition ; and

(*v*) Discontinuance of three milk assembly centres.

The following machines were lying idle (January 1977):—

Particulars of machinery		Date of purchase	Cost price (Rupees in lakhs)
1. H. T. S. T. Plant (Pasturisation)	..	August 1963	0·72
2. Refrigeration Unit and Cold Store	..	August 1963	0·20
3. Steam supply unit and one boiler	..	July 1965	0·20
4. Rotary can washer	..	March 1966	0·22
5. Emulsiffier (for preparation of reconstituted milk)		August 1961	0·11
6. Bottle washer	..	August 1963	0·04
7. Bottle filler	..	August 1963	0·03

Cost and selling price—The price of milk is fixed with reference to the fat content. The Company follows the two axis formula (on the basis of solid-not-fat and fat content of the milk) for determining the price for milk to be paid to the producers. The rates fixed were as follows.

		Procurement price (Rupees per litre)
(*a*) 4 *per cent* fat with 28 L. R. *	..	1·30
(*b*) 4·5 *per cent* fat with 28 L. R.*	..	1·40
(*c*) 5 *per cent* fat with 28 L. R. *	..	1·50

The Company sells milk at the prices fixed by Government, Rs. 2 per litre for booth delivery and Rs. 2·30 per litre for door delivery (on special request). These rates were also in vogue during departmental operation of the Scheme.

Working results—The working results of the scheme for 1974-75 from the provisional accounts of the Company are given below :—

		1974-75
		(In lakh litres)
Quantity of milk collected	..	1·92
Quantity sold	..	1·83
		(Rupees in lakhs)
Cost of milk purchased	..	2·79
Other expenditure (Transportation, salaries, *etc.*)		0·91
Sales of milk	..	3·70
Sale of other products	..	0·10
Profit	..	0·10

The Company did not provide for the salaries of personnel (Rs. 1·20 lakhs) taken over from Government and depreciation (Rs. 0·13 lakh) on the assets in use of the Company, in the provisional accounts.

Curdling losses—Losses which may normally be expected on account of curdling and separation of milk in the collecting, processing and distributing processes had not been determined. The actual losses were as under:—

Year		Milk collected	Milk curdled	Percentage of curdled milk to milk collected	Cost of curdled milk	Sale of products of curdled milk
		(In lakhs of litres)			(Rupees in lakhs)	
1974-75	..	1·92	0·60	31·3	0·27	0·10
1975-76	..	5·77	0·64	9·4	1·08	0·90

*Lactometer reading for indicating solid-not-fat content.

Fat is retrieved from curdled milk and sold. It may be seen that milk which cost Rs. 1·35 lakhs had curdled and after allowing Rs. 1 lakh received from the sale of products, the net loss was Rs. 0·35 lakh.

During the period 1971-72 to 1974-75, when the dairy was operated by the department, the percentages of curdled milk to milk collected ranged between 8 and 16.

Manpower—There were 89 employees of the Cuttack Milk Union Scheme when the Company took over the scheme in November 1974. A sub-committee formed by the Company estimated (June 1975) that a plant with 6,000 litres capacity per day required 22 persons. The Company asked (June 1975) the State Government either to retrench the surplus personnel or to transfer them elsewhere. Government decided (April 1976) that the Company was to absorb 40 employees; the rest of the staff were withdrawn by Government between April 1976 and November 1976. The salaries of all the employees (Rs. 7·01 lakhs) were paid by Government from November 1974 to December 1976.

2.19. Processing of cattle and poultry feed

The Company entered into an agreement (May 1975) with Y (to whom the Company supplied machinery on hire-purchase, under the scheme mentioned at paragraph 2.12) for processing in his factory the cattle and poultry feed required by the Company. Under the agreement, the Company was to supply raw materials to Y and pay him Rs. 31·50 per tonne as processing charges, for a minimum guaranteed production of 50 tonnes per month. Production of the cattle and poultry feed ranged from 0·38 tonne to 32·5 tonnes per month, according to demand, during the period January 1975 to March 1976. The Company incurred an extra expenditure of Rs. 0·18 lakh on payment of processing charges to Y on the minimum guaranteed production.

The Management attributed (January 1976) the shortfall in production mainly to lack of demand anticipated from Government farms and preference of the local farmers for conventional methods.

2.20. Sundry Debtors and Advances

A complete list of sundry debtors and advances outstanding was not available (May 1977). There was also no arrangement for obtaining confirmation of balances from the sundry debtors.

According to the provisional accounts, the volume of book debts and the turnover for the five years up to 1974-75 were as follows:—

	1970-71	1971-72	1972-73	1973-74	1974-75
	(Rupees in lakhs)				
Sundry debtors at the end of the year	83·47	96·15	71·77	77·47	75·25
Turnover during the year ..	1,62·14	1,86·63	1,54·58	53·06	95·39
Percentage of book debts to turnover	51·2	51·5	46·4	1,46·0	78·9

Year-wise beak-up of the amounts was not available.

Advances given by the Company and outstanding at the end of each year were as detailed below:—

		(Rupees in lakhs)
1970-71	..	62·81
1971-72	..	1,10·25
1972-73	..	91·87
1973-74	..	96·39
1974-75	..	88·37

Of the advances outstanding at the end of 1974-75, Rs. 0·94 lakh were outstanding against two contractors since 1967-68 in respect of the Sunabeda Carpentry Unit. Advances for works amounting to Rs. 51·33 lakhs were outstanding for more than three years.

		(Rupees in lakhs)
Due from Panchayat Samiti Industries	..	5·91
Spark Battery Manufacturing Company	..	1·48
Advances against supplies and services	..	22·92
Advances to Government Departments	..	0·61
Advances for construction of buildings	..	20·41
		51·33

2.21. Surplus, slow moving and obsolete stores

(*i*) *Spares for Zetor Rice Special tractors*—The Company imported 500 tractors in 1970-71 through the State Trading Corporation of India Limited; 415 tractors were sold to its counterparts in other States during 1972-73 and 1973-74. In February 1974, the Company imported spares (Rs. 6·33 lakhs) for the tractors without ascertaining actual requirements.

The imported spares were not taken by other Agro Industries Corporations and the Company declared them surplus in September 1975. While most of the spares had been sold, spares valued at Rs. 1·34 lakhs were in stock (May 1977)).

(*ii*) Similarly, spares purchased (August 1972 and November 1973) for Zetor 2011 tractors (Rs. 3·76 lakhs) were declared (July 1975) surplus. Spares worth Rs. 2·26 lakhs were in stock (May 1977).

(*iii*) *Tyres and tubes*—The Company imported 300 tyres and tubes (cost : Rs. 1·126 lakhs) for power tillers in June 1972; of these 280 tyres and tubes remained (cost: Rs. 1·17 lakhs) unsold (May 1977); according to the records of the Company, these were found unsuitable for Indian made power tillers.

(*iv*) Out of 300 sprayers purchased (cost: Rs. 0·68 lakh) by the Company in March 1972, 175 sprayers (cost: Rs. 0·40 lakh))remained unsold (May 1977) because of manufacturing defects.

2.22. Shortages of stores

There was no system of periodical stock taking or independent physical verification of stores in the Company. A test check in audit of handing-over reports and stock statements showed that the total value of shortages of stores and stock during 1967-68 to 1974-75 was Rs. 1·96 lakhs and excesses totalling Rs. 0·71 lakh were reported. No investigation of the shortages was conducted. Government stated (May 1977) that a programme had been drawn up to verify and investigate the shortages by September 1977.

2.23. Accounts and Audit

No accounting manual was compiled by the Company (January 1977). The draft rules for accounting and internal audit framed by the Company in November 1974 were being examined by a sub-committee formed by the Board of Directors in November 1974 (January 1977). Government stated (May 1977) that the Board had reconstituted the sub-committee in April 1977.

Internal audit was introduced in July 1969. The draft procedure for conducting internal audit was under consideration (January 1977) of the sub-committee mentioned above, since November 1974. Internal audit was not conducted of transactions relating to trading activities and the head office and was in arrears in respect of other activities and branches, for periods ranging from one to three years.

SECTION C

ORISSA SMALL INDUSTRIES CORPORATION LIMITED

3.1. Introduction

Mention has been made in paragraph 2.1 *ante* of formation of the Orissa Small Industries Corporation Limited in April 1972, as a wholly owned Government Company, consequent on transfer of functions relating to small Industries from the Orissa Agro and Small Industries Corporation Limited.

3.2. Activities

The Company undertook the following activities:—

1. Financial assistance:

(*a*) Supply of machinery on hire-purchase basis.

(*b*) Financing through seed capital loans.

(*c*) Providing bridging finance to tide over temporary difficulties in meeting requirement for working capital.

2. Technical assistance:

(*a*) Preparation of schemes and survey reports.

(*b*) Training of entrepreneurs.

3. Commercial and promotional functions:

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

(*b*) Management of sales emporia.

(*c*) Marketing assistance.

4. Construction and management of Industrial estates

5. Running production units:

(*a*) Konark T. V. Unit.

(*b*) Tool Manufacturing Unit.

(*c*) Industries set up to rehabilitate displaced persons.

Activities mentioned at No. 3 (*a*), 4 and 5 (*c*) were taken over by the Company from the Orissa Agro and Small Industries Corporation Limited, *c. f.* paragraphs 2.8 and 2.11 *ante*. Transfer of assets and liabilities from the Orissa Agro Industries Corporation Limited relating to these activities had not been finalised (May 1977).

3.3. Capital structure

The authorised capital of the Company was Rs. 50 lakhs, divided into 50,000 equity shares of Rs. 100 each. It was increased to Rs. 200 lakhs in September 1973 divided into two lakh equity shares of Rs. 100 each. The paid-up capital was Rs. 56·70* lakhs as on the 31st March 1976. It was entirely contributed by the State Government.

In addition, the Company obtained loans from the State Government from time to time aggregating Rs. 91·12 lakhs up to the 31st March 1976. By the end of March 1976, Rs. 23·84 lakhs became due (repayment of principal Rs. 14·76 lakhs ; and Rs. 9·08 lakhs as interest). Against these amounts, the Company paid Rs. 4·57 lakhs as interest. The Management stated (May 1976) that the principal could not be repaid nor the full amount of interest paid, as the entrepreneurs to whom the monies were loaned did not repay the amounts due.

The accounts of the Company were in arrears from 1974-75 onwards and even provisional accounts had not been prepared. The Company had not also worked out the activity-wise financial results. The Management stated (March 1977) that the arrears were due to inadequacy of staff and steps were being taken to finalise the accounts.

3.4. Supply of plant and machinery to the educated unemployed

The scheme of assisting the educated unemployed in procurement of machinery and equipment on hire-purchase basis for starting small scale industries is a scheme sponsored by the Union Government. The Company approved (September 1973) implementation of the scheme with funds provided by the Union Government through the State Government.

The State Government paid (during September 1973 to March 1974) loans amounting to Rs. 40 lakhs towards the cost of 10 *per cent* of the value of machinery to be supplied to the educated unemployed entrepreneurs; the balance of 90 *per cent* was to be obtained by the Company from financial institutions. It was envisaged (March 1974) by the State Government that 800 entrepreneurs would be assisted. The Company obtained (November 1973) sanction for a loan of Rs. 400 lakhs from the State Bank of India, against a guarantee by the State Government; the bank gave Rs. 30 lakhs (March 1975).

The Company constituted (September 1973) an Acceptance Committee for selecting entrepreneurs eligible for assistance. Up to March 1976, 182 applications were approved for assistance of Rs. 1,27·67 lakhs. The

* The figure is under reconciliation with the Finance Accounts (Rs. 94·70 lakhs).

Company utilised Rs. 70 lakhs (the funds received from Governement and from the State Bank) in suppliying machinery and equipment to 97 entrepreneurs during September 1973 to March 1976 against the target of 800 entrepreneurs; 90 entreprenuers were reported to have started production by January 1977.

3.5. Interest on loans

According to the agreements entered into with the entrepreneurs, interest at 13·5 *per cent* per annum is payable on the loans provided by the Company. This comprises 11 *per cent* payable by the Company to the State Bank, 1 *per cent* guarantee commission payable to the State Government and 1·5 *per cent* as administrative charges of the company. From August 1974 the rate of interest payable by the Company to the State Bank was revised from 11 *per cent* to 13·5 *per cent* following an increase in the Bank Rate. The difference in the interest payable (Rs. 1.58 lakhs up to March 1976) on the loans paid up to August 1974 (Rs. 38 lakhs) could not be recovered from the entrepreneurs because the agreements did not provide for an increase in the rate of interest.

Agreements with the entrepreneurs envisage repayment of the principal and payment of interest in equated instalments on the expiry of 18 months from the date of receipt of machinery. Out of Rs. 4·07 lakhs due for repayment by 36 entrepreneurs as on the 31st March 1976 Rs. 0·34 lakh were received from 13 entrepreneurs. The Management stated (January 1976) that the entrepreneurs could not repay the instalments because commencement of production was delayed on account of non-availability of power and working capital.

3.6. Seed capital loan

The scheme sponsored by the Government of India envisages provision of assistance to the educated unemployed entrepreneurs in the form of soft loans to cover 50 *per ent* of the working capital required which could not be obtained by the entrepreneur from the banks. Assistance was subject to an overall limit of 10 *per cent* of the total cost of the project. The entrepreneurs were to be charged interest at 4 *per cent* per annum.

The Company received loans from the State Government totalling Rs. 50·61 lakhs from March 1973 to March 1976 for the scheme, repayable in 10 or 15 equal annual instalments carrying interest of Rs.6·25 or 6·50 *per cent*. The Company disbursed 52·47 lakhs as loans to 287 entrepreneurs (May 1977). The Company actually charges interest at 10 *per cent* per annum, with a rebate of $1\frac{1}{2}$ *per cent* for timely payment; the matter regarding the rate of interest was under correspondence with the State Government (May 1977). As on the 31st March 1976, Rs. 0·75 lakh were overdue as interest from 12 entreprenuers; Rs. 0·05 lakh were subsequently collected from 5 entrepreneurs and Rs. 0·70 lakh were outstanding from 7 entrepreneurs (May 1977). The Management stated (May 1976) that the amounts could not be recovered in time because commencement of production by entrepreneurs was delayed consequent on delay in receipt of machinery.

3.7. Training of entrepreneurs

The Company formulated (September 1972) a scheme for providing training to the educated unemployed to help them to set up new industries on the lines suggested by the Union Government. Funds required for stipends to trainees and other incidental expenses were given by Union Government to the State Government as grants-in-aid. The State Government, in turn, gave the money as advances to the Company for implementing the programme. The training was mainly on the practical aspects of establishing and running new industries. The training was for two to three months in different small scale units in the State. The trainees were to be paid by the Company stipends ranging from Rs. 100 to Rs. 400 per month. Up to March 1975, the Company had obtained Rs. 3·81 lakhs from the State Government as advances; 471 persons were trained at a cost of Rs. 2·68 lakhs, as detailed below:—

Year		Receipt from Government	Expenditure	Number of persons trained
		(Rupees in lakhs)		
1973-74	..	2·12	0·99	128
1974-75	..	1·69	0·88	186
1975-76	..	Nil	0·49	115
1976-77 (Up to January 1977)	..	Nil	0·32	42
		3·81	2·68	471

Rupees 1·13 lakhs had not been disbursed (May 1977).

Forty-seven entrepreneurs who obtained training during 1973-74 to 1975-76 were reported by the Management (October 1976) to have established industries.

3.8. Procurement and distribution of raw materials

The Director of Industries assesses the requirement of raw materials of small scale units and furnishes a detailed statement to the Company. The Company procures and distributes the raw materials to small scale units in accordance with his directions. The Company had established (May 1972 to April 1974) five depots at Cuttack, Bhubaneswar, Berhampur, Rourkela and Sambalpur for storing and distribution of the raw materials.

The following table indicates the materials procured and distributed and closing stock held, for the four years:—

Year		procurement		Distribution		Closing stock	
		Quantity in lakh of tonnes	Value of stock proceeds (Rupees in lakhs)	Quantity in lakh of tonnes	Sale proceeds (Rupees in lakhs)	Quantity in lakh of tonnes	Value at cost price (Rupees in lakhs)
(1)		(2)	(3)	(4)	(5)	(6)	(7)
1972-73	..	0·51	1,16·73	0·50	1,07·98	0·01	19·23
1973-74	..	0·11	2,24·17	0·11	2,45·39	0·01	22·42
1974-75	..	0·11	2,44·87	0·09	2,28·95	0·03	67·60
1975-76	..	0·03	49·16	0·03	76·19	0·03	46·56
Total	..	0·76	6,34·93	0·73	6,58·51	..	..

(Figures for 1974-75 and 1975-76 are provisional)

Physical verification of stock conducted by the Company in March 1975 revealed shortages of materials valued at Rs. 3·43 lakhs. The Management stated (September 1976) that, on investigation (March 1975), shortages to the extent of Rs. 3·27 lakhs were found to be normal and shortages of Rs. 0·16 lakh were found to be due to the negligence of the store keeper for which steps for recovery were being taken; further developments were awaited (May 1977).

In June 1974, the Company purchased 53·5 tonnes of brass ingots for Rs. 10·97 lakhs from the National Small Industries Corporation Limited. Two tonnes of brass ingots were sold in July 1974 at Rs. 22,750 per tonne, the selling price fixed by the Board. Between July 1974 and August 1976, 51·54 tonnes were sold at Rs. 9·49 lakhs against the cost price of Rs. 10·68 lakhs, resulting in a net loss of Rs. 1·19 lakhs.

3.9. Management of sales emporia

The State Government was running a sales emporium at New Delhi to market handloom textiles, batik fabrics, silver filigree and other items manufactured in Orissa. In January 1974, the State Government decided to transfer the emporium to the Company. Accordingly, the emporium was transferred in October 1974 and started functioning under the Company from the 20th October 1974, under the name 'Utkalika'. Value of assets and liabilities transferred to the Company had not been determined nor had the terms and conditions of transfer been decided (May 1977).

As the accounts maintained by the Company did not indicate the receipts and expenditure of the emporium distinctly, it was not possible to work out its financial results.

Marketing assistance

3.10. Export House

Export of handicrafts from the State was being handled by the Orissa Co-operative Handicrafts Corporation Limited. To ensure better co-ordination in the export trade, Government decided (December 1972) that this business could be handled by the Company functioning as an "Export House" in the State to undertake export of handicrafts, handlooms and other products of small industries. The State Government invested Rs. 1·50 lakhs from 1972-73 to 1974-75 in the share capital of the company for this specific purpose.

A scheme drawn up (February 1973) by the Company in this connection envisaged that the Company would start with export of all handicraft products manufactured in the State and enlarge its scope later to include other products manufactured by the small scale sector and forest and agriculture products of the State. Provision was made in the scheme for a non-recurring expenditure of Rs. 1·68 lakhs and recurring annual expenditure of Rs. 3·74 lakhs. The volume of exports during the first year was estimated at Rs. 100 lakhs with a projected increase of 25 *per cent* each year. The Company was expected to earn Rs. 10 lakhs by way of commission on sales (10 *per cent*) yielding a net profit of Rs. 5·50 lakhs after setting off the annual recurring expenses and paying interest on working capital.

