

## Chapter-I

### 1. Overview of Government Companies and Statutory Corporations

#### 1.1 Introduction

As on 31 March 2001, there were 64<sup>#</sup> Government companies (30 working companies and 34 non-working companies<sup>⊗</sup>) and 3 working statutory corporations as against 69 Government companies (32 working companies and 37 non-working companies) and 3 working statutory corporations as on 31 March 2000 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provision of Section 619 (2) of 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 arrangements of statutory corporations are as shown below:

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

<sup>#</sup> Out of 69 companies as on 31 March 2000 five companies had been wound-up as detailed in Paragraph 1.5.1

<sup>⊗</sup> Non working companies/Corporations are those which are under the process of liquidation/closure/merger, etc.

## **1.2 Working Public Sector Undertakings (PSUs)**

### **1.2.1 Investment in working PSUs**

As on 31 March 2001, the total investment in 33 working PSUs (30 Government companies and 3 statutory corporations) was Rs.9,617.17 crore (equity Rs.1,997.74 crore, long-term loans\* Rs.7,448.54 crore and share application money Rs.170.89 crore) as against 35 working PSUs (32 Government companies and 3 statutory corporations) with a total investment of Rs.8,480.93 crore (equity Rs.1,990.42 crore, long term loans Rs.6,312.60 crore and share application money Rs.177.91 crore ) as on 31 March 2000. The analysis of investment in working PSUs is given in the following paragraphs.

#### **1.2.1.1 Working Government companies**

Total investment in 30 working Government companies as on 31 March 2001 was Rs.8,709.49 crore (equity Rs.1771.78 crore, long term loans Rs.6766.82 crore and share application money Rs.170.89 crore) as against total investment of Rs.7,676.07 crore (equity Rs.1763.22 crore, long term loans Rs.5,734.94 crore and share application money Rs.1,77.91 crore ) as on 31 March 2000 in 32 working Government companies. Due to increase in long term loans in Industry sector (Neelachal Ispat Nigam Limited), Power sector (Grid Corporation of Orissa Limited) and Miscellaneous sector (Orissa Rural Housing and Development Corporation Limited), there was increase in investment during the year.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in Annexure-1.

#### **Sector wise investment in working Government companies**

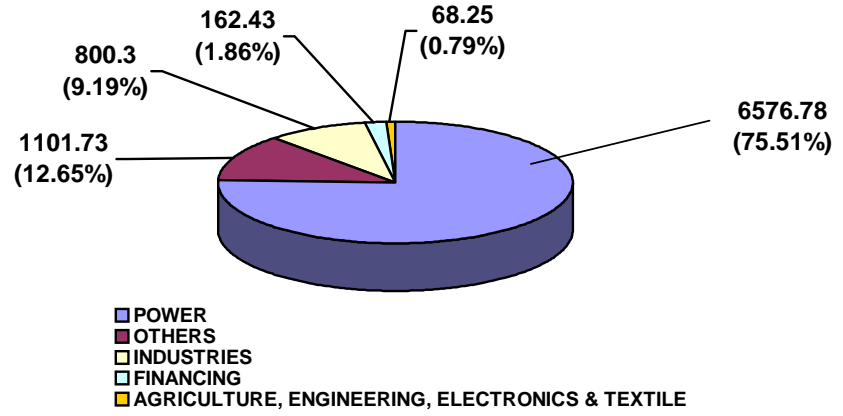
As on 31 March 2001, the total investment in working Government companies comprised 22.31 per cent of equity capital and 77.69 per cent of loans as compared to 25.29 per cent and 74.71 per cent respectively as on 31 March 2000.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts:

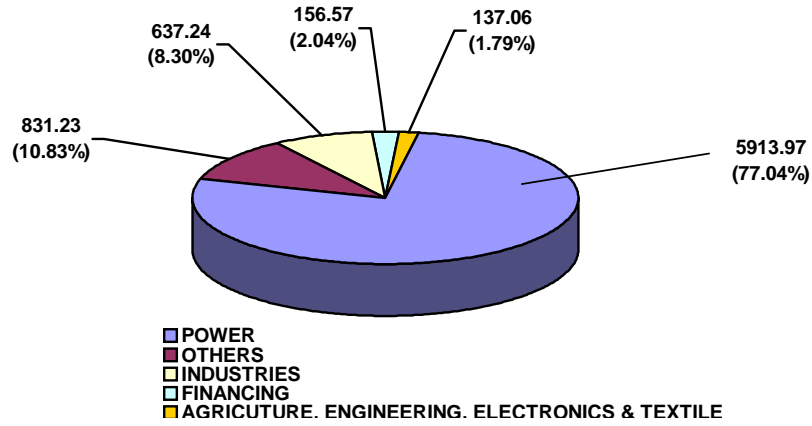
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\* Long-term loans mentioned in para 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

**INVESTMENT AS ON 31 MARCH, 2001 (Rs.8,709.49 crore)**  
(Rupees in crore)



**INVESTMENT AS ON 31 MARCH, 2000 (Rs.7,676.07 crore)**  
(Rupees in crore)



Due to significant increase in long term loans in Industry, Power and Miscellaneous sectors, the debt equity ratio increased from 2.95:1 in 2000 to 3.48:1 in 2001.

