Report of the
Comptroller and Auditor General
of India

for the year ended March 1999

No. 2
Commercial

Government of Orissa

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PREFACE

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

(i) Government companies,

(ii) Statutory corporations, and

(iii) Departmentally managed commercial undertakings.

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

3. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956. There are, however, certain companies which, in spite of Government investment are not subject to audit by the Comptroller and Auditor General of India as Government hold less than 51 *per cent* of their share capital. The details of such companies in which Government investment by way of share capital was more than Rs.10 lakh as on 31 March 1999 is given in Annexure – I.

4. In respect of the Orissa State Road Transport Corporation which is a Statutory corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of the Orissa State Financial Corporation and the Orissa State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 1998-99 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 1998-99 have also been included, wherever necessary.

OVERVIEW

OVERVIEW

1. GENERAL

1.A Government Companies

As on 31 March 1999, the State had 77 Government companies (including 24 subsidiaries), three companies governed by the provisions of Section 619-B of the Companies Act, 1956 and three Statutory Corporations. The total investment in 77 Government companies (including 24 subsidiaries) and three Statutory Corporations was Rs.8318.39 crore consisting of equity of Rs.2328.43 crore and long-term loans of Rs.5989.96 crore. The State Government also guaranteed the repayment of loans raised by some of the Government companies and Statutory corporations. The outstanding guarantee stood at Rs.2525.53 crore as on 31 March 1999 against the loans raised by 16 Government companies and two Statutory corporations.

(Paragraphs 1.2, 1.4 and 1.10)

Through disinvestment and enhancement of its shareholdings, Orissa Power Generation Corporation Limited received an amount of Rs.98.51 crore towards fresh issue of 8 per cent shares while the Government of Orissa received Rs.504.89 crore being 41 per cent of its shareholdings in enhanced equity share capital of this Company.

(Paragraph 1.3.1)

Except one company viz. Neelachal Ispat Nigam Limited, none of the companies and corporations had finalised accounts for the year 1998-99. The accounts of 76 companies and three Statutory Corporations were in arrears ranging from one year to 37 years as on 30 September 1999.

(Paragraph 1.5.1)

According to the latest available accounts, 11 companies and one Statutory Corporation had eroded their paid-up capital of Rs.608.23 crore as accumulated losses of these companies/ corporation agreegated Rs.1191.44 crore.

(Paragraphs 1.6.1.2 and 1.6.2.2)

2. REVIEWS IN RESPECT OF GOVERNMENT COMPANIES

The aspects relating to activities of the Orissa Bridge and Construction Corporation Limited, Execution of Funded Projects by Grid Corporation of Orissa Limited (erstwhile Orissa State Electricity Board), Physical and Financial Performance of Power Sector during the VII Plan and Outstanding dues against Grid Corporation of Orissa Limited were reviewed in audit and some of the main findings are as follows:

2A. Orissa Bridge and Construction Corporation Limited.

The Company had been incurring losses since inception and had accumulated losses amounting to Rs.4.28 crore as against the paid-up capital of Rs.5.00 crore as on 31 March 1997.

(Paragraph 2A.4.1 and 2A.5.1)

The percentage of establishment expenditure to the value of work done ranged from 18.65 to 25.23 during the period from 1992-93 to 1996-97 as against 15 per cent overheads allowed by the State Government on the value of work done resulting in excess expenditure of Rs.3.44 crore.

(Paragraph 2A.8)

Forty two numbers of works valued at Rs.37.61 crore were completed with an abnormal delay ranging from over one year to eight years. Further, 27 works valued at Rs.26.58 crore scheduled to be completed between March 1992 and June 1998 were still in progress.

(Paragraph 2A.9.1)

Eighteen numbers of works valued at Rs.26.80 crore scheduled to be completed between 1985 and 1997 were withdrawn by the respective clients due to delay in execution/ completion.

(Paragraph 2A.10.1)

The Company unauthorisedly retained Government revenue amounting to Rs.0.79 crore during the period 1992-93 to 1996-97 on account of toll charges instead of depositing it into Government treasury. There was also loss of Rs.0.78 crore on account of incurring of establishment expenditure on operation of toll gates in excess of 12 *per cent* commission receivable from the State Government on the total toll collections.

(Paragraph 2A.13)

2B. Review on Execution of Funded Projects by Grid Corporation of Orissa Limited (erstwhile Orissa State Electricity Board)

Default in payment of dues of Power Finance Corporation (PFC) and the Rural Electrification Corporation (REC) necessitated re-phasement of loans by these financial institutions and led to extra liability of Rs.106.04 crore towards interest.

(Paragraph No.2B.2.2)

Delay in drawal/non-drawal of loans from PFC and the International Bank for Reconstruction and Development (IBRD) resulted in payment of avoidable commitment charges of Rs.30.42 crore by the Grid Corporation of Orissa Limited (GRIDCO).

(Paragraph No.2B.2.3 and 2B.2.4.4)

Delay ranging from 28 to 43 months in completion of schemes resulted in non-accrual of projected benefits in terms of reduction in Transmission and Distribution losses and additional availability of power aggregating Rs.62.64 crore *per annum.*

(Paragraph Nos.2B.2.4.1.2(a), (b (ii)), (c), (d) and 2B.2.4.3)

GRIDCO assumed interest liability of Rs.7.18 crore on account of delayed remittance of loan amount by Government of Orissa.

(Paragraph No.2B.2.4.4)

2C. Review on Physical and Financial Performance of Power Sector during the VII Plan:

Only 440 MW of additional capacity could be achieved during the VII Plan period against the target of 1595 MW including spill over work (977 MW) of VI Plan which resulted in incurring of extra expenditure of Rs.55.03 crore towards purchase of power during VII Plan period.

(Paragraph 2C.3.3)

Delay in commissioning of the Hirakud Stage-III Project (7th Unit) led to OSEB having to incur additional cost of Rs.26.96 crore on purchase of power during the VII Plan period.

(Paragraph 2C.5.1.2)

Shortfall in hydel generation during 1987-88 and 1988-89 resulted in extra cost of Rs.123.55 crore.

(Paragraph2C.5.5)

Despite expenditure of Rs.170.46 crore towards improvement of Transmission and Distribution (T&D) system, the T&D losses were 23.94 per cent as against a norm of 15 per cent fixed by the CEA. The T&D losses deprived the Board of sale of power valued at Rs.134.87 crore.

(Paragraph 2C.5.5.2)

2D: Review on Outstanding dues against Grid Corporation of Orissa Limited.

Stock valued at Rs.10.61 crore were lying without issue to works for periods ranging from one to five years which resulted in loss of interest of Rs.4.74 crore

(Paragraph 2D.6.2)

The T&D loss in excess of norm during five years ended 31 March 1998 worked out to Rs.2385.08 crore.

(Paragraph 2D.6.3(e))

Investing of funds raised through issue of bonds and company's surplus funds in Short Term Deposits instead of utilising them to liquidate outstanding dues led to differential loss of interest of Rs.6.52 crore.

{Paragraph 2D.6.4 and 2D.6.4(a)}

Non-prioritisation of liabilities of purchase of power led to payment of Rs.94.90 crore towards Delayed Payment Surcharge.

{Paragraph 2D.7.(i)}

Loans amounting to Rs.68.08 crore from REC and Rs.29.04 crore from PFC for execution of different projects (including rural electrification schemes) were adjusted in their entirety against past dues of GRIDCO thus defeating the purpose of the loans.

{Paragraph 2D.7(ii))}

Other Topics of interest relating to Government Companies and Statutory Corporations

3A Government Companies

Repeated extension of payment schedule despite failure of the consumer to clear his arrears resulted in accumulation of dues upto Rs.88.88 lakh, the prospect of recovery of which by GRIDCO was bleak.

(Paragraph 3A.1.1)

Ineffective pursuance by GRIDCO for issuance of notification by Department of Energy enabling exemption of octroi led to an avoidable expenditure of Rs.27.42 lakh.

(Paragraph 3A.1.4)

Non-completion of Phase I and II of the Orissa Power Sector Reform Project even after 582 *per cent* increase over the originally estimated time led to carry over of the project into Phase III at a cost of Rs.72.96 crore.

(Paragraph No.3A.1.8.2)

Reimbursement claims of consultants amounting to Rs.2.95 crore were paid without verification of supporting documents in violation of the terms of contract.

(Paragraph No.3A.1.8.4)

Using two new gunny bags as packing material despite the recommendation of a committee for using of one used HDPE bag and one new gunny bag resulted in extra expenditure of Rs.28.11 lakh in Industrial Development Corporation of Orissa Limited.

(Paragraph 3A.2.1)

Delay in payment of energy charges by Orissa Hydro Power Corporation Limited (OHPC) led to claim of Delayed Payment Surcharge of Rs.1.48 crore.

(Paragraph 3A.3.1)

Delayed decision to allow price escalation resulted in extra expenditure of Rs.71.13 lakh besides non-availment of exemption of excise duty of Rs.23.63 lakh by OHPC.

(Paragraph 3A.3.2)

Adoption of higher rates for hidden charges for labour and overheads resulted in additional expenditure of Rs.24.34 lakh.

(Paragraph 3A.3.3)

Due to delayed commissioning of Crushing and Screening Plant, Orissa Mining Corporation Limited incurred wasteful expenditure of Rs.17.21 lakh towards energy charges besides operational loss of Rs.2.02 crore.

(Paragraph 3A.4)

Industrial Promotion and Investment Corporation of Orissa Limited incurred infructuous expenditure of Rs.93.79 lakh towards preliminary expenses in the promotion of a joint venture that could not come up in addition to idle investment of Rs.4.51 crore.

(Paragraph 3A.5)

There was loss of Rs.32.47 lakh in Orissa Forest Development Corporation Limited due to failure to transport timber within the prescribed time.

(Paragraph 3A.8)

3B Statutory Corporation

Orissa State Financial Corporation (OSFC) suffered differential loss of interest of Rs.1.07 crore due to raising bonds in excess of requirements.

(Paragraph 3B.1)

OSFC extended Short Term Working Capital Loans in violation of extant guidelines of the Factoring Services Scheme resulting in likely loss of Rs.206.63 lakh.

(Paragraph 3B.2)

CHAPTER – I

GENERAL VIEW

OF GOVERNMENT COMPANIES

INCLUDING DEEMED GOVERNMENT

COMPANIES AND

STATUTORY CORPORATIONS

CHAPTER – I

GENERAL VIEW OF GOVERNMENT COMPANIES INCLUDING DEEMED GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

Chapter – I

1. General view of Government Companies and Statutory Corporations

1.1 Introduction

As on 31 March 1999, there were 77 Government companies (including 24 subsidiaries) and three Statutory corporations under the control of the State Government. The accounts of the Government companies (as defined in section 617 of the Companies Act, 1956) are audited by Statutory Auditors appointed by the Government of India on the advice of the Comptroller and Auditor General of India (CAG) as per the provision of Section 619 (2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit of the statutory corporations are conducted under the provisions of the respective Acts as detailed below:

Sl. No.	Name of the Corporation	Authority for Audit by the CAG	Audit arrangements
1.	Orissa State Road Transport Corporation(OSRTC)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole Audit by CAG
2.	Orissa State Financial Corporation (OSFC)	Section 37(6) of the State Financial Corporation Act, 1951	Chartered Accountants and supplementary Audit by CAG
3.	Orissa State Warehousing Corporation(OSWC)	Section 31(8) of the State Warehousing Corporation Act, 1962	Chartered Accountants and supplementary Audit by CAG

1.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March, 1999, the total investment in 80 Public Sector Undertakings (77 Government companies including 24 subsidiaries and three statutory corporations) was Rs.8318.39 crore {equity: Rs.2328.43 crore (including share application money Rs.86.64 crore) and long-term loans: Rs.5989.96 crore} as against a total investment of Rs.6977.18 crore {equity: Rs.2050.17 crore (including share application money Rs.74.54 crore) and long term loans: Rs.4927.01 crore} as on 31 March, 1998 in the same number of Public Sector Undertakings. An analysis of the investment in PSUs is given in the following paragraphs.

1.2.1 Government Companies

Total investment in 77[*] companies (including 24 subsidiaries) as on 31 March, 1999 was Rs.7563.25 crore (equity: Rs.2108.24 crore and long term loans: Rs.5455.01 crore) as against total investment of Rs.6230.27 crore (equity: Rs.1833.57 crore, long-term loans: Rs.4396.70 crore) as on 31 March 1998.

The classification of the Government companies was as under:

Status of companies	**Number of companies[$]**	**Investment (Rupees in crore)**		**Number of companies referred to BIFR**
		Paid up capital	**Long term loan**	
(a) Working Companies	**40** (47)	2070.03 (1795.36)	5431.43 (4381.96)	**6[e]**
(b) Non-Working Companies				
(i) Under liquidation	15[a] (22)	0.37 (0.37)	-- --	
(ii) Under closure	19[b] (8)	26.56 (26.56)	13.25 (11.61)	**2[f]**
(iii) Under merger	2[c] (Nil)	11.25 (11.25)	10.33 (3.13)	**--**
(iv) Others	1[d] (Nil)	0.03 (0.03)	-- --	**--**
Total	77 **(77)**	**2108.24** **(1833.57)**	**5455.01** **(4396.70)**	**8**

Note: Figures in brackets relate to previous year.

[*] Orissa Maritime and Chilka Area Development Corporation Limited and Orissa Fish Seed Development Corporation Limited (Sl.No.43 and 57 of Annexure-2) were merged into one Company namely Orissa Pisciculture Development Corporation Limited. However, particulars in Annexure 2, 3 and 4 have been indicated separately for both the companies.

[$] Referemce to Sl. Nos. in Annexure 2.

[e] Sl.No.: 5, 22, 35, 36, 45 & 75.

[a] Sl.No. : 10, 11, 12, 14, 16, 17, 24, 25, 30, 60, 61, 62, 64, 65 and 66.

[b] Sl.No. :6, 9, 13, 15, 18, 19, 20, 23, 27, 28, 29, 33, 34, 37, 55, 58, 69, 72 and 74.

[f] Sl.No.: 28 & 37.

[c] Sl.No. : 43 and 57.

[d] Sl.No:63.

As 37 companies were either non-working or under process of liquidation/ closure under Section 560 of the Companies Act or under process of merger for 6 years to 37 years and substantial investment of Rs. 61.79 crore was involved in these companies, effective steps need to be taken for their expeditious liquidation or revival. Of these companies, one company namely Orissa Tiles Limited is defunct since 1976 and the management is with private shareholders.

The summarized financial results of Government companies are detailed in Annexures 3. Due to significant increase in long term loans in the industry, textiles, power and finance sectors, the debt equity ratio increased from 2.40:1 in 1997-98 to 2.59:1 in 1998-99.

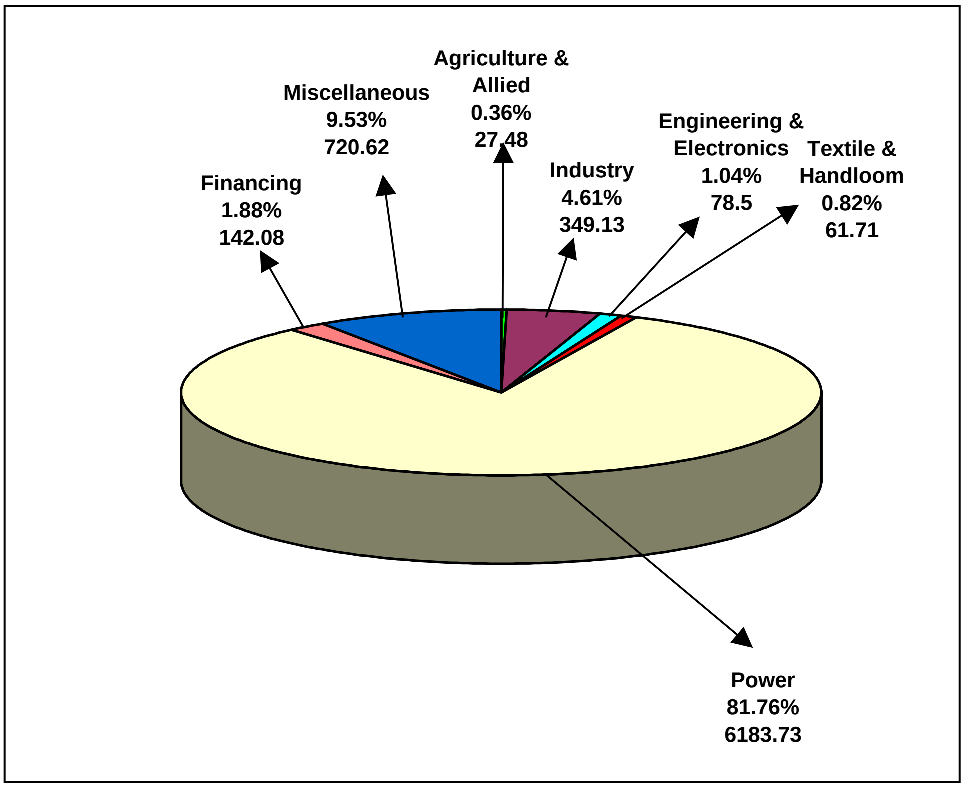
Sector wise investment in Government Companies

As on 31 March 1999, of total investment in Government companies comprised of 27.87 *per cent* equity capital and 72.13 *per cent* loans as compared to 29.43 *per cent* equity and 70.57 *per cent* loans as on 31 March, 1998.

The sector-wise investment (equity and long-term loans) in Government Companies at the end of 1997-98 and 1998-99 is given below in two pie diagrams.

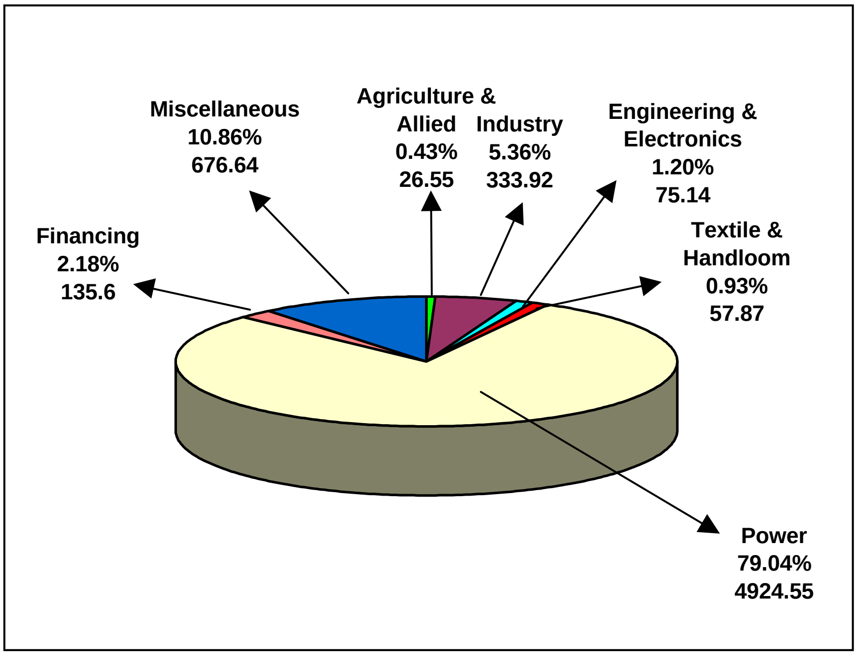
POSITION AS ON 31 MARCH, 1999

RUPEES IN CRORE



POSITION AS ON 31 MARCH, 1998

RUPEES IN CRORE



1.2.2 Statutory corporations

The total investment in three statutory corporations at the end of March 1999 and March 1998 was as follows:

[Rupees in Crore]

Name of Corporation	1997-98		1998-99 (Provisional)	
	Capital	**Loan**	**Capital**	**Loan**
Orissa State Road Transport Corporation (OSRTC)	125.83	28.49	129.43	23.04
Orissa State Financial Corporation (OSFC) (1998-99)	87.57	501.19	87.57	511.59

Orissa State Warehousing Corporation (OSWC)	3.20	0.63	3.20	0.31
Total	**216.60**	**530.31**	**220.20**	**534.94**

As on 31 March 1999, the total investment in statutory corporations comprised of 29.16 *per cent* equity capital and 70.84 *per cent* loans as compared to 29 *per cent* equity capital and 70 *per cent* loans as on 31 March 1998. The debt equity ratio increased from 2.37:1 in 1997-98 to 2.43:1 in 1998-99 due to increase in the loan of OSFC.

The summarized financial results of the three statutory corporations as per the latest finalised accounts are given in Annexures - 3 and the financial position and working results of individual statutory corporations for the three years upto 1998-99 are given in Annexures 5 and 6.

1.3 Disinvestment, Privatisation and Restructuring of Public Sector Undertakings in Orissa.

1.3.1 Disinvestment of Shares

As part of the reform process and also to mobilise resources for further investments in the power sector, Government of Orissa decided (August 1996) to disinvest 26 *per cent* of share holdings in the Orissa Power Generation Corporation Limited (OPGC). Subsequently, the State Government decided (January 1998) to increase the disinvestment to 49 *per cent* through a combination of fresh issue of shares to the extent of 8 *per cent* of the enhanced equity share capital and sale of shares of the State Government to the extent of 41 *per cent*. The shares of OPGC were evaluated as per guidelines issued by the Union Ministry of Finance for determining its fair value of shares. The fair value of share (face value Rs.1000/-) was determined to be ranging between Rs.1,234 and Rs.1,534 per share.

The disinvestment was done through international competitive bidding. Out of seven tenderers, the offer of M/s AES Corporation, USA, was accepted (May 1998). The company has received (2 December, 1998) an amount of Rs.98.51 crore towards fresh issue of 8 *per cent* of shares (3,92,174) while the Government of Orissa has received (4 February, 1999) an amount of Rs.504.89 crore from disinvestment of their shareholdings (41 *per cent* of enhanced share capital 20,09,891 shares).

1.3.2 Merger

The erstwhile Orissa Maritime and Chilka Area Development Corporation Limited (OMCAD) and Orissa Fish Seed Development Corporation Limited (OFSDCO) were merged together and a new company namely the Orissa Pisciculture Development Corporation Limited (OPDC) had been formed with effect from 15 October 1998. At the time of the merger, the equity of OMCAD and OFSDCO was Rs.6.24 crore and Rs.5.01 crore respectively.

1.4 Budgetary outgo, Subsidies, Guarantees, and Waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government of Government companies and statutory corporations are given in Annexures 2 and 4.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the three years upto 1998-99 in the form of equity capital, loans, grants and subsidy is given below:

	1996-97				1997-98				1998-99			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
	(Amount Rupees in crore)											
Equity Capital	11	631.54	2	4.00	12	65.20	2	3.01	5	76.39	1	3.30
Loans	8	422.51	1	5.00	4	5.85	2	7.64	4	132.51	1	5.75
Grants	--	--	--	--	--	--	--	--	--	--	--	--
Subsidy towards												
(i)Projects/Programs/ Schemes									3	104.60	1	2.25
(ii) Other Subsidy	4	163.06	1	6.75	5	112.44	2	4.80	2	0.45	1	1.60
Total Subsidy									5	105.05	2	3.85
Total outgo	**15#**	**1217.11**	**2#**	**15.75**	**12#**	**183.49**	**3#**	**15.45**	**10#**	**313.95**	**2#**	**12.90**

During the year 1998-99, the State Government had guaranteed loans aggregating Rs.724.95 crore obtained by four Government companies (Rs.692.05 crore) and one Statutory corporation (Rs.32.90 crore). At the end of the year, guarantees amounting to Rs.2,525.53 crore against 16 Government Companies (Rs.2,148.71 crore) and two Statutory corporations (Rs.376.82 crore) were outstanding. There were three cases of default (companies: two, corporation: one) in repayment of guaranteed loans during the year. Government had forgone Rs.4.44 crore by way of giving moratorium on loan repayment in one company* (Rs.0.25 crore) and one corporation## (Rs.4.19 crore) during 1998-99. The Government also converted loans amounting to Rs.6.00 crore into equity capital in one company. The guarantee commission paid/payable to the Government by Government companies and Statutory corporations during 1998-99 was Rs.15.13 crore and Rs.11.82 crore respectively.

Actual number of companies/ corporations which received equity/ loan/ subsidy from the State Government.

* A 16 of Annexure 4.

B 2 of Annexure – 4.

1.5 Finalisation of accounts by PSUs

1.5.1. The accounts of companies for every financial year ought to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from Annexure 3, only one Government company (Neelachal Ispat Nigam Limited) out of 77 Government companies and three Statutory corporations had finalised its accounts for the year within the stipulated period. During the period from October 1998 to September 1999, 28 Government companies finalised 32 accounts for the year 1998-99 or previous years (31 accounts for previous years by 28 companies and one account for 1998-99 by one company). Similarly during this period, the statutory corporations finalised 3 accounts for previous years (3 accounts for previous years by 2 corporations). The accounts for 76 Government Companies and all the three statutory corporations were in arrears for periods ranging from one year to 37 years as on 30 September 1999 as detailed below:

Sl.No.	Year from which accounts are in arrears	No.of years for which accounts are in arrears	No.of Companies/ Corporations		Reference to serial No.of Annexure – 3	
			Government Companies	Statutory Corporations	Government Companies	Statutory Corporations
	1962-63	37 years	1		9	
	1963-64	36 years	2		62 & 66	
	1965-66	34 years	1		10	
	1966-67	33 years	3		16, 24 & 25	
	1967-68	32 years	2		11 & 14	
	1968-69	31 years	4		13,15,64 & 65	
	1969-70	30 years	1		12	
	1971-72	28 years	2		33 & 61	
	1973-74	26 years	2		17 & 60	
	1976-77	23 years	2		19 & 63	
	1981-82	18 years	1		34	
	1982-83	17 years	1		6	
	1983-84	16 years	1		56	
	1987-88	12 years	2		18 & 30	
	1988-89	11 years	1		69	
	1990-91	9 years	2		31 & 55	
	1991-92	8 years	1	1	58	1
	1992-93	7 years	7		1, 27, 28, 29, 44, 59 & 72	
	1993-94	6 years	5		20, 37, 40, 46 & 57	
	1994-95	5 years	7		23, 35, 38, 39, 42, 73 & 74	
	1995-96	4 years	4		26, 43, 75 & 76	
	1996-97	3 years	5		2, 7, 32, 68 & 71	
	1997-98	2 years	8	1	4, 41, 47, 51, 52, 53, 70 & 77	3
	1998-99	1 years	11	1	3, 5, 21, 22, 36, 45, 48, 49, 50, 54 & 67	2

Of the above 76 Government companies whose accounts were in arrears, 35 companies were non working companies[@].

The administrative departments have to oversee and ensure that accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments were apprised quarterly by Audit regarding arrears in finalisation of the accounts, no effective measures had been taken by the Government and as a result, the investments made in these PSUs could not be assessed in audit.

1.5.2 Status of placement of Separate Audit Reports of Statutory Corporations in Legislature.

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Orissa State Road Transport Corporation (OSRTC)	1990-91	--		Accounts from 1991-92 not yet finalised.
2	Orissa State Financial Corporation (OSFC)	1996-97	1997-98	November 1999	
3	Orissa State Ware housing Corporation (OSWC)	1995-96	--		Audit is in progress for 1996-97.

As per Section 33(4) of the Road Transport Corporation Act, 1950, the accounts of the OSRTC as certified by the CAG together with the Audit Report thereon shall be forwarded annually to the State Government and the Government shall cause the same to be laid before the Legislature of the State. However, the Corporation is yet to submit or compile its accounts from the year 1991-92 onwards.

1.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 28 Government companies and two statutory corporations, 18 companies and one corporation incurred an aggregate loss of Rs.423.46 crore and Rs.13.60 crore respectively while eight companies and one corporation earned an aggregate profit of Rs.92.62 crore and Rs.0.95 crore respectively. The remaining two companies neither incurred

[@] Sl.Nos. 6, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 23, 24, 25, 27, 28, 29, 30, 33, 34, 37, 55, 58, 60, 61, 62, 63, 64, 65, 66, 69, 72, & 74 of Annexure 3 and two companies were merged into one (Sl.Nos.43 & 57).

any loss nor earned any profit as their commercial production has not commenced (September 1999).

The summarized financial results of Government companies and Statutory corporations as per latest finalised accounts are given in Annexure 3. Besides, working results of individual corporations for the last 3 years for which accounts are finalised are given in Annexure 6.

1.6.1 Government companies

1.6.1.1. Profit earning companies and dividend

Only one company had finalised its accounts for 1998-99 by September 1999 which is under construction. Out of 27 remaining companies which had finalised their accounts for previous years by September 1999, eight companies earned an aggregate profit of Rs.92.62 crore and all of them earned profit for two or more successive years. The State Government had accepted (August 1996) the recommendations of the Tenth Finance Commission that the State must adopt a modest rate of return on the investment made in Commercial, Commercial and Promotional and Promotional Public Enterprises at the rate of six *per cent* , four *per cent* and one *per cent* respectively as dividend on equity. Out of eight companies which earned profit, four companies paid dividend to the State Government/Holding company as detailed below.

Sl. No.	Name of the Company	Year of accounts for which dividend paid	Profit earned	Amount of dividend paid	Paid up capital	Percen-tage
			(Rupees in Lakh)			
1.	Orissa State Cashew Development Corporation Limited.	1996-97	82.59	4.65	155.04	3
2.	Hirakud Industrial Works Limited. (Subsydiary of the Company at Sl. No.67 of Annexure – 3)	1997-98	68.66	24.02	490.00 (Rs.200 lakh added from Feb 1998)	7.5
3.	Orissa Power Generation Corporation Limited.	1996-97	10459.60	3375.00	45000.00	7.5
4.	Orissa Rural Housing and Development Corporation Limited.	1996-97 1998-99	89.55 -	30.00 15.00 (interim dividend)	400.00 650.00	7.5 -

Of the remaining four companies, while Orissa Construction Corporation Limited and Orissa Film Development Corporation Limited had earned meagre profits of Rs.27.09 lakh (1996-97) and Rs.1.12 lakh (1996-97) respectively and Orissa Small Industries Corporation Limited had earned profit of Rs.42.99 lakh during 1995-96 viz. prior to the adoption of the dividend policy by the State Government, Orissa Hydro Power Corporation Limited did not declare any dividend though it earned a profit of Rs.7778.82 lakh during 1997-98 which constituted 24.25 *per cent* of its equity.

1.6.1.2 Loss incurring companies

Of the 18 loss incurring companies, 11 companies had accumulated losses aggregating Rs.936.65 crore which far exceeded their aggregate paid-up capital of Rs.520.66 crore. In spite of poor performance leading to complete erosion of the paid-up capital, the State Government provided financial support to two companies, namely the Orissa Textile Mills Limited (OTM) and GRIDCO in the form of contribution towards equity and loans, amounting to Rs.195.99 crore during 1998-99.

1.6.2 Statutory corporations

1.6.2.1 Profit earning Statutory corporations and dividend

None of the Statutory corporations finalised their accounts for 1998-99 by September 1999. Out of three statutory corporations, only two statutory corporations finalised their accounts for previous year by September 1999 and only one corporation (OSWC) earned profit of 0.95 crore. This corporation earned profit for two or more successive years.

1.6.2.2 Loss incurring Statutory corporations

The Orissa State Financial Corporation had accumulated losses of Rs.254.79 crore which far exceeded its paid-up capital of Rs.87.57 crore. During the year 1998-99, the financial support provided to the Orissa State Financial Corporation and Orissa State Road Transport Corporation by way of loan and equity amounted to Rs.5.75 crore and Rs.3.30 crore in spite of their poor performance.

1.6.2.3 Operational Performance of Statutory corporations

The operational performance of the statutory corporations is given in Annexure 7. The Orissa State Road Transport Corporation is running only skeletal services and the running fleet of the corporation has come down to 305 buses during 1998-99 from 395 in 1996-97. The total number of employees of the corporation at the end of 1998-99 were 5476. The percentage of utilisation of vehicles is only 41 and the employee vehicle ratio during the year has gone up to 17.95:1 compared to 15.75:1 during the year 1996-97.

The loans disbursed by Orissa State Financial Corporation decreased from Rs.67.11 crore (1996-97) to Rs.44.98 crore (1998-99). On the other hand, amount outstanding with the loanees increased from Rs.705.93 crore (1996-97) to Rs.810.20 crore (1998-99).

1.7 Return on Capital Employed

As per the latest accounts available as on 30 September 1999, the Capital Employed* worked out to Rs.6342.43 crore in 66@ Companies and total return= thereon amounted to Rs.266.70 crore which is 4.20 *per cent* as compared to total return of Rs.22.81 crore (0.55 *per cent*) during the corresponding period ending 30 September 1998. Similarly, the capital employed and total return thereon in case of statutory corporations as per the latest accounts available as on 30 September 1999 amounted to Rs.560.29 crore and Rs.39.78 crore (7.10 *per cent*) respectively as against the total return of Rs.41.85 crore (7.65 *per cent*) during the corresponding period ending 30 September 1998. The details of capital employed and total return on capital employed in case of Government companies and corporations are given in Annexure 3.

1.8 Results of audit by Comptroller and Auditor General of India

During the period from October 1998 to September 1999, the audit of accounts of 28 companies and two corporations were selected for review. None of the companies and corporations revised their accounts after the observations made by the CAG. The net impact of the important audit observations as a result of review was as follows:

Sl.No	Details	No. of accounts		Rupees in lakh	
		Government companies	Statutory corporations	Government companies	Statutory Corporations
(i)	Decrease in profit	1		4.05	-
(ii)	Increase in profit	2		854.81	-
(iii)	Increase in losses	5		283.92	-
(iv)	Decrease in losses			-	-
(v)	Non disclosure of material facts	5		15,765.38	
(vi)	Errors of classification	6		230.13	-

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the companies and corporations are mentioned below:

* Capital employed represents net fixed asset (including capital work in progress) plus working capital except in finance companies and corporations where it represents a mean of agregate of opening and closing balances of paid up capital, free reserves and borrowings (including re-finance).

@ The remaining eight companies have not prepared their first accounts and the particulars of three companies being under liquidation/ closure are not available.

= For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from loss as disclosed in the profit & loss account.

A. Errors and Omissions noticed in case of Government Companies

1. Orissa Hydro Power Corporation Limited (1997-98)

Current liabilities are understated by Rs.423.23 lakh due to non-provision towards cost of material received during the year (Jeypore Rs.6.05 lakh and Rengali Rs.43.08 lakh) and cost of work done measured during the year (UIHEP, Khatiguda Rs.322.18 lakh) and non-accountal of revised cost of compensatory afforestation (UIHEP, Khatiguda Rs.51.92 lakh).

This has also resulted in under statement of current assets by Rs.49.13 lakh and of capital work-in-progress by Rs 374.10 lakh.

2. Grid Corporation of Orissa Limited (1996-97)

(i) The unsecured loans (Rs.135099.90 lakh) do not include Rs.811.00 lakh being the liabilities for payment of over due principal and interest on Life Insurance Corporation of India Limited (LIC) loan availed by the erstwhile OSEB.

(ii) Loss for the year (Rs.29499.66 lakh) has been understated by Rs.1155.37 lakh due to non-provision for payment of guarantee commission to Government on Life Insurance Corporation of India Limited loan (Rs.70.33 lakh), interest on loan received from Orissa Power Generation Corporation Limited (Rs.203.48 lakh), staff related liabilities, other liabilities (Rs.614.93 lakh) and liability towards sales tax (Rs.423.77 lakh) and non-accountal of amount receivable (Rs.157.14 lakh).

3. Industrial Promotion and Investment Corporation of Orissa Limited (1997-98)

Loss for the year (Rs.362.55 lakh) has been understated to the extent of Rs.237.27 lakh due to non provision of additional interest payable (Rs.15.09 lakh), expenditure (Rs.5.27 lakh) and short provision made on doubtful/ loss asset (Rs.171.85 lakh) and incorrect write back of provision (Rs.45.06 lakh).

