Laid before the Odisha Legislative Assembly on 26 March 2018

Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended March 2017

Government of Odisha

Report No.5 of the year 2017

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PREFACE

This Report deals with the results of audit of Government Companies and Statutory Corporations for the year ended March 2017.

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

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

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2016-17 have also been included, wherever necessary. This Report includes one Performance Audit on "Activites of Odisha Mining Corporation Limited" and nine Compliance Audit paragraphs including one detailed Compliance Audit on "Capital Expenditure Programme of Grid Corporation of Odisha Limited".

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

OVERVIEW

I Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Section 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India. These financial statements are also subject to supplementary audit conducted by the Comptroller and Auditor General of India. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2017, the State of Odisha had 56 working Public Sector Undertakings (53 Companies and 3 Statutory Corporations) and 28 non-working Public Sector Undertakings (all Companies), of which working Public Sector Undertakings employed 21 thousand employees. Working Public Sector Undertakings registered a turnover of ₹21,596.54 crore as per their latest finalised accounts as of 30 September 2017. This turnover was equal to 6.87 *per cent* of State Gross Domestic Product. The Return on Equity of 56 working PSUs was 7.67 *per cent* based on latest finalised accounts as on September 2017.

(Paragraph 1.1, 1.2 and 1.3)

Investment in Public Sector Undertakings

As on 31 March 2017, investment (capital and long-term loans) in 84 Public Sector Undertakings was ₹12,920.50 crore. It increased by 23.39 *per cent* from ₹10,471.51 crore in 2012-13 to ₹12,920.50 crore in 2016-17. Increase in investment was mainly due to increase in investment in infrastructure sector. Share of investment in infrastructure sectors increased from 1.17 to 9.20 *per cent* during 2012-13 to 2016-17.

(Paragraph 1.6 and 1.7)

Performance of Public Sector Undertakings

Out of 56 working Public Sector Undertakings, 35 Public Sector Undertakings earned profit of ₹2,028.23 crore and 15 Public Sector Undertakings incurred loss of ₹507.36 crore as per their latest finalised accounts during October 2016 to September 2017. One Public Sector Undertaking prepared its accounts on 'no profit no loss' basis as the excess of expenditure over income was met from the subsidy from Government of Odisha/Government of India. Five Public Sector Undertakings have not yet started their operation/ commercial production. Major contributors to profit were Odisha Mining Corporation Limited (₹1,320.51 crore), Odisha Power Generation Corporation Limited (₹178.16 crore) and Odisha Hydro Power Corporation Limited (₹137.97 crore). Heavy losses were incurred by Grid Corporation of Odisha Limited (₹406.66 crore), Odisha Rural Housing and Development Corporation Limited (₹42.93 crore) and IDCOL Kalinga Iron Works Limited (₹21.18 crore).

(Paragraph 1.15 and 1.16)

II Performance Audit relating to Government Company

Performance Audit relating to "Activities of Odisha Mining Corporation Limited" was conducted. The overview of the Audit findings is given below:

Odisha Mining Corporation Limited was incorporated on 16 May 1956. The main objective was harnessing the mineral wealth of the State of Odisha through exploration, extraction as well as value addition. Presently, the mining activities of Odisha Mining Corporation Limited are restricted to production and sale of iron and chrome ore. Government of Odisha had granted 34 Mining Leases to Odisha Mining Corporation Limited covering 17,826.82 hectares of lease area. Odisha Mining Corporation Limited was operating in 4,335.28 hectares (24 *per cent*) of land comprising six mines during the period 2012-17. Audit scrutiny revealed the following deficiencies:

(Paragraph 2.1)

Absence of Long Term Corporate Plan

- Odisha Mining Corporation Limited had not prepared Long Term Corporate Plan, Vision and Mission statements as required under Corporate Governance Manual of Government of Odisha. In the absence of any perspective corporate plan, Odisha Mining Corporation Limited could not develop strategies to achieve its objectives.

(Paragraph 2.10)

Management of Mining Leases

- Out of 34 mining leases, 26 mining leases were inoperative. Out of 26 inoperative mines, Odisha Mining Corporation Limited did not commence any mining operations in eight mines since inception. In respect of rest of 18 mines, the mining operations were discontinued. The mines remained inoperative for a period ranging from 07 to 37 years. Mines were inoperative mainly for want of statutory clearances and non-assessment of ore reserves.

(Paragraph 2.12)

- Non-operation of mines resulted in unfruitful expenditure of ₹57.26 crore towards dead rent and watch ward expenses. Further, Odisha Mining Corporation Limited retained four mines which did not have adequate ore reserves and incurred avoidable expenditure of ₹112.85 crore.

(Paragraph 2.12 and 2.13)

Production Performance

- Odisha Mining Corporation Limited could not achieve the targeted production of ores during 2012-17. This resulted in shortfall in production of 114.44 lakh metric tonne of iron ore and 2.70 lakh metric tonne of chrome ore. Consequently, Odisha Mining Corporation Limited lost the opportunity to earn revenue of ₹1,838.98 crore during 2012-17.

(Paragraph 2.19 and 2.20)

- Delayed action to obtain forest clearance for mining purpose resulted in shortage of space for storing of ores in separate stacks. This resulted in extra expenditure of ₹110.79 crore towards royalty.

(Paragraph 2.22)

- Odisha Mining Corporation Limited incurred avoidable expenditure of ₹138.63 crore due to non-segregation of natural iron ore fines from the crushed iron ore fines.

(Paragraph 2.23)

Sales Performance

- Odisha Mining Corporation Limited could not achieve the targeted sales in any of the year during 2012-17. The shortfall in achievement ranged from 21.04 *per cent* to 60.84 *per cent* in case of iron ore. Similarly, in respect of chrome ore, Odisha Mining Corporation had achieved sales target only during 2014-15. In other years, the shortfall in achievement ranged from 10.25 *per cent* to 57.69 *per cent*. Odisha Mining Corporation Limited could not recover royalty of ₹37.28 crore from the buyers due to absence of suitable provision in the sales contract.

(Paragraph 2.28 and 2.29)

Inventory Management

- The annual closing stock position of iron ore as on 31 March of each year of 2012-17 was more than production of respective years. Odisha Mining Corporation Limited failed to put necessary infrastructure facility for evacuation of the produced ores. This resulted in accumulation of 66.95 lakh metric tonne of iron ore valuing ₹417.92 crore as on 31 March 2017.