### 1.2.1.2 Working Statutory Corporations

The total investment in 3 statutory corporations at the end of March 2001 and March 2000 was as follows:

| Name of Corporation                     | (Rupees in crore) |        |                       |       |
|---|-------------------|--------|-----------------------|-------|
|   | 1999-2000         |        | 2000-01 (Provisional) |       |
|   | Capital           | Loan   | Capital               | Loan  |
| Orissa State Road Transport Corporation | 134.98*           | 41.18* | 134.98                | 69.48 |

\* Figures are provisional.

| Name of Corporation                  | 1999-2000         |        | 2000-01 (Provisional) |        |
|--------------------------------------|-------------------|--------|-----------------------|--------|
|                                      | Capital           | Loan   | Capital               | Loan   |
| Orissa State Financial Corporation   | 87.57             | 536.48 | 87.57                 | 612.25 |
| Orissa State Warehousing Corporation | 3.20 <sup>s</sup> | -      | 3.40                  | -      |
| Total                                | 225.75            | 577.66 | 225.95                | 681.73 |

As on 31 March 2001, the total investment in working statutory corporations comprised of 24.89 percent of equity and 75.11 per cent of loans as against 28.10 per cent of equity and 71.90 per cent of loans as on 31 March 2000. There was increase in investment due to increase in loans in Finance sector and Transport Sector for disbursement of loans to more loanees and to meet the establishment expenditure respectively. The summarised statement of Government investment in working statutory corporations in the form of equity and loans is detailed in Annexure-1.

**1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity**

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in Annexures-1 and 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to 10 working Government companies and 3 working statutory corporations for the three years up to 31 March 2001 are given below:

(Amount Rs. in crore)

|                                  | 1998 - 99 |        |              |        | 1999-2000 |        |              |        | 2000-01   |        |              |        |
|----------------------------------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|-----------|--------|--------------|--------|
|                                  | Companies |        | Corporations |        | Companies |        | Corporations |        | Companies |        | Corporations |        |
|                                  | No.       | Amount | No.          | Amount | No.       | Amount | No.          | Amount | No.       | Amount | No.          | Amount |
| Equity capital outgo from budget | 5         | 76.39  | 1            | 3.30   | 9         | 102.22 | 1            | 6.99   | 6         | 6.06   | 1            | 0.20   |
| Loans given from budget          | 4         | 132.51 | 1            | 5.75   | 1         | 5.84   | 1            | 1.50   | 4         | 14.70  | -            | -      |
| Grant                            | -         | -      | -            | -      | 6         | 6.92   | -            | -      | 2         | 1.83   | -            | -      |
| Subsidy towards                  |           |        |              |        |           |        |              |        |           |        |              |        |
| (i) Projects/programmes/Schemes  | 3         | 104.60 | 1            | 2.25   | 2         | 153.77 | 2            | 1.58   | 3         | 71.46  | 1            | 1.75   |
| (ii) Other subsidy               | 2         | 0.45   | 1            | 1.60   | -         | -      | -            | -      | -         | -      | 1            | 1.60   |
| (iii) Total                      | 5         | 105.05 | 2            | 3.85   | 2         | 153.77 | 2            | 1.58   | 3         | 71.46  | 2            | 3.35   |
| Total outgo                      | 10*       | 313.95 | 2*           | 12.90  | 8*        | 268.75 | 2*           | 10.07  | 10*       | 94.05  | 3*           | 3.55   |

<sup>s</sup> Figure is provisional.

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

In the last 3 years, the Government guarantee received on loans to working PSUs has declined from Rs.724.95 crore in 1998-99 to Rs.683.11 crore in 1999-2000 and further to Rs.209.06 crore in 2000-2001. The waiver of interest due on loans from Government has, however, increased from Rs.0.55 crore in 1999-2000 to Rs.0.67 crore in 2000-2001.