4. Orissa Construction Corporation Limited (1996-97)

Income from contractors includes an amount of Rs.648.48 lakh being the amount receivable from photo I.D card projects. As this business activity is outside the normal business of the Company, it should have been shown separately as “other income.”

5. Orissa Textile Mills Limited (1997-98)

Due to non-provision of interest and electricity duty, the loss for the year (Rs.1023.74 lakh) has been understated to an extent of Rs.15.42 lakh and the cumulative loss and current liabilities by Rs.39.07 lakh.

B. Errors and Omissions noticed in case of Statutory corporations

1. Orissa State Financial Corporation (1997-98)

The cash and bank balances do not include a sum of Rs.15.49 lakh towards cash and cheques actually received in March 1998. Non-accountal of the cash and cheques has resulted in under statement of cash and bank balance and over statement of loans and advances.

C. Persistent irregularities and system deficiencies in financial matters of the PSUs

The following persistent irregularities and system deficiencies in financial matters of PSUs have been repeatedly pointed out during the course of audit of their accounts but no corrective action has been taken by these PSUs so far:

C (1) Government companies:

1. Konark Jute Limited (1994-95)

Sundry creditors stand understated to the tune of Rs.57.86 lakh due to adjustment of unrelated debit balance of various parties. This netting has resulted in understatement of sundry creditors as well as current assets. This also includes an amount of Rs.12.04 lakh being the balance rolling from year to year since 1987-88 against seven creditors (Jute).

C (2) Statutory corporations:

1. Orissa State Financial Corporation

(Accounts for the year1997-98)

As envisaged in section 37(5) of the State Financial Corporations Act, 1951, the Corporation is required to send a copy of every report of the Auditor to the Comptroller and Auditor General of India at least one month before it is placed before the shareholders. Despite comment issued in earlier years, this provision has not been complied with.

1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings.

During the year ended 30 September 1999, the Committee on Public Undertakings (COPU) held eight meetings and discussed seven reviews and 17 paragraphs of the Audit Report (Commercial) for the years 1987-88 to 1995-96.

The position of discussion of Audit Reports (Commercial) pending in COPU as on 30 September 1999 is detailed below:

Period of Audit Report	Total no. of reviews and paragraphs appeared in Audit Report		No of reviews and paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1987-88 Vol II	4	8	1	3
1987-88 Vol III	4	--	--	--
1988-89	4	5	3	1
1989-90	5	15	3	15
1990-91	5	11	4	5
1991-92	6	17	4	11
1992-93	4	22	4	22
1993-94	4	24	4	21
1994-95	3	21	3	18
1995-96	3	20	2	19
1996-97	4	23	3	21
1997-98	1	14	1	14
Total	47	180	32	150

1.10 619- B Companies

There were three companies covered under Section 619-B of the Companies Act, 1956. The following table indicates the details of paid-up capital and working results of these companies based on the latest available accounts:

(Rupees in crore)

Name of Company	Year of accounts	Paid-up capital	Investment by			Profit (+)/Loss (-)	Accumulated loss
			State Government	Government Companies	Others		
1 Orissa Tools and Engineering Company Limited (Under closure)	1982-83	0.44	-	-	0.44	-	(-)0.43
2. Mamta Drinks and Industries Limited. (Privatised since 19/9/97	1990-91	0.29			0.29	(+)0.13	(-)0.54
3. SN Corporation Limited	1997-98	3.05	-	-	3.05	(+)21.86	(-)25.33

1.11 Companies not subject to audit by Comptroller and Auditor General of India.

The State Government had invested Rs.0.40 crore as share capital in one company which was not subjected to audit by the CAG as the aggregate amount of investment made by the State Government was less than 51 *per cent* of the share capital of this company. The particulars of this company in which the investment of State Government by way of share capital was more than Rs.10 lakh as on 31 March 1999 are given in Annexure 1.

1.12 Readiness of PSUs for Y2K

Out of the public sector undertakings of the State, ten[*] companies and two[**] Statutory corporations have gone for partial computerisation mainly for their accounts, loans, pay particulars, transactions, etc. Out of these PSUs, eight[***] PSUs are equipped with Y2K compliant systems whereas four[#] PSUs have stated that they were taking steps to overcome it in future. However, since

[*] Sl.No.A - 21, 26, 41, 47, 49, 54, 59, 67, 68 and 77 of Annexure- 2.
[**] Sl.No.B – 1 and 2 of Annexure 2.
[***] Sl.No.A – 26, 41, 47, 49, 54 and 77 of Annexure – 2 and Sl.No. B – 1 and 2 of Annexure 2.
[#] Sl.No.A – 21, 59, 67 and 68 of Annexure – 2.

accounts of all these companies are in arrears, Y2K preparedness will be analysed during finalisation of accounts for 1998-99.

CHAPTER – II

REVIEWS IN RESPECT OF GOVERNMENT COMPANIES

This Chapter contains four reviews as indicated below:

Section 2A	**Working of Orissa Bridge and Construction Corporation Limited**
Section 2B	**Review on Execution of Funded Projects by Grid Corporation of Orissa Limited (erstwhile Orissa State Electricity Board)**
Section 2C	**Physical and Financial Performance of the Power Sector during VII Plan**
Section 2D	**Outstanding dues against Grid Corporation of Orissa Limited**

Section 2A Working of Orissa Bridge and Construction Corporation Limited

CHAPTER – II

2A. Review on the working of Orissa Bridge and Construction Corporation Limited

Highlights

The Company had been incurring losses since inception and had accumulated losses amounting to Rs.4.28 crore (provisional) as against the paid-up capital of Rs.5.00 crore as on 31 March 1997.

(Paragraph2A.4.1 and 2A.5.1)

The percentage of establishment expenditure to value of work done ranged between 18.65 and 25.23 during the period from 1992-93 to 1996-97 as against 15 *per cent* overhead allowed by the State Government on the value of work done resulting in excess expenditure of Rs.3.44 crore.

(Paragraph 2A.8)

Forty two number of works valued at Rs.37.61 crore were completed with an abnormal delay ranging from over one year to eight years. Further, 27 works valued at Rs.26.58 crore scheduled to be completed between March 1992 and June 1998 were still in progress.

(Paragraph 2A.9.1)

Eighteen number of works valued at Rs.26.80 crore scheduled to be completed between 1985 and 1997 were withdrawn by the respective clients due to delay in execution/completion.

(Paragraph 2A.10.1)

Injudicious decision to execute the work at a higher rate ignoring the lowest offer resulted in avoidable expenditure of Rs.0.23 crore.

(Paragraph 2A.12.2)

The Company unauthorisedly retained Government revenue amounting to Rs.0.79 crore during the period 1992-93 to 1996-97 on account of toll charges instead of depositing it into Government treasury. There was also loss of Rs.0.78 crore on account of incurring of establishment expenditure on operation of toll gates in excess of 12 *per cent* commission receivable from the State Government on the total toll collections.

(Paragraph 2A.13)

2A.1 Introduction

The Orissa Bridge Construction Corporation Limited, Bhubaneswar, was incorporated in January 1983 as a wholly owned Government company with the primary objective of executing bridge works of the Public Works Department of Government of Orissa economically and efficiently and to break the monopoly enjoyed by private contractors. In 1983, the State Government assigned to the Company the responsibility for collection of toll. It was renamed (April 1986) as the "Orissa Bridge and Construction Corporation Limited" to widen its scope to take up road and building works as well. The Company is mainly engaged in the construction of civil works viz. bridges, roads and buildings.

2A.2. Organisational Set-up

The Management of the Company is vested in a Board of Directors consisting of nine Directors including a full time Chairman. The Managing Director is the Chief Executive of the Company who is assisted by one Executive Director, one General Manager, a Secretary-cum-Senior Manager for secretarial and financial matters, two Senior Managers to look after administrative and technical matters, two Senior Project Managers for quality control and mechanical and electrical works and seven Senior Project Managers for execution of works at field level.

2A.3. Scope of Audit

The working of the Company was last reviewed and results included in the Report of the Comptroller and Auditor General of India for the year 1988-89 (Commercial), Government of Orissa. The Report has not yet been discussed by the Committee on Public Undertakings (October 1999). The present Review conducted during the period from November 1998 to March 1999 covers the overall activities of the Company during the five years ended 31 March 1998.

2A.4. Capital Structure

2A.4.1 Share Capital

The authorised and paid-up share capital of the Company as on 31 March 1997 was Rs.5 crore divided into five lakh equity shares of Rs.100 each fully contributed by the State Government..

2A.4.2 Working Capital

The Company meets its working capital requirements out of the funds received from the State Government and other agencies against allotted and tender works and out of the commission received on account of toll collection made on behalf of the State Government. As on March 1997, the Company had received Rs.116.50 crore against works since inception and collected a total sum of Rs.8.31 crore towards toll charges out of which Rs.1.49 crore was retained towards commission on toll charge since 1983-84. This retention of commission was in violation of Government orders as all money received or tendered on account of revenue of State Government should be deposited without any delay into the treasury/ bank so that it can be included in the Public Account of the State. As regards the commission payable to the Company, the matter has been discussed in the Paragraph 2A.13 *infra*.

2A.5 Financial Position and Working Results

2A.5.1 Financial Position

As against the paid-up capital of Rs.500 lakh as on 31 March 1997, the accumulated loss was Rs.428.04 lakh.

The Company has finalised its accounts upto 1993-94 and prepared provisional accounts upto 1996-97. The financial position of the Company for five years ended 31 March 1997 is depicted in Annexure 8. It would be seen from the Annexure that the accumulated losses mounted from Rs.490.29 lakh in 1992-93 to Rs.537.64 lakh in 1993-94 but came down to Rs.355.92 lakh (provisional) in 1994-95 due to incidence of profit of Rs.181.72 lakh (provisional) after prior period adjustments. Thereafter, accumulated losses mounted again to Rs.428.04 lakh (provisional) in a span of two years ended March 1997.

Government stated (October 1999) that the projected loss was based on provisional figures which may undergo revision in the event of enhancement of rates of material, labour, overheads, etc. by the Government.

The reply is not tenable since the Company had not asked for any enhancement in the rates. Moreover, enhancement of rates would be applicable in respect of on going works only and not for the completed works.

2A.5.2 Working Results

The loss of the Company was attributed to non-completion of works within time schedule, excessive overheads and non-adherence to norms in respect of works expenditure, etc.

The working results of the Company during the five years ended 31 March 1997 are indicated in Annexure 9. The Company had incurred losses ranging between Rs.13.96 lakh and Rs.139 lakh in all the years except in 1994-95. The Company was unable to meet the expenditure on its establishment from out of earnings from works executed in all the years except in 1994-95 during which year the Company could earn a meagre profit of Rs.4.45 lakh. The losses as analysed in audit were primarily due to (i) non-completion of works within the scheduled time, (ii) excessive overheads, (iii) non-adherence to Government norms in respect of works expenditure and (iv) injudicious award of tenders etc. Some instances are discussed in the succeeding paragraphs.

Government stated (October 1999) that the Company had taken steps to increase its turnover by getting more works from other agencies/Government and to curtail the expenditure on both works and establishment.

2A.6. Lack of budgetary control

Annual budget was never placed before the Board of Directors before commencement of the financial year.

As per extant instructions, the Company is to place before the Board its annual budget and obtain its approval before commencement of each financial year. It was noticed in audit that the annual budgets were never placed before the Board for consideration and sanction before commencement of the relevant financial year, thus, denying the Board any opportunity of exercising meaningful control over the budget.

Government stated (October 1999) that the delay in placing of the budget before the Board was on account of delay in passing of the State Budget since the budget of the Company is based on the estimates of the State Budget in respect of works allotted to the Company.

2A.7. Operational Performance

2A.7.1 Construction Performance

A Memorandum of Understanding (M0U) was entered into (February 1997) for the year 1996-97 between the Company and the Works Department (WD) of the State Government under which the Government was to allot a minimum of works worth Rs.12 crore *per annum* to the Company as against Rs.6 crore *per annum* since 1986. However, works valued at only Rs.0.67 crore were allotted to the Company during the year. Subsequently, no MOU had been entered into with the State Government.

The Company obtained tender works by participating in open tenders floated by the State Government and other agencies. The State Government decided (September 1986) to allow price preference upto three *per cent* to the Company over the lowest rates obtained at the time of awarding works on tender basis. During the period under review, the Company executed works as under (both allotted and tender):

	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
		(Rupees in Crore)				
1.	Value of work at the beginning of the year with the Company.	66.22	65.55	65.48	77.52	79.11

	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
		(Rupees in Crore)				
2.	Value of total works awarded by the WD of State Government to various agencies including the Company during the year.	NA	112.66	160.38	161.61	155.01
3.	Value of works obtained during the year.	8.77	11.58	21.86	11.44	0.67
4.	Total value of works at hand. (1 + 3)	74.99	77.13	87.34	88.96	79.78
5.	Advance received during the year	9.94	11.84	9.20	10.85	9.77
6.	Value of work done during the year (including works still in progress).	9.44	11.65	9.82	9.85	10.87
7.	*Percent*age of works executed to total works in hand.	12.59	15.10	11.24	11.07	13.62
8.	Percentage of works awarded to the Company to the value of total works awarded by WD	NA	10.28	13.63	7.07	0.43

During the last three years ending 31 March 1997 the works allotted by the WD to the Company ranged between 13.63 and 0.43 *per cent* while the Company executed works

It would be seen from the above table that the total works obtained by the Company during the period of last three years ended 31 March 1997 declined from 13.63 *per cent* to 0.43 *per cent* of the total works awarded by the Works Department to various agencies. Moreover, the actual works executed by the Company with reference to total value of works at hand ranged between 11.07 *per cent* and 15.10 *per cent*. Since meeting the establishment cost depends on value of work done during the year, such a low *percentage* was one of the primary reasons for the non-absorption of its establishment expenditure.

Further scrutiny of records revealed that the value of the work actually completed (allotted and tendered) during each year as against the estimated cost of work to be completed during that year ranged from only 0.44 *per cent* to 4.41 *per cent* during the years 1992-93 to 1995-96. During 1996-97, the percentage increased to 43.43 *per cent* due to completion of two railway overbridges at Bapuji Nagar and Satya Nagar, Bhubaneswar as indicated in the following table:

	1992-93		1993-94		1994-95		1995-96		1996-97	
	A	T	A	T	A	T	A	T	A	T
	(Rupees in Crore)									
Estimated cost of work to be completed during the year	18.70 (12)	1.74 (6)	16.40 (10)	7.17 (9)	11.14 (10)	0.75 (4)	13.67 (6)	1.55 (4)	15.83 (7)	1.00 (3)
Value of work actually completed during the year	0.09 (1)	--	0.13 (1)	0.91 (2)	--	0.37 (3)	0.39 (1)	--	7.31 (2)	--
Percentage of actual completion	0.44		4.41		3.11		2.56		43.43	

N.B: Figures in bracket indicate number of works.
A: Allotted and T: Tendered

Such a low percentage of achievement was attributed by the Company to non-receipt of sufficient funds, delay in approval of design and drawings and delay in handing over of sites. The funds received were in adequate as compared to the estimated cost of the work to be completed during respective years.

While accepting the audit observation, Government stated (October 1999) that works could not be executed due to want of adequate and timely placement of funds as discussed in paragraph 2A.10 *infra*.

2A.7.2 Tender Participation vis-à-vis Works Obtained

During the years 1992-93, 1993-94 and 1995-96, the Company could obtain only 11 work orders valued at Rs.6.69 crore out of tender participation in 341 works valued at Rs.422.12 crore. During the years 1994-95 and 1996-97, the Company participated in tendering of 68 works valued at Rs.74.32 crore but could not secure any work order.

Despite price preference of three *per cent*, the Company could secure only 2.68 *per cent* of work for which it submitted tenders.

It was noted in audit that despite the price preference of three *per cent*, the Company could secure only 2.68 *per cent* of the work orders for which it had submitted offers during the five years from 1992-93 to 1996-97. Though the Company has not analysed the reasons for its poor performance in securing works on tender participation, it was observed in audit during examination of records of the Chief Engineers (Roads and Buildings), Works Department that quoting of high rates was the primary reason for not securing the works.

Government stated (October 1999) that the rates were quoted higher to maintain quality. It was added that during 1998-99 the Company could obtain four number of works by quoting competitive rates.

The reply is not tenable since due care had not been taken to quote the competitive rates which would have enabled the Company to secure more works.

2A.8. Excess establishment expenditure

As against 15 *per cent* of overhead expenditure allowed by Government, actual overhead expenditure ranged between 18.65 and 25.23 *per cent.*

The *percent*age of establishment expenditure to value of work done ranged between 18.65 and 25.23 *per cent* during the period from 1992-93 to 1996-97 as against 15 *per cent* overhead allowed by the Government on the value of work done. This resulted in excess establishment expenditure of Rs.3.44 crore during the above period which was a contributory factor for the accumulated loss suffered by the Company.

Government stated (October 1999) that the Company had taken measures to cut down the establishment expenditure and the expenditure which was 25.23 *per cent* in 1992-93 had been brought down to 18.65 *per cent* in 1996-97. The fact remains that the establishment expenditure continued to be higher than the norm of 15 *per cent* of the total value of the work done.

2A.9. Execution of Works

2A.9.1 Delay in completion of works

Forty two works valued Rs.41.92 crore were completed with an abnormal delay ranging from one to eight years.

A review of five project Divisions of the Company for the period from 1992-93 to 1997-98 revealed that the Company could complete 68 works (41 allotted and 27 tendered) at a cost of Rs.58.68 crore. Out of the above works, 14 works (allotted 13 and tendered one) valued at only Rs.11.10 crore were completed within the stipulated time, while 12 works valued at Rs.9.97 crore were completed with a delay upto one year and 42 works valued at Rs.37.61 crore were completed with an abnormal delay ranging from over one year to eight years as summarized below:

Extent of delay	No. of Works		
	Allotted	Tendered	Total
One to three years	14	17	31
Three to five years	4	2	6
Five to seven years	3	1	4
Beyond seven years	--	1	1

Further, 27 works valued at Rs.26.58 crore, which were scheduled to be completed between March 1992 and June 1998 were still in progress.

The physical and financial progress of such works could not be analysed in audit due to non-maintenance of complete records both at the Company's head office and at the project office level. The company did not maintain work-wise accounts to determine whether any profit was earned against that work.

Government stated (October 1999) that the delay in completion of works was due to poor flow of funds and delayed approval of designs by the Department/client.

The reply is not tenable in view of the fact that in some cases the advances drawn were more than the value of work done. Further, there were instances of diversion of funds (refer paragraph No.2A.10.1 *infra*).

2A.9.2 Delay in execution of agreements

Agreements in respect of works valued at Rs.22.94 crore were executed either after commencement or after completion of the work.

Out of the completed works, agreements in respect of 12 works (allotted) valued at Rs.22.94 crore were executed with the Department either after commencement of the work or after completion/handing over of the same. The delay in execution of the agreement ranged between one and ten years in respect of 11 works from the date of commencement of work. Further, two works valued at Rs.1.55 crore were executed without any agreement.

Such undue delay in execution of agreements or non-execution of agreements inhibits the ability of the Company to protect its own interest and enforce the terms of agreement in the event of dispute with the Department (paragraph 2A.12.1 *infra*).

Government accepted (October 1999) the facts and noted the Audit observation for future guidance.

2A.10 Works withdrawn by the State Government/other agencies

Due to non-adherence to time schedule, works valued at Rs.15.70 crore were withdrawn by the concerned clients and the Company was deprived of its margin at the rate of 15 *per cent*.

2A.10.1 Works withdrawn by client:

Eighteen numbers of works (allotted 12 numbers, tendered six numbers) scheduled to be completed between 1985 and 1997 were withdrawn by the respective clients during December 1993 to April 1997 due to delay in completion of works for various reasons attributable to the Company. The Company could utilise only Rs.11.10 crore out of Rs.12.66 crore received as advance. The Company had executed the works partly valued at Rs.11.10 crore against the tender cost of Rs.26.80 crore. Thus, the Company had to forego its claim for margin of 15 per cent (Rs.2.36 crore) on account of withdrawal of works valued Rs.15.70 crore due to its failure to adhere to the time schedules set by the State Government/other agencies.

Government stated (October 1999), that the slow progress of work was due to non-release of funds and non-preparation of drawings and designs in time. The reply is not tenable in case of allotted works since the Company had received advances to the extent of more than 50 *per cent* of the estimated cost of works and the value of work executed was only 43.39 *per cent* at the time of withdrawal. It was also noticed in audit that there were instances of diversion of funds for other purposes (Rs.47.05 lakh) which contributed to slow progress of work. As regards delayed submission of drawings and designs, it may be stated that the Company had neither requested the client at any time to expedite the submission of the same nor had requested for compensation for the delay.

2A.10.2 Excess expenditure over agreed rates resulting in loss

In case of two withdrawn tendered works under Choudwar Project Division, the Company incurred an expenditure of Rs.30.24 lakh as against the agreed rates of Rs.21.74 lakh resulting in loss of Rs.8.50 lakh.

2A.11. Excess consumption of steel

There was excess consumption of steel worth Rs.10.97 lakh over the norm.

It was observed in test check that in respect of Badanala bridge (Berhempur Division), a quantity of 462.85 MT of steel was issued as per the stock register. However, at the time of submission of final bill after completion of work (September 1993), the Company showed a quantity of 393.54 MT as consumption as per norm. The particulars of consumption of remaining 69.31 MT of steel valued at Rs.10.97 lakh were not known.

2A.12 Works appraisal

Some of the works executed by the Company were examined in detail and are discussed below:

2A.12.1 High Level Bridges at Babar, Bardhi, Dasmouzi and Kalabuda

Due to execution of works before the formal approval of rates and entering into agreement with contractor, the Company has to suffer a potential loss of Rs.25 lakh.

The Company undertook construction of four high level bridges at Babar, Bardhi, Dasmouzi and Kalabuda during 1991-92 and 1992-93 at a cost of Rs.6.11 crore by engaging a contractor (Shri B.K.Sahoo). Subsequently in July 1992 and March 1995, the Technical Committee (TC) of the Department set-up to scrutinise all such proposals, approved the rates for all the works except the one at Bardhi. Agreements were executed during 1995-96 in respect of the TC approved works. For the work at Bardhi, TC approval as well as agreement is yet to be made (October 1999).

It was seen in audit that the rates quoted by the contractor were higher than the rates approved by the TC by 9.82 *per cent* to 29 *per cent*. The value of work done as per the rates approved by the TC amounted to Rs.1.11 crore for which the contractor had claimed Rs.1.36 crore. The contractor received payment of Rs.95.39 lakh towards the work done by him upto 1994-95 under protest. Subsequently, the contractor abandoned all the works in July 1995 and insisted for payment at his quoted rate. In 1997, he filed a legal suit in Honourable High Court for finalisation of his claim. The High Court while reserving their opinion on merit directed (November 1998) the Company to finalise the matter within three months. The Company has, however, yet to take a final decision in the matter (September 1999). The Company proposed (September 1997) to surrender the other incomplete works at Bardhi and Dasmouzi. The Department withdrew the incomplete work at Kalabuda (March 1998).

The Management stated (March 1999) that the works were executed in public interest after receipt of funds from the Government in anticipation of TC approval. Government added (October 1999) that the contractor had since agreed to receive payment as per the rates approved by the TC. However, no records to substantiate this could be produced to Audit though asked for.

It was observed in audit that the extant practice whereby execution of works were commenced prior to receipt of formal approval of the rates by the TC was prima facie responsible for such litigation, abandonment of works by the contractor and consequent withdrawal of work by the client to the detriment of the Company to the extent of potential loss of at least Rs.25 lakh in this case.

2A.12.2 High Level Bridge over river "Bhargavi" at Suando

Injudicious decision to execute the work at a higher rate ignoring the lowest offer resulted in avoidable excess expenditure of Rs.23 lakh.

The work of construction of a high level bridge over river Bhargavi at Suando was undertaken (December 1997) by the Company for an approved amount of Rs.3.19 crore and executed through sub-contractors splitting the work into two parts viz. (i) upto well-cap level* and (ii) balance work.

The Company floated tender (August 1997) for the balance work restricting the items of work to two spans of the bridge. In response, the lowest offer was of Rs.35.14 lakh which was 17 *per cent* less than the TC amount of Rs.42.36 lakh. Instead of accepting the lowest tender, the Company got executed the

* Base foundation structure of the pillar upto the ground level.

whole balance work through another contractor at a cost of Rs.1.46 crore which was one *per cent* below the TC rate despite the willingness expressed by the above-mentioned lowest tenderer (November 1997) to execute the entire balance work at his quoted rate of 17 *per cent* below TC rate which would have worked out to Rs.1.22 crore. Though the offer of the lowest tenderer had been recommended by the Engineer-in-charge of Project Division and the General Manager, the same was rejected by the Managing Director on the following grounds:

(i) the chance of executing the bridge work at 17 *per cent* less than TC rate was difficult as bridge works are usually done on higher rates; and

(ii) the contractor had no infrastructure.

The reasons for rejection of the lowest offer were not tenable since a similar work of high level bridge at Tankapani had been done earlier at 13.14 *per cent* below the TC rate and the lowest tenderer was classified as special class contractor without any indication of his having ever been blacklisted for poor performances.

Thus, an injudicious decision to execute the work at a higher rate ignoring the lowest offer resulted in avoidable excess expenditure of Rs.23 lakh.

Government stated (October 1999) that the offer of one *per cent* below TC rate was approved by Board taking into account the contractor's experience, financial stability and competence and since the work had to be completed urgently. The reply is not tenable since the lowest tenderer had also been classified as a special class contractor and in any event the work could be completed in March 1999 only after a delay of one and half years from the stipulated date of completion (October 1997).

2A.12.3 Andhra Bank building

The construction of "Andhra Bank" building at Bhubaneswar was secured by the Company (March 1990) for an agreed amount of Rs.36.88 lakh for completion by 23 March 1991. However, the work was actually completed at a cost of Rs.48.24 lakh and handed over to the Bank authorities on 30 April 1994 after a delay of more than three years.

Due to delay in completion of work, the Company had to suffer a loss of Rs.5.97 lakh towards cost escalation.

Taking into account cost escalation, the Company claimed (May 1995) Rs.55 lakh. The Andhra Bank, however, refused to agree to extension of time and cost escalation after the stipulated date of completion of the project and settled the claim of Rs.49.03 lakh. The Company had to bear the loss of profit Rs.5.97 lakh.

In addition, the Company sustained a cash loss of Rs.1.08 lakh being irrecoverable advances paid to suppliers and sub-contractors for which no security had been obtained. Thus, the total loss suffered by the Company worked out to Rs.7.05 lakh.

Government stated (October 1999) that the delay was due to frequent change in structural designs and late water supply to site by the bank authorities. It added that the Bank had agreed to entertain the escalation charges. The reply is not tenable since changes in structural design and water supply should have been suitably taken care off by the Company without incurring additional liability. Further, the Bank had finally refused (July 1998) to pay the escalation charges.

2A.12.4 Staff Quarter of Indian Oil Corporation Limited (IOCL)

The Company secured (January 1990) a work of construction of ten 'C' type staff quarters of Indian Oil Corporation Limited (IOCL) at Nayapally in Bhubaneswar for an amount of Rs.34.75 lakh for completion by 31 August 1992. Though the work commenced as scheduled, it was completed and handed over on 20 October 1993 after a delay of more than one year.

Execution of works beyond the scope of contract had resulted in loss of Rs.8.37 lakh.

In execution of the work, the Company incurred an expenditure amounting to Rs.50.01 lakh which included Rs.7.47 lakh towards site development and extra items of work which was outside the scope of the agreement and Rs.0.90 lakh on account of excess indirect expenses. As against this, payments amounting to Rs.41.64 lakh were received (November 1997) from the client on final settlement resulting in loss of Rs.8.37 lakh.

Government stated (October 1999) that the extra items were carried out at the instructions of site engineers of IOCL and the bill for the above was raised which was likely to be received shortly. The reply is not tenable since final settlement has been made.

2A.12.5 Bridge across river Basundhara

Work of construction of a bridge across river Basundhara was secured (February 1993) from Mahanadi Coal Field (MCL) for Rs.91.34 lakh with stipulated date of completion as 28 February 1994. However, the work was completed on 30 September 1995 with a delay of more than one year due to defects in the original design prepared by the Company which had to be subsequently rectified resulting in extra expenditure.

Due to defect in design, the Company suffered loss of Rs.8.58 lakh.

The actual expenditure incurred on the above work amounted to Rs.98.28 lakh. The Company could, however, recover from the client only Rs.89.70 lakh towards final settlement of the claim as per the terms of the contract resulting in loss of Rs.8.58 lakh. Had the initial designs been properly prepared, the extra expenditure could have been avoided.

Government stated (October 1999) that the actual expenditure on this work is yet to be arrived at and *prima facie* there would be no loss to the Company. Reply is not tenable since the certified accounts exhibit the above expenditure.

2A.12.6 State Bank of India Staff Quarters at Tulasipur

Construction of staff quarters of State Bank of India at Tulasipur, Cuttack was secured (March 1986) by the Company for Rs.1.26 crore. As against the stipulated period of 18 months for completion from the date of issue of work order, the Company could hand over the project only in April 1992 after a delay of over three years which included delay of one year after completion of the work.

Due to execution of work beyond the scope of contract, the Company had to suffer a loss of Rs.6 lakh.

The Company incurred an expenditure of Rs.1.39 crore including Rs.5.44 lakh on indirect expenses on account of watch and ward etc. till the building was handed over and Rs.5.10 lakh on account of certain extra items of work which were beyond the scope of the contract. As against this, claim of Rs.1.33 crore was received (November 1996) towards final settlement of the claim resulting in loss of Rs.6 lakh.

Government stated (October 1999) that delay in completion of the work was beyond the control of the Company. However, the fact remains that the staff quarters were handed over after a period of over one year from the date of completion and as such the expenditure of Rs.5.44 lakh on watch and ward could have been avoided.

2A.13. Toll Collection

There was unauthorised retention of Government revenue amounting Rs.78.99 lakh towards commission for toll collection.

State Government assigned (April 1983) the responsibility of collection of toll gate charges to the Company. According to instructions issued by Government from time to time, the entire collection of toll charges was to be deposited into Government account regularly and Government would pay 12 *per cent* of the toll collections to the Company in order to meet the cost of overheads after making necessary provisions in the State Budget. In contravention of the above instructions and despite comments made in the Report of the Comptroller and Auditor General of India for the year 1988-89 (Commercial) Government of Orissa, the Company unauthorisedly retained Government revenues amounting to Rs.78.99 lakh during the period 1992-93 to 1996-97 as its commission. The State Government viewed this practice of deduction of collection charges *suo motu* from the total toll collections seriously and reiterated (September 1993) its earlier instructions. The year-wise position of collection/ deposit of toll charges, commission receivable, establishment expenditure on toll gates, etc., during the period from 1992-93 to 1996-97 was as follows :

Year	Collection	Deposit	Balance retained by the Company	Commission receivable at the rate of 12 *per cent*	Actual Establishment Expenditure	Excess of Establishment Expenditure over Commission
				(Rupees in lakh)		
1992-93	73.99	60.67	13.32	8.88	15.21	6.33
1993-94	87.72	71.93	15.79	10.52	18.48	7.96
1994-95	71.64	56.23	15.41	8.60	23.33	14.73
1995-96	86.41	70.86	15.55	10.37	36.14	25.77

1996-97	105.12	86.20	18.92	12.61	35.83	23.22
Total	**424.88**	**345.89**	**78.99**	**50.98**	**128.99**	**78.01**

The establishment expenditure was in excess of commission on toll collection.

It was noticed that the establishment expenditure incurred on toll gate was in excess of the commission receivable to the extent of Rs.78.01 lakh during the above period.

Government stated (October 1999) that it was decided by the Honourable Minister of Works in a meeting held in October 1984 that the Company should retain 12.5 *per cent* of the total toll collection as its commission and thereafter deposit the balance amount into the treasury which was being followed.

The reply is not tenable since such procedure was in violation of the provisions contained in Rule-6 of Orissa Treasury Code Volume-I and moreover the State Government had reiterated (1993) its decision for payment of commission at the rate of 12 *per cent* of the total collection after making provision in the Budget which should have been adhered to.

2A.14. Internal Audit

Audit Reports were not placed before the Board of Directors.

The Company had been appointing different firms of Chartered Accountants as Internal Auditors for its Head Office and units. Internal Audit up to 1996-97 was completed (April 1999) in respect of Head Office and other unit offices except in respect of project division at Chowdwar and Quality Control Division at Bhubaneswar which were completed upto 1995-96.

All the Internal Audit Reports submitted to the Managing Director had pointed out inadequate maintenance of stock registers/bin cards, irregular booking of consumption of material to works, non-maintenance of subsidiary registers, non-raising of debits for inter-divisional transfer of material and non-valuation of material issued. A test check of the Board Minutes for the period covered under review revealed that in spite of the irregularities brought out by the Internal Audit, neither any corrective action was taken nor were the Internal Audit Reports placed before the Board of Directors for consideration.

Government stated (October 1999) that the remarks pointed out by Internal Audit were being rectified in the course of compilation and finalisation of accounts.

Conclusion

The Company had been incurring losses in all the years except in 1994-95. Despite allocation of works by the Government and a price preference of 3 *per cent* over the lowest rates in open tenders, the Company was unable to secure adequate number of works. Moreover, extensive delays in

completion of work ranging from one to eight years were noticed which contributed to withdrawal of works by the clients.

There is an urgent need to analyse the reasons for its poor performance in securing the works, to ensure effective monitoring of execution of works and to control excessive establishment expenditure.

Section 2B Review on Execution of Funded Projects by Grid Corporation of Orissa Limited (erstwhile Orissa State Electricity Board).

2B. Review on Execution of Funded Projects by Grid Corporation of Orissa Limited (erstwhile Orissa State Electricity Board).

Highlights

Default in payment of dues of Power Finance Corporation (PFC) and the Rural Electrification Corporation (REC) necessitated re-phasement of loans by these financial institutions and led to extra liability of Rs.106.04 crore towards interest.

(Paragraph No.2B.2.2)

Delay in drawal/non-drawal of loans from PFC and the International Bank for Reconstruction and Development (IBRD) resulted in payment of avoidable commitment charges of Rs.30.42 crore by the Grid Corporation of Orissa Limited (GRIDCO).

(Paragraph No.2B.2.3 and 2B.2.4.4)

Delay ranging from 28 to 43 months in completion of schemes resulted in non-accrual of projected benefits in terms of reduction in Transmission and Distribution losses and additional availability of power aggregating Rs.62.64 crore *per annum*.

(Paragraph Nos.2B.2.4.1.2(a), (b(ii)), (c), (d) and 2B.2.4.3)

Surplus material valued at Rs.4.18 crore were lying at site since September 1992 resulting in blockage of funds with consequential loss of interest of Rs.4.45 crore.

(Paragraph No.2B.2.4.1.3(b))

Achievement against targets for electrification schemes declined to 29 to 38 *per cent* during 1996-97 and 1998-99 from 65 to 81 *per cent* respectively after formation of Grid Corporation of Orissa Limited. Only Rs.14.46 crore could be utilised from loans of Rs.91.77 crore sanctioned by REC under the Minimum Need Program. In addition, Rs.13.91 crore was diverted for other purpose which could not be verified in audit.

(Paragraph No.2B.2.4.2(a))

GRIDCO assumed interest liability of Rs.7.18 crore on account of delayed remittance of loan amount by Government of Orissa. Further, failure in payment of interest in time resulted in penal interest liability of Rs.0.16 crore.

(Paragraph No.2B.2.4.4)

2B.1.1 Introduction

Government of Orissa resolved (November 1993) to re-structure the power sector in the State to rationalise the generation, transmission, distribution and supply of electricity and to encourage participation of private sector in the electricity industry. Towards this end, the functions of the Orissa State Electricity Board (OSEB) were transferred (April 1996) to two companies, viz. the Orissa Hydro Power Corporation Limited (OHPC) for generation of electricity and the Grid Corporation of Orissa Limited (GRIDCO) for transmission and distribution of power.