The Company was registered with the Director, Export Assistance Cell, Government of India as an 'Export House' in February, 1974. The volume of business conducted during 1974-75 and 1975-76 was Rs. 0·10 lakh and Rs. 1·03 lakhs as against Rs. 100 lakhs and Rs. 125 lakhs expected, respectively. Rupees 0·88 lakh were spent on establishment and other recurring expenditure, against which the commission earned by the Company was Rs. 0·32 lakh.

3.11. Construction of industrial estates

The State Government entrusted (January 1973) to the Company, on an agency basis, construction of industrial sheds at different places. On completion, these sheds were to be handed over to the Industries Department for allotment. The intention was to accelerate growth of small scale idustries by providing developed lands and buildings, to the entreperneurs. The plans and estimates for these sheds are drafted by the Director of Industries. Five *per cent* of the actual cost of construction is payable to the Company towards administrative charges. Advances are made to the Company by Government before work is started. The company submits its claims, indicating actual expenditure, only after the work is completed. As on the 31st March 1976, Rs. 78·01 lakhs had been advanced to the Company for construction of 116 sheds at different locations and other ancillary works (Rs. 69·55 lakhs) and for repair of existing sheds (Rs. 8·46 lakhs).

The table given below indicates advances received and the work done as indicated in the final bills submitted by the company during the three years:—

Year	Estimated cost	Advances received	Value of work done as per final bills
	(Rupees in lakhs)		
1972-73 ..	57·50	55·79	46·24
1973-74 ..	15·63	15·83	12·00
1974-75 ..	5·17	6·39	3·16
Total	78·30	78·01	61·40

The following points were noticed in connection with the execution of these works:—

(i) In respect of 14 construction works taken up during 1974-75, agreements in the prescribed form had not been signed with the Director of Industries (January 1977).

(ii) In terms of work orders issued by Government from 1972-73 to 1974-75, the Company was to submit final bills within two months of completion of the work. For 2 construction works (estimated cost: Rs. 11·98 lakhs), the Company had not submitted final bills (May 1977) although the works were completed by December 1973 and February 1975.

3.12. Industrial sheds for the educated unemployed

The Company took up construction of sheds at various "growth centres" in the State for providing accommodation for enterprises operated by the educated unemployed. The following table shows the progress made in this regard (May 1977).

Number of sheds planned to be taken up	Estimated cost (Rupees in lakhs)	Number of sheds taken up for construction	Estimated cost of works undertaken (Rupees in lakhs)	Number of sheds completed	Expenditure incurred (Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)	(6)
157	1,42·32	103	68·87	100	53·60

The sheds were to be sold to the entrepreneurs on the hire-purchase system. The land on which the sheds were constructed by the Company at different locations belongs to the Industries Department and the question of the transfer of its title was under consideration of Government (May 1977). The company could not, therefore, sell the sheds on hire-purchase basis as originally envisaged and decided (July 1974) to allot them on rent till the Hire-Purchase Scheme was finalised after the transfer of title to the land. The following were the terms of hire:—

(*i*) During the first two years, 50 *per cent* of the economic* rent was to be collected from the entrepreneur, 25 *per cent* was to be reimbursed by Government as a subsidy and 25 *per cent* was to be treated as a loan to the entrepreneur without interest, repayable after five years.

(*ii*) During the next three years, 75 *per cent* of the economic rent * was to be collected from entrepreneurs and the balance of 25 *per cent* was to be reimbursed by Government as a subsidy.

Economic rent payable for the sheds constructed was as follows:—

Type		Number of sheds	Floor area (square feet)	Rent (In rupees permonth)
S. E.	..	22	750	278
Type II	..	58	1,800	765
Type III	..	10	4,800	2,018
Type IV	..	5	7,200	3,000
Special Type	..	4 (3)	2,400	1,000
		(1)	7,000	(not fixed)
Godown	..	1	1,200	485

* Economic rent covers interest on loan capital (11·2 *per cent*), interest on Company's own funds (1 *per cent*) maintenace and administrative charges (2 *per cent*) and depreciation (2·5 *per cent*).

The economic rent charged by the Company was four to five times higher than rents charged by Government for similar sheds. This was due, according to the Management, to high incidence of interest, administration and depreciation charges.

A sub-committee (constituted in July 1974 by the Board) consisting of the Managing Director of the Company, Managing Director, Industrial Promotion and Investment Corporation of Orissa Limited and Director of Industries decides the allotment of sheds. The sheds allotted are to be occupied within 15 days of the allotment. During the period November 1974 to January 1977 eighty-three sheds were allotted at different places ; all these were occupied after delays ranging from one to seven months. Seventeen sheds constructed from March 1974 to November 1975 were not allotted (January 1977). Rent forgone by the Company by delays in occupation and allotment totalled Rs. 4·23 lakhs up to January 1977. The high rent charged by the Company was stated by the Management (May 1976) to be the main reason for non-occupation of the sheds.

Of Rs. 3·08 lakhs due from 83 entrepreneurs as rent for the period September 1974 to December 1976, Rs. 1·43 lakhs were received ; Rs. 1·65 lakhs were awaiting recovery. A decision was to be taken on a proposal (May 1976) to initiate legal action for recovery. No subsidy was received from Government (January 1977).

Manufacturing Units

3.13. Konark T. V. Unit

The Industrial Development Corporation of Orissa Limited obtained in March 1972 a letter of intent from Government of India for the establishment of a unit to manufacture 5,000 television receiver sets per annum. In view of the special concessions available for the small scale sector, the letter of intent was transferred (December 1972) to the Company at the instance of the State Government. A project report was prepared by the Company in March 1973. Agreement was entered into with the Hyderabad unit of the Hindustan Aeronautics Limited, in May 1973, for technical collaboration for a period of seven years. The Unit was set up in August 1973 in the Industrial Estate at Bhubaneswar. The sets were to be marketed under the brand name "Konark T. V."

3.14. Capital expenditure and commissioning

The project report envisaged a capital expenditure of Rs. 12·07 lakhs. Consequent on increase in prices, the estimate was revised to Rs. 14·76 lakhs in July 1974. The actual expenditure incurred till March 1976 was Rs. 5·73 lakhs. Reduction in the capital outlay was mainly because (*i*) the envisaged installed capacity of 5,000 T. V. sets per year was reduced to 2,500 sets ; (*ii*) land and buildings were not acquired as the factory was set up in a rented shed in the industrial estate ; and (*iii*) vehicles were not purchased.

The Unit, according to the project report, was to have gone into production by December 1973. Production started in December 1974. The delay in commissioning was attributed (August 1976) by the Management to delay in obtaining import licence for capital goods and raw materials. The expenditure incurred on the pay and allowances of the personnel employed during the twelve months (December 1973 to November 1974), when there was no production, amounted to Rs. 1·10 lakhs.

3.15. Production

The Board of Directors of the Company restricted (August 1975) production to 2,000 sets per annum due to insufficiency of picture tubes and the poor market. Up to March 1976, the unit produced 958 sets. Low production was attributed (March 1976) by the Management to:—

(*i*) labour unrest in the factory from April to June 1975,

(*ii*) non-recruitment of skilled personnel for testing section,

(*iii*) non-availability of the right type of components, like integrated circuits, and

(*iv*) lack of demand for the product and competition in the market.

3.16. Cost and selling price

It was envisaged in the project report that the cost of production and selling price per set (Single-channel), at level of production of 5,000 sets per annum, would be Rs. 1,500 and Rs. 2,000 respectively, as indicated below:—

		(In rupees)
Raw materials	..	1,300
Labour	..	43
Overheads	..	157
Cost of production	..	1,500
Selling cost and other elements	..	370
Profit	..	130
Selling price	..	2,000

In November 1974, a sub-committee (constituted by the Board) dealing with fixation of prices estimated the cost of production of single and multi-channel sets at Rs. 2,749 and Rs. 2,762 respectively at a level of production of 2,400 sets per annum. Selling prices recommended (November 1974) by the sub-committee and approved by the Board were as follows:—

		Price per set in rupees	
		Delhi	Calcutta
Single-channel	..	3,567	4,011
Multi-channel—			
12 channels	..	3,949	4,417
16 channels	..	4,169	4,629

In March 1976, the Company reduced the prices as follows, to clear accumulated stocks and also considering reduction of prices of sets made by others:

		Price per set in rupees	
		Delhi	Calcutta
Single-channel	..	3,226	3,547
Multi-channel—			
12 channels	..	3,717	4,090
16 channels	..	4,018	4,405

The number of sets manufactured and sold, cost of production and sales realisation during 1974-75 and 1975-76 were as follows:—

Year		Number of sets manufactured	Number of sets sold	Cost of production of sets sold (*pro rata*)	Sales realisation	Loss
(1)		(2)	(3)	(4)	(5)	(6)
				(Rupees in lakhs)		
1974-75	..	210	75	3·36	2·43	0·93
1975-76	..	748	306	14·47	9·70	4·77

(Figures provisional as accounts are in arrears)

On the 31st March 1976, out of 958 sets produced, 577 sets were in stock. Lag in sales *vis-a-vis* production was attributed (March 1976) by the Management to the general slump in the market and high cost of T. V. Sets.

Inventory—Stocks held in March 1975 and March 1976 were as follows, according to the provisional accounts:—

		31st March 1975	31st March 1976
		(Rupees in lakhs)	
Raw materials	..	14·44	16·37
Work-in-progress	..	6·01	6·13
Finished sets	..	3·38	16·74
Total	..	23·83	39·24

Other points of interest—Between December 1973 and March 1975, the Unit purchased 1533 picture tubes from the Bharat Electronics Limited, Bangalore. Out of these, 220 tubes were found to be defective by the Manager of the Unit in January 1976. According to the terms of purchase, the purchaser was to report manufacturing defects to the suppliers within 30 days of receipt of the tubes, for free replacement. The Unit did not make such a report in time in respect of 100 tubes (Cost : Rs. 0·61 lakh) received in March 1975 ; the Unit reported to the supplier in February 1976 that the tubes were defective and returned them in June 1976 for replacement. The claim was rejected by the supplier in September 1976. The Management attributed (February 1977) the delay in preferring the claim to the ignorance of the then Production Engineer of the Unit.

3.17. Industrial Units for rehabilitation of displaced persons

For rehabilitation of displaced persons, the State Government established (1964-65) small scale units in Koraput district. These were run by the Orissa Agro Industries Corporation Limited. As mentioned in paragraph 2.11. *ante*, all these units, excepting the carpentry unit (including two sub-units), light engineering works, and bucket manufacturing unit located at Sunabeda, were closed down from time to time owing to continued financial losses. In pursuance of the decision of the State Government (July 1974), assets and liabilities of these running units were transferred to the control of the Company, with effect from August 1975. Value of the assets and liabilities taken over had not been determined (May 1977).

3.18. Tool manufacturing Unit, Sunabeda

In October 1972, Government decided to establish a tool manufacturing unit under the Company and contributed Rs. 3·50 lakhs as increase in share capital for the capital cost of the project. The unit, located at Sunabeda, mainly to produce cutting tools, jigs and fixtures required by the Sunabeda unit of the Hindustan Aeronautics Limited (HAL), was established by the Company in March 1974.

Cost estimates—The project report envisaged a capital outlay of Rs. 10·80 lakhs on the Unit. The estimate was revised (March 1973) to Rs. 15·41 lakhs. The increase was mainly bacause of an increase in the cost of land and buildings (Rs. 0·81 lakh) and plant and machinery (Rs. 2·87 lakhs).

Up to the 31st March 1976, Rs. 13·02 lakhs had been spent.

Production—The Unit started production from April 1974. During 1974-75 and 1975-76, the Unit turned out jobs valued at Rs. 4·22 lakhs and Rs. 5·54 lakhs respectively representing 47 *per cent* and 62 *per cent* of the

installed capacity. According to the project report the Unit is capable of executing jobs worth Rs. 9 lakhs per annum, including manufacture of jigs and fixtures worth Rs. 5·60 lakhs.

A profile grinding machine (estimated cost : Rs. 5·70 lakhs) ordered on a Swiss firm in September 1974 was received in September 1976. Accessories (value : Rs. 1·30 lakhs approximately) were not received and the machine was idle. In the absence of the profile grinding machine, manufacture of jigs and fixtures had not been taken up (May 1977). Accessories were reported to have been received in May 1977.

HAL placed 76 orders (value : Rs. 5·70 lakhs) during the two years. The Unit executed 53 orders in full (Value : Rs. 2·86 lakhs). Of the rest, orders for Rs. 1 lakh were cancelled because of the high overheads included in the price, the orders valued at Rs. 1·84 lakhs could not be executed in full and some items (value : Rs. 0·89 lakh) were handed over to HAL incomplete, due to lack of the machinery, testing tools, and skilled workers required.

Though the Unit was established at the instance of HAL mainly to cater to its needs, no firm commitment regarding its requirements was obtained from HAL.

Utilisation of machines—Machines were utilised as follows:—

		1974-75	1975-76
Number of machines available in addition to the profile grinding machine referred to earlier		4	7
Available hours as in project report in two shifts	..	27,500	53,350
Hours utilised on one shift a day	..	9,500	11,200
Percentage of utilisation	..	35	21

Low utilisation was attributed by the Management (February 1977) mainly to non-availability of mechanics and the lead time required to procure raw materials.

Working results—Up to the 31st March 1975, the unit had accumulated a loss of Rs. 0·78 lakh (according to the provisional accounts). The Management attributed (February 1977) the loss mainly to depreciation on idle machines and interest on capital.

3.19. Accounting manual

No manual had been compiled prescribing the accounting procedure to be followed (January 1977). The Statutory Auditors of the Company had pointed out (March 1975) in their report on the accounts for the year 1973-74 that "the existing system of maintenance of accounts, specially records maintained in manufacturing units, are not adequate and necessary records and registers should be introduced to suit the purpose".

3.20. Cost records

Although the nature of activities in the Company's manufacturing units at Bhubaneswar and Sunabeda calls for maintenance of cost records, no such records were being maintained (January 1977).

3.21. Internal audit

There was no system of internal audit in the Company (January 1977).

The Management stated (February 1977) that steps were being taken to systematise the work.

SECTION D

INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

Ferro-Chrome Project

4. Power supply

Mention was made in paragraph 27 of the Report of the Comptroller and Auditor General of India for the year 1972-73 (Commercial) about the working of the Ferro-Chrome project up to the end of 1972-73. The State Electricity Board had agreed (October 1969) to supply power to the Ferro-Chrome Unit as under:—

From October 1969	.. 5,000 KVA
From January 1970	.. 9,000 KVA
From April 1970	.. 12,000 KVA
From a date to be intimated by the Company 3 months in advance	17,000 KVA

The Board started supplying power from November 1969; a formal agreement had not been executed (May 1977). As agreed to in September-October 1969, the Board charged for power supplied at an *ad hoc* rate of 5·5 paise per unit till October 1973 when Government fixed the rate of 4·5 paise per unit with retrospective effect from November 1969. The Unit paid some amounts at irregular intervals on the ground that the rates for supply of power had not been finalised. For these defaults in payment during the period November 1969 to December 1974, the Board levied a surcharge of Rs. 49·62 lakhs (at 2 *per cent* per month on the amounts outstanding). Of this, the Board recovered Rs. 24·37 lakhs by adjustment leaving a balance of Rs. 25·25 lakhs. The Company's plea to the Board to waive the surcharge was not accepted (March 1976).

The Unit had indicated (18th May 1971) to the Board that it required 15,000 KVA power with immediate effect; the Board informed the Unit that it would be charged the minimum charge leviable on the 4th stage power demand of 17,000 KVA from April 1971, as it had exceeded the 3rd stage demand of 12,000 KVA from April 1971. An examination in audit of the consumption of power from April 1972 to March 1976 showed that the actual consumption ranged from 6,200 KVA to 14,600 KVA. The Board billed (May 1972 to April 1976) for minimum charges calculated on the basis of a demand of 17,000 KVA and the total amount paid for the four years 1972-73 to 1975-76 was Rs. 1,40·79 lakhs. The charges, at the minimum load of 15,000 KVA would have been Rs. 1,28·25 lakhs during that period; on this computation, there was an extra expenditure of Rs. 12·54 lakhs on payment of minimum charges for a load of 17,000 KVA instead of 15,000 KVA

Government stated (December 1976) that the full capacity of the Unit could not be utilised due to (*i*) glut in the market for ferro-chrome, (*ii*) shortage of raw materials and (*iii*) labour unrest.

SECTION E

ORISSA FOREST CORPORATION LIMITED

5. Acceptance of an allegedly forged bank guarantee

Working of the Orissa Forest Corporation Limited upto 1971-72 was examined in paragraph 10 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial).

Between the 19th and 23rd December 1974, 1260 quintals of *Kendu* leaves stacked in different godowns of the Company's Bolangir, Sambalpur and Jharsuguda Divisions were sold by auction to the highest bidder, X for Rs. 3·82 lakhs. X furnished (8th February 1975) a bank guarantee for Rs. 4 lakhs (valid up to the 15th September 1975) from the Cuttack branch of a nationalised bank for lifting the stock, pending payment of the price, to be paid within two months of the date of approval of the price. Noticing certain erasures and insertions, the guarantee was returned (8th February 1975) through X to the bank for rectification. The bank guarantee was returned by X to the Company on the 12th February 1975, reportedly after rectifying the defects and was accepted. On the basis of the guarantee, X took delivery of the stock in February and March 1975 and paid the purchase price (Rs. 3·82 lakhs) in instalments in March and April 1975.

Subsequently, X was allowed to purchase another quantity of 1597 quintals of *Kendu* leaves for Rs. 3·88 lakhs auctioned in January and February 1975 against the earlier guarantee. X took over the stocks between April and June 1975 and gave (September 1975) four pay orders for the purchase price (Rs. 3·88 lakhs) on the bank. These pay orders were not honoured by the bank as they were not genuine. The Company could not invoke the bank guarantee as the bank alleged (September 1975) that the bank guarantee was forged.

The first information report on the matter was filed with the Police in September 1975 and a civil suit filed in the court of Sub-Judge, Cuttack in April 1977; further developments were awaited (May 1977). The matter was reported to the Management/Government in January 1977; their reply is awaited (May 1977).

SECTION F

Orissa Mining Corporation Limited

6.1. Purchase of rear dumpers

The working of the Orissa Mining Corporation Limited was examined in paragraph 7 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial).