During the year 2000-2001, the Government guaranteed loans aggregating Rs.209.06 crore obtained by 2 working Government companies (Rs.175.71 crore) and 1 statutory corporation (Rs.33.35 crore). At the end of the year, guarantees amounting to Rs.4,546.66 crore against 13 working Government companies (Rs.4,122.42 crore) and 2 statutory corporations (Rs.424.24 crore) were outstanding as against Rs.4,675.07 crore in respect of 16 companies (Rs.4,291.90 crore) and 2 statutory corporations (Rs.383.17 crore) as on 31 March 2000. There was a case of default (Orissa State Road Transport Corporation) in repayment of guaranteed loans during the year. The Government had forgone Rs.0.67 crore by way of waiver of interest in one working company (Orissa Construction Corporation Ltd.) during the year 2000-2001. The guarantee commission paid or payable to Government by Government companies and by statutory corporations during 2000-2001 was Rs.38.15 crore and Rs.44.36 crore respectively.

### ***1.2.3 Finalisation of accounts by working PSUs***

The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, 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 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-2, out of 30 working Government companies, only 2 working companies viz. Neelachal Ispat Nigam Limited and Agricultural Promotion and Investment Corporation of Orissa Limited had finalised their accounts for the year 2000-01 within the stipulated period. During the period from October 2000 to September 2001, 21<sup>@</sup> working Government companies finalised 23 accounts for previous years. Similarly during this period, 3 statutory corporations finalised 3 accounts for previous years.

The accounts of 28 working Government companies and 3 statutory corporations were in arrears for periods ranging from one year to eight years as on 30 September 2001 as detailed below:

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<sup>@</sup> This includes Agricultural Promotion and Investment Corporation of Orissa Limited which finalised its accounts for the current year also.

| Sl. No. | Year from which accounts are in arrears | Number of years for which accounts are in arrears | Number of working companies/corporations |                        | Reference to Sl. No. of Annexure-2 |                        |
|---------|---|---|--|------------------------|------------------------------------|------------------------|
|         |   |   | Government companies                     | Statutory corporations | Government companies               | Statutory corporations |
| 1.      | 1993-94                                 | 8   | 2  | 1                      | 1, 22                              | 1                      |
| 2.      | 1995-96                                 | 6   | 6  | -                      | 7, 10, 11, 15, 17, 27              | -                      |
| 3.      | 1996-97                                 | 5   | 2  | -                      | 12, 14                             | -                      |
| 4.      | 1997-98                                 | 4   | 6  | -                      | 2,8, 25, 26, 28, 29                | -                      |
| 5.      | 1998-99                                 | 3   | 3  | -                      | 20, 24, 30                         | -                      |
| 6.      | 1999-00                                 | 2   | 2  | 1                      | 3, 13                              | 3                      |
| 7.      | 2000-01                                 | 1   | 7  | 1                      | 6, 9, 16, 18, 19, 21, 23           | 2                      |

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

#### **1.2.4 Financial position and working results of working PSUs**

The summarised financial results of working PSUs (Government companies and statutory corporations) as per latest finalised accounts are given in Annexure-2. Besides, statement showing financial position and working results of individual working statutory corporations for the latest three years as furnished by the Management are given in Annexures 4 and 5 respectively.

According to the latest finalised accounts of 30 working Government companies and 3 working statutory corporations, 16 companies and 2 Corporations had incurred an aggregate loss of Rs.355.11 crore and Rs.101.51 crore respectively, 12 companies and 1 Corporation had earned an aggregate profit of Rs.362.11 crore and Rs.1.31 crore respectively and 2 companies had not commenced commercial activities.

##### **1.2.4.1 Working Government companies**

###### **1.2.4.1.1 Profit earning working companies and dividend**

The two working Government companies which finalised their accounts for 2000-01 by September 2001 had not yet commenced commercial activities. Similarly, out of 21 working Government companies which finalised their accounts for previous years by September 2001, 7 companies had earned an aggregate profit of Rs.102.89 crore and only 6 companies had earned profit for two or more successive years.

The State Government had accepted (August 1996) the recommendation of the 10<sup>th</sup> Finance Commission that the State must adopt a modest rate of return on the investments made in commercial, commercial and promotional and promotional public enterprises at the rate of six percent, four percent and one percent respectively as dividend on equity. However, these guidelines were not complied with by any company during 2000-01. Out of the 7 profit earning companies, two accounts relate to the year prior to 1996-97 i.e. prior to adoption of dividend policy by the State Government. The Orissa Construction Corporation Limited and Orissa Small Industries Corporation Limited earned meagre profit of Rs.6.30 lakh and Rs.15.85 lakh during the years 1998-99 and 1997-98 respectively and did not declare any dividend. The Orissa Hydro Power Corporation Limited, Orissa Rural Housing and Development Corporation Limited and Orissa State Cashew Development Corporation Limited though earned profits of Rs.50.38 crore, Rs.0.87 crore and Rs.1.10 crore during the years 1999-2000, 1997-98 and 1998-99 respectively did not declare any dividend.