GRIDCO, under Orissa Power Sector Reform Project (OPSRP), was also entrusted to execute the existing and future projects with a view to augment the Transmission and Distribution system in the State. Implementation of these projects was to be funded by Power Finance Corporation/ Asian Development Bank, Rural Electrification Corporation, International Bank for Reconstruction and Development, Overseas Development Administration (now renamed as Department for International Development of UK), etc. and own generation of resources.

2B.1.2 Scope of Audit

The review conducted during November 1998 to March 1999 covers the execution of funded projects by GRIDCO (erstwhile Orissa State Electricity Board) during 1993-94 to 1998-99. The results of such review are discussed in succeeding paragraphs.

2B.2 Funded Projects

2B.2.1 . Sources of Funds

Failure to adhere to the schedule of date(s) for repayments resulted in payment of penal interest of Rs.40.02 crore.

OSEB/GRIDCO borrowed funds mainly from the Power Finance Corporation (PFC)/Asian Development Bank (ADB), the Rural Electrification Corporation (REC) and the International Bank for Reconstruction and Development (IBRD) to implement its projects. To meet its own share of funds, the OSEB/GRIDCO borrowed funds from the Life Insurance Corporation of India (LIC) and also issued bonds. The opening balance, receipts, repayments and closing balance of loans availed by OSEB/GRIDCO from different sources for implementing its projects during the five years ending 31 March 1999 are detailed in Annexure – 10.

OSEB/GRIDCO was unable to adhere to the scheduled date(s)of repayment of loans which resulted in payment of penal interest of Rs.40.02 crore (including Rs.12.59 crore on LIC loan) during the period from 1993-94 to 1997-98.

While accepting that the schedule dates for repayment of loans and interest could not be adhered to due to lack of funds, Government stated (October 1999) that high Transmission and Distribution (T&D) losses as well as non-realisation of dues from consumers contributed to the problem.

2B.2.2. Rephasement of PFC and REC Dues

Company assumed additional interest liability of Rs.106.04 crore on the rephasement of outstanding dues amounting to Rs.511.28 crore of PFC & REC due to default in payment.

Due to default in payments of dues, GRIDCO requested PFC (June 1998) and REC (August 1998) for rephasement of its dues. PFC agreed to rephase the total outstanding of Rs.169.78 crore as on 15 August 1998 upto July 2001. REC also agreed to rephase Rs 341.50 crore as on July 1998 upto March 2003. The rephasement of PFC and REC dues have resulted in accrual of extra liability of Rs.106.04 crore towards interest.

The Government stated (October 1999) that GRIDCO decided to re-schedule the loans to tide over the cash crunch situation and since the loans were to be repaid over longer period there was no extra liability. The reply is not tenable since GRIDCO would still have to bear the extra liability even after re-phasement of the loan.

2.B.2.3 Avoidable payment of commitment charges

As per the terms and conditions of the agreement entered into with PFC, failure to adhere to schedule of drawal of loans attracts commitment charges at the rate of one *per cent per annum.*

Failure to adhere to the schedule of drawal of loans sanctioned resulted in payment of commitment charges of Rs.5.02 crore.

The total payment of commitment charges for the five years ending March 1998 was Rs.5.02 crore. The incidence of payment of commitment charges after formation (April 1996) of GRIDCO was very high (Rs.2.65 crore) while compared to OSEB period. The delay in drawal of loans was due to non-finalisation of the necessary purchase proposals in time and non-taking up of works as per schedule. Even though the State Government directed (August/November 1994) OSEB to investigate the payment of commitment charges and fix responsibility, no follow up action has been taken by the Management.

Government stated (October 1999) that payment of commitment charges was unavoidable. It was added that had the loan been drawn, the interest burden would have been much more than the commitment charges. The reply of the Management is not tenable because the schedule of drawal of loan should have been based on actual requirements as well as its ability to execute the works particularly since such loan funds carry a high rate of interest.

2B.2.4 Deficiencies in execution of Funded Works

The following deficiencies were noticed in audit in execution of funded works during scrutiny of records:

(a) There was no proper system of maintenance of detailed records of expenditure against specific projects;

No system of maintenance of detail records of expenditure.

(b) There was no system of periodical appraisal to the Board of Directors of completed projects/works to assess the actual time taken, actual expenditure incurred against the estimated cost and cause-wise analysis for time and cost overruns;

No evaluation of commercial viability of projects.

(c) Even though all the schemes/works executed from loan assistance were projected to be commercially viable, the actual commercial benefit by way of reduction of system loss or by creating extra revenue potential on account of each scheme/work did not accrue due to non-completion/ delayed completion of the schemes/works.

There were both time and cost overruns in completion of projects.

(d) Projects could not be completed within the budget and in time. The main reasons for delay as observed in audit were: (a) placement of order on an incapable supplier leading to termination and replacement of the contract for supplies; (b) delay in obtaining forest clearance; (c) delay in acquisition of land; (d) non–supply of construction material; and (e) delay in obtaining/non-obtaining government guarantees as discussed in the succeeding paragraphs.

Execution of a few funded projects test checked in audit revealed the following:

2B.2.4 .1 Projects funded by PFC/ADB loans

2B.2.4.1.1 Availment of loans

OSEB availed loans from PFC directly as well as from ADB through the PFC. At the time of transfer of assets/liabilities to GRIDCO on 1 April 1996, 44 works (estimated cost Rs.607.28 crore) funded by PFC either directly (21 nos.) or from ADB (23 nos.) were taken over by GRIDCO. Against these 44 works, PFC/ADB sanctioned loans of Rs.363.06 crore out of which Rs.274.22 crore were availed by OSEB/GRIDCO. The following deficiencies (besides payment of commitment charges which was already commented in paragraph 2B.2.3 *supra*) were noticed in availment of these funds sanctioned by PFC/ADB:

Failure in availment of sanctioned loans resulted in diversion of own funds of Rs.35.23 crore meant for other purposes to projects.

(i) Due to non-execution of agreements on account of failure to obtain Government guarantee, GRIDCO could not avail loans totaling Rs.23.90 crore sanctioned in October 1994 and June 1997. It was observed in audit that expenditure/liability of Rs.14.85 crore had been incurred in respect of these schemes anticipating drawal of loans. Non-availing of the sanctioned loans forced the Company to spend its own funds earmarked for other purposes. Further, GRIDCO incurred avoidable liability of Rs.1.22 crore towards excise duty (Rs.1.17 crore) and sales tax (Rs.0.05 crore) on the material ordered for supply against the DFID grant where exemption of excise duty under deemed export facility was not available, and

(ii) PFC has not reimbursed a claim of Rs.20.38 crore in respect of 21 projects on the ground of mismatch in the specification and quantity of items as mentioned in the loan documents/loan schedule vis-a-vis that ordered in the Letter of Award (LOA). This has resulted in the Company having to spend its own funds meant for other projects/purposes.

Government while accepting (October 1999) the facts at Sl.No.(i) stated that non-reimbursement of Rs.20.38 crore {Sl.No.(ii)} by PFC was due to execution of loan agreements prior to actual ordering and execution of the projects. The reply is not tenable since the Company had to bear the additional liability on this count which could have been avoided with better financial management.

2B.2.4.1.2 Execution of works

(a) Construction of 400 KV double circuit line from Duburi to Meramundali

PFC sanctioned (January 1995) a loan of Rs.30 crore against an estimate of Rs.43 crore for the construction of 400 KV double circuit line from Duburi to Meramundali to be completed by March 1997. Out of Rs.30 crore, OSEB/GRIDCO availed loan of Rs.28.42 crore upto March 1999. The monthly progress report of March 1999 indicated that total expenditure of only Rs.15.03 crore had been incurred. Due to poor progress of work on account of non-obtaining of forest clearance coupled with non-supply of material, the loan could not be availed of resulting in GRIDCO having to pay commitment charges amounting to Rs.37.60 lakh.

Company assumed extra liability of Rs.1.47 crore in consequence of termination of earlier contract. Further GRIDCO lost the benefit of exemption of Excise Duty Rs.1.40 crore and also suffered loss in saving of energy of Rs.34.56 crore due to non-completion of line.

It was further noticed in audit that GRIDCO placed (November and December 1996) two orders on Trans Power Engineering Limited, Mumbai, (Firm 'T') for supply of 3394.440 MTs of tower structures valued at Rs.9.80 crore which were to be completed by September and October 1997 respectively. Firm 'T' supplied only 84.943 MTs up to June 1998. Apprehending that the firm may not be able to supply the entire quantity, GRIDCO terminated the contract on 28 July 1998, i.e. after nine months from the scheduled date of completion. Subsequently, against a self offer of Hirakud Industrial Works Limited (HIW) dated 20 July 1998 to supply the above material at the same terms and conditions of firm ‘T’, GRIDCO placed an order (18 February 1999) on HIW at an estimated contract price of Rs.9.66 crore after updating the prices of firm ‘T’ and also including additional items. It was noticed in audit that due to termination of order on firm ‘T’ and placement of order on HIW, GRIDCO incurred total extra liability of Rs.1.47 crore towards the differential prices (Rs.1.13 crore) on account of updating the prices of firm ‘T’ and also inclusion of additional items (Rs.0.34 crore) besides loosing the benefit of exemption of excise duty (Rs.1.40 crore) allowable against the order of firm ‘T’ and suffered loss of energy saving of Rs.34.56 crore due to non-completion of the line. GRIDCO could, however, recover only Rs.1.84 crore by way of invocation of Bank guarantee of firm ‘T’ against the above total loss of Rs.37.81 crore.

Government stated (October 1999) that the project could not be completed due to non-availability of forest clearance, failure in supply of tower material by firm 'T' which were beyond the control of GRIDCO. The reply is not tenable as the Company should have taken effective steps to ensure the requisite clearances before starting the project.

(b) Construction of 220 KV double circuit line from Indravati to Theruvali

Against the estimated cost of Rs.20.68 crore, PFC sanctioned (January 1995) a loan of Rs.14 crore for construction of 220 KV double circuit line from Indravati to Theruvalli to be funded by ADB through PFC. The objective of taking up the above project was to evacuate power from the Indravati Power Station and to reduce the system losses to an extent of 10 MU *per annum*.

Delay in obtaining forest clearance led to payment of commitment charges of Rs.20.30 lakh.

It was observed in audit that OSEB was to furnish requisite "Forest Clearance" from the Union Ministry of Environment and Forest prior to commencement of the disbursement by PFC. Though OSEB informed its Board of Directors on 31 December 1994 that the forest clearance against the above work had been received, OSEB/GRIDCO could not furnish the same to PFC which led to non-disbursement of the loan till December 1996. During the period from January 1997 to March 1999 OSEB/GRIDCO could avail loan amount of Rs.8.65 crore only whereas the actual expenditure reported upto March 1999 was Rs.2.89 crore. PFC recovered Rs.20.30 lakh upto March 1998 towards commitment charges on account of non-drawal of loan in terms of the agreement. The other points noticed in audit in construction of above 220 KV double circuit line were as under:

(i) Procurement of conductor

Delay in finalising tender for procurement of conductor led to loss of deemed export benefit of Rs.1.56 crore covered under ADB loan.

Tenders for procurement of conductor were opened (March 1996) and found to be unacceptable as they were not in accordance with the tender requirements. They were subsequently rejected after 14 months i.e. 30 May 1997 and thereafter fresh tenders were invited (December 1997). However, the fresh tenders could be opened only in February 1998 against the scheduled date of opening in January 1998 due to a stay order from the Honourable High Court. GRIDCO could ultimately finalise the fresh tenders only in May 1998 and sent their recommendation to PFC for availing the ADB loan amounting to Rs.7.41 crore. PFC intimated (5 June 1998) that since the closing date for the availment of loan was 30 June 1998, they were not in a position to process the loan. Due to inordinate delay in finalising the tender, GRIDCO could not avail of loan which in turn led to loss of deemed export benefit of Rs.1.56 crore towards excise duty on the purchase of conductors which was available in case of ADB loan.

(ii) Erection of line

Reduction of system losses of Rs.2.35 crore *per annum* was not achieved due to line remaining incomplete.

GRIDCO placed (May 1996) a Letter of Award (LOA) on Ranjeet Singh & Co, Chandigarh (Firm 'R'), for erection and commissioning of the above line at a cost of Rs.1.62 crore to be completed by 31 December 1996 which was subsequently extended from time to time to June 1999. It was observed in audit that the main reason for non-completion of the line was non-procurement of conductors as discussed in the immediately preceding paragraph (i). In February 1999, OHPC intimated that the arrangement for evacuation of power had to be made by July 1999. In view of non-supply of conductor and also completion of only 179 numbers out of total 292 numbers of tower locations till March 1999, GRIDCO was not able to complete the line by that date.

Due to non-completion of the line, the objective of reduction of system losses of 10 MU valued at Rs.2.35 crore *per annum* could not be achieved.

(c) Abnormal delay in execution of Urban Development Schemes

Between July 1993 and November 1994, PFC sanctioned a loan under ADB finance aggregating Rs.79.71 crore for 13 schemes against an estimated cost of Rs.115.44 crore for strengthening and improvement of the Urban Development Power System. As per the respective project reports, seven schemes viz. Bolangir, Cuttack Bhubaneswar, Balasore, Sambalpur, Jeypore and Rourkela were to be commenced in 1993-94 and completed by March 1996 while the remaining six schemes i.e. Brajarajnagar, Jharsuguda, Jatni, Bargarh, Bhadrak and Berhampur were to be commenced in 1994-95 and completed by March 1997. After formation of GRIDCO (April 1996), the Management reviewed (November 1996) the progress of these works and attributed the delay in execution of the works and utilization of the loans *inter alia* to the following reasons:

(i) delay in acquisition of land for construction of sub-stations; and

(ii) non-supply of material.

OSEB/GRIDCO incurred expenditure amounting to Rs.76.18 crore against the amount of Rs.72.20 crore received from PFC for these schemes. As the balance loan of Rs.7.15 crore could not be availed within the stipulated period of September 1998, the Management had to spend Rs.3.98 crore out of its own funds.

Due to non-completion of schemes projected benefit in saving of power by way of reduction of T & D losses of Rs.5.85 crore was not achieved.

It was noticed in audit (June 1999) that none of the 13 schemes could be completed as the above bottlenecks continued to persist despite lapse of more than two years. Due to non completion of the schemes, the projected benefit of power by reduction of Transmission and Distribution (T&D) losses to the order of 53.291 MU *per annum* in case of 10 schemes valued at Rs.5.85 crore (at the average selling rate per unit of Rs.1.11 during 1995-96) could not be achieved.

Government stated (October 1999) that regular monitoring is being undertaken and the projects would be completed shortly.

(d) Construction of second circuit 220 KV line from Duburi to Balasore

In order to avoid over-loading and to maintain a good voltage profile in the existing 220 KV single circuit line from Duburi to Balasore, PFC sanctioned (July 1994) loan of Rs.9.80 crore against the estimated cost of Rs.14 crore for construction of a second circuit 220 KV line from Duburi to Balasore. OSEB availed loan of Rs.4.38 crore during 1994-95 to 1997-98 and balance Rs 5.42 crore in 1998-99. Due to delay in drawal of loan of Rs.5.42 crore, commitment charges of Rs.16.53 lakh had to be paid.

Company incurred an additional expenditure of Rs.0.26 crore due to failure to supply the construction material in time. Further, the projected benefit of availability of additional power valued at Rs.2.76 crore was not achieved due to non-completion of works.

For erection and commissioning of the above line covering 135 kms, a Letter of Award (LOA) was issued (17 April 1995) to Hyderabad Power Installations Private Limited (Firm H) at the rate of Rs.49,000 *per* km., for total cost of Rs.66.15 lakh. As per the terms of the contract the material for the said work was to be supplied by OSEB/GRIDCO. The LOA stipulated *inter alia* that the price of contract shall remain firm during its currency except for increase in prices of diesel and labour within a ceiling (±) 20 *per cent* and the work was to be completed by November 1996. Though the firm requested (May/July 1995) OSEB to hand over the site, tower schedule with route map and atleast 50 *per cent* of line material, OSEB failed to do so. The firm requested (April 1996) GRIDCO for enhancement of the rate by Rs.20,000 *per* km on the ground of increase in cost of material and labour to the extent of 50 to 60 *per cent* and also failure to supply the required conductors, insulators etc for over two years. GRIDCO approved (13 May 1996) the enhancement of rate by Rs.19,500 *per* km and issued a revised LOA at the rate of Rs.68,500/- *per* km for a contract price of Rs.92.48 lakh. The work of stringing the line was completed by 8 August 1997 and Rs.91.65 lakh was paid to the contractor till September 1997.

Thus, due to failure on the part of OSEB/GRIDCO to supply the required construction material in time, the Company had to incur an additional expenditure of Rs.25.50 lakh upto November 1998 (including Rs.13.09 lakh representing in excess of 20 *per cent* admissible ceiling limit). Moreover, the other related works of the scheme have not yet started (March 1999) as against scheduled date of completion by March 1996. As a result, the projected benefit towards availability of additional power (36.89 MU) valued at Rs.2.76 crore could not be achieved.

(e) Construction of 220 KV double circuit lines

(i) Duburi to Paradeep

PFC sanctioned (January 1996) a loan of Rs.30 crore against an estimated cost of Rs.50 crore for a project to strengthen the existing transmission network at Paradeep and Kendrapara and for improvement of the voltage profile with reduction in system losses to the extent of 25 million units (MU). Audit scrutiny of the execution of the project revealed the following:

- The loan could not be availed till 29 March 1999 due to non-opening of escrow account and no-obtaining of Government guarantee. Out of total loan amount of Rs.23.02 crore availed on 30 March 1999, only Rs.3.89 crore was actually utilised in the project and the balance Rs.19.13 crore was adjusted against earlier dues of PFC;

Diversion of own funds of Rs.18.43 crore due to delay in drawal of loan. Non-acceptance of lowest tender resulted in extra expenditure of Rs.0.20 crore.

❖ In anticipation of receipt of funds from PFC, work orders/purchase orders were placed in February 1996 partly on Hirakud Industrial Works Limited (HIW) and partly on Utkal Galvanisers Limited (UGL) for erection of line and constructions of sub-station with the stipulation that the entire work should be completed by December 1997. The work was still in progress (May 1999). A total expenditure of Rs.35.32 crore was incurred on this project which was met out of interest free advance (Rs.13 crore) obtained from the Paradeep Port Trust (the major beneficiary of the project), loan from PFC (Rs.3.89 crore) and the balance (Rs.18.43 crore) by diversion of funds from other projects.

❖ Though the work order did not contain stipulation giving any interest free advance, GRIDCO had given mobilisation advance of Rs.4 crore to HIW. This had resulted in loss of interest of Rs.70.39 lakh to OSEB/GRIDCO during the period from 29 February 1996 to 16 February 1998 (calculated at the rate of 18 *per cent per annum*).

❖ As the work orders issued for erection of lines did not include seven numbers of Pile Foundation Works (PFW), OSEB requested HIW to invite tenders for the purpose. In response to the tender call notice of HIW, Asian Foundation and Construction Limited (AFCON) and CIMECH Developers (P) Limited (firm 'B') had submitted their offers for Rs.1.82 crore and Rs.1.62 crore respectively. The lowest offer of firm 'B' was not considered by OSEB because they had experience as sub-contractor only and hence the works were awarded to AFCON. Non-acceptance of lowest offer resulted in extra expenditure of Rs.20.30 lakh since the work was ultimately awarded to AFCON, who had also been working only as sub-contractor in other works of OSEB/ GRIDCO as dealt in immediately succeeding paragraph (ii).

(ii) Meramundali to Ampalasa

Extra expenditure of Rs.0.15 crore incurred on awarding lump sum contract based on incorrect assumptions.

Similarly, in case of another work of construction of 220 KV double circuit line from Meramundali to Ampalasa (21 kms), OSEB awarded the above work to HIW (December 1993) at an estimated cost of Rs.60 lakh. The pile foundation work was not included in the scope of the said work. OSEB subsequently placed the work order (April 1994) for pile foundation work at a lump sum of Rs.27.53 lakh on HIW including 15 *per cent* overhead charges. The HIW in turn placed (April 1994) the work order for this work on AFCON for Rs.23.47 lakh and got the work done by June 1994. The value of work Rs.23.47 lakh was worked out on the assumption of construction of piles with one meter dia in 28 meters depth. But due to encountering of rock strata at a depth of 9-10 meters, the work was completed at that stage. However, there was no proportionate reduction of cost which worked out to Rs.15.09 lakh. Thus, awarding the work on lump sum contract basis without linking the same to the depth of above pile foundation work resulted in an extra expenditure of Rs.15.09 lakh (calculated on proportionate depth for 10 meters).

(f) Erection of 220/132 KV sub-station at Brajarajnagar

OSEB placed (October 1993) a work order on HIW for erection of 220/132 KV sub-station at Brajarajnagar at a cost of Rs.123.38 lakh. The works were scheduled to be completed by June 1994. But the works could not be completed as per the prescribed schedule time as OSEB failed to supply the construction and structural material in time and sub-station could be charged only in September 1995.

OSEB/ GRIDCO incurred extra expenditure of Rs.0.46 crore due to failure to supply materials in time.

HIW applied (September 1994) for extension of time up to December 1994 on the ground of continuous rains and on account of non-supply of material by OSEB. Further extension was sought from time to time till October 1995 on account of non-supply of material by OSEB. OSEB decided (February 1996) to grant extension of time up to October 1995 with Price Variations (PV) benefits and without imposing penalty. OSEB allowed PV benefit (Rs.45.85 lakh) for the period from July 1994 to October 1995. Thus, due to failure of OSEB to supply the required material to the contractor in time, OSEB incurred an extra expenditure of Rs.45.85 lakh for the period from July 1994 to October 1995.

Government stated (October 1999) that due to various constraints like delay in supply of material, revision of cable schedules, etc. which was beyond the control of GRIDCO, it was considered appropriate to allow extension of completion period with PV benefit. The reply is not tenable in view of the fact that supply of material in time was the responsibility of OSEB which should have been ensured.

2B.2.4.1.3 Utilisation of material funded by ADB/PFC

(a) Diversion of ADB material

Diversion of ADB materials worth Rs.1.11 crore to repair and maintenance works.

It was noticed in audit that material valued at Rs.1.11 crore purchased against ADB assisted schemes were irregularly diverted for other repair and maintenance works or to other projects in clear violation of the sanction order of the loan.

(b) ADB material lying at site

ADB materials valued at Rs.4.18 crore lying at different sites since 1992 without use resulted in blockage of funds with consequential loss of interest of Rs.4.45 crore.

It was noticed in audit that surplus material valued at Rs.4.18 crore have been lying at site since September 1992 at different locations of completed works (July 1998) without any exploration of possibility of their use elsewhere resulting in blockage of funds with consequential loss of interest of Rs.4.45 crore during the period from September 1992 to July 1998.

2B.2.4.2 Projects funded by loans from Rural Electrification Corporation

(a) Rural Electrification Schemes

Out of sanctioned loan of Rs.314.24 crore by REC, GRIDCO could avail only Rs.120.95 crore.

The programme for rural electrification includes (i) electrification of villages, (ii) electrification of harijan bastis and (iii) energisation of pump sets. Out of the loan amount of Rs.314.24 crore sanctioned by the Rural Electrification Corporation (REC) during 1993-94 to 1998-99 for the above mentioned purpose, OSEB/GRIDCO could avail funds of only Rs.120.95 crore due to non-submission of required information relating to arrangement of material, acquisition of land and deployment of staff.

It was observed in audit that achievement of the rural electrification schemes ranged from 65 to 81 *per cent* of the targets during the period from 1993-94 to 1995-96 which declined to 29 and further to 38 *per cent* during 1996-97 and 1998-99 after formation of GRIDCO.

While accepting the audit observation, the Government stated (October 1999) that the reasons for shortfall in achieving the target during GRIDCO period were mainly delay in finalisation of annual works programme and delay in receipt of bulk guarantee from the State Government which resulted in delay in availment of REC loan.

In case of 119 schemes under the Minimum Need Program (MNP) as well as Normal, REC sanctioned loans amounting to Rs.91.77 crore during the last five years ending March 1998 of which Rs.28.37 crore had been released. Out of Rs.28.37 crore, OSEB/GRIDCO could utilize only Rs.14.46 crore leaving an unspent balance of Rs.13.91 crore which was utilized for other purposes.

Diversion of funds of Rs.13.91 crore and failure to avail balance funds amounting to Rs.63.40 crore on account of non-submission of information as to annual schedule of construction led to shortfall in achievement under both the schemes (MNP and Normal).

(b) Abandoned Works

Rs.2.38 crore lapsed due to failure to draw loan before the closing date of loan.

In Kalahandi district, five schemes were sanctioned for electrification of 181 villages against an estimated cost of Rs.2.90 crore. It was noticed in audit that only 57 villages could be electrified incurring an expenditure of Rs.52 lakh during the last five years ending 31 March 1998 when the schemes of financing the loan were closed. Thus, 124 villages remained to be electrified and the undrawn amount of Rs.2.38 crore was lapsed. Similarly in Khurda district, 79 number of works were taken up during the last five years ended on 31 March 1998 at an estimated cost of Rs.82 lakh. However, only 54 number of works valued at Rs.56 lakh were completed and five works valued at Rs.10 lakh were in progress. The remaining 20 works at the estimated cost of Rs.16 lakh were abandoned.

Thus, the program for rural electrification suffered from non-achievement of target not only during the period of OSEB but also during the period of GRIDCO.

2B.2.4.3 Use of OECF Funds through REC

Loan remained unutilised due to delay in finalisation of bids resulting in loss of interest of Rs.0.31 crore. Projected benefits valued at Rs.17.12 crore towards sale of additional energy and saving in system losses could not also be achieved.

An Memorandum of Agreement (MOA) was executed between REC and GRIDCO on 7 November 1997 for a loan assistance of Rs.80.96 crore for implementation of four projects for construction of Extra High Voltage (EHV) lines and sub-stations to improve power supply position. The projects were to be executed between October 1998 and December 2000. This loan assistance was made available with the assistance of Overseas Economic Co-operation Fund (OECF), Japan. An amount of Rs.16.79 crore was received by GRIDCO during the period March 1998 to March 1999 including advance (7 *per cent*) of Rs.4.41 crore and a debit of Rs.1.81 crore to the account of GRIDCO towards consultancy charges (3 *per cent*). Out of the above, the Company could utilize only Rs.10.72 crore for the projects and an amount of Rs.4 crore were kept in fixed deposit. Audit scrutiny revealed the following:

(i) Funds remained unutilized due to delay in finalization of bids and the turnkey contracts which should have been awarded by GRIDCO by 31 August 1998 could be awarded only by December 1998. This delay contributed to loss of interest of Rs.30.65 lakh till December 1998. Further, the interest earned on fixed deposit amounting to Rs.20.69 lakh were diverted for other purposes;

(ii) As per the Agreement, consultancy charges of Rs.1.81 crore at the rate of 3 *per cent* of the project cost was charged to the project, which was treated as loan from the date of the first disbursement. As the consultancy charges are to be spread over a period of two years, treating this as principal amount of loan from the date of the first disbursement was detrimental to the interest of the Company and resulted in avoidable payment of interest of Rs.21.10 lakh (till December 1998), and

(iii) Non-acceptance of the first lowest bidder in respect of three projects on the ground that the bidder could not furnish bid security in foreign currency is not tenable since the bid document did not prohibit the foreign bidder from depositing in Indian Rupees. This resulted in extra liability of Rs.7.80 crore.

It was also noticed in audit that four projects had been sanctioned earlier during 1987-88 by REC for rural electrification works. Under these projects, REC was to meet 50 percent of the cost while the balance was to be met by OSEB. REC had released (Rs.48.38 lakh) 10 *per cent* of the sanctioned amount in case of two projects which could not be taken up as OSEB could not arrange for its share of the funds and the loans had to be ultimately cancelled (July 1991). The amount of Rs.48.38 lakh so drawn was utilised for other purposes in the absence of execution of projects. It was also noticed in audit that though REC had agreed (September 1995) for funding all the existing projects scheduled to be completed by June 1997, the same could not be availed due to delay in finalization of loan agreement and delay in availment of government guarantee. This resulted in the Company not being able to avail of the projected benefits Rs.17.12 crore *per annum* towards sale of additional energy and saving in system losses.

2B.2.4.4 IBRD Loan

Only Rs.88.65 crore was drawn against the schedule of drawal of Rs.512.50 crore up to 31.03.99. GRIDCO assumed interest liability of Rs.7.18 crore on account of delayed remittances of loan amounts by Government of Orissa.

GRIDCO decided (26 March 1996) to secure loan assistance of Rs.1,441.90 crore (350 million US Dollars) from IBRD for implementation of the OPSRP. The entire loan was to be made available through traditional channels i.e. from IBRD to Government of India (GOI), Government of India to the Government of Orissa and Government of Orissa to GRIDCO. Accordingly, GRIDCO executed (13 September 1996) an agreement with the Government of Orissa which included an obligation on the part of the State Government to make available the loan proceeds to GRIDCO immediately. The closing date of the loan is 31 December 2002. In this connection, the following points were noticed in audit:

(i) GRIDCO has not complied with the schedule of drawal. An amount of Rs.88.65 crore only was drawn against schedule drawal of Rs.512.50 crore up to 31 March 1999;

Non-payment of interest dues attracted penal interest liability of Rs.0.16 crore and liability towards commitment charges of Rs.25.40 crore.

(ii) Further, against the release of Rs 88.65 crore by IBRD, GRIDCO could receive Rs.85.72 crore from Government of Orissa and the balance Rs.2.93 crore is still with the State Government. The agreement with Government of Orissa provided for immediate transmission/release of loan amount to GRIDCO (i.e. within three days), but there was delay in remittance of the amount by Government of Orissa ranging from 43 days to 326 days. GRIDCO assumed interest liability of Rs.7.18 crore on the funds retained by Government of Orissa in excess of three days;

(iii) As per the terms of the agreement with Government of Orissa, interest at the rate of 13 *per cent per annum* was to be paid and in case of default, penal interest would be charged at the rate of 3.5 *per cent per annum*. The interest due up to the end of March 1999 amounting to Rs.9.96 crore were not paid till date. Non-payment of interest due thus attracted penal interest of Rs.15.94 lakh up to March 1999;

(iv) In terms of the loan agreement, commitment charges at the rate of 0.75 *per cent per annum* are payable on the undrawn loan amount. Such commitment charges payable to the IBRD works out to Rs.25.40 crore (US$ 7.256 million) upto May 1999. Delay in withdrawal of funds was caused due to incorrect submission of prescribed claim forms, submission of claims without sending the requisite documents for reimbursement and delay in finalisation of tenders, designs, etc.

While accepting the fact of less drawal of loan against the schedule of drawal, Government stated (October 1999) that its interest liability will be calculated from the date of release of funds by Government of Orissa. Hence the interest Rs 7.18 crore calculated on the funds retained by Government of Orissa in excess of three days is not correct. It was added that there was no delay in withdrawal of funds due to incorrect submission of claims.

The reply is not acceptable in view of clause 2.02 (a) of the Agreement read with 2.02(b) *ibid* which stipulates that GRIDCO shall pay interest on the principal amount so re-lent and withdrawn and outstanding from time to time.

Further the audit observation that delay in withdrawal of funds was caused due to incorrect submission of claim forms etc. is not only as per the records of OSEB/GRIDCO but also confirmed from the fact that GRIDCO could prefer first claim only in November 1996 i.e. after lapse of 5 months of execution of agreement and the first withdrawal of loan could be available to GRIDCO after another five months time i.e. in April 1997.

2B.2.4.5 Grant from Department for International Development (DFID)

Due to abnormal delays in issuing equity to Government of Orissa, only Rs.141.91 crore was available against total grant of Rs.444.77 crore. Further, due to delayed submission of claims, the Company lost Rs.1.91 crore for reimbursement.

As part of the reforms process, the DFID, United Kingdom (UK) extended financial aid of UK£ 64.5 million under "UK/ India Orissa Power Sector Reform Sector Grant 1996" covering the period 1996-2000 towards Repair and Maintenance (R&M) stores (£ 27 million), rehabilitation (£ 4 million), Technical assistance (£ 28.5 million), additional technical assistance (£ 3 million) and contingency (£ 2 million).

The entire assistance was in the nature of equity (£31 million) and grant (£ 33.5 million). An agreement was signed between the Government of UK, Government of India, Government of Orissa and GRIDCO for availing the above amount during July 1996 to January 2000. Funds released by DFID were to be credited to a bank account at Bhubaneswar operated jointly by GRIDCO and by M/s Price Water House, the joint consultant of DFID and GRIDCO. Scrutiny in audit revealed the following:

(i) Against the total grant of Rs.444.77 crore (£ 64.5 million), GRIDCO could avail only Rs.141.91 crore up to April 1999 due to abnormal delays in issuing equity share capital to Government of Orissa. As there are only nine months left, utilisation of balance amount of Rs.302.86 crore is doubtful;

(ii) GRIDCO preferred claims (February 1999) valued at Rs.1.91 crore pertaining to period January 1997 to March 1998 for reimbursement from the Grant. However, the claims were rejected (March 1999) on the ground that the retrospective funding for reimbursement of claims under DFID funding was closed. Due to this delay in preferring the claims, the expenditure had to be borne out of own/borrowed resources.

2B.2.5 Other topics of interest relating to funded projects

Company incurred extra liability of Rs.6.88 crore on lease back of its own assets.

Under the directions of the State Government, the Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) floated (September 1994) Steel Bonds worth Rs.130 crore for financing core industries as well as infrastructure development projects. In November 1994, OSEB approached the Government of Orissa for financing three power transmission projects by utilizing part of the steel bonds floated by IPICOL. The State Government agreed (September 1995) to give Rs.25.00 crore out of the steel bond funds. While this decision was being processed, the Industrial Development Corporation of Orissa Limited (IDCOL), another State Government Company, proposed to the State Government to make funds available to OSEB on the basis of "lease financing" according to which OSEB would sell certain specified assets to IDCOL which would lease them back to OSEB. This would enable OSEB to get funds required for their projects while enabling IDCOL to reduce their Income Tax liability by way of setting off depreciation on the assets acquired from OSEB.

The State Government approved (26 September 1995) the above proposal of IDCOL and directed (September 1995) IPICOL to provide funds out of the steel bonds to IDCOL. In pursuance of this decision, a lease agreement was executed in the same month between OSEB and IDCOL whereunder IDCOL paid Rs.20 crore to OSEB against sale of assets of Rs.25 crore and retained the balance of Rs.5 crore towards security deposit of leased back assets for a period of five years. As per the agreement, OSEB/GRIDCO has been paying monthly lease rent at the rate of Rs.57.30 lakh per month from October 1995.

The liabilities of GRIDCO in this transaction worked out to Rs.43.38 crore (excluding insurance charges on leased assets) towards lease rental payable for 60 months (Rs.34.38 crore); sales tax liability (Rs.3 crore), sales tax on lease rental (Rs.4.13 crore) and loss of interest on Rs.5.00 crore retained by IDCOL (Rs.1.87 crore).

It was observed in audit that had OSEB directly availed the loan of Rs.20 crore (the amount received from IDCOL) from IPICOL, its total liability would have been Rs.36.50 crore (including interest Rs.16.50 crore at the rate of 16.5 *per cent* for five years). Thus, by entering into this arrangement, by OSEB, GRIDCO incurred an extra liability of Rs.6.88 crore (Rs.43.38 crore–Rs.36.50 crore).

Government stated (October 1999) that the total liability of GRIDCO under lease back arrangement is Rs.34.38 crore. Hence, there is no extra liability to GRIDCO. The reply is not tenable in view of the fact that sales tax liability (Rs.3.00 crore) and sales tax on lease rental (Rs.4.13 crore) are liabilities accrued upon the transaction in the absence of orders for exemption of sales tax from Government of Orissa. Further, loss of interest (Rs.1.87 crore) is a clear loss as GRIDCO received only Rs.20.00 crore and repayment by way of lease rental was calculated at Rs.25.00 crore.