(Paragraph 2.30)

- During the period 2012-17, there was a shortage in closing stock of iron ore and chrome ore of 5.21 lakh metric tonne valuing ₹146.01 crore beyond the norm prescribed by the Board of Directors of Odisha Mining Corporation Limited.

(Paragraph 2.31)

- Sub-grade iron ore and chrome ore of 23.39 lakh metric tonne valuing ₹714.87 crore was not accounted for in the books of accounts as of March 2017.

(Paragraph 2.32)

Project and Financial Management

- Funds allocated for investment in own projects ranged between ₹34.90 crore and ₹1,210.70 crore during 2012-17 despite availability of surplus funds that ranged from ₹5,149.82 crore to ₹5,867.13 crore. Against the allocation, the actual expenditure ranged between ₹2.16 crore and ₹118 crore during 2012-17. Odisha Mining Corporation Limited failed to install an Iron Ore Handling Plant, Infrastructure facility and a Mechanical Evacuation System in its three major operating mines. The envisaged benefit of ₹1,189.97 crore per annum from two out of three projects could not be achieved.

(Paragraph 2.33 and 2.34)

- As of March 2017, Odisha Mining Corporation Limited invested ₹408.81 crore towards equity/ preference shares in 12 Joint Ventures, subsidiary and associate companies. None of the projects could be completed (October 2017). Odisha Mining Corporation Limited could not derive envisaged benefit from the projects.

(Paragraph 2.35)

Monitoring and Internal Control

- The scope of internal audit did not include scrutiny of settlement of advances and outstanding liabilities. Odisha Mining Corporation Limited, in the annual accounts of 2016-17, had written back liability of ₹71.34 crore and written off advance of ₹39.92 crore without any reconciliation. Odisha Mining Corporation Limited had not formulated manuals relating to core activities viz: contract/production, cost and budget, marketing and sales, internal audit etc. Odisha Mining Corporation Limited did not have a system of identification of non-moving, slow moving stores and their disposal.

(Paragraph 2.37)

III Compliance Audit Observations

Overview of some of the important Compliance Audit observations is given below:

Capital Expenditure Programme of GRIDCO Limited

The CAPEX programme was launched with a total proposed outlay of ₹2,400 crore to increase the quality of power and reduction in Aggregate Technical and Commercial losses. Audit scrutiny revealed the following deficiencies:

- There were defects in the funding mechanism of the programme. The CAPEX programme was short-closed with an investment of ₹877.49 crore as Distribution Companies did not contribute any fund.

(Paragraph 3.1.4)

- The programme was executed by dividing the entire work into 71 packages. Nineteen packages were completed with a delay ranging from 104 to 1158 days and 51 packages were not completed (March 2017). This indicated non-adherence to timelines prescribed in the programme.

(Paragraph 3.1.6)

- The reduction of Aggregate Technical and Commercial losses was only 5.58 *per cent* against a target of 15 *per cent*. This had resulted in loss of opportunity to earn additional revenue of ₹471 crore.

(Paragraph 3.1.9)

Failure to take timely action for reduction of government guarantees in Odisha Hydro Power Corporation Limited resulted in excess payment of guarantee commission of ₹14.98 crore.

(Paragraph 3.2)

Unauthorised construction deviating from the approved plan by Odisha State Police Housing & Welfare Corporation Limited had resulted in additional liability of ₹1.94 crore.

(Paragraph 3.3)

Construction of building deviating from the approved design and lack of supervision over execution by Odisha State Police Housing & Welfare Corporation Limited resulted in avoidable expenditure of ₹0.64 crore.

(Paragraph 3.4)

Deficient management of stores by Odisha State Police Housing & Welfare Corporation Limited resulted in damage and pilferage of materials worth ₹0.31 crore and non-completion of project.

(Paragraph 3.5)

Failure to take timely action for construction of transmission lines by Odisha Power Transmission Corporation Limited resulted in extra expenditure of ₹0.71 crore.

(Paragraph 3.6)

Imprudent fixation of Rate Contract Price by Odisha Power Transmission Corporation Limited resulted in extension of undue benefit of ₹0.59 crore to the contractors.

(Paragraph 3.7)

Failure to take timely action to let out the vacant space by Odisha Film Development Corporation Limited resulted in loss of revenue of ₹0.63 crore towards rental income.

(Paragraph 3.8)

Failure to take decision within validity period of the offer by Industrial Development Corporation of Odisha Limited resulted in sale of iron ore fines at lower rate and loss of ₹0.46 crore.

(Paragraph 3.9)

CHAPTER-I

1. *Functioning of State Public Sector Undertakings*

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people. They occupy an important place in the State economy. As on 31 March 2017, there were 84 PSUs in Odisha. Of these, one company[1] has listed its debt security on the Bombay Stock Exchange. During the year 2016-17, four new PSUs[2] came within the audit jurisdiction of the C&AG of India. The details of the State PSUs in Odisha as on 31 March 2017 are given below:

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs[3]	Total
Government Companies[4]	53	28	81
Statutory Corporations	3	--	3
Total	**56**	**28**	**84**

(Source: As per information furnished by PSUs)

The working PSUs registered a turnover of ₹21,596.54 crore as per their latest finalised accounts as of September 2017. This turnover was equal to 6.87 *per cent* of State Gross Domestic Product (GDP) of ₹3,14,363.78 crore for 2016-17. The working PSUs earned aggregate profit of ₹1,520.87 crore as per their latest finalised accounts as of September 2017. They had employed 0.21 lakh employees at the end of March 2017. Total investment in 56 working PSUs was ₹12823.78 crore. The Return on Equity of 56 working PSUs was 7.67 *per cent* based on latest finalised accounts as on September 2017.

As on 31 March 2017, there were 28 non-working PSUs existing for the last five years from 2012-13 to 2016-17 and having a total investment of ₹96.72 crore.

Accountability framework

1.2 A Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. The process of audit of Government Companies is governed by the respective provisions of Section

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[1] GRIDCO Limited

[2] (i) Odisha Electronics Park Limited (ii) Bhubaneswar Smart City Limited (iii) Rourkela Smart City Limited (iv) Inland Waterways Consortium of Odisha Limited

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

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

139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, "Government Company" means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Further, as per sub-Section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company. The provisions of Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to such test Audit. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

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

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

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of these PSUs through its Administrative Departments. The Chief Executives and Directors to the Boards are appointed by the Government.

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

Stake of Government of Odisha

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

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.

- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.

- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

1.6 As on 31 March 2017, the investment (capital and long-term loans) in 84 PSUs was ₹12,920.50 crore as detailed below:

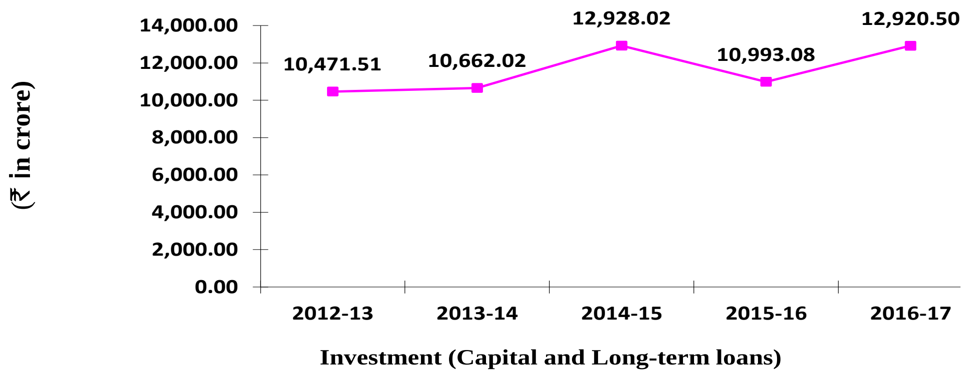
Table 1.2: Total investment in PSUs (₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	3,488.22	8,644.02	12,132.24	581.38	110.16	691.54	**12,823.78**
Non-working PSUs	66.06	30.66	96.72	0	0	0	**96.72**
Total	**3,554.28**	**8,674.68**	**12,228.96**	**581.38**	**110.16**	**691.54**	**12,920.50**

(Source: As per information furnished by PSUs)

As on 31 March 2017, of the total investment in State PSUs, 99.25 *per cent* was in working PSUs and the remaining 0.75 *per cent* in non-working PSUs. This total investment consisted of 32.01 *per cent* towards capital and 67.99 *per cent* in long-term loans. The investment has grown by 23.39 *per cent* from ₹10,471.51 crore in 2012-13 to ₹12,920.50 crore in 2016-17 as shown in the following graph:

Chart 1.1: Total investment in PSUs



1.7 The sector-wise summary of investments in the State PSUs as on 31 March 2017 is given in **Table 1.3**:

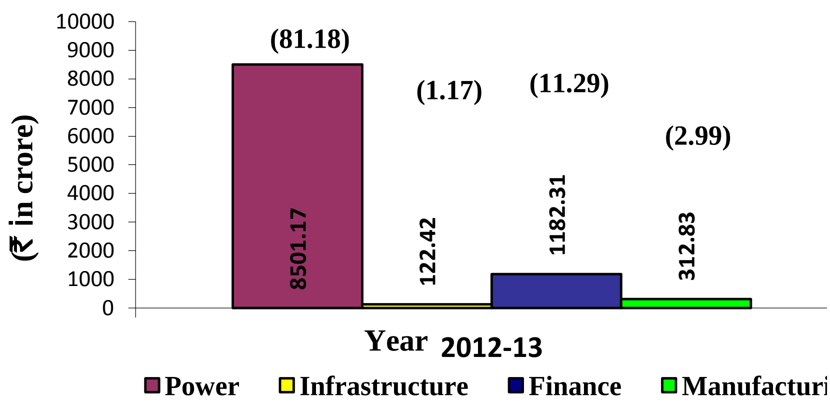
Table 1.3: Sector-wise investment in PSUs (₹ in crore)

Name of Sector	Government/ Other Companies		Statutory Corporations	Total Investment
	Working	Non-Working	Working	
Agriculture & Allied	139.88	0.36	0	**140.24**
Finance	640.93	0	515.23	**1156.16**
Infrastructure	1188.14	0	0	**1188.14**
Manufacturing	295.05	85.42	0	**380.47**
Power	9830.12	0	0	**9830.12**
Service	34.70	10.94	172.71	**218.35**
Miscellaneous	3.42	0	3.60	**7.02**
Total	**12132.24**	**96.72**	**691.54**	**12920.50**

(Source: As per information furnished by PSUs)

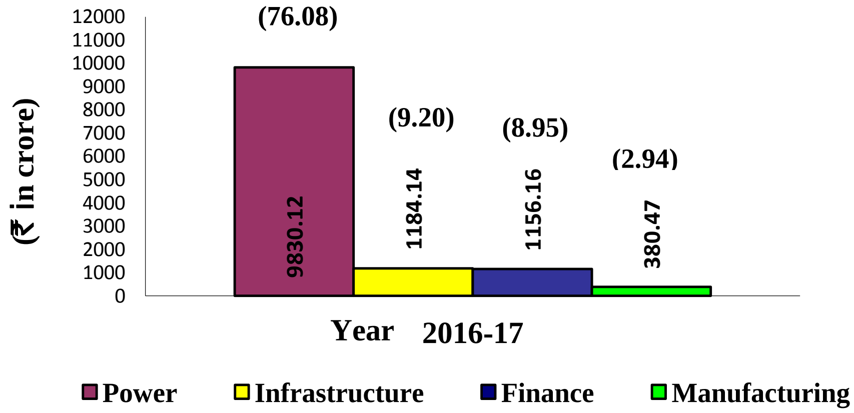
The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in the following bar chart:

Chart 1.2: Sector-wise investment in PSUs (2012-13)



(Figures in brackets show the sector percentage to total investmen

Chart 1.3: Sector-wise investment in PSUs (2016-17)



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

In absolute terms, the PSU investment was mainly in power sector. During 2012-13 to 2016-17, share of investment in infrastructure sector increased from 1.17 to 9.20 *per cent*. However, investment in power sector and finance sector decreased from 81.18 to 76.08 *per cent* and from 11.29 to 8.95 *per cent* respectively. Investment in manufacturing sector also recorded a marginal decrease from 2.99 to 2.94 *per cent.*

Special support and returns during the year

1.8 The State Government provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs are given below for the three years ended 2016-17:

