

## Overview

### 1. Overview of Government companies and Statutory corporations

As on 31 March 2001, the State had 67 Public Sector Undertakings (PSUs) comprising of 64 Government companies and three statutory corporations as against 72 PSUs comprising of 69 Government companies and three Statutory corporations in the last year. During the current year, the Registrar of Companies informed that five Government companies have been wound up. These companies were non-working Government companies. Out of 64 Government companies, the number of non-working Government companies increased from 32 to 34 (after excluding 5 non-working Government companies which have been wound up). In addition, there were three companies under the purview of Section 619-B of the Companies Act, 1956, as on 31 March 2001.

The total investment in working PSUs increased from Rs.8,480.93 crore as on 31 March 2000 to Rs.9,617.17 crore as on 31 March 2001. The total investment in non-working PSUs also increased from Rs.62.69 crore to Rs.140.24 crore during the same period.

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.268.75 crore in 1999-2000 to Rs.94.05 crore in 2000-01. The State Government also contributed Rs.3.54 crore in the form of equity and grants to three non-working companies during 2000-01. The State Government guaranteed loans aggregating to Rs.209.06 crore during 2000-01. The total amount of outstanding loans guaranteed by the State Government decreased from Rs.4,679.57 crore as on 31 March 2000 to Rs.4,568.14 crore as on 31 March 2001.

Two working Government companies have finalised their accounts for the year 2000-01. The accounts of remaining 28 working Government companies and three statutory corporations were in arrears for periods ranging from one year to eight years as on 30 September 2001. The accounts of all the 34 non-working Government companies were in arrears for periods ranging from one year to 35 years as on 30 September 2001.

According to latest finalised accounts, 13 working PSUs (12 Government companies and one statutory corporation) earned aggregate profit of Rs.362.11 crore out of which only one Statutory corporation declared dividend of Rs.0.10 crore to the State Government. Against this, 18 working PSUs (16 Government companies and two statutory corporations) incurred aggregate loss of Rs.355.11 crore as per the latest finalised accounts. Of the loss incurring working Government companies, five companies had accumulated losses aggregating to Rs.676.41 crore which exceeded their paid-up capital of Rs.398.95 crore. Two loss incurring statutory corporations had accumulated loss of Rs.503.45 crore which exceeded their paid-up capital of Rs.180.77 crore by more than two times.

Even after completion of 21 years of its existence, the turnover of one Government company was less than Rs.5 crore and it had been incurring losses in each of the preceding five years of latest finalised accounts. Similarly, another company had been incurring losses for five consecutive years as per the latest finalised accounts leading to negative net worth even after completion of 11 years of its existence. These companies are recommended for closure.

*(Paragraphs 1.1, 1.2, 1.3, 1.7 and 1.10)*

## **2. Reviews in respect of Government companies**

Aspects relating to activities of the Orissa Rural Housing and Development Corporation Limited, Industrial Development Corporation of Orissa Limited and Project Implementation of Neelachal Ispat Nigam Limited were reviewed in audit and some of the main findings are as follows:

### **2.1 Review on Working of Orissa Rural Housing and Development Corporation Limited**

The Company was set-up in August 1994 to undertake financing, promoting and developing rural housing and related activities in the State. However, the Company failed to effectively implement the Housing Schemes meant for Economically Weaker Sections and for Scheduled Castes and Scheduled Tribes due to operational deficiencies and unrealistic assumptions which resulted in depriving the beneficiaries of the intended benefits.

Investment of surplus funds in equity-oriented and risky mutual funds instead of investment in Term Deposits resulted in loss of Rs.1.18 crore towards interest and Rs.0.87 crore towards reduction in the face value of scrip.

*(Paragraph 2A.8)*

Non-adherence to prescribed guidelines in disbursement of assistance to Community Management Groups resulted in non-recovery of Rs.8.90 crore as on March 2001.

*(Paragraph 2A.10)*

During the period from 1996-97 to 2000-01, the Company disbursed Rs.15.57 crore towards project finance loan of which Rs.9.61 crore is overdue as on March 2001. No action was initiated to recover the over dues amount.

*(Paragraph 2A.12.1)*

Grant of project finance without adequate project appraisal, market survey or collateral security coupled with failure to take effective action to recover dues led to non-recovery of Rs.2.66 crore.

*(Paragraphs 2A.12.1.2, 12.1.3 & 12.1.4)*

Company was entrusted with re-construction of 1,37,500 houses affected in the super cyclone of October 1999. While loan had been partly disbursed (Rs.141.71 crore), 6,182 eligible beneficiaries were deprived of the balance loans (Rs.7.42 crore) due to injudicious decision of the Board. Further, 10,809 beneficiaries were deprived of the

benefit of assistance due to non-inclusion in the waiting list in lieu of those dropping out on inclusion under other schemes.

*(Paragraph 2A.13.2)*

Physical verification of implementation of the scheme at ground level in Gram Panchayats of 5 severely affected districts revealed that only 13 per cent of loanees physically verified had completed their houses even after one year of the cyclone. There were also cases of irregular selection of beneficiaries, unrealistic disbursement of assistance and lack of awareness which retarded the rehabilitation effort.

*(Paragraph 2A.13.4)*

## **2.2 Review on Working of Industrial Development Corporation of Orissa Limited (IDCOL)**

The Company was incorporated as a wholly owned Government company in March 1962 to promote, establish and execute industries for industrial development of the State. The Company failed to achieve its primary objective of promoting industries in the State as during a period of 39 years of its existence, it had locked-up its investment in three units, eight subsidiaries and eight joint sector/joint venture companies and made very meagre investment in the equity of seven companies.