Conclusion

Due to inadequate financial management and operational inefficiencies, GRIDCO was unable to avail loan funds that resulted not only in delays or non-completion of projects but also incurring of additional liabilities in terms of commitment charges. On account of its inability to pay its dues in time, GRIDCO had to resort to rephasement of its dues which involved incurring of additional liabilities. The Company also incurred penal interest for delays in re-payment that was avoidable. Moreover, non-availing of such loans which were otherwise available resulted in GRIDCO having to divert funds that could have been utilised more fruitfully elsewhere which further exacerbated its financial position. The

main objective of the project was to improve the T&D system but the project implemented at such a huge cost failed to meet its objective.

GRIDCO needs to minimise payment of avoidable commitment charges and reduce interest liability. The time schedule for drawal of funds should be adhered to and execution of works strictly monitored. Measures to improve T& D system should be accorded priority.

Section 2C: Review on Physical and Financial Performance of Power Sector during the VII Plan.

2C. Review on Physical and Financial Performance of Power Sector during the VII Plan

Highlights

Only 440 MW of additional capacity could be achieved during the VII Plan period against the target of 1595 MW including spill over work (977 MW) of VI plan. As a result, OSEB had to incur an expenditure of Rs.55.03 crore on purchase of power in the VII Plan period.

(Paragraph 2C.3.3)

Power shortages in the State at the end of VII Plan was 43 *per cent* as against 6.8 *per cent* at all India level. While 62.33 *per cent* of the shortages on an average were met from purchase of power during the Plan period, the balance shortfall was met by putting restrictions on usage.

(Paragraph 2C.4.1)

Lack of adequate monitoring and control led to non-utilisation of World Bank loan in respect of Upper Indravati Hydro Electric Project resulting in an avoidable expenditure of Rs.2.21 crore on account of commitment charges

(Paragraph 2C.5.1.1)

Delay in commissioning of the Hirakud Stage-III Project (7th Unit) led to OSEB having to incur an additional amount of Rs.26.96 crore towards purchase of power during the VII Plan period.

(Paragraph 2C.5.1.2)

Shortfall in hydel generation during 1987-88 and 1988-89 resulted in extra cost of Rs.123.55 crore.

(Paragraph 2C.5.5)

The auxiliary consumption exceeded the norms recommended by the Central Electricity Authority. The value of the excess consumption worked out to Rs.36.58 lakh.

(Paragraph 2C.5.5.1)

Despite expenditure of Rs.170.46 crore towards improvement of T&D system, the T&D losses were 23.94 *per cent* as against a norm of 15 *per cent* fixed by the CEA. The excess T&D losses deprived the Board of sale of power valued at Rs.134.87 crore.

(Paragraph 2C.5.5.2)

2C.1 Introduction

The Government of India formulates and administers the power policy and monitors implementation of projects with a view to achieving self-sufficiency in energy supply at minimum cost. The generation requirements of the State of Orissa at the end of 1989-90 was estimated to be 15647 MU anticipating 9 *per cent* growth rate in industrialisation against the existing generating capacity of 9930 MU at the end of VI Plan i.e. 1984-85. The gross generation in the State including share from central pool was anticipated at 6650 MU at the end of 1989-90. After considering auxiliary consumption of 242 MU, a shortfall of 9239 MU (i.e. 1055 MW) was estimated at the end of VII plan i.e. 1985-86 to 1989-90. In order to meet this shortfall, some new power projects were proposed during the VII Plan.

2C.2 Scope of Audit

The implementation of power projects under the VII Plan and actual power supply position etc. in the State of Orissa has been reviewed in audit. The review covers the implementation of power projects approved in earlier plan periods but continued during the VII Plan as well as projects undertaken in the VII Plan but spilled over to the subsequent VIII and IX Plan periods. The aspects of generation of power with reference to the projected requirements, transmission and distribution of power and the physical and financial performance of the agencies and bodies concerned in the power sector have been looked into and the results of audit have been discussed in the subsequent paragraphs.

2C.3 Position of Power Plant at the start of the VII Plan (i.e. till 1984-85)

2C.3.1. The position of power plants at the start of the VII Plan is tabulated as under:

Existing		**Under construction**		**Proposed during VII Plan**	
Name	**Installed Capacity (MW)**	**Name**	**Installed Capacity (MW)**	**Name**	**Installed Capacity (MW)**
Machakund(H) (3 units)	34.425	Rengali (H) Stage-I (2 units)	100	Rengali Stage-II (3 units)	150
Hirakud(H) Stage-I (6 units)	198.000	Upper Kolab(H) (3 units)	240	Ib-Thermal (4 units)	840
Hirakud (H) Stage-II (3 units)	72.000	Hirakud 7th Unit(H) (1 unit)	37.5	Hirakud Stage-III (5 units)	250

Existing		**Under construction**		**Proposed during VII Plan**	
Name	**Installed Capacity (MW)**	**Name**	**Installed Capacity (MW)**	**Name**	**Installed Capacity (MW)**
Balimela(H) (6 units)	360.000	Talcher Thermal Renovation(T)	--	Bhimkund (1 unit)	393
Talcher Thermal Stage-I(T) (4 units)	250.000	Upper Indravati Project-(H) (4 units)	600.000	Potteru (2 units)	6
Talcher Thermal Stage-II (T) (2 units)	220.000			Bargarh Head Regulator (3 units)	12
				Small Hydel Projects	50
				Gas Turbine 6 sets	210
Total	**1134.425**		**977.5**		**1911**

Note: H: Hydel, T: Thermal.
Source : VII Plan 1985-90 : Government of Orissa November 1984

2C.3.2 Out of the projects under construction during the VI Plan, Rengali stage–I could be completed by August 1985 and Upper Kolab project Stage-I by December 1986, i.e. during the VII Plan period. These added 340 MW to the existing installed capacity. The seventh unit at Hirakud (37.5 MW) was completed during the VIII Plan (September 1990) and the Upper Indravati project had not been commissioned till date (October 1999).

Only 100 MW of additional capacity could be added against target of 618 MW which resulted in OSEB having to incur expenditure of Rs.55.03 crore towards purchase of power.

2C.3.3 Out of the projects proposed for execution in the VII Plan, addition of 618 MW was envisaged by commissioning the following projects; viz. Rengali Stage II (150 MW), one unit of Ib thermal project (210 MW), six sets of gas turbines (210 MW) and a few small hydel projects (48 MW). Out of the projects proposed for the VII Plan, only three projects were taken up for implementation, viz. Rengali Stage-II, Potteru Small Hydel Project and Ib Thermal Power Station. Of these, only two units of Rengali Stage-II could be completed thereby adding generating capacity of only 100 MW against the target of 618 MW. The total addition to the existing installed capacity in the State at the end of the VII Plan thus came to 440 MW including 340 MW from spilled over projects of VI Plan against the target of 1595 MW including 977 MW of spill over works from VI Plan. Due to this shortfall in capacity addition, the Board had to incur an expenditure of Rs.55.03 crore even in 1989-90 towards cost of power purchase.

2C.4 Availability of power during VII Plan Period

Out of the estimated requirement of 15647 MU, 6408 MU was to be met from public utilities and rest from captive generation by industries located in the State.

2C.4.1 The State Government estimated the requirement of power in the State as 15647 MU by 1989-90 (i.e. end of VII Plan) out of which 6408 MU (after excluding auxiliary consumption of 242 MU) was proposed to be met from generation from public utilities and the balance from captive generation by industries located in the State.

The power shortage in the State at the end of VII plan was 43 *per cent* of the demand as against 6.8 *per cent* at the all India level.

Due to massive rural electrification schemes and intensive drive for industrialisation in the State during the VI and VII Plan periods, there was a surge in power demand which could not be matched with growth in generation capacity resulting in acute shortage of power. It was noticed in audit that the power shortage in the State at the end of the VII Plan was 43 *per cent* of the demand as against 6.8 *per cent* at the all India level. During the VII Plan period, an average of 62.33 *per cent* of this shortfall was met through purchase of power and the rest was covered by putting restrictions on usage. The expenditure per unit had increased from 58.39 paise in 1985-86 to 80.90 paise in 1988-89 and 71.95 paise in 1989-90.

2C.4.2 Physical Performance as against Targets

The particulars of estimated generation of Orissa State Electricity Board (the functions of OSEB have been transferred in April 1996 to two Companies namely GRIDCO and OHPC as discussed in paragraph 2B.1.1 *supra*) during the VII Plan vis-à-vis actual generation are indicated below:

Sl. No	Power Project	1985-86	1986-87	1987-88	1988-89	1989-90
1.	**Hydel***					
	Estimated Generation (MU)	2170	2909	3815	3822	3733
	Achievement (MU)	1970.887	2158.759	1623.450	1494.000	3213.736**
	Shortfall(MU)	199.113	750.241	2191.550	2328.000	519.264
	Percentage of shortfall	9.18	25.79	57.45	60.91	13.91
2.	**Thermal**					
	Estimated Generation (MU)	1725	1900	2000	2000	2000
	Achievement (MU)	1304.511	1307.155	1340.728	1272.000	1458.372
	Shortfall (MU)	420.489	592.845	659.272	728.000	541.628

** includes the power generated in Rengali and Upper Kolab which were transferred by Government to OSEB with effect from 1 April 1989

Sl. No	Power Project	1985-86	1986-87	1987-88	1988-89	1989-90
	Percentage of shortfall	24.38	31.20	32.96	36.40	27.08

* the target and achievement for OSEB does not include the generation from Machkund.

At the end of VII Plan, the actual generation was 4672 MU as against the estimated generation of 5733 MU.

It would be seen from the above that the shortfall in power generation in hydel projects increased steadily from 9.18 *per cent* in 1985-86 to 60.91 *per cent* in 1988-89 but declined to 13.91 *per cent* in 1989-90 due to addition to generating capacity on account of transfer of the Rengali and Upper Kolab projects to OSEB from the State Government. The shortfall in respect of thermal projects ranged from 24.38 *per cent* in 1985-86 to 36.40 *per cent* in 1988-89. Against the estimated generation of 5733 MU at the end of the VII Plan, the actual generation was 4672 MU leading to shortfall of 1061 MU (18.50 *per cent*). Due to shortfall in generation, the Board was compelled to purchase power from outside.

The shortfall in availability of power increased not only due to delay in completion of projects but the existing plants also did not perform to their capacity as indicated below (Upper Kolab and Rengali were handed over to OSEB only in 1989-90).

Name of the project	Installed capacity (MW)	1985-86		1986-87		1987-88		1988-89		1989-90	
		Generat-ion (MU)	PLF	Generat-ion (MU)	PLF	Generat-ion(MU)	PLF	Generat-ion (MU)	PLF	Generat-ion(MU)	PLF
Hirakud Chiplima (Hydel)	270.000	1098.276	46.46	1107.702	46.85	1030.361	43.58	844.000	35.70	1021.614	43.21
Balimela	360.000	872.611	27.68	1051.057	33.34	593.089	18.81	650.000	20.62	991.223	31.45
Rengali Stage I & II (Hydel)	100 MW	-	-	-	-	-	-	-	-	634.809	72.5
Upper Kolab (Hydel)	160 MW	-	-	-	-	-	-	-	-	566.090	40.41
Talcher Stage-I Stage II (Thermal)	250.00 220.00	1304.512	31.70	1307.155	31.76	1340.728	32.58	1272.000	30.91	1458.372	35.44

The PLF maintained by the thermal plants ranged from 30.91 *per cent* to 35.44 *per cent* while the hydel units performed at a PLF ranging from 18.81 *per cent* to 46.85 *per cent*.

The Plant Load Factor (PLF) maintained by the thermal plants ranged from 30.91 *per cent* to 35.44 *per cent* while for hydel units it was 18.81 *per cent* to 46.85 *per cent* (except 72.5 *per cent* for Rengali stage I and II in 1989-90). While no norms had been prescribed by the Government of India prior to 1992, OSEB had fixed a PLF of 41.80 *per cent* for thermal plants and 44.41 *per cent* for the Hirakud and 37.53 *per cent* for the Balimela units which were also not achieved (except by Hirakud plant during 1985-86 and 1986-87).

Government stated (October 1999) that required renovation works could not be undertaken due to paucity of funds. Further, high ash content of the coal, also contributed to the poor performance of Talcher Thermal Power Station (TTPS). Government attributed (October 1999) the low performance of hydel generating stations to low rain fall in the catchment area of the reservoir.

2C.5 Project Implementation

2C.5.1 Hydel

The projects which were under construction during the VI Plan but spilled over to the subsequent Plan periods as well as proposed during VII Plan have been discussed in the succeeding paragraphs.

2C.5.1.1 Upper Indravati Hydro Electric Project

The UIHEP was taken up (1978-79) with a capacity of 600 MW by the State Government at an estimated cost of Rs.208 crore which was subsequently revised to Rs.1107.10 crore (1996).

The Upper Indravati Hydro Electric Project (UIHEP) with a capacity of 600 MW was taken up (1978-79) by the State Government as a World Bank aided project at an estimated cost of Rs.208 crore (1978-79) which was subsequently revised to Rs.1,107.10 crore (1996). Due to the inability of the project authorities to utilise the loan funds, the World Bank stopped the loan (1995). The project was thereafter transferred to OHPC with effect from 1 April 1996. OHPC arranged a loan of Rs.320 crore from Power Finance Corporation (PFC). The work on the project was resumed in July 1997 after release of funds amounting to Rs.40 crore by PFC from July 1996. The interest paid upto December 1998 was Rs.32.71 crore. Due to deviation from the schedule of drawal of the loan, OHPC had paid Rs.2.21 crore towards commitment charges.

Company paid Rs.2.21 crore towards commitment charges to PFC due to deviation from schedule of drawal.

Thus, due to lack of adequate control over implementation of the project, the loan from the World Bank could not be utilised and the OHPC had to seek a loan from the PFC which led to an avoidable expenditure of Rs.2.21 crore on account of commitment charges.

2C.5.1.2 Hirakud Stage – III Project (7th unit)

Due to delay in commissioning of Hirakud Stage – III project, anticipated generation of power of 720 MU could not be achieved and to meet the demand, OSEB incurred extra cost of Rs.26.96 crore towards purchase of power during the VII Plan.

Installation of the seventh unit at Burla Power House was under consideration since 1975-76 with a view to creating additional generating capacity of 37.5 MW. As per the original plan, the project was to be commissioned in September 1985. However, it was actually commissioned after a time over-run of five years in September 1990. While the increase in cost from Rs.38.08 crore to Rs.38.85 crore was marginal, the potential loss of generation of power due to delay in commissioning was 720 MU during the VII Plan period. If the power had been available to OSEB, the Board could have saved Rs.26.96 crore towards differential cost incurred in purchase of power during the VII Plan period.

2C.5.1.3 Potteru Small Hydel Project

The Potteru project scheduled for completion during 1993-94 is yet to be commissioned.

The Potteru small hydel project initially planned for execution and commissioning during VII Plan by the State Government was estimated at Rs.5.46 crore. The project was approved by the Planning Commission in April 1987 and was scheduled to be commissioned during 1993-94 which was subsequently revised to March 1999. The fourth revised estimate (October 1995) at the January 1995 price level was Rs.18.83 crore. An expenditure of Rs.47 lakh had been incurred by the end of the VII Plan towards infrastructure work.

The project was transferred to OHPC on 1 April 1996 at a transferable value of Rs.14.30 crore. The transfer value was treated as loan from State Government with an interest of 13 *per cent per annum*.

The project was transferred to OHPC on 1 April 1996 at a transfer value of Rs.14.30 crore which was treated as a loan from the State Government with an interest of 13 *per cent per annum*. Interest amounting to Rs.3.72 crore had accrued as on March 1998. The actual expenditure incurred on the project including interest till 31 March 1998 as per the accounts was Rs.18.02 crore.

Management attributed (October 1999) the reasons for cost and time over-run in the project to non-availability of site, hike in material and labour costs and damage of some equipment during fire hazards in 1995. Thus, the project which was scheduled to be commissioned in 1993-94 and re-scheduled for March 1999 had not been commissioned till date (October 1999). Government stated (October 1999) that the project is expected to be completed by December 1999.

2C.5.2 Ib Thermal Project

The execution, commissioning and operational performance of Ib Thermal Power Station (ITPS) and mini hydel projects of OPGC were reviewed in the Report of the Comptroller and Auditor General of India (Commercial), 1995-96. The Report highlighted *inter alia* loss of generation valued at Rs.1030.85 crore due to delays in commissioning of units, additional expenditure of Rs.28.68 crore in procurement of two turbo-generators and avoidable expenditure of Rs.71.03 lakhs in work of merry-go-round system. The Audit Report was discussed by the COPU on 25.1.1999. The report of COPU was awaited.

2C.5.3 Financial performance of OSEB

2C.5.3.1 Position of Mobilisation of Funds

The aggregate of long term loan obtained by Board and outstanding as on 31 March 1990 was Rs.794.36 crore as against Rs.482.77 crore as on March 1985.

The capital requirements of the Board were met by way of loans obtained from Government, public banks and other financial institutions. The aggregate of long term loans obtained by the Board and outstanding as on 31 March 1990 (VII Plan ending) was Rs.794.36 crore which represented an increase of Rs.311.59 crore (64.54 *per cent*) over the long term loans of Rs.482.77 crore outstanding at the end of the VI Plan.

2C.5.4 Working results of OSEB

The working results of the Board during the VII Plan are summarised below:

Sl.No	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
		(Rupees in Crore)				
1.	Revenue receipts	170.85	218.20	248.55	267.45	303.44
2.	Subsidy from State Government	12.52	14.71	16.70	21.20	26.03
	Total	**183.37**	**232.91**	**265.25**	**288.65**	**329.47**
3.	Revenue expenditure (excluding depreciation and interest	135.73	172.71	241.79	253.83	202.56
4.	Gross surplus for the year	47.64	60.20	23.46	34.82	126.91
5.	(a) Depreciation	48.34	59.72	20.85	22.41	27.73
	(b) Total interest on loans	73.02	78.10	49.73	61.71	81.80
6.	Net deficit (-)/ Surplus (+)	(-)73.72	(-)77.62	(-)47.73	(-)49.30	(+)17.38

It was noticed in audit that the losses were mainly on account of shortfall in generation and import of power from other sources at comparatively higher rates leading to consequential increase in cost of power without any corresponding increase in sales revenue.

2C.5.5 Operational Performance

The particulars of operational performance of the Board during VII Plan are summarised in Annexure-11. It would be seen from the Annexure that:

The shortfall in hydel generation during 1987-88 and 1988-89 resulted in extra cost of Rs.123.55 crore.

(i) there had been a significant shortfall in generation especially in hydel in 1987-88 and 1988-89 forcing OSEB to purchase power from other sources at comparatively higher rates resulting in increase in operating cost. The excess expenditure during this period worked out to Rs.123.55 crore considering generation of 1985-86 as base;

(ii) the auxiliary consumption increased from 142 MU (1985-86) to 169 MU 1989-90;

The T&D losses ranged between 23.30 to 24.50 *per cent* as against the norm of 15 *per cent*.

(iii) the transmission and distribution (T&D) losses during 1985-86 to 1989-90 ranged between 23.30 and 24.50 *per cent* against the norm of 15 *per cent* prescribed by the CEA when the all India average of T&D loss was 21.65 *per cent* at the end of VII Plan; and

(iv) the Board suffered operational losses during all the five years upto 1989-90;

2C.5.5.1 Auxiliary consumption

The actual auxiliary consumption exceeded the norms recommended by CEA in both thermal and hydel units. The value of excess auxiliary consumption worked out to Rs.36.58 lakh.

The Central Electricity Authority (CEA) has recommended a norm of 0.5 and 9.5 *per cent* of total generation for hydel and thermal generation stations, respectively, as norms of auxiliary consumption.

It was observed in audit that the auxiliary consumption in the two hydel (Hirakud and Balimela) stations during the VII Plan period ending 1989-90 ranged from 0.79 to 1.26 *per cent* as against the norm of 0.5 *per cent*. Similarly, the auxiliary consumption in the Talcher Thermal Power Station (TTPS) also exceeded the norm of 9.5 *per cent* by 1.17 *per cent* in 1987-88, by 1.82 *per cent* in 1988-89 and by 1.04 *per cent* in 1989-90. The value of excess auxiliary consumption of 40.654 MU worked out to Rs.36.58 lakh during the VII Plan period computed at the average generation cost of Re.0.09 per unit.

2C.5.5.2 Transmission and Distribution Losses

T&D losses were 6270.873 MU (23.94 *per cent*) during VII plan period as against the norm of 15 *per cent* prescribed by CEA. The value of excess loss over the norm was Rs.134.87 crore.

A review of generation, purchase and sale details for the years 1985-86 to 1989-90 revealed that as against total power of 26,198.533 (MU) available for sale, the Board sold only 19,927.660 MU to its consumers. The balance power of 6,270.873 MU viz. 23.94 *per cent* of the total power was treated as Transmission and Distribution (T&D) losses. Reckoned with reference to the norm of 15 *per cent* line loss prescribed by the CEA, the excess line losses in the system worked out to 2341.095 MU. Had the losses been managed within the CEA norm, these units would have been available for sale fetching Rs.134.87 crore worked out on average revenue realisation per unit. It was further observed in audit that this loss had been sustained despite the fact that the Board had incurred an expenditure of Rs.170.46 crore towards “T&D system improvement scheme” during the same period.

There was under-statement of T&D losses ranging from 3.53 per cent to 15.37 per cent during the Plan period due to non-deduction of sale of power to other States and HT/EHT consumers.

It was also noticed in audit that the T&D losses were being computed as the difference between the units available for sale and the units actually sold. In case of power supplied to other States and High Tension/Extra High Tension consumers, there is no sub-transmission and distribution losses as the billing of power sold is done on the basis of units recorded in the meter at the grid sub-station. This sale should therefore be deducted from the total sale of power for computation of T & D losses. Inclusion of this power resulted in under-statement of T&D losses to the extent of 3.53 *per cent* (1985-86), 6.01 *per cent* (1986-87), 5.72 *per cent* (1987-88), 15.37 *per cent* (1988-89) and 5.89 *per cent* during 1989-90.

T&D losses were under-stated by 2807.235 MU to keep the losses within 23-24 *per cent*. The value of the T&D losses thus under-stated was Rs.164.92 crore.

It was further noticed in audit that during the five years of the VII Plan, the actual sale was 17120.425 MU as per the figures compiled by Revenue Section of the Board on the basis of information received from units. This was, however, depicted as 19927.66 MU to maintain T&D losses within 23 to 24 *per cent* of the total units available for sale. Such a depiction led to under-statement of T&D losses by 2807.235 MU valued at Rs.164.92 crore.

After considering the sale of power to other States/ high tension/ extra high tension consumers and the sale figures compiled by Revenue section, the percentage of actual T&D losses in OSEB would have been 41.40 (1985-86), 31.21 (1986-87), 38.20 (1987-88), 54.26 (1988-89) and 44.39 (1989-90) as against 23.30 (1985-86 & 1986-87), 24.38 (1987-88), 24.50 (1988-89) and 23.96 (1989-90) as worked out by OSEB.

Government stated (October 1999) that GRIDCO had taken up programs to reduce the T&D losses.

2C.5.5.3 Improvement of T&D System

The progress achieved in improvement of the T&D system is depicted below:

Type of lines	VII Plan construction Program	Achievement	Percentage of achievement
220KV lines	469.5 Kms	230 kms	48.99
220/132 KV sub-stations	820 MVA	500 MVA	60.98
132 KV lines	409.5 Kms	230 Kms	56.17
132/33KV sub-stations	227.5 MVA	230 MVA	101.10

An analysis of the year-wise progress revealed that there was no achievement in respect of 220 KVA lines during the period 1985-86, 1986-87 and 1988-89. During 1987-88, the achievement was only five kms and 225 kms were completed during 1989-90. In case of 220/132 KV & 132/33 KV sub-stations and 132 KV lines, there was no achievement during 1986-87 and the achievement during 1988-89 and 1989-90 in case of 132 KV lines was insignificant (8 kms each year). This resulted in unsatisfactory improvement in T&D system.

2C.5.6 Rural Electrification

Sl. No	Year	No.of schemes	Estimate/ Actual expenditure	Items							
			(Rs.in lakh)	Villages (Numbers)		Pumpsets (Numbers)		Tribal villages (Numbers)		Harijan Basties (Numbers)	
				Target	Achievement (Per cent)	Target	Achievement (Per cent)	Target	Achievement (Per cent)	Target	Achievement (Per cent)
1.	1985-86	31	1223/ 1590	1370	1141/ (83.21)	7200	2615 (36.32)	400	293/ (73.25)	500	455/ (91)
2.	1986-87	53	1320/ 1620	1386	1312/ (94.36)	5000	2200/ (44)	500	478/ (81)	600	363/ (60.5)
3.	1987-88	--	--/2265	--	1559	--	2785	--	81	--	295
4.	1988-89	72	2380/ 2265	1222	1476 (120.79)	4765	6600 (138..51)	585	469 (80.12)	500	480 (96)
5.	1989-90	94	3696/ 2297	1875	900/ (48)	16000	7581/ (47.38)	650	124/ (19.07)	--	--
	Total	250	8619/ 10037								

Achievement in various rural electrification schemes ranged from a low 19.07 *per cent* to 96 *per cent*.

During the VII Plan, an expenditure of Rs.10037 lakh was incurred for implementation of 250 rural electrification schemes as against the estimated expenditure of Rs.8619 lakh. It was observed in audit that achievement made in energisation of pumpsets was far behind the targets except during 1988-89. During the year 1987-88, no estimates were made for RE schemes though expenditure of Rs.2265 lakh was incurred. The achievement during 1989-90 ranged from 19.07 *per cent* to 48 *per cent* of the targets fixed in respect of electrification of tribal villages and energisation of pumpsets/ villages, etc. The achievement during 1986-87 in respect of electrification of Harijan Basties was only 60.5 *per cent* of the target and was very less compared to achievement during 1985-86 and 1988-89.

Conclusion

The State had failed to achieve the targets set for power sector for the VII Plan. Delays in commissioning of new projects forced the OSEB to purchase power at higher costs to bridge the gap between growing demand and inadequate supply. Inadequate flow of funds led to cost and time over run in respect of three hydro electrical projects and one thermal station. Moreover, the performance of the power plants was below par with reference to prescribed norms in terms of generation of power, auxiliary consumption and Transmission and Distribution losses.

Section 2D: Review on Outstanding Dues against Grid Corporation of Orissa Limited.

2D. REVIEW ON OUTSTANDING DUES AGAINST GRID CORPORATION OF ORISSA LIMITED

Highlights

Execution of deposit works in excess of the estimated cost/non receipt of deposit resulted in locking of funds aggregating Rs.2.97 crore with consequential loss of interest of Rs.1.00 crore.

{Paragraph 2D.6.1(ii)}

Stock valued at Rs.10.61 crore was lying without issue to works for periods ranging from one to five years which indicated absence of systematic procurement planning. This also resulted in loss of interest of Rs.4.74 crore.

(Paragraph 2D.6.2)

Failure to recover the energy charges resulted in huge accumulation of arrears ranging from Rs.202.13 crore to Rs.616.35 crore during the period from 1993-94 to 1997-98.

{Paragraph 2D.6.3(a)}

During the five years ended 31 March 1998, the excess Transmission and Distribution loss of 11156 MU over the norms fixed by CEA (15.5 *per cent*) worked out to Rs.2385.08 crore.

{Paragraph 2D.6.3(e)}

Investing of funds raised through issue of bonds and company's surplus funds in short term deposits instead of liquidation of outstanding dues resulted in loss of differential rate of interest of Rs.6.52 crore.

{Paragraph 2D.6.4 & 2D.6.4(a)}

Non-prioritisation of payments towards purchase of power led to payment of Rs.94.90 crore on account of Delayed Payment Surcharge.

{Paragraph 2D.7(i)}

Loans amounting to Rs.68.08 crore from REC and Rs.29.04 crore from PFC for execution of different projects including RE scheme were adjusted in their entirety against past dues of GRIDCO thus defeating the purpose of the loans.

{Paragraph 2D.7(ii)}

2D.1 Introduction

As a part of the reform of the power sector undertaken by the Government of Orissa, the Orissa State Electricity Board (OSEB) was bifurcated into two government companies viz. Grid Corporation of Orissa Limited (GRIDCO) and Orissa Hydro Power Corporation Limited (OHPC) which were incorporated in April 1995. The main objective of OHPC is generation of power while the main objective of GRIDCO is procurement, transmission and distribution of power and supply of electricity and other related and incidental activities in the State of Orissa. As on 31 March 1998, the total dues outstanding against GRIDCO stood at Rs.3139.65 crore which included current liabilities (Rs.1449.01 crore), loans (Rs.1572.87 crore) and consumers security deposit (Rs.117.77 crore). The current liabilities included among others, liability for purchase of power amounting to Rs.912.55 crore.

2D.2 Organisational Set-up

The Director (Finance) is the functional head of the financial wing and is responsible for making payments and keeping control over the dues payable by GRIDCO.

2D.3 Scope of Audit

The position of dues outstanding against the OSEB/ GRIDCO as well as liquidation thereof for the period from 1993-94 to 1997-98* were reviewed in audit. The results of this review are discussed in succeeding paragraphs.

2D.4 Outstanding Dues against OSEB/GRIDCO

The position of total dues of the OSEB/GRIDCO remaining outstanding for the last five years is given below:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(Rupees in crore)					
(i) Loan Funds	636.90	736.97	815.78	1350.99	1572.87
(ii) Consumers security deposit	28.06	38.43	66.97	94.97	117.77

* Even provisional annual accounts for 1998-99 were not prepared by GRIDCO.

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(Rupees in crore)					
(iii) Current Liabilities**	556.42	480.21	679.57	1026.53	1449.01
Total	**1221.38**	**1255.61**	**1562.32**	**2472.49**	**3139.65**

The outstanding dues increased from Rs.1221.38 crore in 1993-94 to Rs.3139.65 crore in 1997-98.

It may be seen from above table that the total outstanding dues increased from Rs.1221.38 crore in 1993-94 to Rs.3139.65 crore in 1997-98 registering an increase of over 157 *per cent*. Though the current liabilities increased 160 *per cent* over a period of five years ending 1997-98, the jump was significant during last two years i.e. 110 *per cent* liabilities were taken over by the GRIDCO from OSEB.

The outstanding dues against current liabilities increased from Rs.556.42 crore in 1993-94 to Rs.1449.01 crore in 1997-98 (Annexure-12). While the creditors decreased in 1994-95 as compared to the previous year, it increased considerably thereafter from 1995-96 onwards. The current liabilities have increased by 113.22 *per cent* during 1997-98.

2D.5 Dues Payable on Purchase of Power

Revenues from sale of power were *prima facie* more than adequate to meet the cost of production/procurement of power as depicted in the following table:

Year	Revenue from sale of power	Total expenditure on purchase and generation of power	Amount paid	Outstanding at the end of year
	(Rupees in crore)			
1993-94	573.37	296.39	147.34	291.12
1994-95	725.11	354.94	434.12	211.94
1995-96	912.14	659.64	512.74	358.04
1996-97	1153.36	982.71	939.20	602.35
1997-98	1399.87	1199.83	889.63	912.55

Due priority not accorded to meet the dues payable on purchase of power.

However, the outstanding dues on account of procurement of power steadily increased from 1993-94 onwards which was indicative of the fact that due priority was not being given by OSEB/GRIDCO to meeting this cost. The source-wise details of purchase of power and dues outstanding for each of the five years upto 1997-98 are given in Annexure- 13.

** Current liabilities include trade dues viz. purchase of power, raw material, stocks, electricity duty, deposits from suppliers/ contractors, staff dues, interest accrued but not due, other liabilities.

Government stated (October 1999) that steps were being taken to liquidate the liabilities towards power purchase according to priority and subject to availability of funds.

2D.5.1 Non-reconciliation of dues against purchase of power from various sources

Out of 13 power producers, reconciliation of dues was made in case of only four power producers.

It was noticed in audit that reconciliation of dues was made in respect of only four power producers out of a total of 13 power producers. The details of reconciliation made are in the following table.

Name of the power producer	Period	Total claims	Amount accepted by GRIDCO	Difference
	(Rupees in Crore)			
NTPC	Upto March 1999	478.84	216.87	261.97
OHPC	1997-98	157.29	157.51	-0.22
OPGC	1997-98	378.94	375.54	3.40
NALCO	Upto March 1999	126.87	6.26	120.61
Total				390.76

Reasons for discrepancies in reconciliation was due to (i) acceptance of return on equity (ROE) at the rate of 12 *per cent* by GRIDCO against 16 *per cent* claimed by NTPC, (ii) supply of power by NTPC to Assam State Electricity Board through GRIDCO, (iii) non-acceptance of revised fixed cost claimed by NTPC, (iv) oil used and liasing charges claimed by OPGC, (v) non-acceptance of transmission charges by NALCO and (vi) disputed claims made by NALCO.

As per reconciliation made in July 1998 between NTPC & GRIDCO, GRIDCO provided liability for Rs.405.09 crore in the accounts for 1997-98 as against the claim of Rs.232.46 crore resulting in excess liability of Rs.172.63 crore.

It was noticed that as per the reconciliation made (July 1998) between NTPC and GRIDCO, GRIDCO provided liability for Rs.405.09 crore in the accounts for 1997-98 as against a claim of Rs.232.46 crore which resulted in excess liability by Rs.172.63 crore. One of the reasons for heavy outstanding was due to the fact that there was unwanted injection of high frequency power by NTPC. Due to this GRIDCO had to reduce receipt of cheaper power from hydel system to accommodate the more expensive power of NTPC as it had no control over Power Grid Corporation of India Limited (PGCIL) through which NTPC power is wheeled. GRIDCO's claim of Rs.283.98 crore upto March 1999 on NTPC towards supply of high frequency power injected by NTPC has not been accepted by NTPC so far (October 1999).

NTPC's claim against GRIDCO including DPS as on 31 March 1999 was Rs.478.84 crore where as GRIDCO accepted a sum of Rs.216.87 crore.

As per the claim of NTPC, the total amount outstanding against GRIDCO including Delayed Payment Surcharge (DPS) as on March 1999 was Rs.478.84 crore whereas GRIDCO accepted a sum of Rs.216.87 crore. The balance amount of Rs.261.97 crore has yet to be reconciled.

2D.6 Reasons for heavy outstanding dues

The reasons of heavy outstandings as observed in Audit were as under:

(i) Idle investment in works;

(ii) locking of funds in store material;

(iii) low generation of funds;

(iv) high transmission and distribution losses; and

(v) inefficient cash management.

Some instances of the above are discussed in the succeeding paragraphs.

2D.6.1 Idle investment in works

Despite incurring an expenditure of Rs.38.92 lakh for electrification of 25 villages, not a single connection could be given to the consumer rendering the expenditure as idle.

(i) Though expenditure of Rs.38.92 lakh was incurred for electrification of 25 villages through schemes sanctioned (1995 for REC Scheme Kanas and 1997 for REC Scheme Puri district) by the Rural Electrification Corporation (REC) for electrification of villages, not a single connection could be given to a consumer rendering the entire expenditure idle. The projects had since been closed (March 1997/March 1998). The loss of interest on the idle investment worked out to Rs.25.04 lakh.

Government stated (October 1999) that such electrification works were undertaken under social welfare schemes and once the infrastructure was available, people in that area would apply for connections. The reply is not tenable because projects are prepared based on demand only.

Excess expenditure of Rs.244.00 lakh was incurred on five deposit works over the amount of deposit received. Further a sum of Rs.53.10 lakh incurred on 3 deposit works without receiving any payment resulted in locking up of funds aggregating Rs.297.10 lakh with consequential loss of interest of Rs.100.09 lakh.