#### ***1.2.4.1.2 Loss incurring working Government companies***

Of the 16 loss incurring working Government companies, 5 companies had accumulated losses aggregating Rs.676.41 crore which exceeded their aggregate paid up capital of Rs.398.95 crore.

Despite poor performance and complete erosion of paid up capital, the State Government provided financial assistance to one company (GRIDCO) in the form of equity and loans. According to available information, the total financial support provided by the State Government by way of equity during 2000-01 to GRIDCO amounted to Rs.0.65 crore.

#### ***1.2.4.2 Working Statutory corporations***

##### ***1.2.4.2.1 Profit earning Statutory corporations and Dividend.***

None of the 3 statutory corporations had finalised their accounts for the year 2000-01. From the latest finalised accounts for previous years, only Orissa State Warehousing Corporation declared dividend of Rs.0.10 crore out of the profit of Rs.1.31 crore during the year 1998-99. The State Government had provided financial support of Rs.0.20 crore by way of equity to the Corporation during the year 2000-01.

##### ***1.2.4.2.2 Loss incurring Statutory corporations***

The other two statutory corporations, viz. Orissa State Road Transport Corporation and Orissa State Financial Corporation which finalised their accounts for the years 1992-93 and 1999-2000 respectively during the period from October 2000 to September 2001 had incurred loss. In both the corporations, the accumulated loss amounting to Rs.503.45 crore had exceeded the paid-up capital of Rs.180.77 crore. Despite complete erosion of paid-up capital, the State Government provided financial assistance to these corporations by way of subsidies amounting to Rs.3.35 crore.

**1.2.4.2.3 Operational performance of working Statutory corporations**

The operational performance of the working Statutory corporations is given in Annexure-6. In the case of the Orissa State Financial Corporation, the loans outstanding at the close of the year had increased by 23.45 per cent from 1998-99 (Rs.486.40 crore) to 2000-01 (Rs.600.48 crore) whereas percentage increase in the amount of overdues was 43.31 in the corresponding period (1998-99: Rs.533.03 crore and 2000-01: Rs.763.88 crore).

**1.2.5 Return on Capital Employed**

As per the latest finalised accounts (up to September 2001), the capital employed<sup>1</sup> worked out to Rs.7,367.41 crore in 30 working companies and total return<sup>2</sup> thereon amounted to Rs.310.70 crore which is 4.22 per cent as compared to total return of Rs.231.21 crore (3.5 per cent) in the previous year (accounts finalised up to September 2000). Similarly, the capital employed and total return thereon in case of working statutory corporations as per the latest finalised accounts (up to September 2001) worked out to Rs.627.49 crore and (-) Rs.59.51 crore respectively against the total return of Rs.17.65 crore (2.96 per cent) in previous year (accounts finalised up to September 2000). The details of capital employed and total return on capital employed in case of working Government companies and statutory corporations are given in Annexure-2.

**1.3 Non-working PSUs**

**1.3.1 Investment in non-working Government Companies**

As on 31 March 2001, the total investment in 34 non-working Government companies was Rs.140.24 crore (equity Rs.48.43 crore, long term loans Rs.67.85 crore and share application money Rs.23.96 crore) as against total investment of Rs.62.69 crore (equity Rs.44.06 crore and long term loans Rs.18.63 crore) in 37 non-working Government companies as on 31 March 2000.

The classification of the non-working PSUs was as under:

| Sl. No. | Status of Non-working PSUs | Number of companies | (Amount in Rs. in crore) |                 |
|---------|----------------------------|---------------------|--------------------------|-----------------|
|         |                            |                     | Investment Companies     |                 |
|         |                            |                     | Equity*                  | Long term loans |
| (i)     | Under liquidation          | 9                   | 0.30                     | -               |

<sup>1</sup> Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and Corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

<sup>2</sup> For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account

\* Equity includes share application money of Rs.23.96 crore in one company which is under closure at Sl. No C 21 of Annexure-1)