Table 1.4: Details regarding budgetary support to PSUs

(Amount ₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	74.00	1	57.00	4	372.35
2.	Loans given from budget	--	--	1	48.75	1	121.66
3.	Grants/Subsidies from budget	11	1,530.26	13	2,263.31	12	1,107.16
4.	**Total Outgo (1+2+3)**	**12$**	**1,604.26**	**14#**	**2,369.06**	**16***	**1,601.17**
5.	Waiver of loans and interest	1	3.15	1	30.23	--	--
6.	Guarantees issued[5]	1	236.00	--	--	1	1,100.00
7.	Guarantee Commitment[6]	2	1,719.63	2	1,343.53	1	971.18

(Source: As per information furnished by PSUs)

$ Two companies i.e. Odisha Power Transmission Corporation Limited and Odisha State Medical Corporation Limited received both equity and grant

One company i.e. Odisha Power Transmission Corporation Limited received both equity and grant

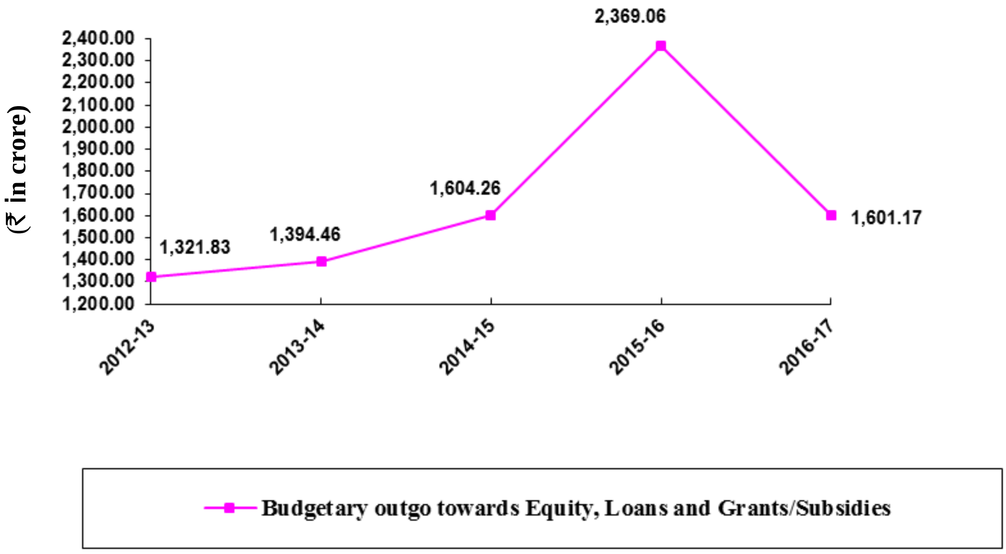
* One company i.e. Odisha State Road Transport Corporation received both equity and subsidy

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

[5] Government guarantee issued to the PSUs during a particular year

[6] Closing balance of Government guarantee in respect of PSUs at the end of a particular year

Chart 1.4: Budgetary outgo towards Equity, Loans and Grants/Subsidies



It may be seen that year-wise budgetary outgo of the State towards equity, loans and grants/subsidies to State PSUs showed an increasing trend during 2012-13 to 2015-16. It touched the highest figure of ₹2,369.06 crore during 2015-16. However, in 2016-17 the budgetary outgo of the State decreased to ₹1,601.17 crore. During 2016-17, the Government of Odisha (GoO) released grant/subsidy of ₹890.67 crore to Odisha State Civil Supplies Corporation Limited. During 2016-17, GoO also released ₹247.35 crore as equity to Odisha Power Generation Corporation Limited.

In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantees in accordance with criteria and guidelines issued (November 2002) by the Government subject to the limits prescribed by the Constitution of India, for which guarantee fee is being charged. The rate is 0.50 *per cent* on the maximum of the guarantee sanctioned. The guarantee commitment decreased from ₹1,719.63 crore during 2014-15 to ₹971.18 crore during 2016-17. Further, three PSUs paid guarantee commission to the tune of ₹16.72 crore during 2016-17. There were four[7] PSUs which did not pay/partially paid guarantee commission during the year and accumulated outstanding guarantee commission there against was ₹58.51 crore as on 31 March 2017.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of

[7] IDCOL, OHPC, OPTCL and GRIDCO

differences. The position in this regard as on 31 March 2017 is stated in the following table:

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

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	3,269.53	3,259.58	9.95
Loans	1,795.52	3,173.69	1,378.17
Guarantees	2,184.10	971.18	1,212.92

(Source: Information furnished by PSUs and Report on State Finance for the year ended March 2017)

Audit observed that differences occurred in respect of 41 PSUs[8] and some of the differences have been pending for reconciliation for many years. Office of the Principal Accountant General (PAG) had from time to time written letters to the Administrative Departments of the State PSUs concerned. The letters highlighted the issue of long pending differences for early reconciliation. The Administrative Departments had also directed the PSUs to reconcile the differences. However, no significant progress was observed. The Government and the PSUs need to take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e., by September end in accordance with the provisions of Section 96 (1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. **Table 1.6** provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2017:

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

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working PSUs/other companies	37	38	47	52	56
2.	Number of accounts finalised during the year	35	38	43	50	53
3.	Number of accounts in arrears	47	47	54	58	64
4.	Number of working PSUs with arrears in accounts	30	27	29	34	39
5.	Extent of arrears in accounts of working PSUs (numbers in years)	1 to 5 years	1 to 6 years	1 to 7 years	1 to 8 years	1 to 8 years

(Source: Database of finalisation of accounts maintained in the PAG Office)

8 Including 15 non-working PSUs

The number of accounts in arrears has increased from 47 in 2012-13 to 64 in 2016-17. This indicated that there was little improvement in clearance of arrear accounts. Fifty-three accounts of 43 PSUs were finalised as of September 2017. Out of these, 39 PSUs[9] had arrears ranging between one and eight years. Several correspondences and tripartite meetings were held with the PSUs' management and their Statutory Auditors to pull up the arrear accounts. But these PSUs did not adhere to their action plans. The Administrative Departments concerned were also pursued for finalisation of arrear accounts in a time bound manner. Concrete steps should be taken by the PSUs for preparation of accounts as per statutory requirements with special focus on clearance of arrears in a time bound manner.

1.11 The State Government had invested ₹1491.13 crore in 13[10] working PSUs {equity: ₹372.35 crore (four PSUs), loans ₹121.66 crore (one PSU) and grants/subsidy ₹997.12 crore (nine PSUs)} during the year 2015-16 and 2016-17. For such PSUs, accounts have not been finalised, as detailed in **Annexure 1**. In the absence of finalisation of accounts and their subsequent audit, it could not be assessed whether the investments and expenditure incurred have been properly accounted for and the purposes of investment were achieved or not. Thus, Government's investment in such PSUs in effect remained outside the control of State Legislature.