(ii) In case of five number of works entrusted to OSEB/ GRIDCO during the year from 1994-95 to 1997-98, it was noticed in audit that actual expenditure had exceeded the estimated cost by Rs.244.00 lakh. This excess expenditure could not be recovered because GRIDCO failed to prepare revised estimates and get approval thereof from the parties concerned. Thus, failure on the part of GRIDCO to recover excess expenditure of Rs.244.00 lakh led to locking up of working capital. The reasons for non-preparation of the revised estimates and non-realisation of excess expenditure were not on record.

Similarly, in respect of 3 deposit works which GRIDCO had undertaken between April 1998 and September 1998, it incurred a sum of Rs.53.10 lakh during the period without receiving any payments from the beneficiaries. Thus, deviation from the prescribed rules resulted in not only locking up of funds aggregating Rs.297.10 lakh but also loss of interest of Rs.100.09 lakh upto March 1999.

2D.6.2 Locking up of funds in store material

The position of opening stock, purchases made during the years, material issued to works and closing balance of stock for the five years up to 1997-98 was as follows:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
	(Rupees in crore)				
Opening balance of stock	66.43	63.57	84.74	85.63	70.84
Purchases made during the year	47.75	65.93	85.73	108.28	115.71
Total	114.18	129.50	170.47	193.91	186.55
Material issued to works during the year	50.61	44.76	84.84	123.07	63.49
Closing balance of stock	63.57	84.74	85.63	70.84	123.06
Closing stock in terms of months consumption	15.09	22.71	12.11	15.07	23.26

The closing stock at the end of each year in terms of months consumption ranged between 23.26 months to 12.11 months resulting in locking up of funds. This reflects absence of systematic procurement planning.

It would be seen from above that the closing stock at the end of each year in terms of months consumption ranged between 23.26 months (1997-98) and 12.11 months (1995-96) which indicated that the closing stock of material was increasing year after year resulting in not only deterioration in the quality of stock along with additional expenditure towards storage but also locking up of funds. It also reflected lack of systematic procurement planning as material had evidently been procured much in advance of actual requirements. It was further noticed in audit that till closure of OSEB (31st. March 1996), all the stocks lying in store were treated as usable and good. However, after formation of GRIDCO (April 1996), stocks worth Rs.66.68 crore were treated as obsolete and deducted from the stocks (accounts for 1996-97). Thereafter, an amount of Rs.43.26 crore was written back during 1997-98 on the basis of detailed physical verification. This was indicative of deficiencies in stores management.

Store material worth Rs.10.61crore procured between February 1995 and February 1998 were still lying in stores without issue to works. This has resulted in locking of funds (Rs.10.61 crore) with consequential loss of interest of Rs.4.74 crore.

An examination of records of all the three stores divisions of GRIDCO revealed that material viz. transformers, capacitor banks, steel, metering equipment, cable conductors and insulators, etc. valued at Rs.10.61.crore, procured between February 1995 and February 1998 were still lying in stores (March 1999) without issue to works. The division-wise details of non-moving stores is as under.

Name of Division	Period of procurement	No of items	Value of material (Rupees in lakh)
Burla	February 1995 to Feb'1998	57	278.03
Cuttack	April 1994 to Dec'1997	105	648.39
Berhampur	NA	NA	134.11
Total			**1060.53**

It may be seen from the above that material were lying in stores for periods ranging from one to five years. Accumulation of such huge stocks resulted in locking up of funds to the tune of Rs.10.61 crore with consequential loss of interest of Rs.4.74 crore. The OSEB/GRIDCO was also deprived of the opportunity of utilisation of these funds for clearance of its outstanding dues.

While accepting that there was delay in utilisation of material, Government stated (October 1999) that store records were being maintained manually during the OSEB period and steps were now being taken to systematise and computerise stores management.

2D.6.3 Low generation of funds

2D.6.3(a) Low recovery of revenue from consumers

The position of sundry debtors from 1993-94 to 1997-98 is depicted in the following table:

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
	(Rupees in crore)				
Debtors at the beginning of the year	235.01	202.13	255.03	301.04	373.25
Sales/claims made during the year	573.37	725.11	912.14	1153.36	1399.87
Collection made during the year	606.25	672.21	866.13	1081.15	1156.77
Debtors at the end of the year	202.13	255.03	301.04	373.25	616.35

Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
Shortfall in realisation compared to sales made during the year	(-)32.88	52.90	46.01	72.21	243.10
Position of debtors with reference to sale in terms of months	4.23	4.22	3.96	3.88	5.28

The OSEB/ GRIDCO had not maintained party-wise and age-wise details of sundry debtors. In the absence of such records, the break-up of total dues against Government departments, quasi-government and public/private parties could not be ascertained in audit.

It was noted in audit that though the value of sale of power increased year after year, the realisation of arrear dues from consumers was not encouraging. The collection of energy charges made during each year from 1994-95 to 1997-98 could not cover even the amount of sales made during that year thus adding to the arrears of receivables. In terms of the General Condition of Supply Regulation 1995, GRIDCO was to collect security deposits covering two months energy charges from each consumer and in case the arrears of energy bills exceeded the amount of security deposit so collected, the service lines of these consumers were to be disconnected forthwith. This was, however, not enforced, which contributed to the accumulation of the arrears. Had the management enforced realisation of sale proceeds from sundry debtors, the amounts realised could have been utilised for payment of dues of the sundry creditors.

Government stated (October 1999) that non-realisation of revenue was a chronic problem. They added that the distribution function had since been transferred to four private companies.

2D.6.3(b) Payment cases

Power supply not disconnected despite huge arrears of revenue ranging fromRs.9.44 lakh to Rs.959.30 lakh. Outstanding against consumers.

Out of 937 large industrial consumers as on February 1999, a test check of the records of 66 consumers revealed that despite accumulation of arrears, the consumers were allowed to make only part payment/no payment and their power supply was not disconnected. The arrear dues against these consumers as on January 1999 ranged between Rs.9.44 lakh and Rs.959.30 lakh while the average monthly charges of the consumers varied from Rs.0.43 lakh to Rs.221 lakh. The monthly payment received inclusive of arrear dues ranged from nil to Rs.250 lakh.

Government stated (October 1999) that steps were being taken to monitor the receipt of dues from consumers.

2D 6.3(c) Non recovery of dues from the disconnected consumers

No effective steps have been taken to recover dues aggregating Rs.65.86 lakh outstanding against disconnected consumers.

In case of 19 large industrial consumers, the dues outstanding were Rs.112.40 crore as on February 1999 and their power supply was disconnected. The arrear dues against these consumers ranged from Rs.103.20 to Rs.2,910.45 lakh. No effective steps have been taken so far (March 1999) by the Company for realisation of the arrears dues from them.

It was further noticed that in respect of Central Electrical Division, Balasore, a sum aggregating Rs.65.86 lakh was shown as outstanding against those whose service lines were disconnected between June 1997 and December 1997. No action was taken to recover the dues by invoking the provisions of the Orissa Public Demand Recovery Act, 1962.

Government stated (October 1999) that the observations of audit had been noted and steps were being taken to collect the dues by institution of certificate cases.

2D.6.3(d) Waiver of energy dues of spinning mills

Sonepur Spinning Mill a unit of M/s ABS Spinning Mills Ltd. did not pay the dues from May 1997 to March 1998 amounting to Rs.50.52 lakh.

In a meeting of GRIDCO Management with the Honourable Chief Minister (June 1997), it was decided that spinning mills would be exempted from paying their arrear dues for the time being in view of their poor financial condition. However, 50 *per cent* of the current energy charges from May 1997 onwards were to be released by all the spinning mills. Despite the above decision, it was noticed that M/s Sonepur Spinning Mills, a unit of M/s ABS Spinning Mills Limited did not pay its current dues from May 1997 to March 1998 amounting to Rs.50.52 lakh (50 *per cent* billed amount of Rs.63.52 lakh minus payment received Rs.13.00 lakh). The Company however failed to take effective action against the defaulting mill to realise its dues.

Government stated (October 1999) that the power supply to them had been disconnected and the responsibility of collection of the same now vests with the private distribution companies.

2D.6.3(e) High Transmission and Distribution (T&D) losses

The T&D losses for the five years ending 31 March 1998 are detailed in Annexure – 14.

During the five years ending 31 March 1998, there was excess T&D loss over the norm fixed by CEA valued at Rs.2385.08 crore.

It would be seen from the Annexure - 14 that during the five years ending 31 March 1998, the excess T&D loss of 11156 MUs over and above the norms fixed by CEA (i.e. 15.5 *per cent*) worked out to Rs.2385.08 crore. Had the T&D losses been reduced to the norms, there would have been generation of additional revenue of Rs.2385.08 crore which could have been utilised for liquidation of outstanding dues.

Government stated (October 1999) that due to lack of funds no amount could be spent in T&D network.

2D.6.4 Inefficient Cash Management

The Company raised funds through issue of bonds in excess of requirement. Funds worth Rs.185.24 crore were deposited in STDs at an interest upto 13 per cent *per annum* as against 15.25 per cent interest payable on bonds. This resulted in loss of Rs.3.94 crore due to differential interest.

The Board of Directors raised funds of Rs.667.57 crore through issue of bonds during the period between February 1998 and February 1999 in order to meet expenses relating to capital works, long term working capital and to liquidate outstanding dues of NTPC, OPGC, OHPC and NALCO.

It was noticed in audit (May 1999) that out of Power Bond (Series I/98), GRIDCO deposited a sum of Rs.45.47 crore in short term deposits between February 1998 to April 1998 for periods ranging from 46 days to 91 days which were extended later upto August 1998. Similarly, a sum of Rs.139.77 crore out of Power Bond (Series II/98), GRIDCO invested in short term deposits for periods ranging from 91 days to 202 days (up to April 1999). GRIDCO closed these short term deposit accounts between August 1998 and April 1999 and encashed the amounts. It was noted in audit that the GRIDCO raised funds at an interest rate of 15.5 *per cent per annum* much in advance of the requirement which was indicative of lack of prudent financial management and inadequate assessment and planning of cash flow requirements. By depositing the same (Rs.185.24 crore) in short term deposit at a lower rate of interest (6 to 13 *per cent per annum*), the company suffered a loss of Rs.3.94 crore being the differential rate of interest.

Government stated (October 1999) that issue of bonds is not possible on day to day basis as per cash requirement because getting money from the market is a complicated task. Further keeping the money in bank resulted in saving to GRIDCO towards interest outgo. The reply is not tenable since raising of funds without linking towards utilisation and parking the funds in short term deposits entailed loss in terms of differential interest.

2D.6.4(a) Investment in short term deposits

By keeping the surplus funds in STDs instead of discharging the liabilities of NTPC, OHPC, OPGC the Company incurred an extra liability of Rs.2.58 crore on account of differential interest.

GRIDCO deposited its surplus funds aggregating Rs.56.64 crore in short term deposits for a period ranging from 46 to 582 days earning interest ranging from 6 to 13 *per cent per annum* during the period between April 1996 to March 1999. During the same period, GRIDCO was defaulter in repayment of dues of NTPC, OHPC, OPGC etc., who claimed penalties at the rate of 18 *per cent per annum* towards Delayed Payment Surcharge (DPS). Hence, keeping surplus funds in short term deposits was not in the overall interest of the company. Investment of surplus funds in such short-term deposits instead of clearing the outstanding dues resulted in loss of Rs.2.58 crore on account of differential interest.

Government stated (October 1999) that funds were kept in short-term deposit to meet future requirement. The reply is not tenable since generator company has charged 18 *per cent* interest *per annum* towards DPS and as such instead of keeping the surplus fund at an interest rate of 6 to 13 *per cent per annum* the dues should have been cleared.

2D.7 Consequences of non-payment of dues

(i) Payment of Delayed Payment Surcharge

Due to non prioritisation of payments GRIDCO incurred liability of Rs.94.90 crore towards DPS during November 1993 to March 1999.

In terms of Power Purchase Agreements (PPA) entered into by GRIDCO with various power producers, GRIDCO was liable to pay penalty towards Delayed Payment Surcharge (DPS) in case payment is not made within 30 days from the date of billing subject to clearance of Government of India (GOI). It was noticed in audit that the Company had incurred a liability towards payment of DPS to the extent of Rs.94.90 crore in respect of the following power generators/supplier as tabulated below due to non-prioritisation of payments from available sources:

Sl.No.	Name of the power producers	Period	Amount of DPS accepted (Rs. in crore)
1.	NTPC	upto March 1999	55.80*
2.	PGCIL	November 1993 to January 1996	1.21
3.	OPGC	1998-99	26.71
4.	OHPC	1996-97 and 1997-98	11.18
	Total		**94.90**

NTPC adjusted Rs.36.52 crore towards DPS from the dues payable against acquisition of TTPS without clearance from Government of India.

It was further noticed that NTPC had adjusted a sum of Rs.36.52 crore towards DPS from the dues payable against acquisition of Talcher Thermal Power Station (TTPS) without the requisite clearance from Government of India. GRIDCO however, neither objected to this adjustment made by NTPC nor took timely action to pursue the matter with Government of India.

It was also observed that GRIDCO made excess payment of Rs.42.17 crore to Upper Kolab/Rengali Project in March 1995. If this amount of Rs.42.17 crore had been paid to NTPC towards its dues on account of purchase power, the liability on account of DPS payable to NTPC could have been reduced by Rs.5.47 crore.

Due to excess payment of Rs.42.17 crore made to Upper Kolab and Rengali Project,GRIDCO incurred an extra liability of Rs.6.52 crore.

Government stated (October 1999) that the adjustment of Rs.36.52 crore towards DPS from the dues payable for acquisition of TTPS was an unilateral decision taken by NTPC and that GRIDCO had not accepted the claim. Government added that there had been no excess payment to the Upper Kolab Project. As regards OHPC, discussions were going on with them for waiver and the erstwhile OSEB had not accepted the liability of PGCIL towards DPS.

The reply is not tenable because excess payments made to Upper Kolab/Rengali Project had been accounted for in the accounts for the year 1994-95. As regards the DPS in respect of PGCIL, it was continuing in the accounts of the Company. In case of OHPC, Government of India had

* This excluded Rs.22.38 crore not reconciled till date (August 1999)

accorded clearance for payment of the DPS which was thus constituted a clear liability.

(ii) Adjustment of loans

REC loan of Rs.68.08 crore for rural electrification schemes were adjusted in its entirety against past dues of GRIDCO. This resulted in the schemes remaining unimplemented. A PFC loan of Rs.29.04 crore was also similarly adjusted against the dues payable by GRIDCO.

It was noticed in audit that a sum of Rs.68.08 crore was released by REC against 695 rural electrification schemes. The entire amount of Rs.68.08 crore was however adjusted against dues payable by OSEB/GRIDCO on loans taken previously from REC. Since REC adjusted the released amount in toto, the chances of implementation of the schemes is remote. Thus, loan sanctioned ostensibly for rural electrification were utilised in their entirety for adjustment of past dues of GRIDCO thus defeating the purpose for which loans were sanctioned. Similarly, a PFC loan amounting to Rs.29.04 crore was adjusted against the dues payable by GRIDCO.

Government stated (October 1999) that REC adjusted the claims sanctioned against overdue interest and installment of loan. By following this adjustment process, GRIDCO has saved interest. The reply is not tenable as GRIDCO has still to incur liability towards repayment of the loan alongwith interest.

Conclusion

It is apparent that OSEB/GRIDCO had not managed its financial resources in a prudent manner according due priority to clearance of outstanding dues particularly on account of purchase of power. Rather, huge sums were kept in short term deposits and stores were procured in excess of requirement.

Based on the above, the following is suggested:

(a) The outstanding liabilities of the Company should be reviewed and prioritised. Dues on account of purchase of power need to be addressed in priority so as to avoid payment of Delayed Payment Surcharge;

(b) The Company should explore ways and means of reducing the procurement of thermal power and increasing purchase of cheaper hydel power which would reduce the cost of power per unit;

(c) A system of monitoring of revenue realisation need to be revamped and revenue collection pursued more vigorously;

(d) Concerted action may be taken to reduce T&D losses; and

(e) Inventory management should be such as to avoid blockage of funds in idle stores.

CHAPTER – III

OTHER TOPICS OF INTERST
RELATING TO GOVERNMENT COMPANIES
AND STATUTORY CORPORATIONS

Section 3A Government Companies

Section 3B Statutory Corporations

CHAPTER – III

OTHER TOPICS OF INTERST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

SECTION 3A – GOVERNMENT COMPANIES

Chapter-III

Other Topics of interest relating to Government Companies and Statutory corporations

Section-3A

3A Government Companies

3A.1 GRID CORPORATION OF ORISSA LIMITED

3A.1.1 Loss due to undue favour to consumer.

Repeated extension of payment schedule despite failure of the consumer to clear his arrears resulted in accumulation of dues upto Rs.88.88 lakh. The prospect of recovery of this amount was bleak.

Facility of payment by monthly instalment allowed to Konark Paper Industries despite poor payment record.

Konark Paper Industries, Jharia, (consumer) applied (July 1997) for payment of arrear dues of Rs.18.44 lakh (June 1997) through instalments. The Balasore Electrical Division of the Company allowed (July 1997) the consumer to pay Rs.5.41 lakh in July 1997 and the balance amount (Rs.13.03 lakh) in seven equal monthly instalments alongwith current energy charges from August 1997. After paying only Rs.5.41 lakh in July 1997, the consumer approached (August 1997) the head office of the Company to allow six instalments to clear the arrear energy bill which amounted to Rs.61.44 lakh. The Chairman-cum-Managing Director (CMD) of the Company allowed (September 1997) the consumer to clear the arrears subject to payment of monthly dues regularly and Rs.22 lakh by 10 September 1997. The Consumer paid Rs.22 lakh on 11 September 1997.

No effective action was taken to recover the arrear dues of Rs.88.88 lakh

It was observed in audit (November 1998) that though the consumer failed to pay the monthly energy charges along with the arrear instalments in October 1997, the consumer was once again allowed (November 1997) to pay the outstanding dues in five monthly instalments. Out of the outstanding amount due (Rs.74.94 lakh) the consumer paid only Rs.33.67 lakh during November 1997 to January 1998. While the Balasore Electrical Division issued notice (January 1998) to the consumer stating that in case outstanding dues are not paid within seven days the supply would be disconnected, the CMD again allowed (February 1998) the consumer to clear the arrear dues amounting to Rs.65.72 lakh (upto January 1998) in ten equal instalments alongwith the current energy charges.

The consumer failed to make payment as per the instalment schedule during the period February to July 1998 barring June 1998. The consumer was served another notice (March 1998) for disconnection of power supply if dues were not paid within seven days. However, the power supply of the consumer was disconnected in August 1998 when the accumulated arrear stood at Rs.88.88 lakh. The Company also failed to take effective action to recover the dues by invoking the provisions of the Orissa Public Demand Recovery Act, 1962.

Government stated (October 1999) that instalment facilities were extended to a genuine consumer with a view to recovering the arrear dues. The reply is not tenable since the consumer had been all through irregular in payment of the energy charges since first instalment facility was allowed and granting of installment facility repeatedly only resulted in accumulation of arrears.

3A.1.2 Loss of revenue due to non levy of penalty

Incorrect interpretation of extant instructions regarding non-levy of penalty resulted in loss of Rs.16.35 lakh.

After vigilance raid, any re-verification of load to be done with prior approval of CMD/Government.

A. The erstwhile OSEB reiterated (October 1991) its earlier instructions that once the load of a consumer is detected by the vigilance squad the re-verification should not be made without the prior approval of the Chairman Cum Managing Director (CMD)/ Government. Further, if the maximum demand was found more than the contract demand a penalty shall be levied on the consumer as per the General Conditions of Supply Regulations, 1995.

The connected load of the consumer was verified without prior permission. The energy charges (Rs.5.88 lakh) withdrawn. No penalty levied.

The premises of Sriram Aluminium Industry (consumer) was inspected by the vigilance squad (February 1996) and a connected load of 121 KW as against the contract demand of 99 KW was noticed. Based on the load verification report of Vigilance, monthly energy bills treating it as a Large Industrial Consumer (viz. contract demand 100 KW and above) were issued to the consumer from May 1996 onwards. A show cause notice was also served (June 1996) on the consumer for enhancement of the contract demand and for payment of penalty of Rs.0.67 lakh. In response to a representation from the consumer, the Executive Engineer checked the installation (August 1996) without the prior permission of the CMD and determined the connected load to be 99 KW. Subsequently, the energy charges for the period from May 1996 to June 1997 for Rs.5.88 lakh billed under Large Industrial Consumer category was withdrawn (September 1997) and the penalty remained unrealised.

Government stated (October 1999) that the penalty levied based on vigilance detection was withdrawn by the Division on reverification of load and pending clarification from the CMD. The reply is not tenable in view of the fact that after detection of excess load by vigilance further verification of load was not permissible without prior approval of CMD/Government.

Vigilance squad detected that connected load was more than the contract demand in two cases at Cuttack.

Incorrect interpretation of instructions led to withdrawal of penalty of Rs.9.80 lakh.

B. In case of two other consumers viz. (i) Akbari Continental Private Limited and (ii) Lalbaba Roller Flour Mill, the vigilance squad noticed (February 1996) that the connected load was 258 KW as against the contract demand of 140 KW and 418 KW as against the contract demand of 315 KW respectively. Accordingly, the Division levied (July/August 1997) penalty of Rs.9.80 lakh (Akbari Continental Private Limited Rs.3.49 lakh and Lalbaba Roller Flour Mills Rs.6.31 lakh). It was observed in audit (March 1999) that the Company decided (September 1997) not to pursue penalty charges citing a circular of July 1997, wherein it was provided that penalty would not be leviable in case of consumers with contract demand above 100 KW if additional connected load is detected provided the maximum demand does not exceed the contract demand. In the above cases, since the maximum demand exceeded the contract demand the aforesaid circular was not relevant and penalty was leviable.

Government stated (October 1999) that penalty had been levied in the monthly bills where there was increase in maximum demand and revenue had been realised as per tariff schedule. The reply is not tenable since penalty was to be levied for unauthorised consumption of power in terms of the General Condition of Supply Regulations 1995.

3A.1.3 Non-collection of revenue due to delay in replacement of defective meter

Inordinate delay of 31 months in replacing the defective meters led to under charge of revenue amounting to Rs.10.48 lakh.

Defective meters are required to be replaced within three months and billing to be done on average consumption of preceding three months.

The General Conditions of Supply Regulation (GCSR), 1995 of Grid Corporation of Orissa Limited (GRIDCO) provides that defective meters of consumers shall be rectified/replaced within a period of three months and the billing for the period for which the meter remained defective shall be done on the basis of average consumption during the preceding three months.

After replacement of meter, average billing based on actual readings for three consecutive months was not considered.

It was observed in audit (March 1999) that the Orissa College of Engineering, Sarang, Talcher under Dhenkanal Electrical Division had been availing power at a contract demand of 250 KVA. During the month of April 1995, the meter of the consumer was found to be defective and as such the billing was done on the basis of the average consumption of preceding three months at the rate of 10,836 units per month. A new meter was handed over (May 1995) to the

Junior Engineer concerned for replacement. During an inspection (November 1995), the Executive Engineer noticed that the meter installed had not been connected due to non-availability of cables. Even after protracted correspondence between the Executive Engineer and the Sub-Divisional Officer, the meter was not connected till 6 February 1998. Consequent upon installation of new meter, the average consumption was 30,625 units per month (i.e. from March to May 1998) against the average billing of 10,836 units per month which had been charged to the consumer during the period from April 1995 to January 1998.

Delay in replacement of meters led to under charging of revenue from the consumer by Rs.10.48 lakh.

Thus, abnormal delay of 31 months (excluding the period of 3 months within which such defective meters are normally to be replaced) in the replacement of the defective meter facilitated the consumer being under- charged to the extent of 6,13,459 units as a result of which the GRIDCO was deprived of revenue amounting to Rs.10.48 lakh.

Government stated (October 1999) that action was being taken for issuing a revised Bill.

3A.1.4 Non-availing of exemption from payment of octroi

Ineffective pursuance by the Company for issuance of notification by Department of Energy enabling exemption of octroi led to an avoidable expenditure of Rs.27.42 lakh

As per IPR 1992 new industrial units are entitled to get exemption from payment of octroi.

In pursuance of the provisions of the Industrial Policy Resolution (IPR), 1992, machinery, equipment and spare parts required for new industrial units set-up on or after 1 August 1992 including those set-up for new generation, transmission and distribution projects are entitled for exemption from payment of octroi duty leviable by Municipality for a period of five years. In case of new projects, the Department of Energy, Government of Orissa was to issue necessary orders declaring the projects which were eligible to get exemption of octroi.

The then OSEB approached (July 1994 and January 1995) the Commissioner cum Secretary, Energy Department, Government of Orissa for issuing the notification indicating the scheme, loan number and list of items being procured for new schemes for exemption of octroi duty.

Ineffective pursuance for exemption from octroi led to an avoidable payment of Rs.27.42 lakh.

It was noticed in audit (June 1998) that due to ineffective pursuance, no notification was issued by the Department of Energy and OSEB/GRIDCO could not avail of the exemption which led to an expenditure of Rs.27.42 lakh towards payment of octroi during period February 1994 to July 1996.

Government stated (October 1999) that the personnel manning the octroi check gates did not allow its vehicles to pass and in order to avoid detention charges, they had to reimburse the octroi charges paid by the suppliers.

The reply is not tenable since the Company failed to take effective steps to pursue the matter with the Department of Energy to ensure grant of the exemption which was putting it to such losses. Moreover, the Department of Energy could have taken expeditious action to issue the requisite notification when initially requested by the Company.

3A.1.5 Purchase of conductor

Failure to judge the impact of base price resulted in payment of price variation claims of Rs.8.44 lakh and non-levy of liquidated damages of Rs.7.62 lakh for belated supply.

Orissa State Electricity Board (OSEB) placed (February 1994) a Letter of Award (LOA) on Galada Continuous Castings Limited, Hyderabad (firm 'G') for supply of All Aluminium Alloy (AAA) conductors at a cost of Rs.248.99 lakh during June 1994 to June 1995. The above price was variable with Price Variation (PV) ceiling ± 20 *per cent*. The conductors were to be utilised in eight Asian Development Bank (ADB) assisted projects.

The supplier expressed (September 1994) his inability to supply the material on the ground of disruption of traffic due to heavy rains and approached OSEB to amend the delivery period. OSEB allowed (October 1994) the supplier to deliver the material during December 1994 to June 1995 on bimonthly basis. It was observed in Audit (July 1998) that despite revision of the delivery schedule, there were delays on the part of the supplier as well as OSEB on account of offering the material for inspection, delay in inspection, issue of release order etc. The material were delivered with delay ranging 4 to 14 months which led to delay in execution of projects.

As the material were subject to price variation, the delivery of material bimonthly should have been specified in the LOA instead of accepting a common delivery schedule.

Failure to judge the impact of base price resulted in payment of PV claim of Rs.8.44 lakh.

Due to failure on the part of OSEB to judge the impact of base price for the purpose of price variation claims, the OSEB/GRIDCO incurred an additional cost of Rs.8.44 lakh towards price variation on two lots which was avoidable. In addition, OSEB/GRIDCO failed to enforce liquidated damages of Rs.7.62 lakh for allowing extension of time.

Government stated (October 1999) that the Purchase Order was amended based on the approval of Task Force limiting the PV claim from December 1994 to June 1995 and there was delay in conducting inspection due to non-availability of officers. It added that the work was not affected due to delayed receipt of material. The reply is not tenable in view of the fact that had OSEB fixed the bimonthly delivery schedule in the Purchase Order initially the expenditure made on account of price variation could have been avoided.

Further, the delay in receipt of material contributed to delay in completion of the work.

3A1.6 Under billing of Revenue

Non-adherence to extant Regulation resulted in under billing of revenue to the extent of Rs.10.54 lakh.

The General Conditions of Supply Regulation (GCSR), 1995 of Grid Corporation of Orissa Limited (GRIDCO), stipulates that if the meter of the consumer remained defective, the billing shall be done on the basis of average consumption for the preceding consecutive three months. If the meter is rendered defective before expiry of three months from the date of commencement of supply, the bill shall be prepared on the basis of average of three consecutive month's reading after the meter is rectified or replaced. The tariff effective from 21 May 1996 provides for separate billing with installation of separate meter for colony consumption of industrial consumers at a concessional rate of 110 paise per unit as against 230 paise per unit of industrial consumption. The units on account of colony consumption are deducted from total consumption and billed at concessional rate.

After rectification of the meter, billing at concessional rate for colony consumption was made for 358628 units instead of 233153 units resulting in under billing Rs.10.54 lakh.

IDCOL Cement Limited, under Bargarh Electrical Division, availed the concession from 21 May 1996 by separately metering the colony consumption. The meters installed for recording the colony consumption were found defective for seven months (July 1996 to February 1997). During the above period, the billing was made at a concessional rate on the average of 3,58,628 units per month. It was noticed in audit (September 1997) that meters had been rectified on 16 February 1997 and the average consumption of three succeeding months (16 February to 15 May 1997) was 2,33,153 units. In terms of the GCSR, the consumer should have been billed at the concessional rate of 110 paise per unit on average consumption of 2,33,153units per month instead of 3,58,628 units per month for the period from 16 July 1996 to 15 February 1997. Thus, 8,78,325 units (the difference of 3,58,628 units and 2,33,153 units for seven months) should have been billed at the rate of 230 paise per unit instead of 110 paise per unit. This has resulted in under billing of revenue to the extent of Rs.10.54 lakh.

On it being pointed out in audit, Government stated (October 1999) that revised bill has been issued to the consumer. However, a copy of the bill was not furnished for audit verification.

3A.1.7 Avoidable expenditure due to non-payment of Government dues in time

Failure to take appropriate action to finalize the lease of the land resulted in incurring an avoidable liability of Rs.17.94 lakh towards interest.

The Collector, Cuttack approved (August 1982) allocation of Ac.0.500 Dec. of land to the City Distribution Division, OSEB, Cuttack, for construction of a substation. OSEB was thereafter to file an application for formal allocation of the land. Advance possession of the land was given (December 1982) to the then OSEB on lease basis for construction of the sub-station. The terms of the lease stipulated that interest would be payable for belated payment of dues (premium, ground rent, etc.) at the rate of 6 *per cent* upto 1991-92 and 12 *per cent* thereafter.

The then OSEB, however, applied (1985) for lease of AC 0.833 Dec of land instead of AC 0.500 Dec of land and started construction of a substation and other related works thereon. It was noticed in audit (April 1999) that OSEB had in fact been in unauthorised occupation of the land measuring Ac 0.833 Dec. since December 1982. In March 1999, the Tahasildar, Sadar, Cuttack District, raised a demand against the Company for payment of Rs.41.93 lakh (including interest upto 1993-94 on account of unpaid premium, ground rent and cess) for Ac.0.833 Dec. of land. The Company accepted the demand and deposited Rs.23.99 lakh towards premium, ground rent, cess, etc. (March 1999) and approached the land revenue authorities for waiver of interest of Rs.17.94 lakh.

Failure to take appropriate action to finalise lease of the land resulted in avoidable liability of Rs.17.94 lakh.

Due to failure on the part of OSEB/GRIDCO to take appropriate action to finalise the lease of the land required by it for construction of a sub-station and due to non payment of Government dues in time, the Company had to incur an avoidable liability of Rs.17.94 lakh on account of interest.

Government stated (October 1999) that the matter was being taken up with the Tahasildar, Sadar, Cuttack, for waiver of the interest. The fact, however, remains that had the payment been made in time, the liability towards interest would not have arisen.

3A.1.8 Engagement of Consultants

World Bank guidelines relating to selection of consultants were not adhered to. Consultants were reimbursed Rs.2.95 crore without verification of supporting documents. The consultancy work in phase I and II could not be completed even after 582 *per cent* increase over estimates and spilled over to phase III at the cost of Rs.72.96 crore

Government of Orissa, under Orissa Power Sector Reform Project (OPSRP), constituted (September 1993) a high power committee to ensure speedy and timely execution of all power projects. Subsequently, on the advice of the World Bank, the Government of Orissa established (March 1994) a Steering Committee and a Task Force for the reform project. While the Steering Committee was to take decisions on policy matters, the Task Force was responsible for management of the program by co-ordinating the activities of the reform implementing agencies. The nine working groups were to recommend approaches for adoption by the Task Force within the policy guidelines to be prescribed by the Steering Committee. The Reform consultants were to assist the Task Force in co-ordination with the working groups.

Payments to consultant were met out of loan and grant received from IBRD and DFID.

The World Bank suggested (November 1993) that the services of a multi-disciplinary team of foreign and Indian consultants with proven experience in managing similar reform programs was necessary to effectively start and maintain the momentum of the reform program. The following schedule was agreed to between the World Bank and the Government of Orissa:

➢ Finalization of draft invitation document and short listing of consultants for Bank's review	17 December 1993
➢ Issue of Invitation	Mid January 1994
➢ Fielding of consultants	May 1994

Payments to the reform consultants were to be met from loan of US$ 10 million equivalent to Rs.41.20 crore availed from the International Bank for Reconstruction and Development (IBRD) and grant of UK pound 31.50 million equivalent to Rs.217.21 crore from Overseas Development Administration (ODA) {now Department for International Development (DFID) of UK}.

3A.1.8.1 Selection of Consultants

(a) Shortlisting

Shortlisting of Consultants was made in violation of World Bank guidelines.

According to World Bank guidelines, a shortlist of three to six firms was to be prepared from a list of suitable firms to be obtained through advertisements, embassies, through personal associations or from borrower's own knowledge. Under exceptional circumstances such a list might be provided by the World Bank on written request from the borrower. The guidelines encourage the employment of domestic consultants either alone or in collaboration with a foreign consultant. Without specifically exploring the possibility of engaging domestic consultants, the Government of Orissa decided (November 1993) to engage foreign consultants on the ground that the power sector reform was unique and critical.

It was noticed in audit that though there was no specific request from the borrower viz. Government of Orissa for a list of suitable firms for being appointed as consultants, the Senior Energy Economist of the World Bank proposed (December 1993) 16 international consultants for short listing without mentioning any details about their qualification or capabilities. From this list, the State Government on 12 January 1994 shortlisted (i) Washington Utility Group, USA, (ii) Putman Heyes, London, (iii) Price Water House, Washington, (iv) International Resource Group, UK, and (v) Ernest and Young, New Zealand.

In the meantime, the Senior Energy Economist, World Bank, suggested (11 January 1994) that Government of Orissa should formally submit a short list which should include at least KPMG, UK and Arthur Andersen, USA.

In February 1994, the Government of Orissa forwarded to the World Bank a revised short list of the following six firms which included the above two names (i) KPMG, UK, (ii) Arthur Andersen, USA, (iii) Touche Ross, UK, (iv) Bechtel, USA, (v) Monenco, Canada, and (vi) EW Bank Preece, London.

It was noticed in audit that KPMG UK did not figure in the initial list of 16 firms proposed by the World Bank. Further the Government of Orissa had not taken recourse to any of the prescribed methods for obtaining the list of names and accepted the short list suggested by the World Bank official without inquiring into the experience and capabilities of the firms suggested.

Government stated (October 1999) that World Bank guidelines for shortlisting were not followed due to time constraints and because the World Bank itself provided the list of consultants.

The reply is untenable because the time schedule for engagement of consultant was agreed to in November 1993 and the list furnished by the Senior Energy Economist was informal and without specific request from Government of Orissa which violated the guidelines.

(b) Evaluation of proposals

Working Group constituted by the State Government had recommended the rate offered by KPMG on the basis of evaluation of World Bank evaluator.

The shortlist was approved by the World Bank in February 1994. While inviting proposals (March 1994) from these shortlisted firms, Government of Orissa encouraged them to form consortium with other firms to enhance their technical/managerial capabilities.

Four proposals were received (April 1994) which were got evaluated by a World Bank consultant (June 21 1994). The proposals were subsequently reviewed (30 June/1 July 1994) by a working group, who were also assisted by the Senior Energy Economist and the World Bank evaluator who was paid Rs.2.2 lakh for his services. The working group recommended (July 1994) KPMG's offer while noting that the World Bank evaluator had rated KPMG as the best. The high level committee (of which World Bank evaluator was a member), assisted by the Senior Energy Economist accepted the recommendation of the working group and a contract was signed (September 1994) with KPMG, London.