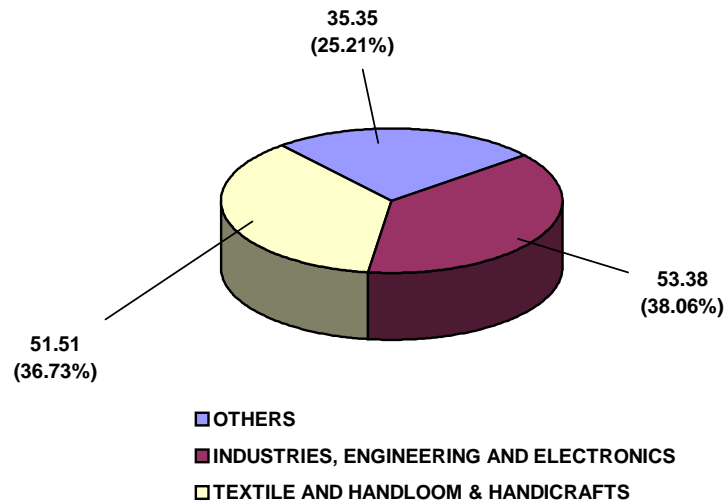


| Sl. No. | Status of Non-working PSUs | Number of companies | Investment Companies |                 |
|---------|----------------------------|---------------------|----------------------|-----------------|
|         |                            |                     | Equity*              |                 |
|         |                            |                     | Equity*              | Long term loans |
| (ii)    | Under closure              | 23                  | 60.84                | 65.62           |
| (iii)   | Under merger <sup>3</sup>  | 2                   | 11.25                | 2.23            |
|         | Total                      | 34                  | 72.39                | 67.85           |

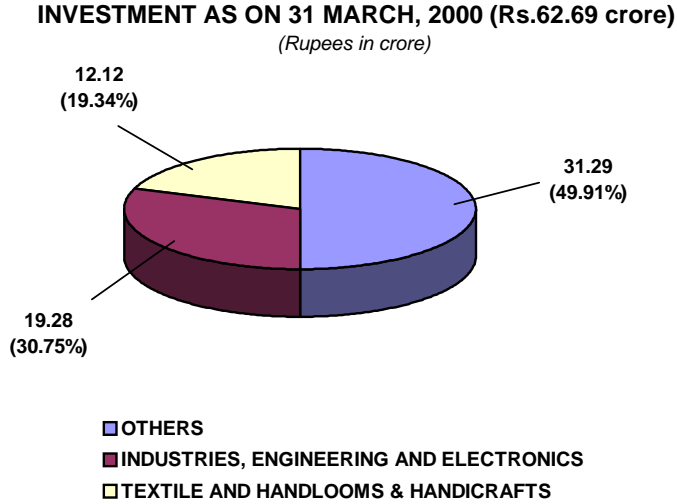
Of the above non-working government companies, 32 were under liquidation or closure under Section 560 of the Companies Act, 1956, for 1 to 28 years and substantial investment of Rs.126.76 crore was involved in these companies. Effective steps need to be taken for their expeditious liquidation or revival.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 2000 are indicated below in the charts:

**INVESTMENT AS ON 31 MARCH, 2001 (Rs.140.24 crore)**  
(Rupees in crore)



<sup>3</sup> Orissa Maritime and Chilka Area Development Corporation Ltd and Orissa Fish Development Corporation Ltd [Sl No 24 & 27 of Annexure-1(C)] were merged into one company namely Orissa Pisciculture Development Corporation Ltd. However as the consolidated accounts of both the merged companies have not been prepared, particulars in Annexures-1 & 2 have been indicated separately.



### 1.3.2 Budgetary outgo, grant/subsidy, guarantees waiver of dues and conversion of loans into equity

During the year 2000-01, State Government had paid only Rs.3.54 crore as budgetary support towards equity (Rs.0.01 crore) to one non-working Government company and towards grants to two non-working Government companies (Rs.3.53 crore).

### 1.3.3 Total establishment expenditure of non-working PSUs

The year-wise details of total establishment expenditure of non-working PSUs and the sources of financing them during last three years up to 2000-01 are given below:

(Amount: Rupees in crore)

| Year         | Number of PSUs* | Total establishment expenditure | Financed by                    |                            |                      |                   |             |
|--------------|-----------------|---------------------------------|--------------------------------|----------------------------|----------------------|-------------------|-------------|
|              |                 |                                 | Disposal of investment /assets | Loans from private parties | Government by way of |                   | Others      |
|              |                 |                                 |                                |                            | Loans                | Grants            |             |
| 1998-99      | 7               | 9.08                            | 0.20                           | -                          | 3.69                 | 4.05              | 1.14        |
| 1999-2000    | 6               | 3.05                            | 0.21                           | -                          | 0.87                 | 0.76              | 1.21        |
| 2000-01      | 5               | 4.14                            | -                              | -                          | 0.13 <sup>a</sup>    | 3.58 <sup>b</sup> | 0.43        |
| <b>Total</b> |                 | <b>16.27</b>                    | <b>0.41</b>                    | <b>-</b>                   | <b>4.69</b>          | <b>8.39</b>       | <b>2.78</b> |

A sum of Rs.16.27 crore was spent by these companies towards establishment expenses during 1998-99 to 2000-01 which was funded by disposal of assets and by way of loans and grants from the State Government to that extent.