The Company required four rear dumpers for its Daitari Iron Ore Project by the end of March 1974. On being contacted by the Mining Consultant of the Company, two manufacturers submitted the following quotations:—

Name of the firm	Date of quotation	Price per dumper inclusive of all taxes (Rupees in lakhs)	Date up to which valid
A	5th March 1974	9·36 ex-works	31st March 1974
B	4th April 1974	9·86 ex-works	3rd May 1974

Firm A and B increased their rates to Rs. 9·73 lakhs and Rs. 10·11 lakhs on 19th and 18th June 1974 respectively. On the 4th July 1974, the Board decided to place orders on Firm A at its enhanced price. This was not possible as the firm increased the price further to Rs. 10·76 lakhs on the 11th July 1974 before the order could be placed. The Board of Directors finally decided (30th August 1974) to curtail the order and to place an order for two dumpers on firm B at its enhanced price of Rs. 10·11 lakhs per dumper.

Accordingly, orders were placed on it on the 7th December 1974. The dumpers (total cost : Rs. 20·23 lakhs) were received by the company in the same month.

Delay in finalisation of the tenders resulted in an extra expenditure of Rs. 1·52 lakhs, computed with reference to firm A's original offer (Rs. 0·76 lakh with reference to A's revised offer of June 1974).

The Management stated (November 1974) that the technical details and efficiency of each type of the dumpers were under scrutiny upto the 11th June 1974 and the Board decided on the quotations on the 4th July 1974.

The matter was reported to Government in August 1976; their reply is awaited (May 1977).

6.2. Damage to hired barges

The Company hires barges from the Paradip Port Trust and makes them available to stevedores entrusted with the loading of chrome ore into ships. The hire charges of the barges are paid by the Company. For this purpose, in terms of the Port's Tariff, the Company maintains a deposit account with the Port Trust. The Company entered into agreement with two stevedoring firms for loading and unloading operations during August 1972 to March 1975. The agreements with the stevedores did not provide for recovery of the cost of damage, if any, caused to the Port's barges handled by them.

In July 1975, the Paradip Port Trust recovered Rs. 1·31 lakhs from the Company, by adjustment in the deposit account maintained with it, on account of damage caused to the Port's barges which were in use by the stevedores between May 1972 and August 1974. The amount had not been recovered from the stevedores. The Management informed (November 1976) Audit that after receipt of information regarding deduction by the Port, the matter had been taken up with the Port and the respective stevedores. Further developments were awaited (January 1977).

The matter was referred to Government in November 1976; their reply is awaited (May 1977).

SECTION G

PILOT PROJECT COMPANIES

7. Modern Malleable Casting Company Limited

Introduction—The Company was incorporated in September 1960, under the 'Pilot Project Scheme' floated by the State Government in 1957-58, to produce malleable castings for the automobile industry, Railways, *etc.*

Capital structure—(*a*) *Equity*—The authorised capital of the Company was Rs. 5 lakhs divided into 5 lakh shares of Re. 1 each. The paid-up capital of the Company contributed by Government and 13 private entrepreneurs, was as under from time to time :—

Year		Government	Private entrepreneurs	Total
			(Rupees in lakhs)	
1960-61 to 1963-64	..	2·70	0·50	3·20
1964-65 to 1965-66	..	0·60	0·50	1·10
1966-67 to 1967-68	..	2·70	0·50	3·20
1968-69 onwards	..	3·70	0·50	4·20

In 1964-65, the share capital contribution by Government was reduced to Rs. 0·60 lakh and the balance of Rs. 2·10 lakhs was treated as a loan, in pursuance of a capital reduction scheme. In 1966-67, the loan was reconverted into share capital in view of the difficulties faced in obtaining loans from financial institutions on account of the "disproportionate debt-equity ratio".

In April 1968, Government paid Rs. 1 lakh against 1,00,000 shares towards working capital.

(*b*) *Borrowings*—During the period December 1965 to March 1967, the Company obtained a loan of Rs. 2·10 lakhs with interest at 8·5 *per cent* per annum from the Orissa State Financial Corporation, on the security of its plant, machinery and current assets, for purchase of plant and machinery and for construction of factory buildings. The loan was repayable in seventeen half-yearly instalments commencing from June 1968. The Company defaulted in repayment of the loan and interest. The State Financial Corporation issued (February 1975) a notice under Section 29 of the State Financial Corporations Act, 1951 and, in February 1976, took possession of the fixed assets (value : Rs. 4·10 lakhs) and raw materials and finished

stock (value not finalised). The total amount due to the Corporation at the end of February 1976 was Rs. 4·46 lakhs (Principal : Rs. 2·10 lakhs and interest and other dues Rs. 2·36 lakhs).

Production—In October 1960, a private entrepreneur who had contributed Rs. 0·07 lakh towards the share capital was appointed as the Managing Director. The Managing Director resigned in January 1967. Thereafter, the District Industries Officer, one of the Government Directors, was looking after the management of the Company as Executive Director.

The Company started production in September 1966, six years after it was established, because of delay in acquisition of land (about two years) and around 4 years taken to finalise the terms and conditions for supply of machinery. It manufactured only ordinary castings and manhole covers upto February 1969 when production was stopped due to difficulties regarding working capital and marketing. From then, the Company remained dormant, all the employees, apart from a watchman, having been retrenched in March 1969. The State Government decided (January 1969) either to dispose of the assets or to run the unit on lease basis. There was no response to the offer to sell or lease, made in January 1969 and March 1971. In November 1972, the State Government decided to revive the unit and firm A was entrusted with the preparation of a feasibility report. According to the report submitted (April 1973) by the firm, the project to manufacture malleable castings was viable. The failure of the Company was attributed by them to the following factors :—

(*i*) lack of technical competence,

(*ii*) management failure, and

(*iii*) delays in decision, inherent drawbacks of Government officials participating in management from a distance, not in contact with day-to-day problems.

Revival of the Company did not materialise since a private entrepreneur, who initially agreed to invest Rs. 0·50 lakh, withdrew the offer in June 1974. Meanwhile, the Unit remained closed. Ultimately, the Unit went into voluntary liquidation in March 1976, when a liquidator was appointed. The liquidation proceedings had not been completed (April 1977).

Working results—The working of the Company up to the end of March 1969 resulted in a loss of Rs. 1·58 lakhs, which increased to Rs. 3·21 lakhs by the 31st March 1973 as seen from the unauthenticated accounts for 1972-73. Accounts were not prepared thereafter. Taking into account the cash expenditure (Rs. 0·11 lakh) and interest on the loan (Rs. 0·79 lakh) for the period April 1973 to March 1976, the loss up to March 1976 can be computed at around Rs. 4·11 lakhs. The losses were attributed (January 1977) by Government to depreciation on idle machines and to overhead and interest charges.

As mentioned above, the State Financial Corporation took possession of the fixed assets, raw materials and finished stock of the Company for default in repayment of loans. The Company had current assets and loans amounting to Rs. 1·09 lakhs against liabilities totalling Rs. 2·18 lakhs as in March 1973 (latest figures were not ascertainable).

Loss due to theft—Thefts of materials (book value: Rs. 12,308) between June and November 1975 were reported to the Police in June and November 1975; further developments were awaited (May 1977).

Observations of statutory auditors—The statutory auditors had stated, *inter alia*, on the accounts of the Company for the year 1972-73 that important registers showing stocks of raw materials, finished goods, *etc.* were not produced for verification and that the Board of Directors had not authenticated the Balance Sheet and the Profit and Loss Account.

CHAPTER II

STATUTORY CORPORATIONS

SECTION H

8.1. General

There were four statutory Corporations in the State on the 31st March 1976, namely,

(*i*) Orissa State Electricity Board,

(*ii*) Orissa State Financial Corporation,

(*iii*) Orissa State Warehousing Corporation, and

(*iv*) Orissa State Road Transport Corporation.

8.2. Orissa State Electricity Board

8.2.1. *Loan Capital*—The Orissa State Electricity Board was formed in March 1961 by transfer of the assets and liabilities of the then existing Electricity Department. The value of the assets transferred to the Board by Government up to the 31st March 1976, according to declarations issued by Government under Section 60(2) of the Electricity (Supply) Act, 1948, was Rs. 65,49·95 lakhs; in the Board's accounts it was shown as Rs. 64,85·74 lakhs, including Rs. 36·02 lakhs as the value of certain assets for which no declaration had been issued.

There was on that date a balance of Rs. 482 lakhs in the Depreciation Reserve Fund in respect of electricity schemes, which had not been transferred to the Board. But, the Board had taken credit for Rs. 1,09·96 lakhs out of this amount in its accounts.

The value of other liabilities to be transferred to the Board had not been determined yet (May 1977).

The value of assets transferred to the Board (Rs. 65,49·95 lakhs) had been treated as a loan from Government under Section 60(2) of the Electricity (Supply) Act, 1948.

The State Government also gave loans in cash to the Board. Further, the Board has raised loans from time to time in the market by issuing bonds and borrowing from the Life Insurance Corporation of India, the Rural Electrification Corporation Limited and the Industrial Development Bank of India. The long-term loans outstanding on the 31st March 1976 were Rs. 1,68,06·75 lakhs, the break-up of which by the source of finance is given below:—

	As on the 31st March 1975	As on the 31st March 1976	Increase (+)/ decrease (—) over the previous year
	(Rupees in lakhs)		
(a) Loans from Government—			
Loans by way of assets transferred	63,75·78	63,75·78	Nil
Cash loans	16,91·80	19,74·28	(+)2,82·48
Investment in loan bonds	2,64·02	2,09·02	(—)55·00
Total (a)	83,31·60	85,59·08	(+)2,27·48
(b) Other loans—			
(i) Life Insurance Corporation of India (by mortgage of assets)	20,01·25	21,95·00	(+)1,93·75
(ii) Rural Electrification Corporation Limited, New Delhi.	11,35·50	18,74·46	(+)7,38·96
(iii) Industrial Development Bank of India	3,24·70	2,32·39	(—)92·31
(iv) Canara Bank	3·00	Nil	(—)3·00
(v) Open market (Debentures guaranteed by Government)	32,86·19	39,45·82	(+)6,59·63
Total (b)	67,50·64	82,47·67	(+)14,97·03
Total (a)+(b)	1,50,82·24	1,68,06·75	(+)17,24·51

8.2.2. *Guarantee*—Under the Electricity (Supply) Act, 1948, the State Government may guarantee the repayment of the principal and payment of interest of any loan proposed to be raised by the Board. Government had guaranteed repayment of loans aggregating Rs. 77,43·24 lakhs raised by the Board; all the loans were outstanding in March 1976. The guarantee commission payable but not yet paid on the 31st March 1976 was Rs. 67·14 lakhs.

The working results of the Board for 1975-76 with comparative figures for the preceding two years, are shown below:—

	1973-74	1974-75	1975-76
	(Rupees in lakhs)		
(i) Revenue receipts	16,67·86	19,93·42	31,53·86
(ii) Expenses on revenue account	15,47·45	20,44·06	30,07·68
(iii) Net surplus (+)/deficit (—) as per consolidated revenue account	(+)1,20·41	(—)50·64	(+)1,46·18
(iv) (a) Subsidy receivable from Government for power intensive industries	9·50	17·85	0·17
(b) Subsidy claimed for loss on rural electrification	1,90·00	3,20·00	5,00·00

	1973-74	1974-75	1975-76
	(Rupees in lakhs)		
(v) Amount available for appropriation under Section 67 of the Electricity (Supply) Act, 1948	3,19·91	2,87·21	6,46·35
(vi) Appropriation towards interest on loans, general and other reserves	2,26·93	2,87·21	6,21·23
(vii) Balance available for appropriation towards interest on loans from Government	92·98	Nil	25·12
(viii) Deficit for the year	2,77·22	6,08·66	3,82·61
(ix) Progressive deficit at the end of each year			
(a) Arrears of interest due to Government	7,80·34	12,44·66	15,72·55
(b) Arrears of depreciation		1,21·00*	..
(c) Arrears of provision for general reserve		78·06*	..
Total	7,80·34	14,43·72	15,72·55

8.3. Other Statutory Corporations

The accounts of all other Statutory Corporations, except the Orissa State Financial Corporation, were in arrears for the periods as detailed below:—

	Year from which accounts were due
Orissa State Warehousing Corporation	1975-76
Orissa State Road Transport Corporation	1974-75 (First account after formation)

8.4. Orissa State Financial Corporation

Share capital—The authorised capital of the Corporation is Rs. 2 crores consisting of two lakh shares of Rs. 100 each. The paid-up capital of the Corporation indicating contributions from the Union Government, the State Government and others was as mentioned below:—

	As on the 31st March 1975	Percentage of the paid-up capital	As on the 31st March 1976	Percentage of the paid up capital
	(Rupees in lakhs)		(Rupees in lakhs)	
State Government	64·17	64·2	66·17***	63·6
Union Government	20·00**	20·0	22·00	21·2
Others	15·83	15·8	15·83	15·2
Total	1,00·00	..	1,04·00	..

* Provision for these arrears was included in the accounts for 1975-76.

** Investment made by the Reserve Bank of India.

*** The figure is under reconciliation with the Finance Accounts (Rs. 66·15 lakhs).

Loans—Long term loans including bonds, debentures and deposits obtained by the Corporation were as follows:—

Source		On the 31st March 1975	On the 31st March 1976
		(Rupees in lakhs)	
Open market loans by issue of bonds and debentures	..	3,77·50	4,60·00
Reserve Bank of India	..	20·00	40·00
Industrial Development Bank of India	..	1,00·56	2,31·61
Total	..	4,98·06	7,31·61

Government had guaranteed the repayment of loans and payment of interest thereon under Sections 7 (1) and 7 (2) (*b*) of the State Financial Corporations Act, 1951. As on the 31st March 1976, Government had guaranteed repayment of loans aggregating Rs. 500·00 lakhs. The guarantee commission for 1973-74 to 1975-76 due but not paid to Government on the 31st March 1976 was Rs. 3·05 lakhs.

Return on capital employed—The rate of return in 1974-75 and 1975-76 on capital employed is indicated below:—

		1974-75	1975-76
		(Rupees in lakhs)	
Capital employed	..	5,96·24	7,64·75
Return on Capital employed	..	39·47	59·73
Percentage of return	..	6·62	7·8

The State Government had guaranteed repayment of share capital and payment of a minimum dividend at 3·5 *per cent* on the initial share capital of Rs. 50 lakhs and at 4 *per cent* on the additional capital of Rs. 50 lakhs raised during 1972-73. Up to 1971-72, Government had paid Rs. 14·87 lakhs to fulfil the above guarantee.

8.5. Orissa State Warehousing Corporation

Share capital—The authorised capital of the Corporation is Rs. 1 crore consisting of one lakh shares of Rs. 100 each. The paid-up capital of the Corporation indicating contributions from the Union Government, State Government and others was as mentioned below:—

		As on the 31st March 1974	Percentage of the paid-up capital	As on the 31st March 1975	Percentage of the paid-up capital
		(Rupees in lakhs)		(Rupees in lakhs)	
State Government	..	13·88	51·9	15·88	50
Union Government	..	12·88	48·1	15·88	50
Total	..	26·76	..	31·76	..

Return on capital invested and capital employed—The rate of return on capital invested and capital employed compared with that of the previous year was as follows:—

		1973-74	1974-75
		(Rupees in lakhs)	
Capital invested	..	29·17	34·92
Return on capital invested	..	2·91	3·09
Percentage of return	..	9·97	8·85
Capital employed	..	26·03	34·60
Return on capital employed	..	2·91	3·09
Percentage of return	..	11·18	8·93

A synoptic statement showing the summarised financial results of the three Corporations on the basis of the latest available accounts is given in Appendix III.

SECTION I

Orissa State Electricity Board

9. Rural Electrification Schemes

9.1. Mention was made in paragraph 23 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) of progress in rural electrification to the end of 1973-74 and some points noticed in respect of certain rural electrification schemes.

The total investment made by the Board on rural electrification as on the 31st March 1976 was Rs. 56,04·71 lakhs out of the total of the Board's fixed assets of Rs. 1,88,95·80 lakhs; of this, investment made during the years 1974-75 and 1975-76 amounted to Rs. 18,27·20 lakhs.

According to the 1971 census there are 46,992 villages in Orissa. Of these, 11,507 villages were reported to have been electrified by March 1976. The total number of pump sets energised was 3,816.

The power consumed by consumers in the agricultural and irrigation sector during 1975-76 was 0·35 *per cent* of the total power consumed in the State, as against 0·46 *per cent* in 1974-75 and 0·43 *per cent* in 1973-74.

The working results of the rural electrification schemes during the period 1973-74 and 1974-75, according to the statements prepared in the Board, were:—

		1973-74	1974-75
		(Rupees in lakhs)	
Operating revenues	..	3,60·00	4,50·00
Operating expenses including depreciation	..	5,70·00	7,80·00
Interest charges	..	1,10·00	1,70·00
Deficit during the year	..	3,20·00	5,00·00

The income from rural electrification schemes was not booked in the accounts separately. The figures indicated above were compiled by the Board, *pro forma*, which were not susceptible of check in audit.

The Board received subsidies for rural electrification from the State Government, from 1971-72 onwards. As against Rs. 11,00 lakhs claimed till 1974-75, Rs. 6,82·51 lakhs had been received till March 1976. The subsidy receivable for the year 1975-76 had not been calculated and claimed (May 1977).

The sources of finance for the schemes, as on the 31st March 1976, were:—

		(Rupees in lakhs)
Loans from the Rural Electrification Corporation Limited (REC)		14,59·71
Loans from the State Government	..	4,33·92
Internal resources of the Board	..	37,11·08
Total	..	56,04·71

The main source of finance from outside for rural electrification programmes are loans from the Rural Electrification Corporation Limited (REC). Up to March 1976, the Corporation had sanctioned loans totalling Rs. 32,75·71 lakhs for 81 rural electrification schemes, against which Rs. 17,33·16 lakhs had been given, as detailed below:—

Year	Number of schemes	Loans sanctioned	Amounts given
		(Rupees in lakhs)	
1970-71	7	2,92·05	60·67
1971-72	3	1,37·25	1,41·88
1972-73	12	4,64·58	2,54·30
1973-74	12	4,13·81	2,53·73
1974-75	22	8,49·20	3,21·00
1975-76	25	11,18·82	7,01·58

The REC gives each loan in three instalments, the first instalment soon after sanction and subsequent instalments on information that the annual schedule of construction and load forecast are being fulfilled. Out of loans totalling Rs. 17,33·16 lakhs given by the REC up to March 1976, Rs. 14,59·71 lakhs were utilised on schemes for which they were meant.