1.12 In addition to above, as on 30 September 2017, there were arrears in finalisation of accounts by non-working PSUs. Out of 28 non-working PSUs, 18 PSUs were in the process of liquidation whose accounts were in arrears for five to 51[11] years. Remaining 10[12]non-working PSUs had arrears of accounts for 16 to 46 years.

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

No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
28	1966-67 to 2016-17	5 to 51 years

(Source: Database of non-working PSUs maintained in the PAG Office)

Placement of Separate Audit Reports

1.13 The position depicted below shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2017) on the accounts of Statutory Corporations in the Legislature:

[9] Sl. Nos. A-3, 4, 5, 13, 15, 17, 18, 23, 25, 26, 28, 35, 36, 37, 38, 42, 45, 47, 48, 49, 50, 51, B-1, 2 and 3 (one year); A-1, 2, 7, 9, 12, 31, 32, 44 and 53 (two years); A-11, 19 and 52 (three years), A-6 (Four Years)and A-10 (eight years) of Annexure 2

[10] One company i.e., OSRTC received both equity and subsidy

[11] Sl. Nos. C-3, 5, 18 and 20 (5-10 years); C-6, 7, 19, 25 and 26 (11-20 years), C-9, 22 (21-30 years) and C-1, 4, 10, 12, 14, 15 and 24 (41 to 51 years) of Annexure 2

[12] Sl. Nos. C-27 and 28 (16 to 20 years); C-16,17 and 21 (21-30 years); C-2, 8, 11, 13 and 23 (31-46 years) of Annexure 2

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Odisha State Financial Corporation	2015-16	2016-17	Accounts not finalised
2.	Odisha State Warehousing Corporation	2014-15	2015-16 2016-17	28.03.2017 Accounts not finalised
3.	Odisha State Road Transport Corporation	2015-16	2016-17	Accounts not finalised

(Source: Information furnished by Statutory Corporations)

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

Impact of non-finalisation of accounts

1.14 As pointed out above (**Paragraph 1.10** to **1.12**), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money. It is also in violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2016-17 could not be ascertained. Their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Government may:

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

Performance of PSUs as per their latest finalised accounts

1.15 The financial position and working results of working Government Companies and Statutory Corporations are detailed in **Annexure 2**. A ratio of PSUs turnover to State GDP shows contribution of PSUs activities in the State economy. **Table 1.9** provides the details of working PSUs turnover and State GDP for a period of five years ending 2016-17:

Table 1.9: Details of working PSUs turnover *vis-à-vis* State GDP (₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover[13]	11,294.70	15,949.82	16,474.01	19870.03	21596.54
State GDP	2,58,744.09	2,88,414.31	3,10,810.24	3,32,329.13	3,14,363.78
Percentage of Turnover to State GDP	4.37	5.53	5.30	5.98	6.87

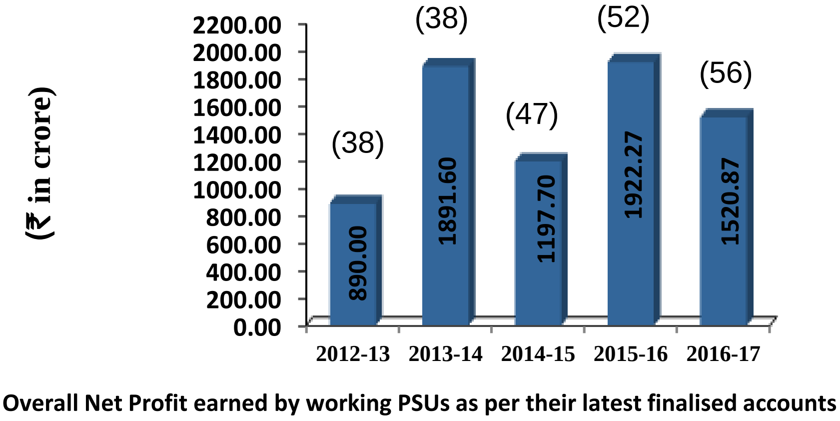
(Source: Information furnished by PSUs and Report on State Finance for the year ended March 2017)

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

From the above, it may be seen that there was an increasing trend of turnover from the year 2012-13. Turnover in 2016-17 increased by 8.69 *per cent* due to substantial increase in turnover of Odisha State Civil Supplies Corporation Limited and the Odisha Mining Corporation Limited.

1.16 Overall profits earned by State working PSUs during 2012-13 to 2016-17 are given below in a bar chart:

Chart 1.5: Profit/Loss of working PSUs



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

There were 56 working PSUs under GoO. Thirty-five PSUs earned profit of ₹2,028.23 crore and 15 PSUs incurred loss of ₹507.36 crore as per their latest accounts finalised during October 2016 to September 2017. One working PSU i.e., Odisha State Civil Supplies Corporation Limited prepared its accounts on 'no profit no loss'[14] basis. Five[15] companies have not yet started their operation/commercial production. The major contributors to profit were the Odisha Mining Corporation Limited (₹1,320.51 crore), Odisha Power Generation Corporation Limited (₹178.16 crore), and Odisha Hydro Power Corporation Limited (₹137.97 crore). Heavy losses were incurred by GRIDCO Limited (₹406.66 crore), Odisha Rural Housing and Development Corporation Limited (₹42.93 crore) and IDCOL Kalinga Iron Works Limited (₹21.18 crore).

1.17 Some other key parameters of PSUs are given below:

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

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Return on Capital Employed (*Per cent*)	13.62	14.44	13.86	18.79	15.15
Debt	7,703.16	7,503.98	9,643.54	7,347.63	8,784.84
Turnover[16]	11,294.70	15,949.82	16,474.01	19,870.03	21,596.54
Debt/ Turnover Ratio	0.68:1	0.47:1	0.59:1	0.37:1	0.41:1
Interest Payments	976.32	1,160.85	964.74	1,254.44	1,249.22

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

14 The excess of expenditure over income was met from the subsidy from Government of Odisha/ Government of India as such there was no profit or loss

15 Sl. Nos.A-19, 21, 23, 40 and 51 of Annexure 2

16 Turnover of working PSUs as per the latest finalised accounts as of 30 September

Above parameters showed a mixed trend in financial position of the PSUs. Return on capital employed decreased to 15.15 *per cent* in 2016-17 as against 18.79 *per cent* in 2015-16 due to incorporation of two new companies. The two new companies were Bhubaneswar Smart City Limited with capital employed of ₹393.21 crore and Rourkela Smart City Limited with capital employed of ₹154.54 crore. The reduction in return on capital employed was also due to increase in loss of GRIDCO Limited to ₹406.66 crore (2015-16). GRIDCO Limited incurred a loss of ₹99.53 crore during the previous finalised accounts (2014-15). Debt turnover ratio increased to 0.41:1 in 2016-17 from 0.37:1 in 2015-16 due to increase in debt as compared to turnover. This indicated poor performance of the PSUs.