\* Out of 34 non-working Government companies, only 12 companies had furnished the information and out of these 12 companies expenditure was incurred by 7, 6 and 5 companies only for the years 1998-99, 1999-2000 and 2000-01 respectively.

<sup>a</sup> Spent out of loans received during 1998-99.

<sup>b</sup> Out of this amount, Rs.0.05 crore was spent out of grants received during 1998-99 by the Company (Orissa Instruments Company Limited) from the State Government.

### 1.3.4 Finalisation of accounts by non-working PSUs

The accounts of 34 non-working companies were in arrears for periods ranging from 1 year to 35 years as on 30 September 2001 as could be noticed from Annexure-2. During the period from October 2000 to September 2001, six non-working Government companies at Sl. Nos.1, 3, 10, 23, 24 and 25 of Annexure-2 (C) have finalised seven accounts for previous years.

### 1.3.5 Financial position and working results of non-working Government Companies

The summarised financial results of non-working Government companies as per latest finalised accounts are given in Annexure-2.

The year wise details of paid-up capital, net worth, cash loss/cash profits and accumulated loss/accumulated profit of non-working Government companies as per their latest finalised accounts are given below:

(Amount: Rupees in lakh)

| Year         | No. of Companies | Paid-up capital | Net worth  | Cash loss (-)/cash profit (+) | Accumulated loss (-)/accumulated profit (+) | Sl. No. of Annexure-2 |
|--------------|------------------|-----------------|------------|-------------------------------|---|-----------------------|
| 1965-66      | 3                | 7.09            | -          | -                             | -   | 6,12,13               |
| 1966-67      | 1                | 4.54            | -          | -                             | -   | 4                     |
| 1967-68      | 1                | 4.08            | -          | -                             | -   | 31                    |
| 1968-69      | 1                | 3.99            | -          | -                             | -   | 5                     |
| 1970-71      | 2                | 9.02            | -          | -                             | -   | 19,30                 |
| 1972-73      | 2                | 4.80            | -          | -                             | -   | 7,29                  |
| 1975-76      | 1                | 12.28           | -          | -                             | -   | 9                     |
| 1981-82      | 2                | 7.29            | 4.67       | 2.19                          | (-)3.17                                     | 2,20                  |
| 1982-83      | 1                | 35.00           | -          | -                             | -   | 26                    |
| 1987-88      | 2                | 225.47          | 35.62      | (-)26.14                      | (-)213.73                                   | 8,32                  |
| 1989-90      | 1                | 10.01           | 10.01      | -                             | -   | 18                    |
| 1990-91      | 1                | 0.85            | 0.85       | -                             | -   | 28                    |
| 1991-92      | 5                | 674.74          | (-)599.06  | (-)271.73                     | (-)1911.21                                  | 14,15,16,25,33        |
| 1992-93      | 1                | 260.00          | (-)671.90  | (-)333.24                     | (-)1286.08                                  | 22                    |
| 1993-94      | 1                | 481.56          | 117.98     | (-)42.40                      | (-)448.06                                   | 27                    |
| 1994-95      | 1                | 352.37          | (-)443.89  | (-)198.44                     | (-)862.09                                   | 23                    |
| 1995-96      | 1                | 619.18          | 330.34     | 8.91                          | (-)153.36                                   | 24                    |
| 1997-98      | 1                | 2470.24         | (-)0.03    | (-)984.75                     | (-)5340.61                                  | 21                    |
| 1999-2000    | 3                | 469.88          | (-)7028.41 | (-)2585.90                    | (-)11629.49                                 | 1,3,10                |
| <b>Total</b> | 31*              | 5652.39         | (-)8243.82 | (-)4431.50                    | (-)21847.80                                 |                       |

(Note: Net worth, cash loss/profit and accumulated losses/profit calculated are as per the last certified accounts except in respect of the companies at Sl.Nos.4, 5, 6, 7, 9, 12, 13, 19, 26, 29, 30 and 31 as these companies are defunct/closed since long and their accounts are not available. Thirty-four non-working Government companies have not finalised their accounts for 1 to 35 years as indicated in Annexure-2)

\* Three non-working companies at Sl.No.11, 17 and 34 of Annexure 2(C) did not submit the first accounts.  
The Companies at Sl. Nos.18, 28 and 33 have not started commercial activities.