Plans and achievements in respect of the REC schemes up to March 1976 were as follows:—

		Planned	Achieved
Number of villages to be electrified	..	7,707	3,057*
Construction of HT lines (kilometres)	..	8,582	4,329
Construction of LT lines (kilometres)	..	5,654	1,816
Construction of sub-stations (Capacity in KVA)		2,22,091	1,02,393
Energisation of pump sets	..	31,534	954
Other service connections	..	1,68,493	11,280

(Source: Returns submitted by the Board to Government)

REC Schemes

9.2. During the period 1970-71 to 1975-76, 87 schemes were sanctioned by the REC, which included six special transmission schemes and schemes for electrification of Harijan *bastis*. A period, ranging

* In Orissa a village is considered as electrified as soon as the transformer sub-station is ready.

from two to five years, is given for completion of each scheme from the date of sanction of the loan. The schemes are scheduled for completion as follows:—

Year in which scheduled for completion	Number of schemes
1971-72	1
1972-73	5
1973-74	3
1974-75	10
1975-76	2
After 1975-76 in different years	60

Out of 21 schemes scheduled for completion before April 1976, six had been completed by March 1976; on 13 schemes in progress, delays had ranged from one to four years. Two schemes, due for completion in 1975-76, were also not complete.

On the following six special transmission schemes and schemes for electrification of Harijan *bastis* work had not progressed substantially:—

	Year of sanction	Amount of loan sanctioned	Expenditure up to March 1976	First instalment amount
		(Rupees in lakhs)		
Special Transmission and Distribution Scheme in Balasore and Cuttack districts	1972-73	55·81	2·72	6·51
Special Transmission and Distribution Scheme in Balasore and Mayurbhanj districts	1972-73	78·56	0·16	8·88
Electrification of Dharamgarh Block in Kalahandi district	1973-74	34·55	9·04	15·66
Electrification of Harijan *bastis* in Ganjam and Koraput districts and Balasore and Mayurbhanj districts	1972-73	5·33	0·95	5·33
Electrification of Harijan *bastis* in Cuttack district	1973-74	12·56	0·87	12·56
Electrification of Harijan *bastis* in Puri and Sambalpur districts	1973-74	1·93	0·21	1·93

The Management stated (January 1977) that action had been taken to utilise the amount given as loans for special transmission schemes. Schemes for Harijan *bastis* are primarily meant for street lighting. One condition for execution of these schemes was that the Gram Panchayats were to execute an agreement with the Board for payment of maintenance and energy charges. The Gram Panchayats were reported to be not coming forward to execute the agreements, with the result that work could not progress.

While construction of transmission lines and sub-stations had progressed, progress in energisation of pump sets and providing service connections to the consumers was behind schedule. This was attributed by the Management to the demand for power not developing in the rural sector.

9.3. Records relating to the following seven schemes were test checked:—

(*i*) Supply of power in Nigra valley

(*ii*) Supply of power in Ramiala valley

(*iii*) Supply of power in Talcher area

(*iv*) Supply of power in Dhama Panchayat Samiti

(*v*) Supply of power in Luhinipada area

(*vi*) Supply of power in six Panchayat Samitis of Puri

(*vii*) Supply of power in Kesinga area

The schemes were sanctioned between April 1970 and November 1972 for electrification of 539 villages and energisation of 6,924 pump sets. The schemes were estimated to cost Rs. 2,37·35 lakhs to be financed by the Rural Electrification Corporation Limited (Rs. 1,92·28 lakhs) and beneficiaries of the schemes (Rs. 45·07 lakhs). On completion, the seven schemes were expected to give a net return varying from 0·67 *per cent* to 8·50 *per cent*. The schemes were expected to be completed between December 1972 and June 1975; two schemes were reported to have been completed by March 1976 and others continued to be under execution (April 1977).

9.4. The progress of work on these schemes and the expenditure incurred up to March 1976, as gathered from the progress reports sent by the Board to Government, were as under:—

Scheme	Estimated cost (Rupees in lakhs)	Expenditure (Rupees in lakhs)	Number of villages to be electrified	Number of villages electrified	Length of H. T. line to be laid (Km.)	H. T. line actually laid (Km.)	Length of L. T. line to be laid (Km.)	L. T. line actually laid (Km.)	Sub-stations to be constructed	Sub-stations actually constructed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Supply of power in Nigra valley ..	67·22	49·66	123	132	177·60	156·70	498·50	112·77	125	87
Supply of power in Ramiala valley ..	28·42	34·60	81	80	111·00	97·60	82·00	55·00	87	63
Supply of power in Talcher area ..	21·70	18·98	45	51	66·00	70·00	98·57	39·86	46	41
Supply of power in Kesinga area ..	19·38	18·94	23	23	76·37	74·75	68·96	17·47	28	26
Supply of power in Dhama Panchayat Samiti	17·90	20·12	38	38	59·20	62·20	47·50	32·04	31	31
Supply of power in Luhinipada area ..	45·12	23·00	86	79	120·58	117·31	124·20	45·95	76	43
Supply of power in six Panchayat Samitis of Puri	37·61	40·82	143	140	80·50	102·12	102·50	68·52	103	78
Total	2,37·35	2,06·12	539	543	691·25	680·68	1,022·23	371·61	496	369

9.5. The following points were noticed during test check:—

9.5.1. *Laying of transmission lines*.—The schemes indicated the length of 11 K V lines to be put up in respect of each village. For 171 villages, the total length was in excess of the estimated length by 198·32 Kms., the additional expenditure on which was Rs. 18·91 lakhs.

9.5.2. *Constructions of sub-stations*.—Forty-eight transformers of higher rating were utilised instead of transformers of lower rating envisaged in four schemes. This resulted in an extra expenditure of Rs. 1·99 lakhs.

9.5.3. *Utilisation of material*.—(*i*) Against the standard requirement of 2,076·94 Kms. of conductor, 3,987·04 Kms. were used in five schemes, the excess of 1,910·10 Kms. of conductor costing Rs. 26·89 lakhs. (*ii*) Conductors larger in size than specified in the estimates were utilised (332·34 kms.) in two schemes resulting in an extra expenditure of Rs. 2·17 lakhs.

9.6. Growth of load

(*a*) The number of service connections envisaged in the scheme reports and the number of connections given at the end of March 1976 were as follows:—

Scheme	Number of connections envisaged			Number of connections given		
	Service	Agri-culture	Total	Service	Agri-culture	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Supply of power in Nigra valley	3,691	2,893	6,584	667	86	753
Supply of power in Ramiala valley	1,950	2,037	3,987	484	49	533
Supply of power in Talcher area	1,567	765	2,332	386	25	411
Supply of power in Kesinga area	715	917	1,632	45	5	50
Supply of power in Dhama Panchayat Samiti	1,813	130	1,943	319	4	323
Supply of power in Luhinipada area	1,879	1,244	3,123	26	9	35
Supply of power in six Panchayat Samitis in Puri	4,271	613	4,884	507	15	522
Total	15,886	8,599	24,485	2,434	193	2,627

(*b*) Particulars of the load developed are given below:—

Category of load	Load anticipated in the scheme reports (KWH)	Actual load (KWH)	Percentage of actual load to anticipated load
(1)	(2)	(3)	(4)
Agricultural ..	15,011	227	1·5
Agro industry ..	8,898	642	7·2
Domestic and commercial ..	5,003	1,006	2·1
Street light ..	143	8	5·6
Total	29,055	1,883	6·5

(*c*) Out of 543 villages reported to have been electrified, there was not a single consumer drawing power (March 1976) in 231 villages; of these 231 villages, 6 villages had been electrified in 1970-71, 38 villages in 1971-72, 71 villages in 1972-73, 40 in 1973-74 and 65 in 1974-75. Transformer sub-stations, 11 KV lines and LT lines constructed for these villages at a cost of Rs. 44·23 lakhs had not been utilised.

(*d*) Out of 543 villages where connections were given, there was no connection for agricultural purposes in 246 villages; in 189 villages load developed was less than 5 KW.

9.7. *Expenditure*—Against the estimated expenditure of Rs. 2,37·35 lakhs, Rs. 2,06·12 lakhs were spent up to March 1976.

The expenditure on the schemes and the amount received from the REC are indicated below:—

Scheme	Estimated cost		Total	Actual expenditure	Amount received from the REC
	To be met by REC	To be met by benefi-ciaries			
		(Rupees in lakhs)			
(1)	(2)	(3)	(4)	(5)	(6)
Supply of power in Nigra valley	46·92	20·30	67·22	49·66	34·00
Supply of power in Ramiala valley	28·42	..	28·42	34·60	28·42
Supply of power in Talcher area	18·21	3·49	21·70	18·98	16·11
Supply of power in Kesinga area	15·63	3·75	19·38	18·94	15·63
Supply of power in Dhama Panchayat Samiti	16·44	1·46	17·90	20·12	16·44
Supply of power in Luhinipada area	29·05	16·07	45·12	23·00	21·51
Supply of power in six Panchayat Samitis of Puri	37·61	..	37·61	40·82	30·05
Total	192·28	45·07	237·35	206·12	162·16

NOTE :—The amount pending recovery from the beneficiaries could not be ascertained as the register of contributions was not maintained.

9.8. In respect of the following schemes, the REC had not given till the 31st March 1976, the third and final instalments amounting to Rs. 30·12 lakhs, as the schemes did not fulfil the criteria specified by the REC regarding the growth of load:—

		Amount not released
		(Rupees in lakhs)
Supply of power in Nigra valley	..	12·92
Supply of power in Talcher area	..	2·10
Supply of power in Luhinipada area	..	7·54
Supply of power in six Panchayat Samitis of Puri district	..	7·56
Total	..	30·12

9.9. Revenue

It has been mentioned in paragraph 9.1. *ante* that the income from rural electrification schemes was not booked separately in the accounts. Similarly, details of operation and maintenance expenditure of the schemes were also not available separately in all cases. Against the gross revenue of Rs. 42·36 lakhs anticipated in 1975-76 in the schemes reports, revenue assessed in 1975-76 was stated by the Board to be Rs. 2·95 lakhs, as given below:—

		Anticipated	Actual
		(Rupees in lakhs)	
Supply of power in Nigra valley	..	10·33	0·28
Supply of power in Ramiala valley	..	7·25	0·52
Supply of power in Talcher area	..	4·08	0·70
Supply of power in Kesinga area	..	0·43	0·13
Supply of power in Dhama Panchayat Samiti	..	6·36	0·13
Supply of power in Luhinipada area	..	5·96	0·24
Supply of power in six Panchayat Samitis of Puri	..	7·95	0·95
Total	..	42·36	2·95

9.10. Some of the common deficiencies in implementation of the schemes pointed out by the REC from time to time were:—

(*i*) non-preparation of detailed estimates;

(*ii*) use of costlier materials and deviations in size and specification of materials without the approval of the REC;

(*iii*) non-maintenance of register of works to depict the expenditure on various works;

(*iv*) slow growth in loads; and

(*v*) non-exhibition of operation and maintenance expenses separately for the schemes.

The Management stated (December 1976) that field officers had been advised to take necessary remedial steps.

9.11. Rural Electrification schemes financed from other sources

Besides the schemes executed with the funds made available by the REC, the Board also executed schemes with funds obtained from other financing agencies like the Life Insurance Corporation of India and with its own resources. In a study of records of 37 schemes executed by the Dhenkanal Eectircal Division, Chainpal and Khurda Electrical Division, Khurda, the following points were noticed:—

(i) The 37 schemes were estimated to cost Rs. 79·97 lakhs, against which the actual expenditure incurred was Rs. 1,08·18 lakhs. On 30 schemes actual expenditure was found to be in excess over the estimated cost by Rs. 35·75 lakhs.

(ii) Eight of the 29 schemes in the Dhenkanal Division and one of the 8 schemes in the Khurda Division had not been sanctioned by the competent authority.

(iii) Work on the schemes was completed and 248 villages were declared to have been electrified between March 1973 and March 1975. But, completion reports for these works had not been prepared (May 1977).

(iv) The HT lines constructed for 12 schemes were 41·30 kms. longer than provided for in the estimates (estimated additional cost: Rs. 3·93 lakhs).

(v) In six schemes, 5·28 kilometres of 3 phase 4/5 wire line were drawn in excess of the estimated length (value: Rs. 0·62 lakh).

(vi) Single phase wire was issued from store in excess of the estimated length by 39·39 kilometres for 22 works (value: Rs. 2·74 lakhs).

(vii) For the schemes executed by the Khurda Division, 107 kilometres of ACSR Conductor (value: Rs. 1·57 lakhs) and all aluminium conductor of 67·19 kilometres (value: Rs. 1·31 lakhs) were issued in excess of the standard requirement.

Conductors of a larger size were utilised to an extent of 301·69 kilometres resulting in extra cost of Rs. 2·13 lakhs.

Nineteen transformers of different rating (including one 1000 KVA 33/11 KV transformer) valued at Rs. 2 lakhs were issued for the works in excess of requiremnets.

(viii) *Growth of load*—A total load of 5,382 kilowatts was anticipated, the anticipated agricultural load being 1531 KW. Up to March 1976, a load of 2,074 kw had developed, the agricultural load being 395 kw. It may be mentioned that all 8 schemes executed by the Khurda Division had been completed by March 1973: all of the 29 schemes executed by the Dhenkanal Division had been completed by March 1975.

The investment per kilowatt in respect of the Dhenkanl Electrical Division was Rs. 1,970 and for the Khurda Electrical Division, Rs. 2,127. In 58 villages in Dhenkanl and 8 villages in Khurda there was no consumer drawing power. The load anticipated from these villages was 648 KW and 154 KW respectively; Rs. 16·04 lakhs had been invested in electrifying these villages.

9.12. Procurement of materials for Rural Electrification Schemes

9.12.1. *Distribution transformers*—The Superintending Engineer (Rural Electrification) invited tenders (May 1974) for seventy 250 KVA and forty 500 KVA distribution transformers. Twenty-five tenders (including two telegraphic offers) were received and opened on the 26th June 1974.

The tenders were considered on the basis of the capitalised cost. The capitalised cost is computed by adding to the quoted price, an amount equal to the capitalised value of energy lost in transformation, termed the "loss constant". Thus, if the price quoted for two transformers is the same, the capitalised cost of the transformer in which the energy lost is greater will be more than the capitalised cost of the other.

Thirteen tenders for 250-KVA transformers and seven tenders for 500-KVA transformers were passed over as they did not satisfy one or more of the conditions specified in the notice inviting tenders. Among the offers rejected was the offer from firm A, which, though suitable in all respects, was not considered as the firm had not furnished a photostat

copy of registration with the Director General, Supplies and Disposals, as required. Instead, the firm had furnished a copy of the registration certificate. The firm offered the following rates:—

		Rate per transformer *f. o. r.* destination	Capitalised cost
		(In rupees)	
250 KVA	..	22,000	58,900
500 KVA	..	45,000	1,07,000

The tenders which were considered valid included offers from three local firms, whose prices were subject to variation. Their prices for 250 KVA transformers were as follows:—

Name of tenderer		Rate per transformer (In rupees)
K	..	27,550
O	..	27,500
R	..	27,575

In September 1974, the firms offered to keep their rates firm. The capitalised cost of transformers offered by firm K (Rs. 64,750) was the lowest among the tenders considered valid; it ranked 14th among the tenders received.

In regard to 500 KVA transformers, firm W of Calcutta quoted Rs. 48,430 (capitalised cost: Rs. 1,12,530). It was the lowest among the tenders considered valid and 8th among the tenders received.

On the 20th September 1974, the Contract Committee decided to place orders for seventy 250 KVA and twenty 500 KVA transformers at the rates quoted by firm K and firm W respectively; orders were accordingly placed (October 1974) on six firms (including the three local firms) for 250 KVA transformers (70) and on four firms for 500 KVA transformers(20).

Computed with reference to the capitalised cost of transformers offerd by A, the purchase meant an extra expenditure of Rs. 5·20 lakhs, as detailed below:—

		Capitalised cost as per the offer of firm A (Rupees)	Accepted cost (Rupees)	Difference (Rupees)	Quantity (Numbers)	Amount (Rupees in lakhs)
250 KVA	..	58,900	64,750	5,850	70	4·09
500 KVA	..	1,07,000	1,12,530	5,530	20	1·11
Total	..	..	..	..	..	5·20

It may be mentioned here that in other cases, for example the purchase in 1974-75 of 33 KV insulators against specification 7/74, firms were allowed to submit documents such as the DGS &D registration certificate at a later date. Also, A had supplied transformers to other Electricity Boards according to its tender offer.

9.12.2. In September 1970, the Superintending Engineer (Stores and Purchase) placed orders on a local firm for 1,000 kilometres of an all-aluminium conductor. One consignee for this material was the Electrical Stores Division, Cuttack. Sixteen drums containing 65 kilometres of conductor were inspected by the Sub-divisional officer in charge of the stores depot at Bhubaneswar, on behalf of the consignee, on the 29th March 1971 and entered as received in the store account. The material was not actually removed from the firm's premises to the stores depot. Rupees 0·47 lakh, being 90 *per cent* of the price, were paid to the firm on the 30th March 1971.

In the depot accounts, the entire quantity of conductor was shown as having been issued to ten indentors on the 31st March 1971. The indentors, in their turn, had taken the material as receipts in their material-at-site accounts and charged the material to different works. Thus, although the material was not taken possession of physically at any stage and remained in the premises of the supplier firm, the entire documentation in the accounts of the Board was completed. The remaining 10 *per cent* of the price (Rs. 0·05 lakh) was paid in May 1971.

On the 8th April 1971, the Central Excise authorities seized the conductor from the premises of the local firm, for reasons not available in the records of the Board.

In March 1974, the Executive Engineer, Electrical Stores Division, Cuttack wrote to the Excise authorities that

"........the above transaction has been made outside the Store on pre-receipted indents without actual entry of the material to stores. This has been done to save transport as well as labour cost and also to have speedy disposal of materials to the field. So far as stores transactions are concerned, the account is complete in all respects........it will not be possible to say as to why the above materials could not be lifted by the field officers.........."

The materials for which Rs. 0·52 lakh were paid, had not come into the possession of the Board (January 1977). As far as could be ascertained, no action had been taken (January 1977) by the Board against the firm.

9.12.3. *Prestressed Concrete Poles*—For manufacture of prestressed concrete poles departmentally, the Board procured 225 tonnes of high tensile steel wire in 1971. The poles were being manufactured in the Bolangir and Hirakud Circles. Much progress could not, however, be made in the manufacture of the poles. According to the Superintending Engineer, Hirakud Generation Circle, the wire was rusted and performance of the poles manufactured out of it could not be guaranteed (May 1975). In August 1976, 201 tonnes of wire valued at Rs. 7·04 lakhs were lying in stock; information regarding its disposal was awaited (February 1977).

9.12.4. *Power cables*—Tenders were invited by the Superintending Engineer (Rural Electrification) in September 1974, *inter alia*, for 1·1 KV 3—core power cables of the following sizes:—

185 mm^2.	6 Kilometres
300 mm^2.	11 Kilometres

Twelve tenders were received and opened in November 1974 of which six firms offered cables of these sizes.