1.18 State Government had formulated (December 2011) a dividend policy under which all profit making PSUs were required to pay a minimum dividend of 20 *per cent* on equity or a minimum of 20 *per cent* of profit, whichever was higher. In case of mining and power sector PSUs, minimum dividend was to be 30 *per cent* of post-tax profit. As per their latest finalised accounts, 35[17] PSUs earned an aggregate profit of ₹2,028.23 crore of which nine[18] PSUs declared/paid dividend of ₹585.52 crore.

Winding up of non-working PSUs

1.19 There were 28 non-working PSUs (all Companies) as on 31 March 2017. Of these, 18 PSUs have commenced liquidation process. The number of non-working companies at the end of each year during the past five years was 28.

Since the non-working PSUs have not been contributing to the State economy and meeting the intended objectives, these PSUs may be considered either to be closed down or revived. Against the 28 non-working PSUs, Government of Odisha did not furnish the details of establishment expenditure, salary etc. of 27 companies. One non-working PSU i.e., Orissa State Commercial Transport Corporation Limited incurred expenditure of ₹0.03 crore during 2016-17. In absence of latest finalised accounts/data, expenditure incurred by the remaining non-working PSUs could not be ascertained.

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

Table 1.12: Closure of Non-working PSUs

Sl. No.	Particulars	Number of PSUs
1.	Total number of non-working PSUs	28
2.	Of (1) above, the number under	
	(a) Liquidation by Court	10[19]
	(b) Voluntary winding up	8[20]
	(c) Closure i.e., closing orders/instructions issued but liquidation process not yet started	10

(Source: Information furnished by Public Enterprise Department)

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17 Sl. Nos. A- 1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 14, 15, 16, 17, 18, 28, 29, 30, 31, 32, 33, 36, 37, 38, 39, 41, 43, 44, 46, 47, 48, 50, 53 and B-2 & 3 of Annexure 2

18 Sl. Nos. A- 3, 4, 14, 16, 29, 30, 36, 37 and B-3 of Annexure 2

19 Sl. Nos.C-3, 6, 7, 9, 18, 19, 20, 22, 25 and 26 of Annexure 2

20 Sl. Nos.C-1, 4, 5, 10, 12, 14, 15 and 24 of Annexure 2

The companies, which have taken the route of winding up by Court order, have arrear of accounts for periods ranging from five to 25 years. The process of voluntary winding up under the Companies Act is much faster. Hence, this needs to be pursued vigorously. The Government needs to take a decision regarding winding up of remaining 10 non-working PSUs.

Accounts Comments

1.21 Forty one working companies forwarded their 51 audited accounts to the PAG during October 2016 to September 2017. Of these 51 accounts, 34 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by the CAG and the supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of statutory auditors and the CAG are given below:

Table 1.13: Impact of audit comments on working companies (Amount ₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	20	734.61	14	197.19	16	217.78
2.	Increase in loss	6	213.00	7	552.31	5	306.73
3.	Non-disclosure of material facts	13	1066.84	10	2319.94	6	245.20
4.	Errors of classification	1	0.76	Nil	Nil	Nil	Nil

(Source: Audit Comments of the C&AG and Statutory Auditors)

The Statutory Auditors had given qualified certificates for 51 accounts during the period October 2016 to September 2017. The compliance of the PSUs with the Accounting Standards (AS) remained poor as there were 56 instances of non-compliance of AS in respect of 20 accounts during the year.

1.22 Similarly, two working Statutory Corporations forwarded their two accounts to the PAG during October 2016 to September 2017. Of these, the CAG is the sole auditor for the accounts of Odisha State Road Transport Corporation. The remaining one account was selected for supplementary audit. The Audit Reports of Statutory Auditors and the sole/supplementary audit of the CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below:

Table 1.14: Impact of audit comments on Statutory Corporations (Amount ₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	1.43	1	6.33	1	1.19
2.	Increase in loss	1	0.44	1	1.07	1	5.00
3.	Non-disclosure of material facts	2	42.25	1	25.81	Nil	Nil

(Source: Database maintained in the PAG Office)

Qualified certificates were issued to both accounts based on comments towards decrease in profit and increase in loss.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 For the Report of the Comptroller and Auditor General of India for the year ended March 2017, one Performance Audit and 10 compliance audit paragraphs were issued to the Secretaries/Principal Secretaries of the respective Departments with request to furnish replies within six weeks. Replies in respect of all audit paragraphs were received from the State Government.

Follow up action on Inspection Reports/Audit Reports

Replies outstanding

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

Table No.1.15: Explanatory notes not received (as on 30 September 2017)

Year of the Audit Report (Commercial/PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	29 March 2012	3	14	-	1
2013-14	24 August 2015	2	9	1	4
2014-15	26 September 2016	2	12	2	12
2015-16	16 September 2017	1	13	1	13
Total	**--**	**8**	**48**	**4**	**30**

(Source: Database maintained in the PAG Office)

Out of 56 Paragraphs/Performance Audits, explanatory notes to 34 Paragraphs/Performance Audits in respect of 11 departments were awaited (September 2017).

Discussion of Audit Reports by CoPU

1.25 The status of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) and those discussed by the CoPU as on 30 September 2017 was as under:

Table No.1.16: Performance Audits/ Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 30 September 2017

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Reports		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	2	17	0	13
2009-10	2	15	0	14
2010-11	3	14	1	13
2011-12	2	18	2	18
2012-13	2	10	1	10
2013-14	2	9	0	0
2014-15	2	12	0	0
2015-16	1	13	0	0
Total	**16**	**108**	**4**	**68**

(Source: Database maintained in the PAG Office)

Committee on Public Undertakings was apprised of the pendency of the discussion of Audit Report Paragraphs in their first meeting (June 2016). During 2016-17, with the co-ordination and assistance of PAG, CoPU had in its 10 meetings, discussed two Performance Audits relating to Audit Reports of 2010-11 and 2011-12.