**1.4 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 CAG of India in the State Legislature by the Government:

| Sl. No. | Name of Statutory Corporation                   | Years 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 the Legislature. |
| 1       | Orissa State Warehousing Corporation (OSWC)     | 1997-98   | 1998-99  | 7 <sup>th</sup> February 2001   |  |
| 2       | Orissa State Road Transport Corporation (OSRTC) | 1991-92   | 1992-93  | -                               | SAR for the year 1992-93 under finalisation.       |
| 3       | Orissa State Financial Corporation (OSFC)       | SARs upto 1998-99 had been issued to the State Government. Government had informed (October 2001) that SARs had neither been included in the Annual Reports nor independently placed in the Orissa Legislative Assembly. This constituted a violation of Section 37 (7) of the State Financial Corporations Act, 1951. The SAR for 1999-2000 is under finalisation. |  |                                 |  |

**1.5 Disinvestment, Privatisation and Restructuring\* of Public Sector Undertakings**

**1.5.1 Wound up Companies**

Out of 14 Pilot Project companies established during 1958 to 1960, the Registrar of Companies, Orissa, had informed (January 2001) that 5 Pilot Project companies had been wound up as detailed below:

| Sl.No. | Name of the Company                                 |
|--------|---|
| 1.     | Manorama Foundry Works Limited                      |
| 2.     | Balanga Iron Works Limited                          |
| 3.     | Hansanath Ceramics Limited                          |
| 4.     | Orissa Timber Products Limited                      |
| 5.     | Orissa Sports Manufacturing and Fabrication Limited |

**1.5.2 Re-structuring Programme of Government of Orissa**

As per the records of discussion held between Ministry of Finance, Government of India and Government of Orissa on 15 April 1999 for a fiscal reform programme, Government of Orissa was to take up a time bound reform

\* Restructuring includes merger and closure of PSUs.

programme for disinvestment and re-structuring of certain State level Public Sector Enterprises. The decision of the Cabinet sub-Committee and present status of the Companies (July 2001) is given below:

| Name of the Enterprise                                    | Action to be taken                  | Date by which action to be completed | Present status   |
|---|-------------------------------------|--------------------------------------|--|
| IDCOL Rolling Mill (Unit of IDCOL)                        | Disinvestment through privatisation | October 1999                         | Reduction in manpower by enforcing VRS. Discussions are on with OSIL (Private Sector company) for running the unit either by conversion or on joint venture basis.                                   |
| IDCOL Piping and Engineering Works Limited                | Privatise or close                  | October 1999                         | Winding up order issued by BIFR.   |
| IDCOL Cement Limited                                      | Revival/Closure                     | 31 March 2000                        | Privatisation process is in progress.  |
| Ferro Chrome Plant and Kalinga Iron works,(Unit of IDCOL) | Partial privatisation               | October 1999                         | As per orders of Government, Adam Smith Institute is looking after the restructuring activities.   |
| Orissa State Textile Corporation Limited                  | Closure                             | March 2000                           | Action for privatisation has been held up as the acquisition of Bhaskar Textile Mills ( a unit of the company) has been challenged by the erstwhile owner and the judgement of the court is awaited. |

It would be observed from the above that none of the milestones have been achieved till date (September 2001).

### 1.6 Results of audit by Comptroller and Auditor General of India

During the period from October 2000 to September 2001, the audit of accounts of 25 Government companies (working 21, non-working 4) and 3 working statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs were as follows:

| Details                 | Number of accounts   |             |                        |             | Rupees in lakh       |             |                        |             |
|-------------------------|----------------------|-------------|------------------------|-------------|----------------------|-------------|------------------------|-------------|
|                         | Government companies |             | Statutory corporations |             | Government companies |             | Statutory corporations |             |
|                         | Working              | Non-working | Working                | Non-working | Working              | Non-working | Working                | Non-working |
| (i) Decrease in profit  | 2                    | -           | -                      | -           | 231.96               | -           | -                      | -           |
| (ii) Increase in profit | -                    | -           | -                      | -           | -                    | -           | -                      | -           |
| (iii) Increase in loss  | 2                    | 2           | -                      | -           | 22.01                | 33.57       | -                      | -           |

| Details                              | Number of accounts   |             |                        |             | Rupees in lakh       |             |                        |             |
|--------------------------------------|----------------------|-------------|------------------------|-------------|----------------------|-------------|------------------------|-------------|
|                                      | Government companies |             | Statutory corporations |             | Government companies |             | Statutory corporations |             |
|                                      | Working              | Non-working | Working                | Non-working | Working              | Non-working | Working                | Non-working |
| (iv) Decrease in loss                | 1                    | -           | -                      | -           | 21.37                | -           | -                      | -           |
| (v) Non-disclosure of material facts | 4                    | 1           | 1                      | -           | 712.73               | 91.85       | 127.70                 | -           |
| (vi) Errors of classification        | 1                    | -           | -                      | -           | 648.89               | -           | -                      | -           |