The Contract Committee examined the tenders in Feburary 1975. They rejected offers of two firms (including firm O) as their offers were valid only for 30 days and not for 90 days (counted from the date of opening of tenders, 6th November 1974) as stipulated in the tender, and offers of two other firms as the earnest money was not paid. The firm O wrote on the 2nd November 1974 that its offer was valid for 90 days. This, however, was not taken into consideration, for reasons not on record. The rates offered by this firm were the lowest for the two sizes. The decision to place orders was not taken by the 3rd February 1975, when the period of validity expired. After getting firms, other than firm O, to extend the validity of their rates, the Contract Committee decided (15th May 1975) to accept the rates of firm U. A purchase order for the supply of 6 kilometres and 10 kiometres of cables of 185 mm^2. and 300 mm^2. sizes respectively was placed on this firm in June 1975. Compared with the rates quoted by firm O, purchase from firm U involved an extra expenditure of Rs. 0·31 lakh.

10. Construction of Transmission Lines

10.1. Balimela Transmission Scheme

Mention was made in paragraph 22 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) of the delay in commissioning the Balimela Transmission Scheme. Although the lines were completed and commissioned in October 1974, the accounts of the firm entrusted with the work had not been settled and recovery from the firm in respect of various items was pending (May 1977). Certain aspects noticed in audit of contracts pertaining to this scheme are mentioned below:

10.1.1. *P, Q, and R type towers*—The Chief Engineer (Electricity) placed orders between March 1965 and December 1972 on firm A (a State Government undertaking) for supply of P, Q, and R type towers and extensions required for stage I (line between Talcher and Thiruvalli) and stage II (line between Thiruvalli and Balimela). The rates, which covered designing and fabrications, were as follows:

	Rate per tonne f. o. r. Hirakud (In rupees)
(i) Galvanised superstructure members ..	530·00
(ii) Painted superstructure members ..	438·87
(iii) Stubs ..	250·00

The quantities ordered were :

Towers	Number ordered Stage I	Stage II
P ..	949	650
Q ..	54	33
R ..	41	33
Extensions		
3 metres for P ..	55	70
6 metres for P ..	34	59
3 metres for Q ..	5	8
3 metres for R ..	Nil	7

According to the contract, steel of the tested quality was to be supplied by the Board for all towers free of cost to the fabricator, who was not to include it in his rates. The quantities supplied included wastage computed at 5 *per cent*, of which the recoverable scrap was 2 *per cent*.

The rates were subject to variation in the price of zinc at 7 paise for a variation of one rupee per tonne in the cost of zinc over Rs. 1,200 per tonne.

The weight of the towers (inclusive of bolts and nuts), to be specified in the contract, was subject to a tolerance of 2·5 *per cent*. According to the contract any increase in the weight of the towers over the guaranteed weight (including the tolerance) was to be to the account of the supplier and no

payment was due to the firm for such excess in the actual weight. According to information furnished (December 1975) by the Board, the weight of P towers supplied (by March 1972) for stage I and all types of towers and extensions supplied (by October 1975) for stage II was in excess of the guaranteed weight including the tolerance limit by 862·2 tonnes and 822·9 tonnes respectively. The cost of steel and fabrication charges for the excess quantities totalling Rs. 25·93 lakhs (Rs. 12·85 lakhs for stage-I and Rs. 13·08 lakhs for stage-II) was pending recovery from the firm (May 1977).

As mentioned above, according to the pruchase order, wastage up to 5 *per cent* (of which 2 *per cent* was recoverable scrap) was permissible. The steel supplied and wastages were :

	Quantity of steel supplied (1)	Total wastage (2)	Permissible wastage (3)	Wastage in excess of 5 *per cent* (4)
	(Figures in tonnes)			
Stage I ..	7,196·0	365·0	296·0	69·0
Stage II ..	5,875·5	551·1	204·8	346·3

(Source : Utilisation statement funished by the supplier in April 1973. Figures in column 1 include 632 tonnes of steel used by the firm from its own stock)

Steel used in excess (415·3 tonnes) of the 5 *per cent* wastage permissible, cost Rs. 4·50 lakhs. This scrap was retained by the supplier. The recoverable scrap totalling around 200 tonnes had also not been taken over by the Board from the firm (May 1977), for reasons which were not on record.

No systematic account was kept by the Board of the quantity of steel supplied and the quantity utilised in fabrication of the towers. The firm indicated to the Board (April 1973) that the Board had supplied 911·2 tonnes of steel (Value : Rs. 9·11 lakhs) in excess of requirements for towers for stage I. According to the Superintending Engineer (Technical), there was a difference of 1,810 tonnes (value : Rs. 19·91 lakhs) between the quantity of steel supplied by the Board (7,200 tonnes) and the quantity (5,390 tonnes) shown by the firm as received for stage II. The value of excess quantities of steel was pending adjustment (May 1977) although the lines were completed and commissioned in October 1974.

Supply of P towers for stage I was to be completed by September 1968. At the instance of the firm, extension of time was granted in January 1969 up to April 1969. The firm completed delivery by March 1972. Penalty leviable at ½ *per cent* per week, subject to a maximum of 10 *per cent* of the value of the materials not delivered within the stipulated delivery date, was Rs. 7·70 lakhs (approximate), against which Rs. 2·54 lakhs were withheld from the bills of the firm.

In respect of stage II, the firm was to fabricate the stubs for towers from its own stock of steel and to supply them within 15 days of the receipt by it of approval of detailed drawings. The Chief Engineer (Electricity) granted (November 1970) extension of time for supply of stubs up to 16th July 1970. The supply was completed by May 1975. The penalty leviable at the rate of ½ *per cent* per week of delay, subject to maximum of 10 *per cent*, was Rs. 0·18 lakh (approximate).

The total number of towers procured on the basis of preliminary survey of the route exceeded the actual requirements. The value of 83 towers and 43 extensions procured in excess and lying unused (January 1977) was Rs. 8·69 lakhs.

According to the records of one division, the firm supplied certain members of the towers weighing 48·4 tonnes (cost : Rs. 0·75 lakh) in excess, while certain other members weighing 150·8 tonnes (cost : Rs. 2·47 lakhs) were delivered short.

The matter was referred to Government in October 1976 ; their reply is awaited (April 1977).

10.1.2. *S type towers* : In January 1972, firm B was contacted for design, fabrication, galvanisation and supply of S type towers. The firm quoted Rs. 2,000 per tonne.

On the 24th January 1972, the Board placed a letter of intent on firm B, followed by a pruchase order on the 19th April 1972, for design, fabrication and supply of 70 S type towers and 10 extensions required for the Mohana—Thiruvalli—Balimela line. The following were the main features of this order :

(*i*) Rate *f. o. r.* Bombay/Jaipur, was Rs. 2,000 per tonne subject to variation in the cost of raw materials ;

(*ii*) The guaranteed weight per tower was 10·9 tonnes with tolerance limits of ± 2·5 *per cent* ; and

(*iii*) The firm would initially arrange steel required, to be replenished by the Board, except for three sections, namely, 110x110x8 mm, 110x110x10 mm and 8 mm plate which would be arranged by the Board.

In April 1973, another order was placed on the firm B for supply of 15 towers and 4 extensions, on the same terms as in the earlier order. These towers were required to replace towers ordered earlier from another firm whose proto-type had failed in tests conducted in June 1970 and again in Ocotober 1971. The firm demanded Rs. 2,583 per tonne for this order which was reduced to Rs. 2,400 per tonne on negotiation. Non-inclusion of the 15 towers in the first purchase order itself resulted in an additional expenditure of Rs. 0·74 lakh.

Though the firm completed the supply of towers by July 1974, the accounts with the firm had not been finalised (May 1977). The following points were noticed in audit:

(a) Steel was supplied to the firm directly by the producers on the Board's account and also by the Stores division at Burla. There were differences in the quantities of steel supplied by or on behalf of the Board and purchased directly by the firm, in accounts of the Board and the claims filed by the firm, as indicated below:—

Particulars	According to Superintending Engineer, Transmission Circle (letter dated 4th July 1974)	According to the final bill of the firm dated 22nd January 1976	Difference between columns 2 and 3	
			Quantity	Value (Rupees in lakhs)
(1)	(2)	(3)	(4)	(5)
		(In tonnes)		
(i) Quantity supplied by the Board	856·4	621·1	(—)235·3	4·71
(ii) Quantity purchased and used by the firm	196·8	261·0	(+)64·2	1·30
(iii) Quantity to be replenished by the Board	44·8	175·0	(+)130·2	2·60

While claiming Rs. 3·90 lakhs on items (ii) and (iii), the firm had disowned (in January 1976) liability in respect of item (i) amounting to Rs. 4·71 lakhs. The differences had not been reconciled and settled (May 1977).

(b) The materials were to be insured by the firm against transit risk; losses or damage suffered in transit were to be reported to the firm by the consignees within 15 days of the receipt of materials to enable the firm to prefer claims with the insurers. There were shortages in towers and members received aggregating 35 tonnes (value: Rs. 1·05 lakhs).

Information regarding the claim filed by the firm with the insurer and the amounts, if any received on this account was not available (May 1977) with the Board.

(c) The first purchase order stipulated delivery of 70 towers by January 1973. The second purchase order for 15 towers did not specify the delivery period. Delayed delivery was subject to penalty at half *per cent* per week, (subject to a maximum of 10 *per cent*) of the value of items not delivered in time. The delivery of 70 towers was completed by May 1974 and 15 towers by July 1974. The amount of penalty leviable had not been assessed (May 1977).

The matter was referred to Government in October 1976; their reply is awaited (May 1977).

10.1.3. *Utilisation of materials*—Issue and utilisation of the materials on the works are regulated through the materials-at-site accounts maintained by the sections and sub-divisions responsible for construction. The actual consumption of materials had not been computed *vis-a-vis* the standards to locate reasons for the excess consumption of materials. Site accounts of all sections and sub-divisions for the entire period were not available. A scrutiny of the available materials-at-site accounts of four sub-divisions (out of eight) disclosed that substantial quantities of materials had remained unutilised though the Balimela transmission scheme was completed in October 1974. The value of the major items drawn prior to January 1974 and lying at site (March 1976) was Rs. 33·57 lakhs as detailed below:—

Items		Value (Rupees in lakhs)
Conductors	..	15·15
Air blast circuit breakers	..	4·82
Insulators	..	2·70
Bolts and Nuts	..	7·52
Others	..	3·38

The matter was referred to Government in October 1976; their reply is awaited (May 1977).

10.2. Acquisition of land at Thiruvalli

In 1964, a private Company at Thiruvalli (Koraput District) agreed to sell for Rs. 0·88 lakh about 37 acres of land at Thiruvalli to the Board to enable the latter to construct a sub-station. On the 30th March 1967

the Board paid Rs. 0·60 lakh as an advance to the Company. A sale deed was executed by the Managing Director of the Company in favour of the Board in December 1967 but could not be registered because of certain defects in the deed. In March 1968, the Collector, Koraput district informed the Board that the Company had no title to the land. The Company did not respond when asked to produce evidence in support of the company's title to the land. A civil suit was instituted (March 1970) against the Company for recovery of the amount; the matter was *sub-judice* (May 1977). From the records it appeared that the Company's title to the land had not been checked.

The matter was reported to the Board and Government in October 1976; their reply is awaited (May 1977).

10.3. Scheme for construction of extra high tension transmission lines

10.3.1. *Schemes against credit from IDA*—An agreement between the International Development Authority (IDA) and the Government of India was signed in May 1973 for the third power Transmission Project (credit 377 IN) wherein IDA agreed to give loans totalling 85 million U. S. dollars, of which the share of the Board was 12·69 million U. S. dollars, for procurement of equipment and materials.

Transmission lines (220 KV: 549 kilometres and 132 KV: 625 kilometres) with connected works were to be erected with the loan. The scheme was estimated to cost Rs. 1,220·90 lakhs; of this, equipment and materials accounted for Rs. 9,32·70 lakhs. The estimates were revised to Rs. 3,220·10 lakhs and were administratively approved by the Board in December 1974. In the revised estimates the cost of equipment and materials was increased to Rs. 2,200 lakhs (approximately) calculated on the value of orders placed for different materials.

According to the agreement with IDA, the entire scheme was scheduled to be completed by December 1976. Dates for the completion of individual lines were not specified in the agreement. According to the progress report on construction of the lines, the survey was completed, tower schedules were checked and land acquisition proceedings for sub-station buildings were in progress. The performance budget of the Board for 1976-77 indicated that the scheme was expected to be completed by 1980-81.

Expenditure incurred up to March 1976 was Rs. 3,66·30 lakhs, expenditure on procurement of materials being Rs. 3,58·58 lakhs.

10.3.2. *Equipment and materials*—After technical scrutiny and financial evaluation of the bids received against tenders floated on global basis, purchase proposals were forwarded to the Central Water and Power Commission (CWPC—now the Central Electricity Authority) by the Chief Engineer (Electricity) after obtaining the Chairman's approval. The CWPC in turn forwarded them to IDA for approval. Orders were placed after receipt of IDA's approval through the CWPC and approval of the Board.

Specifications for materials like conductors, towers, transformers, power line carrier communication (PLCC) and load despatch equipment were finalised and bids invited between December 1973 and March 1974. Purchase orders were placed on different firms between April 1975 and January 1976.

10.3.3. *Suspension hardware*—Against a tender invited by the Superintending Engineer (Transmission) in December 1973, *inter alia*, for (a) 220 KV single suspension hardware fittings for 'Zebra' and 'Sheep' ACSR conductor (5,204 pieces), and (*b*) 132 KV single suspension hardware fittings for 'Panther' conductor (5,935 pieces), five offers were received and opened on the 27th May 1974. It was stipulated in the tender specification that the firms should quote firm prices and furnish type test certificates for the materials offered.

The five offers ranked as follows:—

Firm	*F. o. r.* destination price (Rupees in lakhs)
N	.. 17·74 (Variable)
O	.. 18·61
EM	.. 19·67
P	.. 19·90
Q	.. 20·21

On the 13th July 1974, the Chief Engineer (Electricity) informed the CWPC that the lowest tender of firm 'N' was for variable rates and could not be accepted. He proposed inspection of the samples of the 2nd and 3rd tenderers before deciding on their offers. The CWPC pointed out that obtaining of samples was not specified and asked the Chief Engineer to check the experience of firm O. In the meantime, firm O had furnished a letter from its collaborator stating that the firm had experience in the line and had executed orders for, among others, the Ministry of Defence. This was conveyed to the CWPC in August 1974.

In September 1974, the Commission communicated approval of IDA to the order being placed on firm EM. Order for supply at a total cost of Rs. 19·67 lakhs was placed on the firm on the 23rd April 1975, after obtaining formal approval of the Board.

Rejection of the offer of firm O resulted in an extra expenditure of Rs. 1·06 lakhs.

The Board stated (August 1976) that the firm did not make any aluminium alloy castings for 132 KV suspension and tension clamps. It is relevant to mention that the Board had placed orders in October 1974 on firm O for similar hardware material, valued at Rs. 10·82 lakhs, for use on 132 KV lines under schemes other than IDA schemes ; as seen from the Board's records, this fact did not appear to have been brought to the notice of the CWPC.

The matter was referred to Government in August 1976 ; their reply is awaited (April 1977).

10.3.4. *Conductor and ground wire accessories*—Global tenders were invited by the Superintending Engineer (Transmission) on the 2nd February 1974 for conductor accessories, ground wire accessories, *etc.* Five offers, received from firms were opened on the 3rd July 1974. Only two firms offered the complete range of accessories and were ranked as under :

Firm	*f. o. r.* destination price (Rupees in lakhs)
Q	.. 18·87
E	.. 19·63

The lowest tenderer's offer was rejected by the Chairman as (*a*) the firm did not furnish a bid guarantee (money equal to 1 *per cent* of bid) and (*b*) the firm demanded 100 *per cent* payment against railway receipt, as against the Board's standard terms of 90 *per cent* payment.

That firm had a standing deposit of Rs. 0·25 lakh with the Board. It was, however, held that that could not be considered against IDA bids, although such a restriction was not specified in the tender. The firm had indicated in its tender that a separate guarantee for Rs. 0·25 lakh for the tender was under process with their bankers and actually furnished it on the 12th July 1974. Although relaxation in respect of furnishing bid guarantee subsequent to date of opening of tenders was given in another case (procurement of 132 KV isolaters against specification IDA/OSEB/4), on this occasion, the lower offer of firm Q was rejected. As regards

100 *per cent* payment against the railway receipt, the possibility of getting the condition withdrawn by the tenderer was not explored, as was done in the case of purchase against specification IDA/OSEB/2.

The CWPC having communicated IDA's approval (September 1974), an order was placed on the firm E on the 23rd April 1975 for supply of accessories at a cost of Rs. 19·63 lakhs *f. o. r.* destination. As compared to the rate of the lowest tenderer Q, this meant an extra expenditure of Rs. 0·76 lakh.

The Board stated (September 1976) that in the case of specification IDA/OSEB/4, in view of financial advantage involved, a special consideration was made as the bank issued the bid guarantee on the 20th June 1974 when the tenders were to be opened on the 19th June 1974 ; in the instant case the gap between dates of opening of the tender and the issue of the bid guarantee was not equally close.

The matter was referred to Government in July 1976 ; their reply is awaited (May 1977).

10.3.5. *132 KV Current transformers*—The Superintending Engineer (Transmission) invited (January 1974) global tenders for procurement, *inter alia*, of 232 (132 KV) transformers, 112 transformer current transformers and 120 line current transformers. Offers were received from five firms and opened on the 19th June 1974. The lowest offer was from firm U at Rs. 12,575 each, *f. o. r.* destination, for transformer current transformer and at Rs. 15,000 each *f. o. r.* destination, for line current transformer. It offered 112 transformer current transformers required by the Board and only 30 line current transformers. Subsequently on the 6th August 1974 it informed the Superintending Engineer (Transmission) that it could supply all the line current transformers required. The Chief Engineer (Electricity), submitted his proposals to the CWPC on the 23rd August 1974, by which time firm U had offered to supply the entire quantity of line current transformers, recommending procurement of 112 transformer current transformers and 30 line current transformers from firm U and the remaining 90 line current transformers from firm T whose offer at Rs. 16,200 each *f. o. r.* destination, was the second lowest. The CWPC did not agree (26th November 1974) to splitting of the quantities. The offer of firm U to supply the full quantity was not considered even at that stage, nor was this fact reported to the CWPC. The Board reiterated its original proposal to split the purchase orders. After obtaining the approval of IDA (January 1975), orders were placed (April 1975) on firms U and T. Placement of the order for 90 line current transformers on firm T at the higher rate of Rs. 16,200 each *f. o. r.* destination meant an extra expenditure of Rs. 1·11 lakhs (including 3 *per cent* central sales tax).

The Board stated (September 1976) that since the offer of U to supply the additional 90 transformers was made after tenders were opened it was not considered.

The matter was referred to Government in July 1976 ; their reply is awaited (May 1977).