Association of World Bank staff in the evaluation process without specific written request from the State Government was a violation of the Bank's guidelines.

(c) Appointment of Consultants

The Government of Orissa entered into agreement (September 1994) with a consortium of consultants led by KPMG which consisted of the following:

Sl. No.	Name of the firm	Area
1.	KPMG Peat Maurwick, London	Management consultants
2.	National Economic Research Associates Inc. (NERA), USA	Economic Management
3.	Mckenna & Co. London	Legal Management
4.	Monenco Agra Inc. Canada	Engineering Management

3A.1.8 .2 Implementation of the Program by Consultants

The consultancy services were to be carried out in two phases.

Consultancy services under the OPSRP were to be carried out in two phases during the period August 1994 to September 1996. During Phase-I of the program (August 1994 to February 1995), the basic strategies to be adopted were to be identified for implementation during Phase-II (March 1995 to September 1996).

In course of implementation of the program in Phase II, it was acknowledged (May 1996) by the Government of Orissa and the reform consultants that the contract terms for Phase II were exceedingly onerous and a high overhead cost (Rs.0.39 crore) was borne by the Government of Orissa towards contingencies during the period from April 1995 to September 1996. In order to save this cost, it was decided to close Phase II and transfer the remaining works to Phase-III under a new contract with ODA/DFID. The estimated amount of fees to be paid to the consultants in Phase III was (September 1996) UK £12.16 million (Rs.72.96 crore). In addition, all business expenses were to be reimbursed.

Lack of realistic assessment of actual time required for consultants to complete the project resulted in additional liability for payment of fees and other expenses.

As against 44 man-months of consultants time estimated by the World Bank/Government of Orissa for completion of the project (which was increased in February 1994 to 300 man-months by the World Bank) the consultants utilised 311.4 man-months till September 1996. Even then the project was not completed and balance works were transferred to Phase-III. Thus, Government of Orissa/World Bank did not have realistic perception of the requirement of consultants time and non completion of the project even after 582 per cent increase over the originally estimated time would lead to additional payment of fees and expenses (Rs.72.96 crore) and other reimbursable expenses (not quantifiable as amounts were paid directly to consultants from DFID).

The Government stated (October 1999) that the reform process was unique and the increase in the consultants time was due to extension of scope of work of the consultants.

The reply is not tenable as consultants who were reputed in the field of reform and restructure were appointed and hence the work should have been completed as per the World Bank ‘estimate’.

3A.1.8.3 Payments to the Consultants

According to the contract, the consultants were to be paid fees based on man-month rates agreed upon alongwith reimbursable expenses subject to prescribed ceilings consisting of per diem allowances, air-fare and other expenses. A total of Rs.41.97 crore was paid to the consultants for Phase-I (Rs.9.50 crore) and Phase-II (Rs.32.47 crore).

Review of the payments made to the consultants revealed the following:

Under Task 2 phase I of the assignment, the consultants were to review and help negotiate PPAs. A sum of Rs.0.75 crore was paid for four man-months for such work as additional work which lacked justification.

(i) In accordance with their terms of reference, the consultant were to *review and help negotiate* Power Purchase Agreements and related contracts for privatisation of Orissa Power Generation Corporation Limited (OPGC). However, the above work was claimed (March 1995) as an additional work out side the terms of reference and Government of Orissa conceded four man-months of consultant’s time (approximate value Rs.0.75 crore) on the ground that the consultants were involved in assisting the State Government in negotiation of PPA between AES Corporation of USA (AES) and OPGC. It was also noticed in audit that Government of Orissa had intimated the World Bank (July 1994) that appointment of separate consultant for review of AES PPA was not considered necessary and the KPMG consortium should be able to do it within their man-months.

Government stated (October 1999) that the extra payment was made as the consultants were engaged in negotiation of PPA with AES which was not included in the terms of reference of the consultants.

The reply is not tenable because the works were clearly within the scope of work of the consultants.

NGC of UK had been associated with development of the grid code without assessing their technical suitability resulting in extra expenditure of Rs.0.35 crore being rendered infructuous.

(ii) Without obtaining prior approval of the Government of Orissa, the consultants associated (May 1995) NGC of UK with the work in connection with the development of initial Grid-Code. Subsequently, it was found (December 1995) that the NGC system of load-despatch differed substantially from the conditions in Orissa and that their services would not be of any value. However, the consultants were paid US$ 74,906 and UK£ 6219 (equivalent to Rs.0.35 crore) for their services during the period from May 1995 to March 1996. It was observed in audit that NGC had been associated by the consultants for the development of the grid code without first assessing their technical suitability which resulted in infructuous expenditure of Rs.0.35 crore.

Government stated (October 1999) that the reform process was new, and suitability of the consultant's report could not be judged before receipt/evaluation of their report.

The reply is not tenable because the NGC system of load-despatch was prima facie different from Indian conditions and therefore, an assessment of the suitability of the firm should have been made before requisitioning their services.

Inability of the Government to complete drafting of the required legislation within the stipulated time led to engagement of consultants at an avoidable payment of Rs.0.56 crore.

(iii) KPMG were to assist the Government of Orissa in establishing a new regulatory framework and convert the OSEB into a regulatory agency. The legal and regulatory working group was to develop the legislative and administrative plan for the restructuring and transformation. In December 1994, the Steering Committee decided to complete the legislative framework for reform by 31 December 1994. In order to meet this deadline, the drafting of the legislation was assigned to Mckenna Company for which Rs.0.56 crore was paid. Thus, due to the inability of the Government to complete drafting of the required legislation within the stipulated period, the task had to be entrusted to the consultants at the cost of Rs.0.56 crore which was avoidable; and

Due to abnormal delay in establishing project office and providing office equipments, the consultants were paid idle time valued at Rs.0.35 crore.

(iv) Under the contract with KPMG, Government of Orissa was to provide suitable office accommodation alongwith office appliances like computers, fax, telephones, etc. Due to severe delay in establishing the project office and providing the necessary office equipment, the consultants claimed and were paid idle time valued at Rs.0.35 crore.

3A.1.8.4 Other interesting points relating to consultants

The following points were noticed in audit:

Consultants were authorised to modify their own terms of reference.

(i) The terms of reference of the consultant authorised them to review and assess the reform programme and policy and to modify/ refine them as well as, if necessary, their own terms of reference. The terms regarding modification of their own terms of reference gave the consultants wide powers which are normally vested in controlling departments.

Payment to the extent of Rs.2.95 crore was made without obtaining and verifying the supporting vouchers.

(ii) In terms of the contract, the consultants were to submit their claims for reimbursable expenses together with copies of vouchers/receipts as soon as possible after the end of each calendar month. It was noticed in audit that reimbursement bills of the consultants amounting to Rs.2.95 crore were passed (September 1995) without verification of supporting vouchers on the ground that their production would be time consuming, costly and against international practice. This was not in order since the consultants were bound to submit the supporting vouchers which should have been scrutinised before releasing payment.

Non-maintenance of proper records in respect of services rendered.

(iii) The consultants were to keep accurate and systematic accounts in respect of the services rendered in accordance with internationally accepted accounting principles so as to clearly identify all relevant time-charges and cost thereof which were to be periodically produced to the State Government for inspection/audit. Despite requests (January 1997), details regarding accounts and records were not furnished to the State Government.

3A.2 INDUSTRIAL DEVELOPMENT CORPORATION OF ORISSA LIMITED

3A.2.1 Avoidable expenditure in purchase of Packing Material

The Company continued using two new gunny bags as packing material despite the recommendation of a committee in December 1993 for using of one used HDPE bag and one new gunny bag and incurred extra expenditure of Rs.28.11 lakh.

The finished product of the Ferro Chrome Plant (FCP) of the Company is packed in two new gunny bags (one inner and one outer) in 50 Kgs., packages before dispatch for sale. The average annual requirement of gunny bags was 4.03 lakh pieces.

In order to reduce the cost of the packing, a Committee was constituted (December 1993) for considering the procurement of second hand High Density Poly Ethylene (HDPE) bags. The Committee suggested that one used HDPE bag may be used inside and one new gunny bag outside instead of using double new gunny bags. The Committee further suggested that tenders should be called for purchase of clean used HDPE bags. Accordingly, quotations were invited in the same month. However, no further action was taken for procurement till November 1997 when 20,000 second hand HDPE bags were procured from a supplier and found suitable for use (January 1998). However, use of two new gunny bags for packing the finished product continued upto January 1998.

Delayed action for procurement led to additional expenditure of Rs.28.11 lakh.

It was observed in audit (September 1998) that despite the action for procurement of HDPE bags having been initiated in November 1993, no decision could be taken till January 1998 which led to continued use of two new gunny bags which was costlier than HDPE bags. This resulted in additional expenditure of Rs.28.11 lakh during the period from December 1993 to January, 1998.

The Management stated (August 1999) that the customer’s choice as to the packing was specified in their purchase order and FCP had no control over it. The reply is not tenable since the Company was not charging its consumers the packing cost. Hence, it should have insisted for use of one HDPE bag and one new gunny bag in order to reduce its cost.

The matter was reported to Government in July 1999; their reply was awaited (October 1999).

3A.2.2 Raising of fund in excess of requirement

The Company sustained a loss of Rs.19.03 lakh on account of raising funds through issue of bonds in excess of requirement.

The Company retained the full-subscribed amount of Rs.65.45 crore raised through issue of bonds.

The Company proposed (December 1997) raising of Rs.50 crore by private placement of Bonds carrying interest rate of 13.75 *per cent* per annum. The issue was over subscribed by Rs.15.45 crore and the entire amount was guaranteed by the State Government carrying one time guarantee commission of one *per cent*. The Company retained the whole amount of Rs.65.45 crore for utilisation against (i) repayment of high cost borrowings (Rs.33.50 crore) (ii) repayment of Government loan (Rs.7.68 crore) (iii) modernisation of furnaces of units (Rs.19.00 crore) and (iv) working capital assistance to units (Rs.5.27 crore).

Investment of surplus fund in STD resulted in loss of Rs.19.03 lakh which was avoidable.

Scrutiny of the utilisation of these funds in audit revealed (June 1999) that the Company could not adhere to the plan of utilisation and could spent only Rs.46.18 crore. Of the balance amount of Rs.19.27 crore, the Company invested (January to July 1998) Rs.9.09 crore in Short Term Deposits (STDs) and parked the balance in cash credit account thus earning Rs.63.41 lakh against expenditure of Rs.82.44 lakh (payment of guarantee commission Rs.15.45 lakh, arranger’s fees Rs.7.03 lakh and interest to the bond holders Rs.59.96 lakh) on the amount of Rs.15.45 crore over-subscribed and retained by the Company. This resulted in a loss of Rs.19.03 lakh.

The Management stated (July 1999) that since negotiation for one time settlement of the subsidiary companies was not finalised with Financial Institutions/Banks, the amount meant for this purpose had to be parked temporarily with Banks in STDs and the balance fund was parked in the cash credit account to save/earn maximum interest.

The reply was not tenable in view of the fact that the Company could utilise only Rs.46.18 crore and retention of the over-subscribed amount of Rs.15.45 crore was clearly unjustified. Further, had the Company parked its entire surplus funds in the cash credit account, the Company could have saved a sum of Rs.26.54 lakh by way of differential interest and there would not have been any loss in the transaction.

The matter was reported to the Government in July 1999; their reply was awaited (October 1999).

3A.3 ORISSA HYDRO POWER CORPORATION LIMITED

3A.3.1 Avoidable payment of delayed payment surcharge

Lack of action on the part of the Company to pay/adjust the energy charges claimed by GRIDCO led to claim of delayed payment surcharge of Rs.1.48 crore.

The State Government was availing power from OSEB at a contract demand of five MVA (5000 KVA) for construction of Upper Indravati HydroElectric Project. The project was taken over by OHPC since 1 April 1996.

OHPC delayed the payment of energy charges which resulted in claim of DPS (Rs.1.48 crore) by GRIDCO.

It was observed in audit (September 1998) that the Power Plant Division No.I (PPD-I), Khatiguda forwarded the energy charge bills to the Head Office of the Company after due certification for payment. However, the energy charges were never paid in time rendering the Company liable for payment of delayed payment surcharge (DPS) at the rate of 2 *per cent* per month on the arrears remaining unpaid. GRIDCO claimed an amount of Rs.1.48 crore as DPS for the period from April 1996 to May 1998. Out of the above amount, GRIDCO adjusted Rs.60.58 lakh during the period between February and December 1997 out of the dues payable on account of purchase of power from OHPC. No action had been taken to fix responsibility for the lapse.

Government stated (October 1999) that the charging of DPS and adjustment of the same against the outstanding amount payable to OHPC is an one sided decision of GRIDCO and that reconciliation of the energy bills for the last three years had been initiated with GRIDCO. The reply is not tenable since

GRIDCO had already adjusted Rs.60.58 lakh against the dues receivable towards DPS amounting to Rs.1.48 crore.

3A.3.2 Delay in procurement of Switch yard material

Delayed decision to allow price escalation resulted in extra expenditure of Rs.71.13 lakh besides non-availment of exemption of excise duty of Rs.23.63 lakh.

In response to a tender (July 1991) for supply of insulators, conductors, hardware, etc. for a Switchyard of Upper Indravati Hydro Electric Project (UIHEP) Mukhiguda, a Purchase Order (PO) was issued (May 1994) in favour of M/s Modern Malleable Limited at a cost of Rs.85.51 lakh. The delivery was to be completed within 6 months after approval of drawings by the project authorities. As the PO was covered under IBRD tender no excise duty was payable. Consequent upon delay in placement of PO the supplier requested (March 1995) for amendment of PO with inclusion of a price escalation clause.

Delay in placement of PO and approval of drawings led to payment of escalation charges of Rs.71.13 lakh besides payment of excise duty for Rs.23.63 lakh.

The project authorities did not agree and cancelled the PO in October 1995. However subsequently in June 1996, the project authorities restored the PO including therein a price variation clause with the stipulation that the delivery of supplies should be completed within six months of signing of agreement. In the meantime, the supplier informed (August 1996) that the deemed export benefit to the Project had since been withdrawn and full excise duty would be payable. It was observed in audit (September 1998) that there were delays in signing of the agreement and furnishing of drawings to the supplier. Finally the Company agreed for delivery to be completed by July 1998.

Had the project authorities decided to allow price escalation in October 1995 itself and avoided delays in approval of drawings, etc. the extra expenditure of Rs.71.13 lakh incurred on procurement of material would have been avoided. In addition, the benefit of exemption from excise duty to the extent of Rs.23.63 lakh would have been available to the Company.

Government stated (October 1999) that delay had been due to circumstances beyond the control of the project authorities and the differential expenditure was unavoidable. Further, excise duty became payable after withdrawal by the World Bank in August 1995. The reply is not tenable since the delay in placement of PO on the tender invited in July 1991 and delay in approval of drawings led to the extra expenditure which was clearly avoidable.

3A.3.3 Undue financial benefit to a contractor

Adoption of higher rates for hidden charges for labour and overhead resulted in additional expenditure of Rs.24.34 lakh.

The Executive Engineer, Head Race Division, Upper Indravati Hydro Electric Project, Mukhiguda, entered into a contract (January 1988) with Tungabhadra Steel Products Limited (TSP Limited) for the work of fabrication and erection of pen-stock including foundation and anchor blocks at their tendered value of Rs.15.75 crore. As the work could not be completed by the targeted date of July 1992, extension of time was granted upto July 1994 and thereafter upto December 1996. The work is yet to be completed (June 1999).

The contractor was to execute 15,600 cubic meter (cum) of M-150 concrete work. The contractor executed work amounting to 19263.383 cum and claimed (April 1992) revision of rates. The revised rates as recommended by Director (Civil) were approved by the Board of Directors (30 January 1997). The contractor was paid (August 1997) Rs.18.63 crore being the value of work executed upto 60 running account bill (including 19320.086 cum upto August 1997).

Company allowed higher rates for hidden charges and overhead charges to a contractor which led to additional expenditure of Rs.24.34 lakh.

Scrutiny in audit revealed (June 1999) that the Company had allowed 30 *per cent* hidden charges and 20 *per cent* overhead charges as against 10 *per cent* and 15 *per cent* prescribed by the Water Resources Department of Government of Orissa respectively (analysis of rate 1994). Thus, by allowing high rates of hidden charges and overhead charges the revised rate allowed to the contractor became Rs.1356 per cubic meter as against admissible amount of Rs.1230 per cubic meter. Thus, deviation from the approved analysis of rates resulted in an additional expenditure of Rs.24.34 lakh constituting extension of undue benefit to the contractor.

Government stated (October 1999) that the calculation method adopted was as per the recommendation (1981) of the "Committee on Cost Control of River Valley Projects" of the Government of India. The reply is not tenable as these recommendations had not been adopted by the Government of Orissa in their Analysis of Rates, 1994.

3A.3.4 Loss due to excess payment made to contractor and non-levy of liquidated damages

Payment of higher rates in violation of the provisions of the contract and non-levy of liquidated damages resulted in undue benefit of Rs.18.13 lakh to a contractor.

In August 1985, General Manager, Upper Indravati Project (UIP) awarded a contract for construction of Left Dyke No.1 in Upper Indravati Hydro Electric Project to a contractor at a cost of Rs.87.34 lakh, for completion by September 1987. The terms of the agreement stipulated that revised rates may be considered for work done in excess of 30 *per cent* of the agreed quantities. Further, liquidated damages was leviable for delay in completion of the contract subject to a maximum of 10 *per cent* of the contract value.

As there were delays in commencement of work, the contractor requested (August 1988) for extension of time upto April 1989 which was agreed to (March 1989). Since there was still no progress in the work, the contractor was asked (April 1991) to bring the work to a reasonable level to enable final measurement. The contractor again requested (March 1993) for extension of time and the work was completed in June 1994.

It was observed in audit (December 1997) that there was variation in quantities beyond 30 *per cent* in respect of certain items of work. The Management however paid (December 1993) at revised rates for the entire quantity of work done instead of only for that in excess of 30 *per cent* of the agreed quantities. In the meantime, the project was taken over by OHPC in April 1996. The question of regulating the payment for the excess quantities was placed before the Board of OHPC which decided in August 1997 that the revised rate would be applicable only to the excess quantities of work executed but cases where payments had already been made need not be re-opened.

Violation of provisions of contract led to extra payment of Rs.9.40 lakh.

Thus, payment of higher rates for the entire quantities of work done in violation of the provisions of the contract led to extra payment of Rs.9.40 lakh to the contractor. In addition, despite delay in completion of work, liquidated damages amounting to Rs.8.73 lakh was not levied.

Government stated (October 1999) that the OHPC Board had approved (December 1998) the final deviation without imposing any liquidated damages after considering all aspects of the work. The reply is not tenable since instead of paying revised rates only for the quantity of work in excess over and above thirty *per cent* variation, payment was made for the entire quantity of work done. Further, liquidated damages should have been levied as per the terms of the contract.

3A.4 ORISSA MINING CORPORATION LIMITED

Unfruitful Expenditure towards payment of minimum electricity charges.

Failure of the Company to synchronise supply of power with actual taking over of the plant resulted in wasteful expenditure of Rs.17.21 lakh besides operational loss of Rs.2.02 crore due to delayed commissioning of the plant.

Availment of power much before commissioning of the plant led to avoidable payment of minimum charges of Rs.17.21 lakh.

The Company had entered into a contract (May 1994) with M/s Indian Engineering Work (Bombay) Private Limited (IEWL) for supply and commissioning of a Crushing and Screening Plant at Jajanga on a turn-key basis at a total cost of Rs.1.96 crore. The commissioning of the plant was scheduled to be completed by September 1995. The Bar Chart submitted by the firm (April 1995) indicated that the work of commissioning of the plant was to be completed by October 1995.

Delay in commissioning of the plant led to operational losses of Rs.2.02 crore.

It was observed in audit (May 1999) that the Company entered into an agreement with Grid Corporation of Orissa Limited (GRIDCO) (12 June 1996) for a load of 194 KVA/174 KW for the Plant involving payment of minimum energy charges. The power connection was given on 15 October 1997 and the Company incurred an expenditure of Rs.17.21 lakh on payment of minimum charges from period October 1997 to April 1999 viz. the date of taking over of the plant, which was unfruitful. It was also observed that due to lack of any penalty clause in the contract the Company could not recover any amount towards liquidated damages from IEWL on account of the delayed commissioning. Due to delay in commissioning of the plant, the Company suffered operational losses of Rs.2.02 crore from November 1995 to April 1999 worked out on the basis of average feeding of 30 MT of iron ore fed per hour for 15 hours per day in 200 working days in a year.

The matter was reported to the Company and the Government in June/July 1999; their replies were awaited (October 1999).

3A.5 INDUSTRIAL PROMOTION AND INVESTMENT CORPORATION OF ORISSA LIMITED

Infructuous expenditure in promotion of Kalinga Steel (India) Limited

The Company incurred expenditure of Rs.93.79 lakh towards preliminary expenses in the promotion of a joint venture that was rendered infructuous as possibility of setting up of the plant was remote. In addition, funds of Rs.451.27 lakh remained locked up.

As per directions of the Government of Orissa (June 1990), the Company promoted Kalinga Steel (India) Limited (KSIL) as a public limited company to produce three million tones of steel under a joint venture with Jindal Strips Limited (JSL), Haryana. The joint venture Company, KSIL was incorporated (January 1991) with an authorised capital of Rs.900 crore.

Amount paid to OIIDC towards cost of land remained unutilized to the extent of Rs.4.51 crore.

The Company received (March 1991) Rs.10 crore from Government of Orissa towards equity investment with the directions to utilise Rs.5.00 crore for development of infrastructural facilities and Rs.5 crore for land acquisition. Accordingly a sum of Rs.5 crore was placed (March 1991) with Orissa Industrial Infrastructure Development Corporation (OIIDC) for land acquisition of which only Rs.48.73 lakh had been given to the Collector, Cuttack by OIIDC towards the cost of land for Duburi area. The balance Rs.451.27 lakh remained idle with them since March 1991. No land had been acquired so far. JSL withdrew (June 1991) from the project and the expenses incurred amounting to Rs.26.47 lakh were reimbursed (March 1993) to them by the Company.

As the Company moved the Government for liquidation of KSIL, the expenditure of Rs.93.79 lakh became infructuous.

It was observed in audit (July 1997) that the Company paid all the expenses of KSIL amounting to Rs.93.79 lakh (March 1996). Since the possibility of setting up a steel plant in the name and style of KSIL was remote, the Company requested (November 1995/ January 1996) Government of Orissa to initiate action for its liquidation and to reduce the equity capital of IPICOL to the extent of Rs.10 crore received for investment in KSIL. The Company had not taken up the matter with OIIDC for refund of unspent amount Rs.451.27 lakh. Thus, expenditure of Rs.93.79 lakh rendered infructuous and Rs.451.27 lakh remained locked up.

The Management stated (August 1999) that OIIDC had acquired land and created infrastructure facility in Kalinga Nagar Industrial Complex Duburi at Jajpur by utilising Rs.38 crore including Rs.5 crore received from IPICOL.

The reply was not tenable since Rs.5 crore was placed with OIIDC for land acquisition of which only Rs.48.73 lakh had been given to the Collector, Cuttack for the cost of land and the balance Rs.451.27 lakh remained idle with OIIDC. Further, no land had been acquired in the name of KSIL till October 1999.

The matter was reported to Government (July 1999); their reply was awaited (October 1999).

3A.6 ORISSA POWER GENERATION CORPORATION LIMITED.

Avoidable expenditure

Award of work to a contractor having inadequate experience resulted in delay in execution of work as well as additional expenditure of Rs.6.01 lakh.

Eleven offers were received in response to a notice inviting tender (May 1993) for construction of Earth Ash Bund for Ib Thermal Project of which the offer of Sri Aurobindo Construction (firm 'A') was found (July 1993) to be the lowest at the rate of Rs.28 per cum. The Board of Directors of the Company approved (September 1993) award of the work to Kalinga Engineers Co-operative Society (KECOS) at the lowest rate. However, Company's consultant, DESEIN Private Limited had earlier disqualified KECOS (August 1993) on the ground of inadequate experience.

A Letter of Intent (LOI) was issued (November 1993) to KECOS with the stipulation to complete the work within seven months. However, KECOS did not start the work till November 1994 despite issue of several reminders by the Company. As a result, the Board of Directors decided (November 1994) to cancel the LOI issued to KECOS and called firm 'A' to execute the work. The firm 'A' agreed to work at the rate of Rs.32 per cum. Accordingly, a LOI was issued (July 1995) with the stipulation to complete the work within 4 months from the date of issue of LOI. The work was completed in September 1996.

By ignoring the advice of consultant and by not awarding the work to the lowest bidder in the first instance, the Company incurred an extra expenditure of Rs.6.01 lakh.

Thus, awarding of the work to KECOS by ignoring the advice of the consultants led to additional expenditure of Rs.6.01 lakh on account of increase in rates as well as delay in execution of the work.

Government stated (October 1999) that due to non-execution of the work by KECOS, the work was allotted to Sri Aurobindo Construction (firm 'A') after one year eight months at the rate of Rs.32 per cubic meter as against the scheduled rate of Rs.33 per cubic meter. The reply is not tenable in view of the fact that had the work been awarded initially to firm 'A' at their quoted rate of Rs.28 per cubic meter, the loss would not have occurred.

3A.7 ORISSA SMALL INDUSTRIES CORPORATION LIMITED

3A.7.1 Avoidable expenditure on procurement of Cameras.

Extra expenditure incurred towards payment of freight, insurance and hiring charges amounting to Rs.20.36 lakh on replacement of defective cameras.

Failure to act in a prudent manner in purchase of video cameras led to avoidable expenditure of Rs.20.36 lakh.

The Chief Executive of the OSIC visited (September 1994) Singapore for procurement of 900 cameras required for printing of photo identity cards for the State. M/s Panasonic, Japan intimated that the product sought had been discontinued and suggested names of their Delhi based dealers for availability of stock. However, the Company contacted three Singapore based dealers. One of the dealers agreed to supply the cameras at the rate of Singapore $560 each to which the Company agreed. The cameras were received by the Company in October 1994 at a total cost of Rs.2.24 crore. After receipt, it was found that 300 out of the total of 900 cameras were defective. Though these were subsequently replaced by the supplier free of cost, the OSIC had to incur an expenditure of Rs.8.08 lakh towards insurance, freight etc. In addition , the Company had to incur an expenditure of Rs.12.28 lakh towards hiring of cameras for smooth continuance of the work.

It was observed in audit (May 1998) that the OSIC had failed to act in a prudent manner in the purchase of video cameras as the Delhi based dealers were not contacted as suggested by the manufacturers and no provision for pre-delivery inspection was incorporated in the purchase order. This resulted in extra expenditure towards payment of freight, insurance, etc. for obtaining replacement of defective cameras and on hiring cameras amounting to Rs.20.36 lakh which was avoidable.

The matter was reported to the Company and the Government in May and July 1999 respectively; their replies were awaited (October 1999).

3A.7.2 Loss on account of financial assistance extended to Incast Metal Private Limited

Extending Factoring Service Scheme to IMPL in relaxation of terms and conditions resulted in loss of Rs.26.53 lakh.

Orissa Small Industries Corporation Limited (OSIC) introduced (January 1992) the revised Factoring Service Scheme (FSS) under which any Small Scale Industrial (SSI) unit selling its products to State Government/Departments/Undertakings can discount the bills receivable to the extent of 80 per cent of the value of bills with the Company, on payment of factoring service charges at the rate of 4 per cent and interest at the rate of 20.75 per cent per annum on the amount advanced.

A joint sector unit viz. Incast Metal Private Limited (IMPL) of the OSIC approached (February 1992) OSIC for availing the facility for their supplies to Ordnance Factory, Medak (OF-M). However, OF-M refused to effect payment to the OSIC on behalf of IMPL despite submission of power of attorney, on the ground that the supply order placed by OF-M on IMPL did not include any provision enabling such an arrangement. However, OSIC continued (March 1992) the facility to IMPL and in an attempt to protect its interest for which OSIC obtained an affidavit that they did not have any other bank account except with SBI Main Branch, Bhubaneswar, an undertaking to route the sale proceeds through the SBI and an assurance from SBI to effect the payment of OSIC in case payment was received from OF-M.

It was noticed in audit that it had been brought to the notice of the Board of IMPL on 3. May 1993 that the then Managing Director of IMPL had resorted to the unauthorized practice of withdrawing the sale proceeds received from OF-M by operating separate account in the Oriental Bank of Commerce, Bhubaneswar, without the knowledge and authorisation of Board of Directors. Consequently OSIC had no scope to collect the bills discounted under the FSS.

Due to sale of the unit by OSFC the chance of recovery of the dues of OSIC for Rs.26.53 lakh was remote.

Scrutiny of records revealed (June 1997) that under this scheme, OSIC had released advances to IMPL amounting to Rs.20.77 lakh between March 1992 and December 1992. The total dues came to Rs.23.93 lakh (March 1993) including factoring service charges and interest. In June 1993, Orissa State Financial Corporation (OSFC) from whom the Unit also availed loan assistance, seized the Unit and sold the assets at Rs.52 lakh against their outstanding dues of Rs.58.38 lakh as on June 1994. Thereafter, the Company could recover only Rs.9.68 lakh upto November 1996. No further action was taken by the Company to recover its dues.

Thus, the Company sustained a loss of Rs.26.53 lakh being the arrears as on April 1999 because of providing of the FSS to IMPL in relaxation of the terms and conditions formulated in the said scheme as well as extension of temporary advance even before sales were effected and bills raised on the OF-M.

The matter was reported to the Company and the Government in July 1999; their replies were awaited (October 1999).

3A.8 ORISSA FOREST DEVELOPMENT CORPORATION LIMITED

Loss due to failure to transport timber in time.

Failure to transport timber in time led to its deterioration and consequent loss of Rs.32.47 lakh to the Company.

The profitability of timber operation depends on timely felling and logging of trees and their efficient transportation to the depots during the period allowed by the Forest Department of the Government of Orissa.

During the period March to June 1995 the Division could transport only 721.95 cum of timber within the prescribed time leaving 432.951 cum unlifted.

Scrutiny of the records of Jharsuguda (Commercial) Division, Orissa Forest Development Corporation Limited (OFDC) revealed (August 1998) that the Division took delivery of four numbers of forest coupes under the jurisdiction of Divisional Forest Officer, (DFO) Bamra Forest Division, between February and March 1994. To carry out the production work, the normal working period allowed for all the coupes was up to June 1994. However, due to non-completion of work an extension was allowed by the Forest Department from 1 March to 30 June 1995. During this period, the Division could produce 1154.9015 cum of timber out of which 721.9500 cum of timber was transported to the depots leaving a balance of 432.9515 cum unlifted. Subsequently, in August 1997, Secretary to Government of Orissa, the Environment Department allowed extension of time for transportation of the left over stock for two months commencing from October 1997 subject to payment of extension fees.

There was shortage of 80.6803 cum of timber and the balance was found deteriorated to the extent of 70 to 80 *per cent*.

In March and June 1998, the left over stock was physically verified and the Management found shortage of stock to the order of 80.6803 cum of timber and the balance stock was deteriorated to the extent of 70 to 80 per cent. The royalty for 432.9515 cum of timber amounting to Rs.6.42 lakh was paid to the State Government between March 1995 and January 1997.

Non-transportation of timber in time resulted in loss of Rs.32.47 lakh.

Had the timber been transported within the time allowed by the Forest department, a loss of Rs.32.47 lakh would have been avoided. No action was initiated (September 1999) against the coupes-in-charge for the shortage of timber.

The Management stated (August 1999) that extraction of timber within the time allowed could not be done due to delay in delivery of coupes, passing converted materials and early onset of monsoon. Further, the coupes allotted related to dry and damaged trees which could not withstand heat, rain and white ants causing deterioration and shrinkage.

The reply of the Management is not tenable since the condition of the coupes was known to the Company before they accepted the coupe and commenced work. Moreover, though time was a critical factor the Divisional Officer took no steps to pursue the matter at higher levels highlighting the potential financial loss.

The matter was reported to the Government (July 1999); their reply was awaited (October 1999).

SECTION – 3B

3B STATUTORY CORPORATIONS

ORISSA STATE FINANCIAL CORPORATION

3B.1. Differential loss of interest

The Corporation suffered differential loss of interest of Rs.1.07 crore due to raising bonds in excess of requirements.

OSFC raised bonds in excess of requirement.

The surplus funds were invested in STDs.

Under the State Financial Corporation Act, 1951, a Financial Corporation may, in consultation with the Development Bank and the Reserve Bank of India, issue and sell Bonds and Debentures carrying interest, for the purpose of increasing its working capital. During the period from July 1995 to January 1998, the Corporation raised/issued Bonds on seven occasions valued at Rs.123.79 crore which carried interest ranging between 12.30 per cent and 14 per cent per annum. Out of these borrowed funds, the Corporation invested

Rs.83.77 crore in Short Term Deposits (STDs) ranging from 46 days to 372 days instead of utilising the same for the purpose for which it was obtained. The interest earned on these STDs was Rs.2.07 crore as against Rs.3.13 crore paid/payable to the bond holders/banks for the corresponding period. It was also observed (February 1999) in audit that during the period from 1995-96 to 1997-98, the targets for disbursement of loans by the Corporation fell short by 12.78 per cent rendering these borrowed funds surplus to the requirement and necessitating investment in STDs.

Due to differential interest rates the Corporation sustained loss of Rs.1.07 crore.

By raising Bonds for a far higher value than actually required and investing the borrowed funds in STDs, the Corporation sustained loss of Rs.1.07 crore towards differential interest.

The Corporation stated (April 1999) that they had no choice in the quantum of Bonds to be raised. It was also stated that though the Corporation was getting lower interest on the STDs compared to the coupon rates of Bonds in the long run, they were enjoying the interest benefit of 1 per cent to 1.5 per cent from Bonds as the rate of interest on Bonds was less than the interest on refinance by IDBI/ SIDBI and the parking of the surplus funds temporarily in STDs had only a negligible impact on their operations.

The reply is not tenable because of the fact that the quantum of Bonds to be raised is decided by RBI/IDBI/SIDBI on the requisition of the Corporation. It is also not mandatory for the Corporation to raise Bonds for the entire quantum decided.

The matter was reported to the Government (July 1999); their reply was awaited (October 1999).

3B.2 Undue favour to loanees in extending Short Term Working Capital Loan

The Corporation extended Short Term Working Capital Loans in violation of the terms and conditions of the Factoring Services Scheme resulting in likely loss of Rs.206.63 lakh in four cases.

Keeping in view the declining prospects and low profitability of its term lending activities, the Corporation introduced (January 1996) the Factoring Services Scheme (FSS) mainly to assist small and medium scale industries by granting Short Term Working Capital (STWC) loans to meet their requirement. The guidelines for sanction and disbursement of the STWC loan under FSS provided *inter alia* for limiting assistance to Rs.60 lakh subsequently enhanced to Rs.100 lakh (September 1997), charging interest at the rate of 21.75 *per cent* per annum reduced to 20.50 *per cent* (September 1997), levy of processing charges, securing adequate collateral security, assessing industrial security by deducting second charge, if any, and observance of rephasement schedule for term loans by the beneficiaries. The Government Company was not eligible for the assistance under the scheme. A few illustrative cases noticed in audit (May 1999) are discussed below highlighting the non-observance of above guidelines.

Grant of loan to an ineligible company at a lower rate of interest and without processing charges resulted in loss of Rs.60.88 lakh.

(i) During the period from January 1996 to January 1999, the Corporation extended sixteen STWC loan to M/s Orissa Small Industries Corporation Limited (OSIC) Cuttack aggregating Rs.30.50 crore violating the guidelines viz. (a) OSIC being a Government Company was not eligible for assistance under FSS, (b) the loans were extended above Rs.100 lakh and upto Rs.400 lakh, (c) the rate of interest was ranging between 16.5 *per cent* and 19 *per cent* as against the prescribed rate of 21.75 *per cent* and 20.50 *per cent,* and (d) processing charges were not collected.