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

**1.6.1 Errors and omissions noticed in case of Government companies**

**(i) Orissa Mining Corporation Limited (1994-95)**

Non-provision of stores worth Rs.96.33 lakh relating to inoperative earth moving machinery and time barred sundry dues of Rs.1.21 crore resulted in over-statement of current assets and profit by Rs.2.17 crore.

**(ii) Industrial Development Corporation of Orissa Limited (1999-2000)**

Excess provision of depreciation of Rs.13.05 crore relating to earlier years was written back and taken to "Other Income". This resulted in under-statement of loss to that extent.

**(iii) Orissa Forest Development Corporation Limited (1994-95)**

Provision was not made for Rs.21.90 lakh being arrears of Dearness Allowance payable to staff. This resulted in under-statement of current liabilities and provisions with corresponding over-statement of profit to that extent.

**(iv) Orissa State Civil Supplies Corporation Limited (1993-94)**

Closing stock of sugar was valued at Rs.865.62 per quintal instead of Rs.905 per quintal. This resulted in under-statement of closing stock and over-statement of loss to the extent of Rs.15.84 lakh.

**1.6.2 Errors and omissions noticed in case of Statutory Corporations**

**Orissa State Warehousing Corporation (1998-99)**

The fact of construction of godowns valued at Rs.1.04 crore on Government land pending finalisation of title deed had not been disclosed.

### **1.7 Recommendations for Closure of PSUs**

Even after completion of 21 years of its existence, the turnover of Kalinga Studio Limited had been less than Rs.5 crore and it had been incurring losses in each of the preceding five years of latest finalised accounts. Similarly, ABS Spinning Orissa Limited had been incurring losses for five consecutive years as per latest finalised accounts leading to negative net worth even after completion of 11 years. In view of the poor performance/continuous losses, the Government may either improve the performance of the above two working Government companies or consider their closure.

### **1.8 Response to Inspection Reports, Draft Paras and Reviews**

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and the concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 36 PSUs disclosed that 9,347 paragraphs relating to 2,265 Inspection Reports remained outstanding at the end of September 2001. Of these, 1,220 Inspection Reports containing 4,435 paragraphs had not been replied to for more than 1 to 5 years. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2001 is given in Annexure-7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was however observed that 9 draft paragraphs and 1 draft review forwarded to the various departments during July 2000 to June 2001, as detailed in Annexure-8, had not been replied to so far.

It is recommended that (a) the Government should ensure that procedures exist for action against officials who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

### **1.9 Position of Discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)**

During the period October 2000 to September 2001, the Committee on Public Undertakings (COPU) held 20 meetings and discussed 8 reviews and 32 paragraphs of the Audit Report (Commercial) for the years 1987-88 to 1998-

99. The position of discussion of Audit Reports (Commercial) pending in COPU as on 30 September 2001 is detailed below:

| Period of Audit Report | No. of reviews and paragraphs appeared in the Audit Report |            | No. of reviews/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          | 2  | -          |
| 1989-90                | 5  | 15         | 1  | 5          |
| 1990-91                | 5  | 11         | 3  | 3          |
| 1991-92                | 6  | 17         | 2  | 1          |
| 1992-93                | 4  | 22         | 2  | 20         |
| 1993-94                | 4  | 24         | 2  | 19         |
| 1994-95                | 3  | 21         | 2  | 18         |
| 1995-96                | 3  | 20         | 2  | 18         |
| 1996-97                | 4  | 23         | 1  | 6          |
| 1997-98                | 1  | 14         | 1  | 12         |
| 1998-99                | 4  | 22         | 4  | 18         |
| 1999-2000              | 4  | 25         | 4  | 25         |
| <b>TOTAL</b>           | <b>55</b>  | <b>227</b> | <b>27</b>  | <b>148</b> |

### 1.10 619-B Companies

There were three companies coming under Section 619-B of the Companies Act, 1956, which were non-working. Annexure-9 indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

Out of three 619-B Companies, only one Company has finalised accounts for the year 2000-2001. The paid up capital of two companies at Sl. Nos.2 and 3 of the Annexure-9 have been eroded.