10.3.6. *Other points of interest*—The materials ordered against IDA credit were consigned to different destinations in the jurisdiction of divisions at Jeypore and Bhubaneswar, in charge of construction of the transmission lines. There were delays in taking delivery of 91 consignments from the Railways, resulting in payment of demurrage and wharfage charges totalling Rs. 0·83 lakh from September 1975 to June 1976. Delay in the Bhubaneswar Division was attributed (October 1975 to September 1976) by the consignees (sub-divisional officers) to late receipt of railway receipts and intimation from the supplier firms. The reasons for delay in the other division were not available (May 1977).

10.4. Schemes from Board's resources and against credit from the Rural Electrification Corporation Limited

10.4.1. Apart from the lines being constructed with financial assistance provided by IDA, the Board had a programme to construct three 132 KV lines (43 circuit kilometres long) from its own resources and four 132 KV special transmission schemes (228 circuit kilometres long) from loans given by the Rural Electrification Corporation Limited (REC).

Board's schemes—The details of the three lines taken up from the Board's own resources are:

Scheme	Date of administrative approval	Date of technical sanction	Estimated cost	Actual expenditure (March 1976)
(1)	(2)	(3)	(4)	(5)
			(Rupees in lakhs)	
132 KV line to Bhubaneswar (10 kms.)	June 1975	August 1975	17·32	Information awaited
Rayagada-Thiruvalli (second circuit—19 kms.)	June 1975	August 1975	18·64	6·29
Chainpal-Fertiliser Plant, Talcher (double circuit—14 kms.)	June 1975	August 1975	13·93	14·15

The transmission line between Chainpal and the Fertiliser Corporation of India's Plant at Talcher was completed and charged in June 1975; administrative approval and technical approval were given *post facto*. The work on the other two lines was in progress (May 1977). Specific dates by which the works were to be completed were not indicated in the orders giving administrative approval.

10.4.2. *Special Transmission schemes*—The Chairman of the Board proposed in 1971-72 schemes for construction of the following extra high tension transmission lines and construction or extension of sub-stations, to cater to the load demands arising out of intensive rural electrification.

Special Transmission Scheme	Length of lines		Details of sub-stations		Estimated cost (Rupees in lakhs)
	132 KV	33 KV	132/133 KV	33/11 KV	
(1)	(2)	(3)	(4)	(5)	(6)
	(Kilometres)				
Bolangir scheme—132 KV single circuit line from Kesinga to Bolangir	72·0	65	2X12·5 MVA	1X1000KVA 4X500 KVA	95·43
Balasore-Cuttack scheme—132 KV single circuit line from Jajpur to Bhadrak	46·4	Nil	Ditto	Nil	69·76
Balasore-Mayurbhanj scheme—132 KV single circuit line from Bhadrak to Balasore	70·0	48	Ditto	Nil	98·20
Ganjam scheme—132 KV single circuit line from Berhampur to Aska	40·0	47	Ditto	4X1000KVA 8X500 KVA	97·87

The schemes were to be financed partly from loans totalling Rs. 2,89·01 lakhs from the REC.

Loans aggregating Rs. 2,89·01 lakhs, payable in three instalments, were sanctioned by the REC in December 1971, May 1972 and September 1972. The schemes were to be executed within three years from the date of sanctioning the loan. The schemes were administratively approved by the Board between March 1972 and February 1974 for the following amounts :

		(Rupees in lakhs)
Bolangir ST scheme	..	95·43
Balasore-Cuttack ST scheme	..	69·76
Balasore-Mayurbhanj ST scheme	..	98·20
Ganjam ST scheme	..	97·87

The first instalment of the loans (Rs. 52·24 lakhs) on these schemes was drawn by the Board in March 1972 (Rs. 17·03 lakhs) and February 1973 (Rs. 35·21 lakhs).

The Chief Engineer (Electricity) accorded technical sanction for construction of the 132 KV lines and connected sub-stations (132/33 KV) between April and August 1975. The estimated cost of construction in the technical estimates was substantially higher than the estimated cost in the scheme as approved by the REC as indicated below:—

Name of special Transmission Scheme		Estimated cost as approved by the REC		Estimated cost as technically sanctioned		Expenditure (March 1976)
		132 KV lines	132/33KV sub-station/ extension	132 KV lines	132/33 KV sub-station/ extension	
(1)		(2)	(3)	(4)	(5)	(6)
		(Rupees in lakhs)				
Bolangir	..	43·32	33·56	65·96	53·12	33·13
Balasore-Cuttack	..	36·45	30·72	43·28	52·92	2·72
Balasore-Mayurbhanj	..	46·66	36·43	73·90	51·95	0·16
Ganjam	..	29·42	37·26	37·78	55·18	16·12

Comparison has been confined to the 132 KV portion of the scheme for which technical estimates were available.

Revised estimates had not been approved by the REC (May 1977).

Work was started on the Bolangir special transmission scheme during April 1972, on the Balasore-Cuttack and Balasore-Mayurbhanj schemes in May 1973 and on the Ganjam scheme in March 1974. Progress on the 132 KV lines was slow as the tender for towers could not be finalised expeditiously as mentioned in paragraph 10.4.3. Orders for the towers and accessories were placed in June 1976 and these items were to be supplied by June 1978. Orders for procurement of other materials required for construction of the lines and sub-stations (approximate value : Rs. 367 lakhs) were placed between 1973 and 1975.

10.4.3. *Procurement of materials*—Twenty-two purchase orders for a total value of Rs. 501·53 lakhs were placed on different firms between March 1973 and June 1976 for the supply of materials required as detailed below:—

		Value (Rupees in lakhs)
Transmission lines		
Towers	..	1,34·28
Conductor	..	85·03
Others	..	63·96
Sub-station		
Power transformers	..	88·44
Others	..	1,29·82

Purchases of potential transformers, AC/DC Boards and ACSR Panther conductor were mentioned in paragraphs 27.9 and 9.1 of the Reports of the Comptroller and Auditor General of India for the year 1973-74 and 1974-75 (Commercial) respectively. Some points noticed in respect of certain other purchases are given below :

10.4.4. *132 KV single circuit towers*—Tenders were invited by the Superintending Engineer (Stores and Purchase) in October 1972 for design and fabrication of 1,199 single circuit towers (including cost of steel) for use on the five extra high tension transmission lines, namely, Khurda-Bhubaneswar, Berhampur-Aska, Jajpur Road Bhadrak-Balasore in the 200 kilograms per square metre wind pressure zone (599 towers), and Thiruvalli-Kesinga and Kesinga-Bolangir in the 100 kilograms per square metre wind pressure zone (600 towers). The last date for receipt of tenders was the 12th December 1972 which was extended to the 28th February 1973, as the Chief Engineer (Electricity) considered that the time given originally was insufficient.

Tenders, received from the following firms, were opened on the 28th February 1973 :

Firm	*f. o. r.* destination price as computed in the Board
	(Rupees in lakhs)
(*i*) E	87·85 (lowest)
(*ii*) W	89·61 (2nd lowest)
(*iii*) A	96·77 (3rd lowest)
(*iv*) B	1,04·48 (4th lowest)

The tenders were considered by the Board on the 6th September 1973; the reasons for the delay in considering the tenders were not on record. The validity of the offers was got extended from time to time. The lowest offer from firm E was found technically suitable and it was decided to place orders on it for most of the requirements. It was further decided to place orders to the extent of 15 *per cent* of the total value on firm A, a Government of Orissa undertaking, at the lowest tenderer's rates; but the firm expressed its unwillingness (September 1973) to take such a small order.

A letter of intent was placed on firm E on the 13th September 1973 for the design and fabrication of 1,096 different varieties of towers, aggregating 3,137·21 tonnes valued at Rs. 72·49 lakhs, (including cost of steel) ex-works Dum Dum, Calcutta. The draft contract stipulating the terms and conditions was forwarded to the firm in December 1973. The firm suggested (February 1974) modifications of certain terms and conditions in the draft contract. Before these suggestions were finally dealt with, the firm approached

(April 1974/June 1974) the Board for an increase in the prices quoted earlier by it on the ground that there had been an increase in the cost of materials and wages.

On the 10th May 1974, firm A submitted a revised offer on its own for design and fabrication of towers, *etc.* as follows:—

Design, fabrication, galvanisation of tower members ..	Rs. 2,140 per tonne	Ex-works Hirakud
Design, fabrication, part galvanisation of stubs	Rs. 1,300 per tonne	

Steel was to be supplied by the Board.

The rates, subject to variation in respect of cost of zinc and furnace oil, were valid for a period of 30 days from the 10th May 1974. No action was taken on this revised offer.

The Chief Engineer (Electricity) discussed the matter with representatives of firm E in October 1974 when the firm stipulated several new conditions like :

(*i*) increase in the cost over the earlier offer by Rs. 400 per tonne ;

(*ii*) price variation for labour and furnace oil ;

(*iii*) furnishing indemnity guarantee instead of bank guarantee.

Before a decision was taken in the matter, firm A made another offer on the 19th October 1974 for design and fabrication of towers at Rs. 2,200 per tonne ex-works, including painted templates but excluding cost of steel, bolts and nuts, with price variation in respect of zinc and furnace oil ; the offer was valid for 30 days. The Chief Engineer recommended (November 1974) to the Board for consideration of the offer for acceptance. After considering the possibility of discussions with both A and E it was finally decided on the 20th August 1975 that, in view of the considerable delay, negotiations might be held with firm A.

Negotiations were accordingly held between August and October 1975, after which the firm offered the following rates:—

(*i*) for design, fabrication and galvanisation of tower members	Rs. 2,500 per tonne less 2 1/2 *per cent* discount
(*ii*) for design, fabrication and painting of stubs	Rs. 1,500 per tonne less 2 1/2 *per cent* discount

These rates did not include cost of steel, bolts and nuts.

The firm wanted 20 *per cent* advance payment of the value of the order.

After further negotiations, a letter of intent was placed on firm A on the 7th February 1976 and the purchase order was placed on the 19th June 1976. Supply of towers was to commence within six months of the placement of clear orders and completed within 18 months thereafter. Requirements of transmission towers and accessories for another line between Rayagada and Thiruvalli were included in this order, raising the total quantity to 3,297 tonnes —3,285 tonnes of galvanised tower members and extensions and 12 tonnes of painted stubs. The unit rate per tonne of items included in the order was as under :—

For design, fabrication and galvanisation for tower members	Rs. 2,375
For design, fabrication and painting for stubs	Rs. 1,460

(These rates were exclusive of the cost of steel, bolts and nuts)

It may be noticed that the Board took about 39 months to place the purchase order (June 1976) after the tenders were opened (February 1973). The extra cost to the Board due to non-acceptance of the original offer of the lowest tenderer E with reference to the rates given to A in the purchase order in June 1976 could not be precisely worked out as E's rates were inclusive and A's rates were exclusive of the cost of steel. Without taking into account the cost of steel, the extra cost was about Rs. 2 lakhs ; this would be substantially more if the cost of steel is also reckoned.

The matter was referred to the Board in June 1976 and to Government in October 1976; their reply is awaited (April 1977).

10.4.5. *132 KV potential transformers*—The Superintending Engineer (Stores and Purchase) invited tenders for supply of 30 potential transformers (132 KV) required for 132 KV grid and other sub-stations in June-July 1973. Four offers, from firms X and V for imported equipment and firms S and Y for indigenous equipment, were received (October 1971). All the offers were found to be technically suitable. The lowest rate offered by firm X for imported transformers at Rs. 15,783 each, *f. o. r.* destination, was not accepted as the CWPC advised (August 1972) that indigenous transformers be procured.

The lowest offer for indigenous transformers was from firm S at Rs. 25,241 *f. o. r.* destination, valid up to the 12th November 1971. This was revised in January 1972 to Rs. 26,307 (valid till the 29th February 1972), and in September 1972 to Rs. 28,101. The offer was valid till the 15th November 1972. Delivery was to commence in 26 months and was to be

completed at 5 units per month from the date of commencement of delivery. Firm Y offered the rate of Rs. 32,550 *f. o. r.* destination (offer was valid till the 15th November 1972) and delivery was to commence in 15 months from the date of the purchase order and to be completed at the rate of 3 units per month.

The delivery schedule offered by firm S (26 months) was considered by the Contract Committee to be too long and it was decided (November 1972) to place the order on firm Y. Order was accordingly placed in April 1973 for 30 transformers at a negotiated price of Rs. 27,020 ex-works Angamally (*f. o. r.* destination price working out to Rs. 28,570). The supplier was to have commenced delivery in June 1974 and completed it by May 1975 ; in fact, delivery commenced in October 1975 (after 29 months) and 27 transformers were supplied by January 1977. Delay in supply was subject to penalty at half *per cent* per week, subject to a maximum 5 *per cent*, of items in the contract which were not delivered within the stipulated delivery period. No penalty was levied (June 1976) for the delay. The penalty leviable computed at the maximum rate of 5 *per cent* was Rs. 0·41 lakh. The additional expenditure of a lakh of rupees on the purchase from Y, computed with reference to the rate of S in October 1971, did not serve the purpose of expeditious receipt of the transformers.

One consignment of six transformers (Rs. 1·71 lakhs approximately) booked in favour of the Sub-divisional Officer, Choudwar, reached Charbatia Railway Station on the 13th November 1975. The consignment was cleared on the 30th December 1975, after paying Rs. 0·10 lakh as demurrage charges. The delay in clearing the consignment was attributed (February 1976) by the division to—

(*a*) receipt of the advance intimation from the supplier on the 21st November 1975 ;

(*b*) non-acceptance of bank guarantee by Superintending Engineer (Stores and Purchase); and

(*c*) delay in getting funds from the Pay and Accounts Office.

The Management stated (September 1976) that "there is no knowing if firm S would have also made delay in making supplies for the same reason for which firm Y made delay". It was also stated that the penalty and the demurrage paid would be recovered from the bank guarantee furnished by the firm. Recovery had not been effected (January 1977).

The matter was referred to Government in July 1976 ; their reply is awaited (May 1977).

10.4.6. *Procurement of 33 KV outdoor type current transformers*—The Superintending Engineer (Stores and Purchase) invited tenders in May 1974 for supply of 282 outdoor type current transformers (33 KV) of two ratings (200—100—50—1—1—1—Amp and 400—200—100—1—1—1—Amp). The tenders, scheduled to be opened on the 19th July 1974, were opened on the 8th August 1974.

Offers were received from ten firms. On the 6th November 1974 the Contract Committee decided to place orders on firm X, the offer of which was the lowest of those considered. The offer of firm DD was rejected as its offer was not valid for 90 days from the date of opening of tenders. The next three firms were passed over as they had not deposited earnest money or their offers were not valid for the prescribed period. An order was placed on firm X on the 9th January 1975 for 273 current transformers of rating 200—100—50/1—1—1—Amp at Rs. 3,900 each (DD's offer : Rs. 2,880) and 9 current transformers of rating 400—200—100/1—1—1—Amp at Rs. 4,025 each (DD's offer : Rs. 2,800) *f. o. r.* Thana, Bombay inclusive of 3 *per cent* central sales tax.

Rejection of the lowest offer of firm DD involved an extra expenditure of Rs. 3·16 lakhs.

The Management stated that no action was taken on the offer of firm DD because the offer was invalid and warranted no action. It may be mentioned that the firm had indicated in writing on the 6th November 1974 its willingness to extend the validity of its offer and that, strictly speaking, on the day tenders were considered (6th November 1974) none of the tenders was valid, as tenders were valid only for 90 days from the 8th August 1974.

The matter was referred to Government in October 1976 ; their reply is awaited (May 1977).

10.4.7. *Purchase of dynamometers*—The Superintending Engineer (Stores and Puchase) invited tenders in April 1974 for supply of 10 dynamometers of 20 tonne capacity, for use in the construction of extra high tension lines. Order for the supply of 10 dynamometers was placed (October 1974) on the lowest tenderer EE at Rs.16,160 each *f.o.r.* destination, exclusive of excise duty and taxes. The dynamometers were received in December 1974 and Rs. 1·62 lakhs were paid.

In June 1975, the utility of these dynamometers in stringing 132 KV/220 KV extra high tension lines was examined in the technical wing of the Board. The Chief Engineer (Electricity) opined (August 1975) that "20 tonne dynamometer calibrated in steps of 500 kgs. would not give accurate reading in stringing of lines where the tension is 7·5 to 8 tonnes".

In October 1975 the firm was asked to take back the ten 20 tonne dynamometers and to supply, instead, 10 tonne dynamometers. The firm did not agree on the ground that the 20 tonne dynamometers were manufactured against specific orders and normally there was no demand for 20 tonne capacity dynamometers except for 400 KV lines. All these dynamometers were idle (March 1977). Government stated (March 1977) that the dynamometers would be preserved for utilisation in 400 KV lines to be taken up by the Board in future.

11. TARIFF AND REVENUE

11.1. Tariff

The Board is empowered under Sections 46 and 49 of the Electricity (Supply) Act, 1948 to fix a grid tariff for supply of power to licensees as also tariff for supply of power to consumers other than licensees. Section 59 of the Act lays down that the Board shall not, as far as practicable and after taking credit for any subventions from the State Government under Section 63 of the Act *ibid*, carry on its operations at a loss and shall adjust its charges accordingly from time to time.

It was mentioned in paragraph 24.1 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) that the tariff structure introduced from August 1966 continued to be in force till December 1974 and a new tariff was introduced from January 1975.

The details of the tariff structure introduced in January 1975 are given below:—

Category of consumers	Tariff (August 1966)	Tariff (January 1975)
Large industries	*Demand charges*	*Demand charges*
	Rs. 9 per KVA per month for first 4,000 KVA	Rs. 10 per KVA per month up to 4,000 KVA
	Rs. 8 per KVA per month above 4,000 KVA	Rs. 9 per KVA per month above 4,000 KVA
	Energy charges	*Energy chnrges*
	8 paise per unit for the first 10 lakh units per month	12 paise per unit per month for the first 400 units per KVA of contract demand
	7 paise per unit over 10 lakh units per month	11 paise per unit per month for each unit supplied in excess of 400 units
	Overall maximum	*Overall maximum*
	10 paise per unit	14·5 paise per unit

Category of consumers	Tariff (August 1966)	Tariff (January 1975)
Medium industries (Demand of 20KW and above)	*Energy charges*	*Energy charges*
	14 paise per unit per month	18 paise per unit for first 200 units per KW of contract demand
		17 paise per unit for all units in excess of the above
Small Industries (Demand up to 20 KW)	As above	As above
Irrigation pumping and agricultural	12 paise per unit per month	16 paise per unit per month
Commercial lighting and small power	28 paise per unit for the first 100 units per month	34 paise per unit for the first 100 units
	23 paise per unit per month for all excess over 100 units	29 paise per unit per month in excess thereof
Cinema, theatres *etc.*	28 paise per unit for the 100 units per month	34 paise per unit for the first 150 units
	25 paise per unit for rest per month	31 paise per unit in excess thereof
Domestic power, lighting	For the first 30 units 28 paise per unit	31 paise per unit for the first 30 units
	For the next 50 units 20 paise per unit	23 paise per unit for the next 50 units
	Over 80 units 13 paise per unit	16 paise per unit for units in excess of 80 units.
Public water works and sewerage pumping	*Demand charges*	*Demand charges*
		Rs. 10 per KVA up to 4,000 KVA
		Rs. 9 per KVA beyond 4,000 KVA
	No separate tariff	*Energy charges*
		11 paise per unit for the first 200 units per KVA of demand
		9 paise per unit in excess of the above
		Overall maximum
		13 paise per unit

Category of consumers	Tariff (August 1966)	Tariff (January 1975)
Railway traction		*Demand charges*
		Rs. 10 per KVA of maximum demand for first 4,000 KVA
		Rs. 9 per KVA in excess of 4,000 KVA
		Energy charges
		12 paise per unit for the first one lakh units
		10 paise per unit in excess of the above
		Overall maximum
		13·5 paise per unit
		Supply at 132 KV and above
		A rebate of 1 paise per unit in energy charges and overall maximum charges is permissible
General purpose tariff	*Demand charges*	
	Rs. 9 per KVA per month	Rs. 10 per KVA of maximum demand
	Energy charges	
	12 paise per unit	15 paise per unit
	Overall maximum	
	15 paise per unit	18 paise per unit
Street lighting	*Energy charges*	
	21 paise per unit	26 paise per unit
	Maintenance charges	
	Different rates are specified for different types of street light points	Different rates are specified for different types of street light points

Notes : (*a*) All categories of tariff are subject to payment of minimum charges prescribed.