Compliance to Reports of Committee on Public Undertakings (CoPU)

1.26 Action Taken Notes (ATN) on 27 Paragraphs pertaining to four Reports of the CoPU presented to the State Legislature between August 2001 and March 2017 had not been received (October 2017) as detailed in **Table 1.17**:

Table 1.17: Compliance to CoPU Reports

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

(Source: Database maintained in the PAG Office)

These reports of CoPU contained recommendations in respect of Paragraphs pertaining to four departments which appeared in the Reports of the CAG of India for the years 1989-90 to 2004-05.

Response to Inspection Reports, Draft Paragraphs and Performance Audits

1.27 Audit observations are communicated to the heads of PSUs and the Administrative Departments concerned of State Government through Inspection Reports (IRs). As per Regulation 197 of Regulations on Audit and Accounts, 2007, the heads of PSUs are required to furnish replies to IRs through respective heads of departments within a period of four weeks. IRs issued during 2004-05 to 2016-17 pertaining to 42 PSUs disclosed that 2,267 Paragraphs relating to 525 IRs remained outstanding at the end of

30 September 2017. No replies were received in respect of 120 IRs containing 594 Paragraphs (PSUs under Energy Department - 52 *per cent*).

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

Coverage of this Report

1.28 This Report contains one Performance Audit on "Activities of Odisha Mining Corporation Limited" and nine Compliance Audit paragraphs including one detailed Compliance Audit on "Capital Expenditure Programme of GRIDCO Limited". These audit findings relate to PSUs which fall under Department of Steel and Mines, Energy, Home and Industries. The number of PSUs, investment, turnover and Return on Equity (RoE) in respect of all PSUs under these four departments are given below:

Table 1.18: Department-wise Investment, Turnover and Return on Equity of PSUs appeared in this Report

Sl. No.	Name of Department	No. of PSUs	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in *per cent*)
1	Steel and Mines	5	71.93	2331.43	13.08
2	Energy	8	9830.12	8530.83	-11.42
3	Home	1	5.63	385.31	16.42
4	Industries	15	530.64	201.09	-8.71
	Total	**29**	**10438.32**	**11448.66**	

(Source: As per information furnished by PSUs)

It can be seen that the investment in PSUs under Steel & Mines Department was meagre at ₹71.93 crore but the turnover was ₹2331.43 crore with a good RoE being 13.08 *per cent*. The investment was very high in PSUs under Energy Department but had a negative RoE, i.e. -11.42 *per cent*.

CHAPTER-II

2. Performance Audit relating to Government Company

Activities of Odisha Mining Corporation Limited

Executive Summary

Odisha Mining Corporation Limited (OMC) was incorporated on 16 May 1956. The main objective was harnessing the mineral wealth of the State of Odisha through exploration, extraction as well as value addition. Presently, the mining activities of OMC are restricted to production and sale of iron and chrome ore. Government of Odisha had granted 34 mining leases to OMC covering 17,826.82 hectares of lease area. OMC was operating in 4,335.28 hectares (24 per cent) of land comprising six mines during the period 2012-17. Audit scrutiny revealed the following deficiencies:

Absence of Long Term Corporate Plan

Odisha Mining Corporation Limited had not prepared long term corporate plan, vision and mission statements as required under Corporate Governance Manual of Government of Odisha. In the absence of any long term corporate plan, OMC could not develop strategies to achieve its objectives.

Management of Mining Leases

Out of 34 mining leases, 26 mining leases were inoperative. Out of 26 inoperative mines, OMC did not commence any mining operations in eight mines since inception. In respect of rest 18 mines, the mining operations were discontinued. The mines remained inoperative for a period ranging from 07 to 37 years. Mines were inoperative mainly for want of statutory clearances and non-assessment of ore reserves.

Non-operation of mines resulted in unfruitful expenditure of ₹57.26 crore towards dead rent and watch ward expenses. Further, OMC retained four mines which did not have adequate ore reserves and incurred avoidable expenditure of ₹112.85 crore.

Production Performance

Odisha Mining Corporation Limited could not achieve the targeted production of ores during 2012-17. This resulted in shortfall in production of 114.45 lakh MT of iron ore and 2.70 lakh MT of chrome ore. Consequently, OMC lost the opportunity to earn revenue of ₹1,838.98 crore during 2012-17.

Odisha Mining Corporation Limited incurred avoidable expenditure of ₹138.63 crore due to non-segregation of natural iron ore fines from the crushed iron ore fines. Delayed action to obtain forest clearance for mining purpose resulted in shortage of space for storing of ores in separate stacks. Storage of ores in dump instead of separate stacks attracted higher rate of royalty payable to the GoO. Consequently, OMC incurred extra expenditure of ₹110.79 crore towards royalty.

Sales Performance

Odisha Mining Corporation Limited could not achieve the targeted sales in any of the year during 2012-17. The shortfall in achievement ranged from 21.04 per cent to 60.84 per cent in case of iron ore. Similarly, in respect of chrome ore, OMC had achieved sales target only during 2014-15. In rest of years, the shortfall in achievement ranged from 10.25 per cent to 57.69 per cent. OMC could not recover royalty of ₹37.28 crore from the buyers due to absence of suitable provision in the sales contract.

Inventory Management

The closing stock position of iron ore as on 31 March of each year of 2012-17 was more than production of respective years. OMC failed to put necessary infrastructure facility for evacuation of the produced ores. This resulted in accumulation of 66.95 lakh MT of iron ore valuing ₹417.92 crore as on 31 March 2017.

During the period 2012-17, there was a shortage of iron ore and chrome ore of 5.21 lakh MT valuing ₹146.01 crore beyond the norm prescribed by the Board of Directors of the OMC.

Sub-grade iron ore and chrome ore of 23.39 lakh MT valuing ₹714.87 crore was not accounted for in the books of accounts as of March 2017.

Project and Financial Management

Annual allocation of funds for investment in own projects ranged from ₹34.90 crore to ₹1,210.70 crore during 2012-17; however, availability of surplus funds ranged from ₹5,149.82 crore to ₹5,867.13 crore. Against the allocation, the actual annual expenditure ranged from ₹2.16 crore to ₹118 crore during 2012-17.