Due to deviation from the extant guidelines, the Corporation sustained a loss of Rs.60.88 lakh (towards differential rate of interest Rs.44.58 lakh and processing charges Rs.16.30 lakh).

(ii) Three industrial units of the Corporation were extended STWC loan as under:

Loss of Rs.59.87 lakh in extending STWC loan to units without conducting PSI and without adequate security.

(a) Though. Jameel Lime and Chemicals (Private) Limited, Koraput was not regular in repayment of the loan dues, the Corporation extended two STWC loan assistances in December 1996 and April 1997 amounting to Rs.60 lakh and Rs.40 lakh respectively without conducting pre-sanction inspection (PSI) without adequate security. The Unit repaid the first STWC loan of Rs.60 lakh and could not repay the second loan. The Unit was seized in January 1998 by the Corporation. The assets valued (February 1998) at Rs.48.64 lakh as against outstanding dues of Rs.108.51 lakh (principal Rs.92.66 lakh and interest Rs.15.85 lakh) were yet to be disposed of (September 1999).

Thus, due to extending undue favour to the loanee in extending STWC loans, the Corporation would sustain a loss of Rs.59.87 lakh even if assets were disposed of at the estimated values.

(b) Jagannath Biscuits (Private) Limited, Balasore was set up by availing term loan of Rs.36.75 lakh from the Corporation (December 1989). The Corporation again extended two STWC loans aggregating Rs.90 lakh in March 1997 (Rs.30 lakh) and January 1998 (Rs.60 lakh) though the Unit was not regular in repayment of the dues. Further, the industrial security for the second STWC loan was computed (January 1998) by the Corporation at Rs.109.23 lakh without deducting the liability of Rs.86.33 lakh of SBI who was having second charge on the assets. As the Unit defaulted in repayment of the dues it was seized on 23 October 1998 when the total outstanding dues were to the extent of Rs.67.48 lakh. The Unit was yet to be disposed of (September 1999). In November 1998, the Commercial Tax Officer, Balasore served an attachment order for Rs.106 lakh under section 13A(1) of Orissa Sales Tax Act, 1947 for realisation of their dues directing the Corporation to deposit the amount in Government treasurey from the sale proceeds of the Unit. Thus, even if the Corporation was able to realise the entire amount of Rs.109.23 lakh after disposal of assets, the Corporation would sustain a loss of Rs.64.25 lakh.

Grant of loan to a unit irregular in repayment and without obtaining adequate security resulted in loss of Rs.21.63 lakh.

(c) Sambalpur Oil Products (Private) Limited, Sambalpur had availed a term loan of Rs.42.02 lakh from the Corporation between January 1993 and January 1995. In December 1996, the Unit was seized as it was not regular in repayment of its dues. However, on a part payment of Rs.10.50 lakh, the Unit was released (January 1997) and the Corporation re-scheduled the balance dues of Rs.16.05 lakh. The Corporation again extended (April 1997) a STWC loan of Rs.40 lakh to the Unit for acquisition of Current Assets though the Unit had not made any repayment as per re-schedulement. The Unit failed to repay the STWC loan also and was again seized (December 1997). Further developments were awaited (October 1999).

Since no collateral security was secured for this loan and the industrial security available was worth only Rs.93.12 lakh against dues of Rs.114.75 lakh, the Corporation would sustain a potential loss of Rs.21.63 lakh even if it was able to realize the entire Rs.93.12 lakh by selling the assets of the Corporation.

The matter was reported to the Corporation and the Government (May /July 1999); their replies were awaited (October 1999).

Bhubaneswar
The

(R.K. GHOSE)
Accountant General (Audit) II
Orissa

Countersigned

New Delhi
The

(V.K.SHUNGLU)
Comptroller and Auditor General of India

ANNEXURE

Annexure 1

Statement of companies in which State Government had invested more than Rs.10 lakh in share capital of each of such companies but which are not subject to audit by the Comptroller and Auditor General of India.

(Referred to in Preface and paragraph-1.11)

SlNo.	Name of the Company	Amount of investment in share capital upto 1998-99 (Rupees in lakh)
1	Orissa Cement Limited	40.00

ANNEXURE-2

Statement showing particulars of capital, loans/equity received out of budget, other loans and loans outstanding as on 31 March 1999 in respect of Government Companies and Statutory Corporations.

(Refered to in paragraph No. 1.2)

(Figures in column 3(a) to 4(f) are Rupees in lakh)

		Paid-up Capital as at the end of the current year					Equity/loans received out of Budget during the year			Loans** Outstanding at the close of 1998-99			Debt equity ratio for
Sl. No	Sector and Name of the Company	State Government	Central Govern ment	Holding Companies	Others	Total	Equity	Loans	Other loans received during the year @	Govt	Others	Total	1998-99 (Previous year) 4(f)/3(e)
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A	**Government Companies**												
	AGRICULTURE AND ALLIED												
1.	Orissa Agro Industries Corporation Limited	609.28	105.27	--	0.60	715.15	--	--	--	1505.82*	--	1505.82	2.11:1 (2.11:1)
2.	Orissa State Seeds Corporation Limited	185.98	--	--	71.63	257.61				3.98*		3.98	0.01:1 (0.02:1)
3.	Orissa State Cashew Development Corporation Limited	155.04	--	--	--	155.04	--	--	--	--	--	--	--
4.	The Agricultural Promotion and Investment Corporation of Orissa Limited.	110.00	--	--	--	110.00	85.00	--	--	--	--	--	--
	Sector wise total	***1060.30***	***105.27***	***--***	***72.23***	***1237.80***	***85.00***			***1509.80***		***1509.80***	***1.22:1 (1.32:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	INDUSTRY												
5.	ORICHEM Limited (Subsidiary of the Company at Sl.No.68)	--	--	229.12	47.53	276.65	--	--	--	94.01*	--	94.01	0.34:1 (0.65:1)
6.	Konark Detergent & Soaps Limited (Subsidiary of the Company at Sl.No. 67)	--	--	9.32	--	9.32	--	--	--	--	--	--	--
7.	Kalinga Steel (India) Limited (Subsidiary of the Company at Sl.No.54)	--	--	0.08	--	0.08	--	--	--	--	--	--	--
8.	Neelachal Ispat Nigam Limited	772.90	175.00	--	8664.37[$]	9612.27	--	--	7350.00	24921.00*	--	24921.00	2.59:1 (2.02:1)
	Sector wise total	***772.90***	***175.00***	***238.52***	***8711.90***	***9898.32***			***7350.00***			***25015.01***	***2.53:1 (1.97:1)***
	ENGINEERING												
9.	Konark Processing Works Limited (Under liquidation through Court since 30.11.73)	0.70	--	--	0.20	0.90	--	--	--	--	--	--	--
10.	Balanga Iron Works Limited (Under liquidation through Court since 12.2.74)	1.59	--	--	0.51	2.10	--	--	--	--	--	--	--
11.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968 under voluntary liquidation since 30.8.76)	4.34	--	--	0.20	4.54	--	--	--	--	--	--	--
12.	Gajapati Steel Industries Limited (Company closed since 1969-70 under voluntary liquidation since 01.03.74)	3.78	--	--	0.21	3.99	--	--	--	--	--	--	--
13.	Cuttack Iron and Steel Industries Limited (Company closed since 1979. Liquidation proceedings initiated)	1.30	--	--	0.48	1.78	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
14.	Manorama Foundry Works Limited (Under liquidation through Orissa High Court since 12.2.74)	1.56	--	--	0.25	1.81	--	--	--	--	--	--	--
15.	Kalinga Steel and Wire Products Limited (Under liquidation through Orissa High Court since 09.01.74)	1.15	--	--	0.22	1.37	--	--	--	--	--	--	--
16.	Premier Bolts and Nuts Limited (Under process of liquidation; assets have been disposed off)	1.46	--	--	0.81	2.27	--	--	--	--	--	--	--
17.	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09.03.76)	3.70	--	--	0.50	4.20	--	--	--	--	--	--	--
18.	Orissa Instruments Company Limited	96.79	--	--	--	96.79	--	--	--	--	--	--	--
19.	Hira Steel and Alloys Limited (Subsidiary of the company at Sl No.67)	--	--	12.28	--	12.28	--	--	--	--	--	--	--
20.	Orissa Pump and Engineering Company Limited (Subsidiary of the company at Sl No.68)	--	--	25.00	--	25.00	--	--	--	67.06*	--	67.06	2.68:1 (2.68:1)
21.	Hirakud Industrial Works Limited (Subsidiary of the company at Sl No.67)	--	--	490.01	--	490.01	--	--	--	--	--	--	--
22.	IDCOL Piping and Engineering Works Limited (Subsidiary of the company at Sl No67)	--	--	193.15	--	193.15	--	--	--	3255.90*	--	3255.90	16.85:1 (15.88:1)
23.	General Engineering and Scientific Works Limited (Subsidiary of the company at Sl No.68)	--	--	0.05	--	0.05	--	--	--	--	--	--	--
	Sector wise total	***116.37***	***--***	***720.49***	***3.38***	***840.24***				***3322.96***		***3322.96***	***3.95:1 (3.93:1)***

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	ELECTRONICS												
24.	Manufacture Electro Limited (Under process of liquidation; assets are disposed off)	0.36	--	--	0.10	0.46	--	--	--	--	--	--	--
25.	Modern Electronics Limited (Under process of liquidation)	4.27	--	--	0.10	4.37	--	--	--	--	--	--	--
26.	Orissa State Electronics Development Corporation Limited.	1963.50	--	--	--	1963.50	80.00	--	--	--	--	--	--
27.	IPITRON Times Limited (Subsidiary of the Company at Sl.No26.)	--	--	80.83	--	80.83	--	--	--	168.33*	--	168.33	2.08:1 (2.08:1)
28.	Konark Television Limited	606.07	--	--	--	606.07	--	--		200.75*	--	200.75	0.33:1 (0.33:1)
29.	ELCOSMOS Limited (Subsidiary of the Company at Sl.No. 26)	--	--	158.51	--	158.51	--	--	--	200.00*	--	200.00	1.26:1 (1.26:1)
30.	ELCOPHONES Limited (Subsidiary of the Company at Sl.No. 26)	--	--	0.01	--	0.01							
31.	ELCO Communication and Systems Limited (Subsidiary of the Company at Sl.No.26)	--	--	63.80	--	63.80	--	--	--	72.00*	--	72.00	1.13:1 (1.13:1)
32.	ELMARC Limited (Subsidiary of the Company at Sl.No. 26)	--	--	101.57	--	101.57	--	--	--	66.97*	--	66.97	0.66:1 (0.66:1)
	Sector wise total	***2574.20***	**--**	***404.72***	***0.20***	***2979.12***	***80.00***	**--**	**--**	***708.05****	**--**	***708.05***	***0.24:1 (0.24:1)***
	TEXTILES												
33.	Mayurbhanja Textiles Limited	3.79	--	--	--	3.79	--	--	--	--	--	--	--
34.	New Mayurbhanja Textiles Limited	16.94	--	--	--	16.94	--	--	--	0.68*	--	0.68	0.04:1 (0.04:1)
35.	ABS Spinning Orissa Limited (Subsidiary of the Company at Sl.No. 67)	--	--	300.00	--	300.00	--	--	--	--	720.75	720.75	2.40:1 (2.40:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
36.	Orissa Textile Mills Limited	2104.28	--	3.21	362.74	2470.23	--	240.00	--	1468.14	--	1468.14	0.59:1 (0.70:1)
37.	Orissa State Textile Corporation Limited	452.92	--	--	--	452.92	--	--	--	162.00*	--	162.00	0.36:1 (0.36:1)
	Sector wise total	***2577.93***	***--***	***303.21***	***362.74***	***3243.88***	***--***	***240.00***	***--***	***1630.82***	***720.75***	***2351.57***	***0.72:1 (0.82:1)***
	HANDLOOM AND HANDICRAFTS												
38.	Orissa State Handloom Development Corporation Limited	363.37	--	--	54.37	417.74	--	--	--	158.08*	--	158.08	0.38:1 (0.38:1)
	Sector wise total	***363.37***	***--***	***--***	***54.37***	***417.74***	***--***	***--***	***--***	***158.08***	***--***	***158.08***	***0.38:1 (0.38:1)***
	FOREST												
39.	Orissa Forest Development Corporation Limited	128.00	--	--	--	128.00	--	--	--	2100.00*	--	2100.00	16.40:1 (--)
	Sector wise total	***128.00***	***--***	***--***	***--***	***128.00***	***--***	***--***	***--***	***2100.00***	***--***	***2100.00***	***16.40:1 (--)***
	MINING												
40.	Orissa Mining Corporation Limited	3145.48	--	--	--	3145.48	--	--	--	2518.00	--	2518.00	0.80:1 (0.80:1)
	Sector wise total	***3145.48***	***--***	***--***	***--***	***3145.48***	***--***	***--***	***--***	***2518.00***	***--***	***2518.00***	***0.80:1 (0.80:1)***
	CONSTRUCTION												
41.	Orissa Construction Corporation Limited	1050.00	--	--	--	1050.00	--	--	--	--	--	--	--
42.	Orissa Bridge and Construction Corporation Limited	500.00	--	--	--	500.00	--	--	--	--	--	--	--
	Sector wise total	***1550.00***	***--***	***--***	***--***	***1550.00***	***--***	***--***	***--***	***--***	***--***	***--***	***--***
	AREA DEVELOPMENT												
43.	Orissa Maritime & Chilka Area Development Corporation Limited	623.38	--	--	--	623.38	--	--	--	22.15*	--	22.15	0.04:1 (0.04:1)
	Sector wise total	**623.38**	**--**	**--**	**--**	**623.38**	**--**	**--**	**--**	**22.15**	**--**	**22.15**	**0.04:1 (0.04:1)**

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION												
	Public Districtuion												
44.	Orissa State Civil Supplies Corporation Limited	978.32	--	--	--	978.32	--	--	--	--	--	--	--
	Sector wise total	***978.32***	**--**	**--**	**--**	***978.32***	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	SUGAR												
	CEMENT												
45.	IDCOL Cement Limited (Subsidary of the Company at Sl.No. 67)	--	--	5350.01	3500.00	8850.01	--	--	--	--	12751.20	12751.20	1.44:1 (1.45:1)
	Sector wise total	**--**	**--**	***5350.01***	***3500.00***	***8850.01***	**--**	**--**	**--**	**--**	***12751.20***	***12751.20***	***1.44:1 (1.45:1)***
	TOURISM												
46.	Orissa Tourism Development Corporation Limited	937.16	--	--	--	937.16	15.00	--	--	--	--	--	--
	Sector wise total	***937.16***	**--**	**--**	**--**	***937.16***	***15.00***	**--**	**--**	**--**	**--**	**--**	**--**
	DRUGS,CHEMICALS AND PHARMACEUTICALS												
	POWER												
47.	Orissa Power Generation Corporation Limited	25001.09	--	--	24020.38	49021.47	--	--	165.04	--	41327.34	41327.34	0.84:1 (1.19:1)
48.	Orissa Hydro Power Corporation Limited	32080.07	--	--	--	32080.07	--	--	--	195998.80*	--	195998.80	6.11:1 (5.18:1)
49.	Grid Corporation of Orissa Limited	45782.00	--	--	--	45782.00	7358.86	12000.00	744.00	231670.00*	--	231670.00	5.06:1 (4.09:1)
50.	Central Electricity Supply Company of Orissa Limited (Subsidiary of the Company at Sl.No. 49)	--	--	7272.00	--	7272.00	--	--	--	--	--	--	--
51.	North Eastern Electricity Supply Company of Orissa Limited (Subsidiary of the Company at Sl.No.49)	--	--	6591.00	--	6591.00	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
52.	Western Electricity Supply Company of Orissa Limited (Subsidiary of the Company at Sl.No. 49)	--	--	4865.00	--	4865.00	--	--	--	--	--	--	--
53.	Southern Electricity Supply Company of Orissa Limited (Subsidiary of the Company at Sl.No. 49)	--	--	3766.00	--	3766.00	--	--	--	--	--	--	--
	Sector wise total	**102863.16**	**--**	**22494.00**	**24020.38**	**149377.54**	**7358.86**	**12000.00**	**909.04**	**427668.80**	**41327.34**	**468996.14**	**3.13:1 (3.23:1)**
	FINANCING												
54.	Industrial Promotion & Investment Corporation of Orissa Limited	8314.29	--	--	--	8314.29	100.00	720.00	--	1084.14	4809.52	5893.66	0.71:1 (0.65:1)
	Sector wise total	**8314.29**	**--**	**--**	**--**	**8314.29**	**100.00**	**720.00**	**--**	**1084.14**	**4809.52**	**5893.66**	**0.71:1 (0.65:1)**
	MISCELLANEOUS												
55.	Orissa State Commercial Transport Corporation Limited	610.00	--	--	--	610.00	--	--	--	119.63	145.38	265.01	0.43:1 (0.17:1)
56.	Orissa Fisheries Development Corporation Limited	35.00	--	--	--	35.00	--	--	--	--	--	--	--
57.	Orissa Fish Seed Development Corporation Limited	501.56	--	--	--	501.56	--	290.56	15.00	1010.54*	--	1010.54	2.01:1 (0.58:1)
58.	Orissa State Export Development Corporation Limited	4.00	--	--	--	4.00	--	--	--	--	--	--	--
59.	Orissa State Police Housing & Welfare Corporation Limited	563.01	--	--	--	563.01	--	--	--	--	--	--	--
60.	Eastern Aquatic Products Limited (under voluntary liquidation since 22.02.1978)	0.52	--	--	0.08	0.60	--	--	--	--	--	--	--

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
61.	Orissa Boat Builders Limited (Company since 1987 decided to put under liquidation)	4.72	--	--	0.51	5.23	--	--	--	--	--	--	--
62.	Hansanath Ceramic Industries Limited (under liquidation through Court order since 09.01.1974)	0.42	--	--	0.05	0.47	--	--	--	--	--	--	--
63.	Orissa Tiles Limited (Company closed and liquidation proceeding initiated)	1.90	--	--	1.13	3.03	--	--	--	--	--	--	--
64.	Orissa Timber Products Limited (under liquidation through Court since 12.02.1974)	1.30	--	--	0.15	1.45	--	--	--	--	--	--	--
65.	Orissa Board Mills Limited (closed; decided for liquidation)	3.67	--	--	0.41	4.08	--	--	--	--	--	--	--
66.	Orissa Sports Manufacturing and Fabricators Limited (Under liquidation through High Court since 30.11.1973)	1.08	--	--	0.20	1.28	--	--	--	--	--	--	--
67.	Industrial Development Corporation of Orissa Limited	5651.79	--	--	--	5651.79	--	--	--	1377.00	9873.26	11250.26	2:1 (2.03:1)
68.	Orissa Small Industries Corporation Limited	958.86	--	--	--	958.86	--	--	25.00	138.00	216.12	354.12	0.37:1 (0.27:1)
69.	Orissa State Leather Corporation Limited	396.63	--	--	28.41	425.04	--	--	--	18.16*	--	18.16	0.04:1 (0.04:1)
70.	Orissa Film Development Corporation Limited	540.05	--	--	--	540.05	--	--	--	120.07*	--	120.07	0.22:1 (0.21:1)
71.	Kalinga Studios Limited (Subsidiary of the Company at Sl.No. 70)	--	--	129.50	--	129.50	---	--	--	--	--	--	--
72.	Orissa Leather Industries Limited (Subsidiary of the Company at Sl.No.69)	--	--	64.99	0.01	65.00	--	--	--	176.96*	--	176.96	2.72:1 (2.72:1)

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
73	Orissa Timber and Engineering Works Limited (Subsidiary of the Company at Sl.No.68)	--	--	0.05	--	0.05	--	--	--	--	--	--	--
74.	Kanti Sharma Refractory Limited (Subsidiary of the Company at Sl.No. 68)	--	--	85.00	--	85.00	--	--	--	65.98*	--	65.98	0.78:1 (0.78:1)
75.	Konark Jute Limited (Subsidiary of the Company at Sl.No. 67)	--	--	413.00	180.99	593.99	--	--	--	920.29*	--	920.29	1.55:1 (1.55:1)
76.	Orissa Lift Irrigation Corporation Limited	7473.25	--	--	--	7473.25	--	--	3100.00	--	133.00	133.00	0.02:1 (-)
77.	Orissa Rural Housing and Development Corporation Limited	650.00	--	--	--	650.00	--	--	360.00	5840.62*	--	5840.62	8.99:1 (5.64:1)
	Sector wise total	***17397.76***	***--***	***692.54***	***211.94***	***18302.24***	***--***	***290.65***	***3500.00***	***9787.25***	***10367.76***	***20155.01***	***1.10:1 (0.92:1)***
	Total-A (all sector wise Government Companies)	143402.62	280.27	30203.49	36987.14	210823.52	7638.86	13250.65	11759.04	475525.06	69976.57	545501.63	2.59:1 (2.40:1)
B.	**Statutory corporation**												
	POWER												
	TRANSPORT												
1	Orissa State Road Transport Corporation	11706.26	1235.67	--	0.80	12942.73	330.00	--	--	2304.14*	--	2304.14	0.18:1 (0.22:1)
	Sector wise Total	***11706.26)***	***1235.67***	***--***	***0.80***	***12942.73***	***330.00***	***--***	***--***	***2304.14***	***--***	***2304.14***	***0.18:1 (0.22:1)***
	FINANCING												
2	Orissa State Financial Corporation	4852.52	--	--	3904.79	8757.31	--	575.00	7724.45	2222.50	48936.29	51158.79	5.84:1 (5.14:1)
	Sector wise total	***4852.52***	***--***	***--***	***3904.79***	***8757.31***	***--***	***575.00***	***7724.45***	***2222.50***	***48936.29***	***51158.79***	***5.84:1 (5.14:1)***
	AGRICULTURE AND ALLIED												
3	Orissa State Warehousing Corporation	160.00	--	--	160.00	320.00	--	--	--	31.40*	--	31.40	0.10:1 (0.19:1)
	Sector wise total	***160.00***	***--***	***--***	***160.00***	***320.00***	***--***	***--***	***--***	***31.40***	***--***	***31.40***	***0.20:1 (0.19:1)***
	MISCELLANEOUS												

(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	Total-B (all sector wise Statutory Corporations)	16718.78	1235.67		4065.59	22020.04	330.00	575.00	7724.45	4558.04	48936.29	53494.33	2.42:1 (2.37:1)
	Grand Total (A+B)	160121.40	1515.94	30203.49	41002.73	232843.56	7968.86	13825.65	19483.49	480083.10	118912.86	598995.96	2.57:1 (2.39:1)

Note: Except in respect of Sl no 8 which finalised the accounts for 1998-99 all figures are provisional and as given by the companies.

** Loans outstanding at the close of 1998-99 represents long-term only.

@ includes bonds, debentures, inter corporate deposits, etc.

* Break-up of loans has not been furnished by the Companies.

$ Indicates share application money.

ANNEXURE - 3

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised .

(Referred to paragraph 1.5)

(Figures in columns 7 to 12 are Rupees in lakh)

Sl. No	Name of the Company	Name of the Department	Date of incorporation	Period of accounts	Year in which accounts finalised	Net Profit (+)/ Loss(-)	Net impact of Audit comments	Paid-up capital	Accumulated Profit(+) and Loss (-)	Capital employed (A)	Total Return on capital employed	Percent age of total return on capital employed	Arrears of accounts in terms of years	Status of the Company/ Corporation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
A	**Government Companies**													
	AGRICULTURE AND ALLIED													
1.	Orissa Agro Industries Corporation Limited	Agriculture	20 December 1961	1991-92	1998-99	(-)126.60	--	421.05	(-)1072.36	183.12	6.52	3.56	7 years	Working Company
2.	Orissa State Seeds Corporation Limited	-do-	24 February 1978	1995-96	1999-00	(-)102.01	Increasing loss 6.92 lakh	252.39	(-)794.10	1463.04	48.83	3.34	3 years	-do-
3.	Orissa State Cashew Development Corporation Limited	-do-	06 April 1979	1997-98	1999-2000	77.74	--	155.04	257.18	410.44	77.44	18.87	1year	-do-

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
4.	Agricultural Promotion and Investment Corporation of Orissa Limited	-do-	1 March 1996	1996-97	1998-99	--	--	25.00	--	60.16	--	--	2 years	Working
	Sector wise Total					(-)150.87	--	853.48	(-)1609.28	2116.76	132.79			
	INDUSTRY													
5.	ORICHEM Limited (Subsidiary of the Company at Sl.No.67)	Industry	29 July 1974	1997-98	1998-99	(-)109.94	--	276.64	(-)783.34	654.79	(-)23.15	--	1 year --	Working
6.	Konark Detergent and Soap Limited (Subsidiary of the Company at Sl.No.68)	-do-	29 August 1978	1981-82	1996-97	(-)0.60	--	5.79	(-)0.96	5.09	(-)0.60	--	17 years	Under closure

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
7.	Kalinga Steel (India) Limited (Subsidiary of the Company at Sl.No.54)	-do-	9 January 1991	1995-96	1999-00	Commercial production not yet started	--	593.87	--	527.86	--	--	3 years.	Working
8.	Neelachal Ispat Nigam Limited	Steel & Mines	27 March 1982	1998-99	1999-00	Commercial production not yet started	--	9612.27	--	34492.44	--	--	--	Working
	Sector wise Total					(-)110.54	--	10488.57	(-)784.30	35680.18	(-)23.75	--	--	--
	ENGINEERING													
9.	Konark Processing Works Limited (under liquidation through Court since 30.11.1973)	Industries	17 March 1958	1961-62	1968-69	0.02	--	0.90	--	0.55	0.02	3.64	37 years	Under closure
10.	Balanga Iron Works Limited (under liquidation through Court since 12.02.1997)	Industries	27 March 1958	1964-65	1968-69	0.07	--	2.10	--	2.96	0.07	2.36	34 years	Under liquidation

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
11.	Orissa Electrical Manufacturing Company Limited (Company closed since 1968; under voluntary liquidation since 30.08.1976)	-do-	31 March 1958	1966-67	1973-74	(-)0.46	--	4.54	--	4.72	(-)0.34	--	32 years	-do-
12.	Gajapati Steel Industries Limited (Company closed since 1969-70; under voluntary liquidation since 01.03.1974)	Industries	15 February 1959	1968-69	1974-75	(-)0.44	--	3.99	--	2.25	(-)0.42	--	30 years	-do-
13.	Cuttack Iron and Steel Industries Limited (Company closed since 1979; liquidation proceeding initiated)	-do-	15 March 1959	1967-68	1977-78	0.06	--	1.78	--	0.71	0.10	14.10	31 years	Under closure

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
14.	Manorama Foundry Works Limited (under liquidation through Orissa High Court since 12.02.1974)	-do-	3March 19590	1966-67	1968-69	(-)0.01	--	1.81	--	--	(-)0.61	--	32 years	Under liquidation
15.	Kalinga Steel and Wire Products Limited (Under liquidation through Orissa High Court since 09.01.1974)	-do-	31 March 1959	1967-68	1971-72	(-)0.13	--	1.37	--	0.17	(-)0.11	--	31 years	Under closure
16.	Premiere Bolts and Nuts Limited (Company closed)	Industries	4 August 1959	1966	1973-74	(-)0.27	--	2.27	--	0.44	(-)0.27	--	33 years	Under liquidation

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
17.	Modern Malleable Casting Company Limited (Closed since 1968 under voluntary liquidation since 09.03.1976)	-do-	22 September 1960	1972-73	1975-76	(-)0.36	--	4.20	--	3.08	(-)0.07	--	26 years	Under liquidation
18.	Orissa Instruments Company Limited	-do-	14 March 1961	1986-87	1996-97	1.15	--	8.79	6.50	28.49	1.34	4.70	12 years	Under closure
19.	Hira Steel and Allies Limited (Subsidiary of the Company at Sl.No.67)	-do-	23 August 1974	1975-76	1976-77	--	--	12.28	--	27.39	1.57	5.73	23 years	Under closure
20.	Orissa Pump & Engineering Company Limited (Subsidiary of the Company at Sl.No.68)	-do-	27 March 1992	1992-93	1997-98	17.71	--	10.00	(-)44.83	73.03	23.11	31.64	6 years	Under closure

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
21.	Hirakud Industrial Works Limited (Subsidiary of the Company at Sl.No.67)	-do-	18 January 1993	1997-98	1998-99	68.66	--	490.01	110.75	690.73	124.16	17.98	1 year	Working
22.	IDCOL Piping & Engineering Works Limited (Subsidiary of the Company at Sl.No.67)	-do-	26 March 1993	1997-98	1999-00	(-)1641.06	--	193.16	(-)5887.64	(-)2120.97	(-)239.63	--	1 year	Working
23.	General Engineering & Scientific Works Limited (Subsidiary of the Company at Sl.No.68)	-do-	11 January 1994	1st Accounts not yet received									5 years	Under closure
	Sector wise Total					(-)1555.06		737.20	(-)5815.22	(-)1286.45	(-)91.08			

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
	ELECTRONICS													
24.	Manufacture Electro Limited (liquidation under Orissa High Court has been rejected. Fresh petition is filed).	Industries	24 September 1959	1965-66	1982-83	(-)0.08	--	0.45	--	--	(-)0.08	--	33 years	Under liquidation
25	Modern Electronics Ltd.(Closed Decided for liquidation)	Industries	22 March 1960	1965-66	1982-83	0.23		4.37		2.77	0.26	9.39	33 years	Under liquidation
26.	Orissa State Electronics Development Corporation Limited	Science & Technology	29 September 1991	1994-95	1997-98	4.56	--	1702.75	(-)222.70	416.88	4.56	10.94	4 years	Working
27.	IPITRON Times Limited (Subsidiary of the Company at Sl.No.26)	-do-	11 December 1981	1991-92	1997-98	(-)68.50	--	80.83	(-)225.77	350.28	(-)11.75	--	7 years	Under closure
28.	Konark Television Limited	-do-	26 June 1982	1991-92	1998-99	(-)94.96	--	120.00	(-)603.52	600.04	46.15	7.69	7 years	Under closure

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
29.	ELCOSMOS Electronics Limited (Subsidiary of the Company at Sl.No.26)	-do-	12 January 1987	1991-92	1996-97	(-)77.27	--	174.91	(-)140.48	340.15	(-)26.18	--	7 years	Under closure-
30.	ELCOPHONES Limited (Subsidiary of the Company at Sl.No.26)	-do-	10 December 1987	1st Accounts not yet received									12 years	Under closure
31.	ELCO Communication &Systems Limited (Subsidiary of the Company at Sl.No.26)	-do-	8 March 1989	1989-90	1997-98	--	--	10.01	--	--	--	--	9 years	Working
32.	ELMARC Limited (Subsidiary of the Company at Sl.No.26)		23 January 1990	1995-96	1998-99	(-)4.62	--	101.82	(-)42.80	86.05	10.30	11.97	3 years	Working
	Sector wise Total					(-)240.64	--	2195.14	(-)1235.27	1796.17	23.26	--		
	TEXTILE													
33.	Mayurbhanj Textiles Limited	Industries	1943	1970-71	1976-77	(-)0.82	--	3.79	--	(-)0.62	(-)0.71	--	28 years	Under closure

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
34.	New Mayurbhanj Textiles Limited	-do-	2 June 1976	1980-81	1986-87	1.75	--	1.50	--	--	--	--	18 years	-do-
35.	ABS Spinning Orissa Limited (Subsidiary of the Company at Sl.No.67)	-do-	23 March 1990	1993-94	1998-99	(-)539.53	--	300.00	(-)2912.19	181.03	(-)201.83	--	5 years	Working
36.	Orissa Textile Mills Limited	Textile & Handlooms	25 January 1946	1997-98	1998-99	(-)1023.74	Increase in loss 15.42 lakh	2470.24	(-)5340.61	516.81	(-)766.10	--	1 year	Working
37.	Orissa State Textile Corporation Limited	-do-	10 September 1981	1992-93	1998-99	(-)341.37	--	260.00	(-)1286.08	(-)543.66	--	--	6 years	Under closure
	Sector wise Total					(-)1903.71	--	3035.53	(-)9538.88	153.56	(-)968.64	--	--	--
	HANDLOOM													
38	Orissa Handloom Development Corporation Limited	-do-	1 February 1997	1993-94	1998-99	(-)227.25	--	352.37	(-)659.29	532.21	(-)83.43	-	5 years	Working
	Sector wise Total					(-)227.25	--	352.37	(-)659.29	532.21	(-)83.43	-		

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
	FOREST													
39.	Orissa Forest Development Corporation Limited	Forest & Environment	28 September 1962	1993-94	1999-00	(-)203.64	--	128.00	(-)2353.08	(-)2194.08	(-)184.13	--	5 years	Working
	Sector-wise Total					(-)203.64	--	128.00	(-)2353.08	(-)2194.08	(-)184.13	--		
	MINING													
40.	Orissa Mining Corporation Limited	Steel & Mines	16 May 1956	1992-93	1999-00	1176.16	--	3145.48	700.14	10661.91	1656.15	15.53	6 tears	Working
	Sector-wise Total					1176.16	--	3145.48	700.14	10661.91	1656.15	15.53		
	CONSTRUCTION													
41.	Orissa Construction Corporation Limited	Water Resources	22 May 1962	1996-97	1999-00	27.09	Decrease in profit 4.05 lakh	1000.00	98.74	3316.59	88.22	2.66	2 years	Working
42.	Orissa Bridge & Construction Corporation Limited	Works	1 January 1983	1993-94	1999-00	(-)47.35	Increase in loss 18.13 lakh	484.18	(-)537.64	432.12	47.35	10.96	5 years	Working
	Sector-wise Total					(-)20.26		1484.18	(-)438.90	3748.71	135.57	--		

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
	AREA DEVELOPMENT													
43.	Orissa Maritime & Chilka Area Development Corporation Limited	Fisheries & Animal Resources Department	29 August 1978	1994-95	1999-00	(-)43.23	--	609.18	(-)130.73	468.28	44.89	9.59	4 years	Merged
	Sector-wise Total					(-)43.23	--	609.18	(-)130.73	468.28	44.89	9.59		
	DEVELOPMENT.OF ECONOMICALLY WEAKER SECTION													
	PUBLIC DISTRIBUTION													
44.	Orissa State Civil Supplies Corporation Limited	Food supplies and consumer welfare	03 September 1980	1991-92	1999-00	(-)240.15	-	978.32	299.71	1348.60	(-)235.39	-	7 years	working
	Sector-wise Total					(-)240.15	-	978.32	299.71	1348.60	(-)235.39			
	SUGAR													
	CEMENT													
45	IDCOL Cement Limited (subsidiary of the company at Sl.No.67)	Industries	26 February 1980	1997-98	1998-99	(-)6157.55		8850.01	(-)13654.84	10169.76	1756.64	17.27	1 year	Working
	Sector-wise Total					(-)6157.55		8850.01	(-)13654.84	10169.76	1756.64			

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
	TOURISM													
46	Orissa Tourism Development Corporation Limited	Tourism	03 September 1979	1992-93	1999-2000	(-)24.03	Increase in loss 6.18 lakh	702.16	(-)480.10	251.43	(-)7.25	-	6 years	Working
	Sector-wise Total					(-)24.03		702.16	(-)480.10	251.43	(-)7.25			
	DRUGS AND CHEMICALS													
	POWER													
47	Orissa Power Generation Corporation Limited	Energy	14 November 1984	1996-97	1998-99	10459.60	-	45000.00	9689.24	118997.82	19819.00	16.65	2 years	Working
48.	Orissa Hydro Power Corporation Limited	-do-	21 April 1995	1997-98	1999-00	7778.82	Increase in profit 848.02 lakh	32080.09	14764.36	226502.97	24417.73	10.78	1 year	Working
49.	Grid Corporation of Orissa Limited	-do-	19 November 1997	1997-98	1999-00	(-)31911.62	--	38423.14	(-)61411.28	168914.01	(-)24762.30	--	1 year	Working

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
50.	Central Electric Supplies Company of Orissa Limited (Subsidiary of Company at Sl.No.49)	-do-	19 November 1997	1997-98	1999-00	(-)0.05	--		(-)0.05	(-)0.30	--	--	1 year	Working
51.	North-Eastern Electricity Supply Company of Orissa Limited (Subsidiary of Company at Sl.No.49)	-do-	19 November 1997	First Account is not yet received.									2 years	Working

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
52.	Western Electricity Supply Company of Orissa Limited (Subsidiary of Company at Sl.No.49)	-do-	19 November 1997	First Account is not yet received.									2 years	Working
53.	Southern Electricity Supply Company of Orissa Limited (Subsidiary of Company at Sl.No.49)	-do-	19 November 1997	First Account is not yet received.									2 years	Working
	Sector-Wise Total					(-)13673.25		115503.23	(-)36957.73	514414.50	19474.43			

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
	FINANCING													
54	Industrial Promotion and Investment Corporation of Orissa Limited	Industries	12 April 1973	1997-98	1999-2000	(-)362.55	Increase in loss Rs.237.27 lakh	8214.29	(-)3124.85	17211.02	306.98	1.78	1 year	Working
	Sector-Wise Total					(-)362.55		8214.29	(-)3124.85	17211.02	306.98			
	MISCELLANEOUS													
55.	Orissa State Commercial Transport Corporation Limited	Commerce & Transport	15 February 1964	1989-90	1999-00	(-)77.23	--	234.00	(-)732.06	184.73	--	--	9 years	Under closure
56.	Orissa Fisheries Development Corporation Limited	Fisheries & Animal Resources Development	8 August 1962	1982-83	1983-84	(-)3.75	--	35.00	--	19.78	(-)2.53	--	16 years	Working

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
57.	Orissa Fish Seed Development Corporation Limited	-do-	17 December 1979	1992-93	1997-98	(-)68.50		469.06	(-)363.58	471.53	(-)1.73	--	6 years	Mergerd
58.	Orissa State Export Development Corporation Limited	Handicraft & Cottage Industries	27 July 1990	1990-91	1995-96	--	--	0.85	--	(-)0.06	--	--	8 years	Under closure
59.	Orissa State Police Housing & Welfare Corporation Limited	Home	24 May 1980	1991-92	1998-99	(-)58.25		563.01	(-)106.91	517.94	(-)58.25		7 years	Working
60	Eastern Aquatic Products Limited.	Industries	06 May 1959	1972-73	1975-76			0.60		0.31			26 years	Under liquidation
61	Orissa Boat Builders Limited (Company since 1987 decided to put under liquidation.	Industries	18 March 1958	1970-71	1977-78	(-)0.32		5.23		1.30	(-)0.30		28 years	Under liquidation.