(*b*) Rebate is allowed for prompt payment in respect of certain categories namely, large industries, medium industries, small industries, railway, traction (in new tariff), general purpose tariff.

(*c*) Certain categories of consumers are liable to pay surcharge for delayed payments.

In addition to the rates indicated in the tariff, a fuel surcharge at an *ad hoc* rate of 0·65 paise per unit was also introduced effective from January 1975.

The important features of the revised tariff are as follows :—

(*i*) Ten *per cent* general surcharge levied from July 1972 was merged in the revised tariff ;

(*ii*) a separate tariff was introduced to govern power supply to railway traction ;

(*iii*) penalty for drawal of power in excess of the demand contracted was introduced for the first time in respect of large industries ;

(*iv*) the revised tariff did not apply to power intensive and heavy industries, for which a separate tariff was introduced from April 1975.

The fuel surcharge of 0·65 paise per unit levied from January 1975 was provisional and subject to adjustment at the end of each financial year with reference to the price of coal. No such adjustment had been carried out (May 1977) in respect of 1974-75 and 1975-76.

Introduction of tariff for power intensive and heavy industries—There are eight power * intensive and heavy industries in the State. Power sold to these industries was a large portion of the total sales as shown below :—

	Percentage to total sales
1973-74 ..	71
1974-75 ..	68
1975-76 ..	71

Power was sold to these industries at concessional rates fixed in accordance with decisions made by the State Government. The concessional rates paid by these industries during 1974-75 ranged between 1·89 paise per unit and 7·58 paise per unit. A coal surcharge of 0·62 paise was levied in February 1971 but it was contested by some units.

* Power intensive industry is an industry where the process of manufacture is electro-chemical or electro-metallurgical with a minimum operational load factor of 80 *per cent.* Heavy industry is an industry requiring supply of power with a contract demand of 45,000 KVA and above.

The Board received about Rs. 28 lakhs from Government up to March 1976 as subsidy for loss sustained in supplying power to these industries. The Board asked (September 1974) the State Government to agree to a uniform tariff for power intensive industries based on costs with a percentage of profit on capital. In September 1974, they submitted detailed statements of costs and proposed fixation of a new tariff for the period up to 1978-79, on the basis of economic rates. The bare costs (*i.e.* excluding provision for profit and reserves) and the economic rates proposed by the Board were as follows :—

Point of supply	At bare cost	As proposed by the Board at economic rates inclusive of 3·5 *per cent* profit on capital
	(In paise per unit)	
Supply at Extra High Tension at generating station bus	5·648	6·842
Supply at end of Extra High Tension transmission and transformation, *i.e.* grid sub-station 33/11 KV busbar	8·128	10·027
Supply at end of High Tension Transmission (*i. e.* supplies at High Tension away from grid sub-station)	15·778	18·580

In October 1974, Government informed the Board that "the rates for power intensive industries should normally cover the cost of production of energy by the State Electricity Board, which is at six paise per unit. These rates should be reviewed periodically every 5 years so that energy production costs are covered".

The Board worked out the following basic tariff rates (coal surcharge was to be levied separately):

Rates for EHT at power station bus		4·965 paise
Rates for EHT supply	..	7·150 paise
Rates for HT supply	..	7·650 paise

On the basis of these rates, special power tariff applicable to the power intensive industries and heavy industries was worked out and prescribed (exclusive of fuel surcharge of 0·65 paise per unit effective from January 1975) from the 3rd April 1975 for different types of consumers as shown below:—

I. Power intensive industries

(*a*) for supply at 11/33 KV

Demand charges	*Unit charges*
Rs. 30 per KVA	2 paise per unit

(*b*) for supply at 132/220 KV (10,000 KVA and above)

Rs. 30 per KVA	1·5 paise per unit

(*c*) for supply at 132/220 KV (45,000 KVA and above)

Rs. 20 per KVA	0·5 paise per unit

II. Heavy industries

(*a*) for supply at 11/33 KV (45,000 KVA and above)

Rs. 15 per KVA	9·7 paise per unit

(*b*) for supply at 132/220 KV (45,000 KVA and above)

Rs. 15 per KVA	3·9 paise per unit

A study of the computations leading to fixation of the economic rates showed that for the purpose of cost of generation, the cost per unit of power from the Balimela project was reckoned at 5·809 paise. The rate actually being paid by the Board to Government from the 15th August 1973 was 7 paise per unit. The power purchased from Balimela for distribution through the Board's system was 1984 million units during the period 1975-76 and 1976-77 ; in 1975-76, Balimela power was 47 *per cent* of the total power sold by the Board.

Although a uniform tariff applicable to all power intensive industries was evolved as indicated above, two industries were supplied power at 6·656 paise per unit which was lower than the tariff rate of 8·356 paise per unit. This was done on the ground that power was supplied to them from the Machkund system and the rate per unit payable to Government by the Board for such power would be 1·8 paise. It may be mentioned that Government charged the Board 3·4 paise per unit for power supplied from the Machkund system. Also, the pooled costs for purpose of tariff fixation were the average of costs of supply from different sources including Machkund.

11.2. Revenue

The following table shows the revenue earned by the Board during the three years up to 1975-76, together with power sold and the percentage of growth:—

		1973-74	1974-75	1975-76
Power sold (in Mkwh)	..	1,844·02	1,995·12	2,513·29
Percentage of increase	..	..	8·2	25·6
Revenue (Rupees in lakhs)	..	1,574·97	1,854·25	3,035·73
Percentage of increase	..	..	17·7	63·7

Increase in revenue was greater than the inrease in the quantum of sale mainly becuase of the revision of the tariff early in 1975.

The composition of consumers and the consumption of power for the three years ending 1975-76 are indicated in the table given below:—

Category of consumer	Number of consumers			Power consumed (Mkwh)			Percentage to total consumption		
	1973-74	1974-75	1975-76	1973-74	1974-75	1975-76	1973-74	1974-75	1975-76
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1. Domestic									
(*a*) Lights and fans (*b*) Small power ..	1,34,435	1,57,812	1,84,194	47·4	48·8	61·1	2·57	2·45	2·43
2. Commercial									
(*a*) Lights and fans (*b*) Small power ..	63,290	64,976	66,610	41·0	44·0	46·0	2·23	2·20	1·83
3. Industrial									
(*a*) Low and medium voltage ..	6,149	7,258	8,463	43·7	54·6	55·9	2·38	2·74	2·22
(*b*) High voltage ..	164	162	167	1,313·0	1,372·0	1,788·2	71·20	68·80	71·15
4. Public lighting ..	1,256	1,543	1,875	6·9	6·9	7·7	0·37	0·35	0·31
5. Railways									
(*a*) Traction ..	4	4	4	49·7	54·0	71·0	2·70	2·71	2·83
(*b*) Non-traction ..	116	127	126						
6. Irrigation and Agriculture ..	1,871	2,611	3,575	7·9	8·9	8·9	0·43	0·46	0·36
7. Public water-works and sewerage pumping	395	421	460	21·6	21·0	27·0	1·17	1·05	1·07
8. Supplies in bulk to extra state consumers and others	51	63	63	312·8	384·9	447·5	16·95	19·24	17·80
Total ..	2,07,731	2,34,977	2,65,537	1,844·0	1,995·1	2,513·3	100·00	100·00	100·00

The following table indicates the contribution of each category of consumers in the total revenue of the Board from sale of electricity for the three years ending 1975-76:—

Category of consumer	Revenue earned			Percentage to total revenue		
	1973-74	1974-75	1975-76	1973-74	1974-75	1975-76
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(Rupees in lakhs)					
1. Domestic						
(a) Lights and fans; (b) Small power	1,00·48	1,27·04	1,90·54	6·36	6·80	6·00
2. Commercial						
(a) Lights and fans; (b) Small power	1,11·42	1,24·35	1,60·45	7·20	6·70	5·30
3. Industrial						
(a) Low and medium voltage	1,01·15	1,07·17	1,40·52	6·40	5·70	4·70
(b) High voltage	9,36·42	10,08·58	17,79·01	59·34	54·50	58·60
4. Public lighting	15·19	17·71	21·01	0·90	0·90	0·80
5. Railways						
(a) Traction; (b) Non-traction	56·38	68·01	96·22	3·60	3·60	3·20
6. Irrigation and Agriculture	17·36	21·40	22·85	1·10	1·20	0·90
7. Public water-works and sewerage pumping	30·53	31·78	43·44	2·00	1·80	1·50
8. Extra state consumers and other bulk consumers	206·04	348·21	581·69	13·10	18·80	19·00
Total ..	15,74·97	18,54·25	30,35·73	100·00	100·00	100·00

Consumers in the domestic and commercial category, who took less than 5 *per cent* of the total power supplied, contributed 11 to 14 *per cent* of the total revenues. Industrial consumers (low, medium and high voltage) who took 72 to 74 *per cent* of the total supplied, contributed from 61 to 65 *per cent* to the total revenues. Consumption by irrigation and agricultural consumers of the total power supplied and their contribution to total revenues were negligible.

The revenues assessed and collected in the three years are given below:—

Year	Balance outstanding at the beginning	Revenue assessed during the year	Total due for collection	Amount collected during the year	Balance outstanding at the end of the year
(1)	(2)	(3)	(4)	(5)	(6)
	(Rupees in lakhs)				
1973-74 ..	4,46·77	15,74·97	20,21·74	14,89·83	5,31·91
1974-75 ..	5,31·91	18,54·25	23,86·16	17,86·50	5,99·66
1975-76 ..	5,99·66	30,35·73	36,35·39	27,29·50	9,05·89

It may be seen that in each year around three-fourth of the total due for collection was actually collected and the balance outstanding had increased.

Expenditure on meter-reading, billing, collection accounting, *etc.* during each of the three years was as follows :

Year	Total number of consumers	Average revenue per consumer (Rupees)	Total units sold in (Mkwh)	Average revenue per unit sold in paise	Total expenditure on meter reading, billing, etc. (Rupees in lakhs)	Expenditure per kwh sold in paise
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1973-74 ..	2,07,731	764·45	1,844·02	9	64·40	0·35
1974-75 ..	2,34,977	798·56	1,995·12	9	79·76	0·40
1975-76 ..	2,65,537	1,155·92	2,513·29	12	91·44	0·36

11.3. Supply of energy to power intensive consumers

(*i*) A consumer, manufacturing aluminium at Hirakud, was being supplied power under the agreements executed with the State Government in 1957 and 1960. These special agreements, which were for a period of 25 years and to run concurently, have no clauses conferring power on the supplier to revise the tariff. The Board as successors to the State Government are operating on these contracts.

The Board's attempt to revise the rates chargeable under the subsisting contracts was mentioned in paragraph 24.11.1 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial). Further developments in this regard are indicated below :

The consumer contested (April 1971) the levy of coal surcharge by the Board in February 1971 and, on a writ filed by the Consumer, the Orissa High Court struck down (March 1974) the Board's levy of coal surcharge. The Board went in appeal against this judgement to the Supreme Court; the Supreme Court held (July 1975) that neither the Electricity (Supply) Act, 1948 nor regulations framed thereunder empowers the Board to abrogate special contracts executed under Section 49 of the Act.

Acting on the instructions of the State Government (September 1973), the Board had unilaterally revised (November 1973) the tariff from 1·9 paise per unit to 4·28 paise per unit (inclusive of 0·62 paise coal surcharge). Bills raised against the consumer at this rate were withdrawn in view of the High Court's judgement making coal surcharge inapplicable and revised bills were sent at 3·66 paise per unit. The consumer filed a writ petition in the Orissa High Court contesting the revised rate. In October 1974, the High Court issued an interim order directing the consumer to pay bills at a revised rate of 3·66 paise per unit pending final disposal of the writ petition.

The Board was billing the consumer at 5·13 paise from the 3rd April 1975 per unit according to the general revision of power intensive tariff; the consumer was paying at 1·9 paise per unit.

(*ii*) Under an agreement signed in May 1970 and effective for 15 years, the Board supplies power to a consumer at Ganjam at a concessional rate of 3·5 paise per unit. The Board had charged the consumer according to the provisions of the agreement, but the consumer did not pay the full amount on the ground that the rates and other conditions of the agreement were not acceptable to him. The consumer had paid for power at 3 paise per unit and had filed an arbitration suit (June 1970); the matter was *sub-judice* (May 1977).

The Board introduced a tariff for power intensive industries with effect from the 3rd April 1975 and billed the consumer at the revised rate. The consumer again filed (September 1976) a suit at the sub-judge's court, Berhampur praying for arbitration on the applicability of the tariff. This matter was also *sub-judice* (May 1977).

An amount of Rs. 236·08 lakhs was outstanding against the consumer (May 1977).

(*iii*) Mention was made in paragraph 24.10.3 of the Report of the Comptroller and Auditor General of India for the year 1973-74 (Commercial) of the supply of power to the Ferro-Chrome Plant of the Industrial Development Corporation of Orissa Limited, Jajpur Road. The revised tariff for power intensive consumers was made applicable to this consumer from the 3rd April 1975.

The revised tariff, *inter alia*, stipulates that "the average power factor of the supply shall be arrranged by the consumer to be not less than 90 *per cent*. The monthly charges for factory consumption shall be increassed by 0·5 *per cent* for each *per cent* or part thereof by which the average power factor during a month falls below 90 *per cent*".

The meter reading statements in respect of the consumer for the period April 1975 to June 1976 showed that the average power factor ranged between 74 and 86 *per cent*. The monthly charges, however, were not increased as stipulated in the tariff, resulting in under-recovery of Rs. 2·89 lakhs. On this being pointed out in the audit (August 1976), the conusmer was billed for the amount (December 1976); information about actual realisation was awaited (March 1977).

(*iv*) An agreement to run for a period of ten years was entered into (December 1957) with a consumer for its ferro-manganese plant at Joda. The consumer is a power intensive industry and the contract demand as mentioned in the agreement was 16,000 KW. The agreement expired in December 1967. Thereafter, no written agreement was entered into with the consumer but power was supplied at special rates.

As mentioned earlier, the Board introduced (April 1975) a special tariff applicable to power intensive consumers in two parts, representing demand charges and energy charges. To record the maximum demand, a separate meter (trivector meter) has to be fixed. As such a meter was not fixed, the divisional office charged the consumer on the basis of maximum demand, as recorded by a switch board attendant from a kwh meter (there is a separate sub-station to supply power to this consumer exclusively). In May 1975, the consumer protested stating that this method of computing the maximum demand was not fool-proof. In June 1975, it was agreed between the Board and the consumer that after the installation of a trivector meter, power supplied from April 1975 to the date of installation of the meter would be charged on the basis of the readings of the new meter over the three calendar months following its installation.

The trivector meter was installed on the 12th November 1975. The energy bills (from April 1975 to November 1975) raised earlier were revised (January 1976) on the average of meter readings for November 1975 (19,000 KVA) and December 1975 (19,200 KVA) although, it had been agreed earlier that readings for three months after installation of the meter were to form the basis.

The average meter reading for the three months from December 1975 to February 1976 was 19,467 KVA as against 19,000 KVA taken as the basis for revising the bills. This resulted in short billing of Rs. 0·88 lakh in energy charges and of Rs. 0·13 lakh in electricity duty, for the period April to December 1975. On this being noticed in audit (July 1976), the divisional office revised the bills of the consumer and the amount was reported (October 1976) to have been realised.

(v) *Sale of power to Rourkela Steel Plant*—Mention was made in paragraph 24.11.3 of the Report of the Comptroller and Auditor General of India for 1973-74 (Commercial) regarding power supplied to this consumer.

Consequent on the introduction of the new tariff from April 1975, tariff rate II Heavy Industries (a) became applicable to the Rourkela Steel Plant. Prior to this date, the supply to this consumer was governed by a special agreement and the plant was paying a composite rate of 7·586 paise per unit. Under the new tariff the consumer became liable to pay monthly charges at 70 *per cent* load factor and 90 *per cent* power factor as follows:

Reservation (that is demand) charges at the rate of Rs. 15·00 per KVA of contract demand *plus*

Energy charges at the rate of 9·7 paise per unit.

The Composite unit rate under this tariff was 13·611 paise. The consumer declined to pay at this tariff and continued to pay at the pre-revised rates. It was contended that the new rate was disproportionately high as compared with the existing rate of 7·586 paise. It was held by the Board that even though the rate was comparatively high, it compared favourably with the prevailing rates charged by the Damodar Valley Corporation from the Durgapur Steel Plant (16·084 paise per unit for 33 KV supply) and by the Madhya Pradesh State Electricity Board from the Bhilai Steel Plant (12·17 paise per unit for 132 KV supply). It was also pointed out that the load of the Rourkela Steel Plant., which tended to be much higher for part of the time, cast by its nature a more onerous burden on the Board's system than the Durgapur and Bhilai Steel Plants on the electricity system supplying them with power and therefore justified a higher tariff. In

December 1975, at the instance of the State Government, an all inclusive composite rate of 15 paise per unit, including electricity duty, was agreed on between the parties, which was to be suitably split into a reservation charge and unit charge in a technical level meeting between the two parties.

On the 10th February 1976, it was decided that the composite rate of 15 paise was to be split up into reservation charge and unit charge at 70 *per cent* load factor and 90 *per cent* power factor, as follows:

Demand charges:	Rs. 15 per KVA of reservation demand
Energy charges:	7·855 paise per unit

The composite rate of these two part charges worked out to 11·766 paise per unit; in addition, 3·235 paise was to be collected as electricity duty. The difference between the composite rate as per the general tariff fixed for power intensive and heavy industries and the rate as fixed for the plant is 1·845 paise per unit. On 530·699 million units of power supplied to the plant from April 1975 to March 1976, the amount forgone by the Board, because less was charged than the normal tariff for the year, was Rs. 97·91 lakhs.