As on 31 March 2000, the accumulated losses of the Company stood at Rs.31.95 crore which wiped out profits made in earlier years and eroded 56 per cent of the paid-up capital as a result of injudicious investment decisions and poor operational performance.

*(Paragraph 2B.5)*

Non-charging of interest on the sales consideration (Rs.51.37 crore) of Hira Cement Works treated as unsecured loans resulted in loss of Rs.7.59 crore.

*(Paragraph 2B.6.2)*

Investment in Equity Shares of 5 companies and in Preference Shares of 2 companies from borrowed funds coupled with delay in redemption of the Preference Shares resulted in loss of Rs.3.07 crore.

*(Paragraph 2B.7.1)*

Injudicious decision to reimburse the cash loss of ORICHEM Limited instead of pursuing its closure ignoring the fact that it was an irretrievably sick company led to loss of Rs.2.97 crore which further aggravated its liquidity position.

*(Paragraph 2B.8.2)*

Uneconomic coke mix resulted in excess consumption of 46,979 MT of coke valued at Rs.15.95 crore during the period 1996-97 to 1999-2000 in Kalinga Iron Works (KIW) and purchase of coke without proper assessment of its size resulted in generation of excess breeze coke and consequential loss of Rs10.01 crore.

*(Paragraphs 2B.10.2.1 and 2B.11.4.2)*

Purchase of fourth TG set without actual requirement resulted in futile investment of Rs.7.81 crore.

*(Paragraph 2B.11.5)*

Delay in finalisation of work order for modification of furnace No.1 of KIW resulted in cost overrun of Rs.3.50 crore with consequential loss of production of pig iron valued at Rs.57.69 crore.

*(Paragraph 2B.11.6)*

### **2.3 Review on Project Implementation of Neelachal Ispat Nigam Limited**

The Company was set-up in 1982 by Government of India for manufacturing pig iron. As there was no progress in the project, the Company was transferred (April 1994) to Government of Orissa at a token value of Re.1 against transfer of equity amounting to Rs.7.73 crore. The project implementation of the Company has been suffering due to lack of adequate equity arrangement coupled with poor contract implementation which resulted in time overrun of 33 months (Phase-I) and cost overrun of Rs.232 crore (Phase-I & II) endangering the commercial viability of the project.

Award of the work of basic and detailed engineering of Blast Furnace equipment to three parties instead of getting the work carried out by MECON with the assistance of ITALIAMPIANTI resulted in extra expenditure of Rs.1.32 crore.

*[Paragraph 2C.9.1 (ii) (a)]*

Failure to identify 1,360 MT steel structure as scrap forced the Company to import this material along with the Blast Furnace incurring an avoidable expenditure of Rs.1.73 crore towards freight and stevedoring charges.

*[Paragraph 2C.10.2.1 (a)]*

Non-supply of material by the supplier despite payment of mobilisation advance aggregating Rs.12.56 crore resulted in loss of interest of Rs.1.86 crore.

*(Paragraph 2C.10.2.3)*

## **3. Miscellaneous topics of interest**

### **3.1 Government companies**

Injudicious investment of borrowed funds by Industrial Promotion and Investment Corporation of Orissa Limited in Orissa Venture Capital Fund resulted in loss of interest of Rs.1.45 crore.

*(Paragraph 3A.1)*

Undue favour shown to a defaulter by the Orissa Small Industries Corporation Limited by disbursement of loans time and again without obtaining required security led to a loss of Rs.0.47 crore.

*(Paragraph 3A.2.2)*

Procurement of material by Grid Corporation of Orissa Limited (GRIDCO) without ensuring adherence to installation schedule resulted in the Company having to bear interest liability of Rs.2.66 crore for material lying with the suppliers.

*(Paragraph 3A.4.1)*

In spite of delay in supply of material by the party, GRIDCO waived Liquidated Damage of Rs.0.99 crore violating the extant provisions of the contract.

*(Paragraph 3A.4.2)*

Delay in restoration works by GRIDCO in cyclone affected areas despite availability of funds defeated the purpose of immediate restoration of power supply besides resulting in revenue loss of Rs.13.12 crore. Lack of adequate supervision and non-enforcement of contractual clauses also resulted in loss of Rs.0.74 crore besides avoidable interest burden of Rs.1.48 crore on unutilised loan funds.

*(Paragraph 3A.4.3)*

Despite receipt of inferior quality of coal, Orissa Power Generation Corporation Limited did not raise claims against Mahanadi Coal Fields Limited which resulted in loss of Rs.47.82 crore.

*(Paragraph 3A.6.2)*

Procurement of moong dal by Orissa State Civil Supplies Corporation Limited for cyclone relief work in excess of requirement as well as at higher than prevailing market rate led to extra expenditure of Rs.3 crore.

*(Paragraph 3A.7.1)*

Despite investment of Rs.24.59 crore by Orissa Forest Development Corporation Limited in commercial plantations viz. cashew, rubber and mixed commercial crops which were expected to yield revenue of Rs.18.22 crore during 1996-97 to 2000-01, the Company could earn revenue of only Rs.2.94 crore due to lack of maintenance, delay in harvesting and inadequate horticultural operations.

*(Paragraph 3A.8.1)*

Supply of material by the Orissa Mining Corporation Limited to a private sector steel company without entering into an agreement and without security led to a loss of Rs.0.45 crore.

*(Paragraph 3A.12)*

### **3.2 Statutory corporation**

Payment of underwriting commission by Orissa State Financial Corporation to the subscriber of bonds who performed no underwriting function resulted in loss of Rs.0.20 crore.

*(Paragraph 3B.1.1)*

Orissa State Financial Corporation incurred unfruitful expenditure of Rs.0.48 crore on computerisation project due to inadequate technical support, undue favour to the supplier and delay in completion of the project.

*(Paragraph 3B.1.3)*