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
62	Hansanath Ceramic Industries ltd.(under liquidation through court since09.01.1974.	Industries	30 March 1959	1962-63	1968-69	(-) 0.05		0.47		0.02	(-)0.05		36 years	Under liquidation
63	Orissa Tiles Limited (company closed and liquidation processing initiated)	Industries	01 September	1975-76	1979-80	(-)0.97		3.03		1.72	(-)0.06		23 years	Others (company with private management)
64	Orissa Timber Products Limited (under liquidation through court since 12.02.1974)	Industries	02 March 1960	1967-68	1973-74	(-)2.25		1.45		1.83	(-)1.94	-	31 years	Under liquidation.
65	Orissa Board Mills Limited (Closed. Decided for liquidation)	Industries	04 April 1960	1967-68	1976-77	(-)1.04		4.08		4.69	(-)0.53		31 twars	Under liquidation

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
66.	Orissa Sports Manufacturing and Fabricators Limited (under liquidation through court since 30.11.1973)	Industries	22.July 1950	1962-63	1968-69	(-) 0.03		1.28		1.25	(-) 0.03		36 years	Under liquidation
67	Industrial Development Corporation of Orissa Limited.	Industries	29 March 1962	!997-98	1998-99	(-)2446.85		5651.79	1539.74	15697.19	4030.83	25.68	1 year	working
68	Orissa Small Industries Corporation Limited	Industries	03 April 1972	1995-96	1998-99	42.99	Increase in profit 6.79 lakh	965.86	43.39	3363.82	350.65	10.42	3 years	working
69	Orissa State Leather Corporation Limited	Industries	19 April 1976	1987-88	1997-98	(-)22.18		216.68	(-)212.94	161.41	(-)18.85		11 years	Under closure
70	Orissa Film Development Corporation Limited.	Industries.	22 April 1976	1996-97	1999-2000	1.12		540.05	17.79	562.40	2.62	0.47	2 years	working
71	Kalinga Studio Limited(subsidiary of company at Sl.No 70)	Industries.	25 July 1980.	1995-96	1999-2000	(-)18.93		211.47	(-)151.64	78.63	(-)18.93		2 years	working

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
72.	Orissa Leather Industries Limited. (subsidiary of company at Sl.No.69)	Industries.	26 July 1986	1991-92	1995-96			65.00		192.02			7 years	Under closure
73.	Orissa Timber and Engineering Work Limited (subsidiary of company at Sl.No 68)	Industries.	11.January 1994.		Ist account not yet received.								5 years	working
74	Kanti Sharma Refractory Limited. (subsidiary of company at Sl.No.68)	Industries.	11.January 1994		Ist account not yet received.								5 years	Under closure
75.	Konark Jute Limited. (subsidiary of company at Sl.No 67)	Industries.	29 July 1974	1994-95	1999-2000	(-)40.42		493.99	(-)884.68	484.09	(-)20.75		4 years	Working
76.	Orissa Lift Irrigation Corporation. Limited	Rural Development.	21 September 1973	1994-95	1999-2000	(-)1.35		7373.25	(-)291.79	15712.74	96.35	0.61	4 years	working
77.	Orissa Rural Housing and Development Corporation. Limited	Rural Development	19 August 1994.	1996-97	1998-99	89.55		500.00	109.01	1713.26	376.12	21.95	2 years	Working.

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
	Sector wise total					(-)2608.46		17336.15	(-)1033.67	39170.60	4732.62			
	Total (A) Government Companies.					(-)26345.03		174613.29	(-)76816.29	634243.16	26669.66			
B	**STATUTORY CORPORATION.**													
	POWER													
	TANSPORT													
1	Orissa State Road Transport Corporation.	Commerce and Transport.	May.1974	1990-91	1998-99	(-)1116.56	Increase in loss 43.27 lakh	17870.24	(-)9918.42	1010.69	(-)608.75		8 years	working
	Sector wise total					(-)1116.56		17870.24	(-)9918.42	1010.69	(-)608.75			
	FINANCING													
2	Orissa State Financial Corporation.	Industries	March 1950	1997-98	1999-2000.	(-)1360.03	-	8757.30	(-)25470.06	54160.36	4466.26	8.25	1 year	working
	Sector wise total					(-)1360.03	-	8757.30	(-)25470.06	54160.36	4466.26			

(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)	(44)	(45)
AGRICULTURE AND ALLIED														
3.	Orissa State Warehousing Corporation.	Agriculture & Co-operation	March 1958	1996-97	1999-00	95.03		300.00	0.50	857.56	120.53	14.50	2 years	Working
	Sector wise total					95.03		300.00	0.50	857.56	120.53			
MISCELLANEOUS														
	Sector wise total													
	Total (B) Statutory corporation.					(-)2381.56		26927.54	(-)35387.98	56028.61	3978.04			
	Grand Total (A+B)					(-)28726.59		201540.83	(-)112204.27	690815.43	30647.70			

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

ANNEXURE-4

Statement showing subsidy received, guarantees received , waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 1999.

(Refer to in paragraph 1.4)

{Figures in Col.3(a) to 7 are in Rupees in Lakh}

		Subsidy received during the year@				Guarantees received during the year and outstanding at the close of the year**					Waiver of dues during the year					
Sl. No	Name of the Public Sector undertaking	Central Govt.	State Govt.	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by bank in respect of imports.	Payment obligation under agreements with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which moratorium allowed	Loans converted into equity during the year
1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
A.	**Government Companies.**															
1.	Orissa Agro Industries Corporation Limited	--	--	--	--	--	-- (150.00)	--	--	--	-- (150.00)	--	--	--	--	--
2.	Orissa State Seeds Corporation Limited	--	--	--	--	--	-- (3.98)	--	--	-- (3.98)	--	--	--	--	--	--
3.	The Agricultural Promoters and Investment Corporation of Orissa Limited	--	30.00	--	30.00	--	--	--	--	--	--	--	--	--	--	--
4.	ELMARC Limited	--	--	--	--	--	-- (66.97)	--	--	-- (66.97)	--	--	--	--	--	--
5.	Orissa Textile Mills Limited	--	--	--	--	-- (1450.00)	--	--	--	-- (1450.00)	--	--	--	--	--	--
6.	Orissa Forest Development Corporation Limited	--	--	--	--	--	300.00 (2100.00)	--	--	300.00 (2100.00)	--	--	--	--	--	--
7.	Orissa Mining Corporation Limited	--	--	--	--	--	(100.00)	--	--	--	(100.00)	--	--	--	--	--

1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
8.	Orissa Construction Corporation Limited	--	--	--	--	200.00 (100.00)	--	--	--	200.00 (100.00)	--	--	--	--	--	--
9.	Orissa State Civil Supply Corporation Limited	--	7000.00	--	7000.00	--					--	--	--	--	--	--
10.	Orissa Power Generation Corporation Limited	--	--	--	--	--	(33337.00)	--	--	(33337.00)	--	--	--	--	--	--
11.	Orissa Hydro Power Corporation Limited	--	--	--	--	--	(30955.88)	--	--	(30955.88)	--	--	--	--	--	--
12.	Grid Corporation of Orissa Limited	--	--	744.00	744.00	--	63566.62 (133908.00)	--	--	63566.62 (133908.00)	--	--	--	--	--	--
13.	Orissa State Commercial Transport Corporation Limited	--	--	--	--	--	(1050.00)	(12.50)	--	(1062.50)	--	--	--	--	--	--
14.	Orissa Fish Seed Development Corporation Limited	--	15.00	--	15.00	--	--	--	--	--	--	--	--	--	--	--
15.	Industrial Development Corporation of Orissa Limited	--	--	--	--	--	-- (8986.20)	--	--	-- (8986.20)	--	--	--	--	--	--
16.	Orissa Small Industries Corporation Limited	--	--	--	--	--	(1050.00)	(12.50)	--	(1062.50)	--	--	--	--	25.00	--
17.	Orissa Lift Irrigation Corporation Limited	--	3100.00	--	3100.00	--	5138.75 (1874.01)	--	--	5138.75 (1874.01)	--	--	--	--	--	--
18.	Orissa Rural Housing & Development Corporation Limited		360.00		360.00	5138.75 (1874.01)	--	--	5138.75 (1874.01)	--	--	--	--	--	--	--

1	2	3a	3b	3c	3d	4a	4b	4c	4d	4e	5a	5b	5c	5d	6	7
19.	Industrial Promotion and Investment Corporation of Orissa Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	-	600.00
	Total A		10505.00	744.00	11249.00	200.00 (1903.09)	69005.37 (212928.33)	(12.50)		69205.37 (214870.92)					25.00	600.00
B	**Statutory corporation**															
(1)	Orissa State Road Transport Corporation	--	160.00	--	160.00	--	-- (4055.44)	--	--	-- (4055.49)	--	--	--	--	--	--
(2)	Orissa State Financial Corporation	--	225.00	--	225.00	--	3290.00 (33626.25)	--		3290.00 (33626.25)	--	--	--	--	419.49	--
	Total -B	--	385.00	--	385.00	--	3290.00 (37681.74)			3290.00 (37681.74)						
	Grand Total (A+B)		10890.00	744.00	1634.00	200.00 (1903.09)	72295.37 (250610.07)	(12.50)		72495.37 (252552.66)					444.49	600.00

@ Subsidy includes subsidy receivable at the end of the dyear.

** Figures in brackets indicate guarantee outstanding at the end of the year.

ANNEXURE - 5

Statement showing financial position of Statutory corporations

(Referred to in Paragraph No.1.6.2.1)

(Rupees in core)

1.Orissa State Road Transport Corporation			
Particulars	**1994-95**	**1995-96**	**1996-97 (Provisional)**
A. Liabilities			
Capital (including capital loan & equity capital)	111.93	115.88	122.84
Borrowings (Government. :-) (Others:-)	28.23	26.56	26.39 --
Funds[$]	1.05	1.18	3.60
Trade dues and other current liabilities (including provisions)	35.40	41.23	46.34
Total - A	176.61	184.85	**199.17**
B. Assets			
Gross Block	58.37	60.06	60.11
Less: Depreciation	30.21	36.41	38.60
Net fixed assets	28.16	23.65	21.51
Capital works-in progress (including cost of chassis)	--	--	--
Investment	--	--	--
Current assets, loans and advances	15.89	18.08	21.03
Deferred cost	--	--	--
Accumulated losses	132.56	143.12	156.63
Total - B	**176.61**	**184.85**	**199.17**
C. Capital employed[Ξ]	8.37	0.50	(-)3.80
2.Orissa State Financial Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99 (Provisional)**
A. Liabilities			
Paid-up-capital	87.57	87.57	87.57
Share application money	--	--	--
Reserve fund and other reserves and surplus	1.42	1.37	1.37
Borrowings:			
(i) Bonds and debentures	281.25	316.01	336.26
(ii) Fixed Deposits	--	--	--
(iii)Industrial Development Bank of India & Small Industries Development Bank of India	148.97	166.79	171.11
(iv)Reserve Bank of India	--	--	--
(v) Loans in lieu of share capita: State Government Industrial Development Bank of India	12.45	12.45	12.45
(vi)Others (including State Government) Other liabilities and provisions	169.15	239.07	246.03
Total -A	**700.81**	**823.26**	**854.79**
B. Assets			
Cash and Bank balances	27.79	39.11	19.98
Investments	2.59	2.45	3.45
Loans and Advances	461.70	488.86	533.84
Net fixed assets	1.40	1.93	2.10
Other assets	28.92	36.20	40.86
Miscellaneous expenditure	178.41	254.71	254.56
Total -B	**700.81**	**823.26**	**854.79**
C. Capital employed[×]	499.66	541.60	580.23
3. Orissa State Warehousing Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99**
		(Provisional)	

A. Liabilities			
Paid-up capital	3.00	3.20	3.20
Reserves and surplus	2.49	3.65	4.01
Borrowings (Government. :-) (Others:-)	1.08 --	0.81 --	0.31 --
Trade dues and other current liabilities (including provisions)	11.77	13.54	15.48
Total - A	**18.34**	**21.20**	**23.00**
B. Assets			
Gross Block	7.57	7.84	8.00
Less: Depreciation	1.76	1.94	2.00
Net fixed assets	5.81	5.90	6.00
Capital works-in progress	0.07	0.07	0.05
Current assets, loans and advances	12.46	15.23	16.95
Accumulated losses			
Total – B	**18.34**	**21.20**	**23.00**
C. Capital employed	6.57	7.66	7.52

i$ Excluding depreciation funds.

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

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

ANNEXURE - 6

Statement showing working results of Statutory corporations

(Referred to in Paragraph No.1.6.2.1)

(Rupees in core)

1.Orissa State Road Transport Corporation			
Particulars	**1994-95**	**1995-96**	**1996-97 (Provisional)**
Operating			
a) Revenue	40.60	34.52	25.61
b) Expenditure	42.84	40.78	35.48
c) Surplus(+)/Deficit(-)	(-)2.24	(-)6.26	(-)9.87
Non-operating			
a) Revenue	0.83	1.39	0.71
b) Expenditure	6.43	5.69	4.36
c) Surplus(+)/Deficit(-)	(-)5.60	(-)4.30	(-)3.65
Total			
a) Revenue	41.43	35.91	26.32
b) Expenditure	49.27	46.47	39.84
c) Surplus(+)/Deficit(-)	(-)7.84	(-)10.56	(-)13.52
Interest on capital and loans	2.97	2.56	2.16
Total return on Capital employed*	(-)4.87	(-)8.00	(-)11.36
2.Orissa State Financial Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99 (Provisional)**
1. **Income**			
(a) Interest on Loans	55.04	54.39	62.00
(b) Others	2.72	2.55	5.74
Total – 1	**57.76**	**56.94**	**67.74**
2. **Expenses**			
(a) Interest on long-term and short-term loans	45.37	58.27	54.99
(b) Provision for non-performing assets	--	--	--
(c) Other expenses	11.21	12.27	12.60
Total – 2	**56.58**	**70.54**	**67.59**
3. Profit before tax (1-2)	1.18	(-)13.60	0.15
4. Prior period adjustments	--	--	--
5. Provision for tax	--	--	--
6. Profit(+)/Loss(-) after tax	1.18	(-)13.60	0.15
7. Other appropriations	--	--	--
8. Amount available for dividend	--	--	--
9. Dividend paid/payable	--	--	--
10. Total return on Capital employed	56.22	44.67	55.14
11. Percentage of return on Capital employed*	11.25	8.25	9.50
4.Orissa State Warehousing Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99**
1.		(Provisional)	
2. **Income**			
Warehousing Charges	8.66	10.31	12.91
Others income	0.02	0.02	0.02
Total - 1	**8.68**	**10.33**	**12.93**

3. **Expenses** Establishment charges Interest Other expenses	 2.43 0.26 5.03	 2.59 0.21 6.13	 2.70 0.15 7.00
Total - 2	**7.72**	**8.93**	**9.85**
4. Profit(+)/Loss(-) after tax	0.96	1.10	3.08
5. Provision for tax	0.01	0.01	0.02
6. Prior period adjustments			
7. Other appropriations	0.86	1.30	2.90
8. Amount available for dividend	0.09	0.09	0.16
9. Dividend paid/payable	0.09	0.09	0.15
10. Total return on Capital employed*	1.22	1.61	3.23
11. Percentage of return on Capital employed	18. 57	20.02	42.95

i

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

i

ANNEXURE - 7

Statement showing operational performance of Statutory corporations

(Referred to in Paragraph No.1.6.2.1)

(Rupees in Crore)

1.Orissa State Road Transport Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99**
		(Provisional)	
Average number of vehicles held	799	753	748
Average number of vehicles on road	395	324	305
Percentage of utilisation of vehicles	49	43	41
Number of employees	6221	5527	5476
Employee vehicle ratio	15.75 : 1	17.06: 1	17.95:1
Number of routes operated at the end of the year			
Route Kilometres			
Kilometres operated (in lakh) (a) Gross (b) Effective (c) Dead	 400.42 392.80 7.62	 314.81 307.60 7.21	 298.35 291.26 7.09
Percentage of dead Kilometres to gross kilometres	2 %	2 %	2 %
Average Kilometres covered per bus per day	272	260	257
Operating revenue per Kilometre (paise)	6.70	6.91	--
Average expenditure per Kilometre (paise)	10.14	11.44	
Profit (+)/ Loss (-) per Kilometre (paise)	(-) 3.44	(-) 4.53	
Number of operating depots	40	40	40
Average number of break downs per lakh Kms	0.82	0.88	0.70
Average number of accidents per lakh Kilometres	0.20	0.10	0.15
Passenger Kilometre operated (lakh)	12776.00	9535.60	9465.95
Occupancy ratio (percentage)	65	62	65
Kilometres obtained per litre of : (a) Diesel Oil (b) Engine Oil			

2. Orissa State Warehousing Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99**
		(Provisional)	
Number of stations covered	75	76	75
Storage capacity created upto the end of the year (in lakh tonne) (a) Owned (b) Hired **Total**	 1.54 0.77 2.31	 1.55 0.73 2.28	 1.57 0.78 2.35
Average capacity utilised during the year (in lakh tonne)	2.15	2.19	2.33
Percentage of utilisation	93	96	99
Average revenue per tonne per year (Rs)	389.23	447.02	543.26
Average expenses per tonne per year (RS)	346.51	386.94	414.79
Profit (+)/ Loss (-) per tonne (Rs)	42.72	60.08	128.47

3. Orissa State Financial Corporation *(Rupees in crore)*

Particulars	**1996-97**		**1997-98**		**1998-99**	
	Number	**Amount**	**Number**	**Amount**	**Number**	**Amount**
Application pending at the beginning of the year	660	60.46	80	13.79	87	22.97
Application received	1014	90.50	617	90.71	555	81.79
Total	**1674**	**150.96**	**697**	**104.50**	**642**	**104.76**

Application sanctioned	936	80.51	574	77.01	523	68.08
Application cancelled/ withdrawn/rejected/reduced	658	56.66	36	4.52	53	19.55
Application pending at the close of the year	80	13.79	87	22.97	66	17.13
Loans disbursed	977	67.11	545	55.22	473	44.98
Loan outstanding at the close of the year (cum)	16423	705.93	16467	742.90	16816	810.20
Amount overdue for recovery at the close of the year (a) Principal (b) Interest **Total**	14355	420.53	13351	453.27	12612	539.01
Amount involved in recovery certificate cases	--	--	--	--		
Total						
Percentage of overdue to the total loans outstanding		59.57		61.01		66.52

ANNEXURE - 8

Financial position of Orissa Bridge and Construction Corporation Limited

(Referred in paragraph 2A.5.1)

Liabilities	1992-93	1993-94	1994-95	1995-96	1996-97
	(Provisional)				
	(Rupees in Lakh)				
a) Paid-up capital	484.18	484.18	500.00	500.00	500.00
b) Deposit from Government for future works	485.71	485.71	485.71	485.71	485.71
c) Trade dues and other liabilities	1037.75	1186.34	914.87	1069.34	1108.10
Total	2007.64	2156.23	1900.58	2055.05	2093.81
Assets					
a) Gross Block	712.06	733.99	747.61	749.25	749.47
b) Less Depreciation	332.78	386.66	447.38	485.18	522.87
c) Net Assets	379.28	347.33	300.23	264.07	226.60
d) Capital work-in-progress	7.10	0.15	--	--	--
e) Investment	0.05	0.05	0.05	0.05	0.05
f) Current Asses Loans and Advances etc.	1130.75	1270.98	1244.38	1378.87	1439.12
g) Miscellaneous expenditure not written off	0.17	0.08	--	--	--
h) Accumulated loss	490.29	537.64	355.92	412.06	428.04
Total	2007.64	2156.23	1900.58	2055.05	2093.81
Capital employed	479.38	432.12	629.74	573.60	557.62
Net Worth	(-)6.11	(-)53.46	(+)144.08	(+)87.94	(+)71.96

Note: 1. Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

Net Worth represents paid-up capital plus reserves and surplus less intangible assets.

The difference in the amount of cumulative depreciation represents arrear depreciation for construction equipments charged to prior period adjustment account of the respective year.

ANNEXURE - 9

Working Results of Orissa Bridge and Construction Corporation Limited

(Referred in paragraph 2A.5.2)

Particulars	**1992-93**	**1993-94**	**1994-95**	**1995-96**	**1996-97**
			(Provisional)		
		(Rupees in Lakh)			
A. **Income**					
i) Value of work done	943.94	1172.77	982.35	985.45	1087.32
ii) Other income	27.11	27.60	45.27	29.13	50.24
iii) Tollgate administration charges recovered.	13.32	15.79	15.40	15.55	18.92
iv) Increase/(Decrease) in work in progress.	(4.92)	8.79	(5.30)	0.71	2.60
v) Total income	**979.45**	**1224.95**	**1037.72**	**1030.84**	**1159.08**
B. **Expenditure**					
i) Stock of materials consumed.	447.44	561.76	354.14	360.80	222.78
ii) Construction & work exp.	370.84	394.10	366.50	444.72	673.05
iii) Administrative & other expenditure	238.17	237.23	239.16	201.85	202.76
iv) Tollgate exp.	15.21	18.48	23.33	36.14	35.83
v) Interest & bank charges.	0.81	0.98	0.97	2.06	0.92
vi) Depreciation	45.98	47.14	49.17	37.61	37.69
Total	**1118.45**	**1259.69**	**1033.27**	**1083.18**	**1173.04**
C. **Profit (+)/loss (-) for the year**	(-)139.00	(-)34.74	(+)4.45	(-)52.34	(-)13.96
Prior period adjustment	(-)5.85	(-)12.61	(+)177.27*	(-)3.80	(-)2.02
Net Profit (+)/loss (-) carried to Balance sheet	(-)144.85	(-)47.35	(+)181.72	(-)56.14	(-)15.98

* It represents income of the company on raising final bills during the year in respect of prior period

Annexure-10

(Refer to paragraph No.2B.2.1)

Statement showing loans availed by OSEB/GRIDCO from various agencies

Name of the sources	1994-95				1995-96				1996-97				1997-98				1998-99 (PROCISIONAL)			
	OB	Receipt	Re-pay-ment	CB	OB	Receipt	Re-pay-ment	CB	OB	Receipt	Re-payment	CB	OB	Receipt	Re-pay-ment	CB	OB	Receipt	Re-pay-ment	CB
	(RUPEES IN CRORE)																			
PFC/ADB	60.58	95.82	10.08	146.32	146.32	90.36	25.07	211.61	136.80	71.52	13.72	194.60	194.60	27.23	6.14	215.69	215.69	53.19	1.93	266.95
REC	257.89	27.70	27.70	257.89	257.89	32.62	44.95	245.56	250.19	40.44	19.92	270.71	270.71	42.72	17.84	295.59	295.59	88.41	28.00	356.00
IBRD	--	--	--	--	--	--	--	--	--	-	--	--	--	33.63	--	33.63	33.63	52.09	--	85.72
SPA/Commercial Bank	8,.09	4.07	2.60	9.56	9.56	2.11	1.81	9.86	9.86	6.18	1.57	14.47	14.47	16.82	3.00	28.29	28.29	48.91	9.98	67.22
LIC	123.95	22.,54	10.99	135.50	135.50	27.00	10.83	151.67	143.56	-	2.90	140.66	140.66	--	--	140.66	140.66	--	--	140.66
Loan Bond	124.22	--	--	124.22	124.22	--	14.30	109.92	109.92	-	24.28	85.64	85.64	--	19.80	65.84	65.84	--	13.82	52.02
IDBI	14.49	1.35	6.81	9.03	9.03	5.80	5.10	9.73	9.73	-	4.31	5.42	5.42	--	2.18	3.24	3.24	--	1.79	1.45
Central Govt.	11.26	--	--	11.26	11.26	--	--	11.26	11.26	-	--	11.26	11.26	--	--	11.26	11.26	--	--	11.26
Govt of Orissa (Cash loan)	71.19	15.30	10.28	76.21	76.21	8.45	0.45	84.21	--	2.00	--	2.00	2.00	--	--	2.00	2.00	120.00	--	122.00
Bond (Govt of Orissa)	--	--	--	--	--	--	--	--	400.00	--	--	400.00	400.00	--	--	400.00	400.00	--	--	400.00
Bond (Trust Pension Fund)	--	--	--	--	--	--	--	--	150.00	--	--	150.00	150.00	--	--	150.00	150.00	--	--	150.00
Bond (Private placement)	--	--	--	--	--	--	--	--	--	--	--	--	--	109.48	--	109.48	109.48	558.00	--	667.48
Loan from others	--	--	--	--	--	--	--	--	--	--	--	--	--	5.01	--	5.01	5.01	--	--	5.01
Govt of Orissa (asset loan)	287.33	--	--	287.33	287.33	--	101.22	186.11	--	--	--	--	--	--	--	--	--	--	--	--
ICICI bill discounting	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	16.06	--	16.06
Total	959.00	166.78	68.46	1057.32	1057.32	166.34	203.73	1019.93	1221.32	120.14	66.70	1274.76	1274.76	234.89	48.96	1460.69	1460.69	936.66	55.52	2341.83

**Against the closing balance of Rs.1019.93 crore at the end of 31 March 1996, the State Government transferred Rs.1148.90 crore (including Rs.550 crore towards bonds) as opening balance of debts for 1996-97 to GRIDCO, where as GRIDCO accounted for Rs.1221.32 crore. Reconciliation of these balances have not been made so far (October 1999).

Annexure-11

Operational performance of OSEB during VII Plan period.

(Referred in paragraph.2C.5.5)

Particulars	**1985-86**	**1986-87**	**1987-88**	**1988-89**	**1989-90**
1.Installed Capacity)*(MW)*					
Thermal	470.000	470.000	470.000	470.000	470.000
Hydel	664.425	664.425	664.425	664.425	1104.430
Total	**1134.425**	**1134.425**	**1134.425**	**1134.425**	**1574.430**
2.Power Generated (MU))					
Thermal	1304.511	1307.155	1340.728	1272.000	1458.372
Hydel	1970.887	2158.759	1623.450	1494.000	3213.736
Total	**3275.398**	**3465.914**	**2964.178**	**2766.000**	**4672.108**
3.Auxiliary consumption (MU)	141.777 (4.33)	137.582 (3.97)	155.477 (5.25)	152.000 (5.50)	169.425 (3.63)
4.Net Power generated (MU) (2-3)	3133.621	3328.332	2808.701	2614.000	4502.783
5.Power purchased (MU)	1189.255	1668.896	2827.797	2923.000	1202.148
6.Total Power available for sale (MU) (4+5)	4322.876	4997.228	5636.498	5537.000	5704.931
7.Power sold (MU)	3315.050	3832.376	4262.242	4180.435	4337.557
8.Transmission & Distribution loss (MU)	1007.826	1164.852	1374.256	1356.565	1367.374
9.Percentage of T&D loss to power available for sale	23.30	23.30	24.38	24.50	23.96
10.(a) Operating revenue per unit sold (paise)	55.31	60.77	63.54	60.11	65.78
(b) Expenditure per unit (including depreciation & interest) (paise)	58.39	64.79	74.25	80.90	71.95
(c) Profit (+)/ Loss(-) per KWH(paise)	(-)3.08	(-)4.02	(-)10.71	(-)20.79	(-)6.17

* Installed capacity of Machkund, Rengali (Units III, IV & V) and Upper Kolab (Unit III & IV) has been exhibited as own by the Board although the quantum of power received from these units has been treated as purchase.

Annexure-12

Outstanding dues against current liabilities of OSEB/ GRIDCO

(Referred in paragraph 2D.4)

Particulars	**1993-94**	**1994-95**	**1995-96**	**1996-97**	**1997-98**
	(Rupees in crore)				
For purchase of power	291.12	211.94	358.84	602.35	912.55
For purchase of raw material (for TTPS)*	15.73	1.47	0.59	0.00	0.00
Creditors for purchase of stores	39.72	47.39	49.73	71.33	89.82
Deposits and retention's from suppliers/contractors	2.19	2.63	3.07	4.52	6.92
Interest accrued but not due	15.44	19.00	21.47	25.46	31.33
Electricity duty payable	56.94	72.38	69.88	80.60	91.94
Other liabilities	102.50	81.98	87.93	182.27	264.66
Staff related liabilities and provisions	32.78	43.42	88.06	59.90	64.67
Total	**556.42**	**480.21**	**679.57**	**1026.53**	**1449.01**

* TTPS: Talcher Thermal Power Station which has been sold to NTPC.

ANNEXURE-13

Dues payable on purchase of power by OSEB/ GRIDCO

(Referred in paragraph.2D.5)

(Value and amount outstanding are in rupees in Crore)

	1993-94			1994-95			1995-96			1996-97			1997-98		
Source of Purchase	Units (in MU)	Value	Amt. outstand-ing	Units (in MU)	Value	Amt. outstand-ing	Units (in MU)	Value	Amt. outstand-ing	Units (in MU)	Value	Amt. Outstand-ing	Units (in MU)	Value	Amt. outstanding
WBSEB	161	1585	14.86	52	574	16.08	--	--	4.22	--	--	(-)0.59	--	--	(-)0.59
BSEB	--	148	--	--	--	--	--	--	--	--	--	--	--	--	--
MPSEB	72	759	2.43	42	115	15.77	--	596	19.94	--	6.94	26.87	--	--	19.94
APSEB	--	434	43.62	--	502	46.33	--	211	45.93	--	--	48.61	297	1.56	50.17
OHPC															
Royalty and Interest charges	--	--	0.42	--	--	0.42	--	--	0.42	--	--	0.42	--	--	0.85
Machkund Balimela	302	37	6.26	306	38	0.23	349	38	--	372	89	--			
Upper Kolab	364	10.93	54.10	368	1104	(-)31.36	469	14.06	(-)17.29	--	--	--	3214	157.51	70.52
Rengali	525	1575	56.92	591	1773	(-)10.81	532	1596	5.15	--	--	39.34			
Chukha/ NHPC	331	1936	0.60	230	1344	(-)1.41	239	1796	0.83	237	1663	0.83	253	31.33	0.93
DVC	48	466	3.66	4	49	0.50	--	--	0.50	--	--	0.26	--	--	0.26
ASEB	--	61	0.44	456	--	--	--	--	--	--	--	--	--	--	--
OREDA	0.01	5	0.01	--	5	0.01	--	5	0.02	--	--	0.02	--	--	0.02
FC Plant	3	61	--	--	--	--	--	--	--	--	--	--	--	--	--
HPCL	10	56	0.56	68	413	1.64	53	418	0.25	16	122	0.88	8	0.68	1.56
RSP	10	71	--	6	38	1.54	8	24	--	7	22	--	2	0.07	0.01
NALCO	778	6888	64.42	1161	8938	69.56	1009	8928	91.14	913	7608	97.66	658	59.03	110.30
ICCL	142	907	12.68	185	1293	13.54	85	695	--	56	654	--	--	--	--
NTPC													658		
Farakka	1006			954			1001								
Kahalgaon	--	7777	32.26	107	8161	67.87	419	30494	165.87	2888	41066	224.33	3886	550.60	405.09
Kaniha	--			1			164								
TTPS	--			--			853								

	1993-94			1994-95			1995-96			1996-97			1997-98		
Source of Purchase	Units (in MU)	Value	Amt. outstand-ing	Units (in MU)	Value	Amt. outstand-ing	Units (in MU)	Value	Amt. outstand-ing	Units (in MU)	Value	Amt. Outstand-ing	Units (in MU)	Value	Amt. outsta nding
OPGC	--	--	--	285	4148	21.48	1085	16649	41.10	1792	31703	163.27	2058	376.46	240.61
wheeling Charges	--	923	(-)2.12	--	1358	0.52	--	2402		--	2385	0.43	--	22.17	12.89
Total	3768	24781	291.12	4364	30611	211.94	6269	65260	358.84	9651	98271	602.35	10376	1199.83	912.55

Note: WBSEB: West Bengal State Electricity Board, BSEB: Bihar State Electricity Board, MPSEB: Madhya Pradesh State Electricity Board, APSEB: Andhra Pradesh State Electricity Board, NHPC: National Hydro Power Corporation, DVC: Damodar Valley Corporation, ASEB: Assam State Electricity Board, OREDA: Orissa Renewable Energy Development Agenecy, FC Plant: Ferro Chrome Plant, HPCL: Hirakud Power Corporation Limited, RSP: Rourkela Steel Plant, NALCO: National Aluminimum Corporation Limited, ICCL: Indian Charge Chrome Limited.

ANNEXURE – 14

Loss of revenue due to Transmission and Distribution losses in excess of CEA norm.

(Referred in paragraph.2D.6.3(e))

Particulars	**1993-94**	**1994-95**	**1995-96**	**1996-97**	**1997-98**
(i) Total power available for sale (MU)	7826	8493	9762	9650	10324
(ii)Actual sale (MU)	5994	6471	5178	4876	5840
(iii)T&D losses (MU)	1831	2022	4583	4774	5084
(iv)Percentage of T&D losses	23.41	23.81	46.94	49.47	49.24
(v)T&D losses over and above the CEA norms (MU)	618	706	3070	3278	3484
(vi)Average sale price per MU (Rs. in lakh)	9.565	11.205	17.615	23.653	26.715
(vii)Value of power above CEA norms (Rs. in crore)	59.11	79.10	540.78	775.34	930.75