11.4. Supply of power to the Madhya Pradesh State Electricity Board

In January 1976, the State Government asked the Board to supply to the Madhya Pradesh State Electricity Board (MPSEB) up to 1250 KVA from the Balimela Power House through the existing line from Chandili in Koraput district to Jagdalpur in Madhya Pradesh. It was indicated that the supply could be made on a "no profit no loss" basis taking into account the cost of generation at Balimela at the ultimate stage *plus* the cost of transmission up to the border to Madhya Pradesh.

Power was supplied from the 20th January 1976. The MPSEB was charged 12·62 paise per unit,-6·19 paise as the cost of generation *plus* 6·43 paise cost of transmission. The MPSEB agreed (May 1976) to pay only at 8 paise per unit stating that the Government of Orissa had agreed in 1969 to supply power up to 5 MW on "no profit no loss" basis, out of power generated at Hirakud Power House; this did not materialise and hence power supplied to them at Jagdalpur should be treated as in lieu of the power assured earlier.

No written agreement was entered into with the MPSEB (March 1977).

The power house at Balimela is owned by the State Government and the power generated is sold to the State Electricity Board at 7 paise per unit. The rate charged from the MPSEB, which included 6·19 paise for cost of generation, is thus understated by 0·81 paise per unit.

During the period January 1976 to January 1977, 7·14 million units of power were supplied to the MPSEB for which Rs. 9 lakhs were billed as energy charges and Rs. 3·35 lakhs as electricity duty and Rs. 195 as meter rent; MPSEB disputed the liability to pay the electricity duty and meter rent. Amounts pending recovery included energy charges (Rs. 3·29 lakhs) and electricity duty (Rs. 3·35 lakhs) (March 1977).

11.5. Public lighting system

The Board supplies power to local bodies like Municipalities and Panchayat Samitis for public lighting. The public lighting system is also maintained by the Board and periodical repairs and replacement of lamps are attended to by the field units of the Board in the different localities. The tariff prescribed by the Board stipulates that charges are to be collected separately from local bodies for maintenance of the public lighting system, apart from current consumption charges. A study of the expenditure incurred by the Board in the maintenance of the public lighting system and the revenue realised to cover this expenditure, for the three years ended 31st March 1976, showed that the expenses incurred by the Board on maintenance were not fully recouped, as given below:

Year		Expenditure	Revenue	Deficit
		(Rupees in lakhs)		
1973-74	..	22·03	9·25	12·78
1974-75	..	28·88	11·61	17·27
1975-76	..	29·92	18·24	11·68
				41·73

11.6. Under-billing

(i) Three large industrial consumers in the Sundargarh Electrical Division at Rajgangpur are fed from three transformers installed primarily for them. The Board, however, tapped the transformers for supply of energy to some residential quarters and to three villages nearby.

The power supplied to the residential quarters and the villages for domestic consumption is metered separately at the transformers substation and is deducted from the bills of the three consumers. Power supplied to the quarters and the villages is also billed for separately, on the basis of readings in meters in consumers' premises. A study of

the figures of energy supplied to the quarters and villages as metered in the sub-station, and the total number of units billed for during the period 1973-74 to 1975-76 were as follows:—

		(In lakhs of units)
Total units metered	..	2·56
Total units billed	..	0·71
Difference	..	1·85

The divisional office stated (September 1976) that non-billing of 1·85 lakh units (Rs. 0·31 lakh) would be investigated. A further report was awaited (May 1977).

(ii) According to the tariff prescribed by the Board for large industries and for general purpose, demand charges and unit charges as payable at the prescribed rates, subject to overall maxima. The tariff is applicable for power supplied at 33 or 11 KV. The Board may, at its discretion, supply power to these categories of consumers at 400 volts. In such cases, the tariff prescribes that the tariff rates shall be increased by 10 *per cent*. It was noticed in audit that for one large industry and nine general purpose consumers in the Dhenkanal Electrical Division of the Board, to whom power was being supplied at 400 volts, demand charges and unit charges were not increased by ten *per cent* as prescribed; because of this, the Board's claims on the customers were understated by Rs. 1·21 lakhs from the dates supply started (between April 1972 and April 1975) up to March 1976. It was reported that demands against the consumers were raised for the difference; the fact of realisation was not intimated (May 1977).

(iii) The National Coal Development Corporation Limited draws power (contract demand 3600 KVA) from the Board for its collieries at South Balanda under an agreement signed in May 1969. The meter fixed in one of the colonies (colony 11) was reported to have become defective in January 1973. It was removed in April 1973 and was replaced by a new meter in September 1975. There was no meter during the intervening period to record consumption of energy in the colony.

According to the procedure followed by the Board for billing consumers whose energy meters are defective, energy consumed (till the meter is repaired) is charged for on the average consumption in the three months prior to meter becoming defective. In this case, the consumer was billed on the basis of average consumption recorded during the months January 1973 to March 1973 when the meter was known to be defective, instead of the average consumption between October 1972 and December 1972. This resulted in under-billing to the extent of Rs. 0·18 lakh for the period January 1973 to August 1975. On this being pointed out in audit, a demand for the amount under-assessed was stated (September 1976) to have been raised against the consumer on the 30th August 1976; information regarding realisation of the amount was awaited (May 1977).

(iv) *Supply of power to a steel industry*—A consumer in Rajgangpur entered into an agreement with the Board in July 1969 for five years for drawal of power, the contract demand being 280 KVA. The consumer was governed by the tariff applicable to large industries. As the actual current consumption was found to be lower than the demand contracted, the consumer executed a fresh agreement in January 1972 for a contract demand of 125 KVA.

During September 1974, the sub-divisional officer (equipment, meter and relay sub-division) checked the meter installed in the consumer's premises and found that the current transformer connection was reversed, with the result that the meter was recording consumption only a third of what it should correctly have recorded. The average demand recorded was found to be 60 KVA instead of 100 KVA.

The Executive Engineer of the Electrical Division at Rajgangpur revised (February 1975) the bills of the consumer from July 1969 to August 1974, as a result of which the consumer became liable to pay arrears amounting to Rs. 0·50 lakh. The consumer had not paid the amount (May 1977).

(v) *Supply of power to an ice factory*—The Board supplies power to an ice factory and cold storage at Puri from February 1970. The contract demand is 80 KW and the consumer is governed by the medium industries tariff.

In May 1971, the staff of the Board tested the meter of the consumer and found that the connection from the current transformer to the meter was reversed. The Executive Engineer of the Puri Electrical Division assessd (July 1971) that the power meter was consequently recording only a third of the actual consumption and revised the bills of the consumer from February 1970 to April 1971, levying additional charges totalling Rs. 0·27 lakh. The consumer was served (September 1975) with notice

for disconnection of service for non-payment of dues. On a writ petition filed by the consumer, the Orissa High Court issued orders staying disconnection (September 1976). The revised charges were not paid by the consumer (May 1977) and the arrears including surcharge for delayed payment amounted to Rs. 0·48 lakh.

The divisional office at Puri was reported to be taking steps to file a suit for recovery of the amount against the consumer (May 1977).

11.7. Reduction of contract demand

In December 1971, an agreement was entered into with a consumer at Rengali for supply of power from the Sundargarh Electrical Division, Rajgangpur. The agreement was for five years and for a contract demand of 150 KW. In March 1973, the consumer asked for a reduction in the contract demand to 99 KW as his business was not running well. The consumer stopped payment of energy bills from February 1974 onwards; the line was disconnected in March 1975. The consumer was informed by the Superintending Engineer (Commercial) in July 1975 that reduction in the contract demand would not be allowed during the period of the agreement.

In July 1976, the consumer intimated that the agreement was for a period of two years only according to the attested copy of an agreement supplied to him and pleaded for reduction of demand. On verification with reference to the original agreement retained in the divisional office, it was found that the figure "5" before years indicating the duration of the agreement had been changed to "2" though the alteration was not attested by either of the contracting parties. The period, mentioned in other clauses of the agreement, was not altered. The Executive Engineer of the division asked the revenue divisional accountant, who had worked in the division when the agreement was signed, to explain the position; no reply was reported to have been received from the latter (May 1977).

The consumer informed (May 1974) the Board that he would not pay the energy charges until and unless the reduction in the contract demand was agreed to, as he had executed an agreement only for two years.

Rupees 0·86 lakh were recoverable (December 1976) from the consumer as arrears due from February 1974 to June 1976. The matter was referred to the Board (September 1976); final reply was awaited (May 1977).

11.8. Billing of the consumers at minimum charges or on average meter reading for three months

The assessment of revenue for energy consumed by a consumer is to be made on the basis of the units recorded in the meter installed in the premises of the consumer and demand raised against the party. If the meter becomes defective, energy consumed is charged for on the basis of the average meter readings for three months prior to its becoming defective or the minimum charge given in the relevant tariff, if more. In a study of records pertaining to domestic and commercial categories of consumers made in two divisions, *viz.*, the City Distribution Division, Cuttack and the Puri Electrical Division, Puri the following position was seen.

(i) City Distribution Division, Cuttack

Bills issued in 1974-75 were studied. Billing was by the spot-billing system, that is, the bills were prepared and presented to the consumers at their premises, after their meters were read. The city was divided into 19 cycles; in each cycle, the meter reader covered a certain number of consumers. Out of a total of 20,406 consumers in the division in the two categories, 6,515 consumers (32 *per cent*) were found to have been billed on average readings on the 31st March 1976. In three cycles covering a total of 3,340 consumers, 397 consumers (12 *per cent*) had been billed at the minimum, or the average, throughout the year 1974-75.

(*ii*) Puri Electrical Division, Puri

The position was studied with reference to the years 1975-76 and 1976-77 (up to September 1976). In 37 cycles which were covered under the spot-billing system, out of 13,665 consumers in the domestic and commercial categories, 2,013 consumers (15 *per cent*) were billed at average rates on the 30th September 1976. A detailed study of 8 cycles covering 4,043 consumers, as on the 30th September 1976, indicated that 348 consumers were being billed at average rates for more than one year, 223 consumers for more than six months and 159 consumers for less than six months.

Further, a study of the four cycles covering 1,827 consumers for the period April 1974 to September 1976 (30 months) showed that 66 consumers were billed at average rates, for two years and more, 51 consumers for 18 months to two years and 56 consumers for a year or more, but less than 18 months.

The Management replied (February 1977) that a number of meters in service at consumers' premises were found defective and could not be replaced due to short supply of meters.

BHUBANESWAR, (R. K. CHANDRASEKHARAN)

The *Accountant General, Orissa*

Countersigned

NEW DELHI, (A. BAKSI)

The *Comptroller and Auditor General of India*

APPENDICES

APPENDIX I

(Reference: paragraph 1.5, page 2)

Statement showing arrears in submission of accounts (as in December 1976)

Serial Number	Name of the Company	Year from which accounts were in arrears
	(a) Companies fully owned by Government—	
1	Industrial Development Corporation of Orissa Limited ..	1975-76
2	Orissa Small Industries Corporaion Limited ..	1974-75
3	Orissa Mining Corporation Limited ..	1974-75
4	Orissa Construction Corporation Limited ..	1974-75
5	Orissa Lift Irrigation Corporation Limited ..	1973-74
6	Orissa Forest Corporation Limited ..	1972-73
7	Orissa State Commercial Transport Corporation Limited	1970-71
8	Orissa Fisheries Development Corporation Limited ..	1968-69
	(b) Companies partly owned by Government (Other than Pilot Project Companies)—	
9	Orissa Road Transport Company Limited ..	1975-76
10	Orissa Agro Industries Corporation Limited ..	1971-72
11	Mayurbhanj Textiles Limited ..	1970-71
	(c) Subsidiary Companies—	
12	Hira Steels and Alloys Limited ..	1975-76
13	East Coast Salt and Chemical Industries Limited ..	1973-74
	(d) Pilot Project Companies (Companies working)—	
14	Utkal Foundry and Engineering Company Limited ..	1975-76
15	Rourkela Fabrications Limited ..	1974-75
16	Orissa Instruments Company Limited ..	1973-74

Serial Number	Name of the Company	Year from which accounts were in arrears
17	Spark Battery Manufacturing Works Limited ..	1970-71
18	Orissa Boat Builders Limited ..	1969-70
19	Orissa Agrico Limited ..	1968-69
20	Cuttack Iron and Steel Products Limited ..	1967-68
	(e) Companies whose assets were sold—	
21	Eastern Acquatic Products (India) Limited ..	1973-74
22	Gajapati Steel Industries Limited ..	1969-70
23	Orissa Electrical Manufacturers Limited ..	1967-68
24	Orissa Board Mills Limited ..	1967-68
25	Jagannath Chemicals and Pharmaceuticals Works Limited	1965-66
26	Manufacturer Electro Limited ..	1962-63
	(f) Companies under revival—	
27	Premier Bolts and Nuts Company Limited ..	1967
28	Modern Electronics Limited ..	1965-66
29	Orissa Foundry Company Limited ..	1967-68
30	Orissa Tiles Limited ..	1967-68
	(g) Companies under liquidation—	
31	Modern Malleable Casting Company Limited (March 1976)	1973-74
32	Manorama Foundry Works Limited (March 1972) ..	1968-69
33	Orissa Timber Products Limited (September 1972) ..	1968-69
34	Kalinga Steel and Wire Products Limited (August 1971)	1968-69
35	Chilika Cashew Manufacturing Works Limited (August 1971)	1967-68
36	Orissa Wood Products Limited (March 1972) ..	1967-68
37	Utkal Fruit Products Limited (July 1966) ..	1966-67
38	Balanga Iron Works Limited (July 1971) ..	1965-66
39	Orissa Sports Manufacturing and Fabricators Limited (January 1972)	1963-64
40	Cocacola (India) Limited (May 1964) ..	1963-64
41	Hansanath Ceramic Industries Limited (May 1972) ..	1963-64
42	Kalinga Fruit Products Limited (January 1964) ..	1963-64
43	Madhusudan Chemical Industries Limited (January 1971)	1963-64
44	Orissa Trunk and Enamel Works Limited (January 1971)	1963-64
45	Konark Processing Works Limited (January 1971) ..	1963-64

NOTE: The dates within brackets indicate when the companies went into liquidation.

APPENDIX II

(Reference : Paragraph 1.7, page 2)

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

Sl. No.	Name of the Company	Name of the Department	Date of incorporation	Year of account	Total capital invested	Profit(+) Loss(—)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
							(Rupees in	lakhs)					
	A. Companies wholly owned by the State Government—												
1.	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12th April 1973	1975-76	1,10·50	(+)2·53	..	..	2·53	2·3	74·00	(+)2·53	3·4
2.	Orissa Mining Corporation Limited	Mining and Geology	16th May 1956	1973-74	15,90·18	(—)263·34	62·26	58·57	(—)204·77	..	12,06·82	(—)201·08	..
3.	Orissa Construction Corporation Limited	Works	22nd May 1962	1973-74	1,03·45	(+)15·69	1·78	..	(+)15·69	15·2	1,11·56	(+)17·47	15·7
4.	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	7th January 1964	1969-70	4,41·20	(—)26·90	21·45	Not available	(—)26·90	..	3,91·61	(—)5·45	..
5.	Orissa Fisheries Development Corporation Limited	Forest, Fisheries and Animal Husbandry	8th August 1962	1967-68	58·62	(—)2·42	0·92	0·92	(—)1·50	..	36·17	(—)1·50	..
	B. Companies partly owned by the State Government—												
6.	Orissa Road Transport Company Limited	Commerce and Transport	1st October 1950	1974-75	1,59·43	(—)24·89	..	..	(—)24·89	..	1,64·08	(—)24·89	..
	C. Companies floated under the Pilot Project Scheme—												
7.	Utkal Foundry and Engineering Company Limited	Industries	3rd April 1959	1974-75	6·45	(+)2·22	0·11	..	(+)2·22	34·4	8·27	(+)2·33	28·2
8.	Rourkela Fabrications Limited	Industries	28th March 1959	1974-75	7·79	(+)1·07	0·34	0·34	(+)1·41	18·1	9·68	1·41	14·6
9.	Modern Malleable Casting Company Limited	Industries	2nd September 1960	1972-73	6·30	(—)0·36	0·29	0·29	(—)0·07	..	3·08	(—)0·07	..
10.	Orissa Instruments Company Limited	Industries	14th March 1961	1972-73	1·24	(+)0·37	..	..	(+)0·37	29·8	1·04	(+)0·37	35·6
11.	Eastern Acquatic Products (India) Limited	Industries	6th May 1959	1972-73	0·58	..	..	..	..	..	0·31	..	..
12.	Spark Battery Manufacturing Works Limited	Industries	17th March 1958	1969-70	3·10	(—)0·61	0·35	0·35	(—)0·26	..	6·52	(—)0·26	..
13.	Cuttack Iron and Steel Products Limited	Industries	15th March 1959	1966-67	0·78	(—)0·03	0·04	..	(—)0·03	..	0·73	(+)0·01	1·4
14.	Orissa Tiles Limited ..	Industries	1st September 1959	1966-67	7·50	(—)3·33	0·48	0·48	(—)2·85	..	7·97	(—)2·85	.
15.	Orissa Foundry Company Limited	Industries	18th March 1958	1966-67	3·32	(—)0·22	0·04	..	(—)0·22	..	2·75	(—)0·18	.
16.	Orissa Boat Builders Limited	Industries	18th March 1958	1968-69	3·40	(—)0·49	..	..	(—)0·49	..	1·42	(—)0·49	.
	D. Subsidiary Company-												
17.	East Coast Salt and Chemical Industries Limited	Industries	27th October 1965	1973-74	15·32	(—)2·50	0·55	0·55	(—)1·95		18·09	(—)1·95	..

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

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

3. In case of other companies, capital employed represents *net* fixed assets (excluding capital works-in-progress) *plus* or *minus* working capital.

APPENDIX III

(Reference : paragraph 8.5, page 49)

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

Sl. No.	Name of the Corporation	Name of the Department	Date of incorporation	Year of accounts	Total capital invested	Profit (+) Loss(—)	Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
					(Rupees in lakhs)								
1	Orissa State Electricity Board	Irrigation and Power	1st March 1961	1975-76	174,30·17	..	421·60	421·60	421·60	2·41	163,26·53	421·60	2·58
2	Orissa State Financial Corporation	Industries	20th March 1956	1975-76	..	(+)20·54	39·19	39·19	59·73	..	764·75	59·73	7·81
3	Orissa State Warehousing Corporation	Agriculture and Co-operation	March 1958	1974-75*	34·92	(+)3·09	..	..	3·09	8·85	34·60	3·09	Nil

* Accounts for 1975-76 were not received from the Management (May 1977).

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

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

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

OGP—MP-II (A. G.) 22—1200—20-7-1977