Odisha Mining Corporation Limited failed to install an iron Ore Handling Plant, infrastructure facility and a Mechanical Evacuation System in its three major operating mines. The envisaged benefit of ₹1,189.97 crore per annum from two out of three projects could not be achieved.

As of March 2017, OMC invested ₹408.81 crore towards equity/preference shares in 12 joint ventures, subsidiary and associate companies. None of the projects could be completed so far (October 2017). OMC could not derive envisaged benefit from the projects.

Monitoring and Internal Control

The scope of internal audit did not include scrutiny of settlement of advances and outstanding liabilities. OMC, in the annual accounts of 2016-17, had written back liability of ₹71.34 crore and written off advance of ₹39.92 crore without any reconciliation. OMC had not formulated manuals relating to core activities like contract/production, cost and budget, marketing and sales, internal audit etc. OMC did not have a system of identification of non-moving, slow moving stores and their disposal.

Introduction

2.1 Odisha Mining Corporation Limited (OMC) was incorporated on 16 May 1956. The main objective was harnessing mineral wealth of the State of Odisha through exploration, extraction as well as value addition. Presently, the mining activities of OMC are restricted to production and sale of iron and chrome ore. OMC has eight regional offices[21] for mining operations.

Government of Odisha (GoO) had granted (1959-2017) 34 mining leases to OMC for production of minerals covering 17,826.82 hectare of lease area. The lease area included 12,362.52 hectares of forest land and 5,464.30 hectares of non-forest land as of March 2017. OMC, however, was operating in 4,335.28 hectares (24 *per cent*) of land comprising six[22] mines, during the period 2012-17. OMC had handed over one iron ore mine to Industrial Development Corporation of Odisha Limited for operation on agency basis. The rest of the 26 mines remained inoperative. The reasons for non-operation are discussed in **Paragraph 2.12**. Details of the mining leases showing nature of ore, areas, present status of operation along with reasons for non-operation are given in **Annexure-3**.

Mining process

The production of iron ore includes removal of overburden[23], raising of Run of Mines (ROM)[24] and sizing/crushing/screening of ROM. ROM is crushed into lump ore of 10-180 mm size which is further crushed into Calibrated Lump Ore (CLO)[25] of 5-18 mm/10-30 mm/10-40 mm sizes. This process also generates iron ore fines of less than 10 mm. The chrome ore is raised as friable[26] whose chrome ore content ranged from 10 *per cent* to 54 *per cent*. OMC has one Chrome Ore Beneficiation Plant (COBP) for processing low grade chrome ore into high grade chrome concentrate. It also has one Ore Handling Plant (OHP) for processing iron ore. In case of iron ore, lump ore produced from mines are sold directly or after crushing into CLO/fines. In case of chrome ore having chromium over 40 *per cent* are sold directly. Chrome ore below 40 *per cent* chromium content are sold after processing into high grade chrome concentrate in COBP.

Organisational Set up

2.2 Odisha Mining Corporation Limited worked under the administrative control of Department of Steel and Mines, GoO. The management of OMC was vested with a Board of Directors (BoD) consisting of 11 directors including a Chairman and a Managing Director (MD). The MD was the chief

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21 Daitari, Gandhamardan, Koira, J K Road, Bangur, Barbil, Angul and Rayagada

22 Iron ore mines- Barpada Kasia, Daitari, Gandhamardan B and Kurmitar; Chrome ore mines- South Kaliapani and Sukrangi

23 Rock or soil overlying in mineral deposit

24 ROM is the immediate excavated material from earth which is predominately ore with certain amount of impurities

25 Calibrated Lump Ore (CLO) is saleable ore obtained after crushing and processing of ROM

26 Soft and fine ore

executive of OMC. MD was assisted by two Chief General Managers, seven General Managers and eight Regional Managers to carry out the day-to-day activities of the Company.

Scope of Audit

2.3 A performance review[27]of OMC was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011.The report was pending (July 2017) for discussion in the Committee on Public Undertakings (CoPU). The present Performance Audit conducted during April to July 2017 covered the activities of OMC for the five years ending March 2017. The activities of OMC were reviewed on the basis of test check of records at the Head Office and all the six[28] working mines of OMC.

Audit Objectives

2.4 Audit objectives of the Performance Audit were to assess whether:

- mineral mines were developed adhering to rules and regulations prescribed by Government of India (GoI)/GoO;
- production and sales activities were carried out economically and efficiently through approved policies adhering to guidelines of GoO;
- the mandate under Corporate Social Responsibility (CSR) was discharged effectively; and
- project and financial management including internal control and monitoring mechanism were adequate and effective.

Audit Criteria and Methodology

2.5 The sources of audit criteria adopted for assessing the achievement of the audit objectives were:

- Rules, regulations and provisions of Mines and Mineral (Development and Regulation) (MMDR) Act, 1957 with Amendments;
- Orissa Minerals (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rules, 2007;
- Mineral Concession Rules (MCR) 1960, Mineral Conservation and Development Rules (MCDR) 1988;
- Forest Conservation Act (FCA) 1980, Forest Conservation Rules (FCR) 2003;

[27] Implementation of “Systems, Applications and Products in Data Processing (SAP)” in OMC

[28] Daitari Iron Ore Mines (DIOM), Gandhamardan Iron Ore Mines (GIOM), Kurmitar Iron Ore Mines (KIOM), Barpada Kasia Iron Ore Mines (BKIOM), South Kaliapani Chromite Mines (SKCM) and Sukrangi Chromite Mines (SCM)

- Water (Prevention and Control of Pollution) Act, 1974, Air (Prevention and Control of Pollution) Act, 1981, Environment Protection (EP) Act and Rules 1986;
- United Nations resolution regarding Sustainable Development Goals (SDG), Sustainable Development Framework and GoI notification related to Star Rating of mines;
- Minutes and agenda papers of the meetings of the BoD, annual budgets, annual production plans and production reports;
- Project reports/mining plans/mining schemes of the mineral mines;
- Notice inviting tenders, agreements/contracts for production and sale of ore; and
- Agreements with Joint Venture (JV) partners for development of mines.

Acknowledgement

2.6 Audit acknowledges the co-operation and assistance extended by OMC at various stages of conducting the Performance Audit. Audit explained its objectives, criteria, scope and methodology to OMC/GoO during an 'Entry Conference' held on 12 April 2017. Subsequently, audit findings were reported (6 October 2017) to OMC/GoO and discussed in an 'Exit Conference' held on 28 November 2017. Views expressed by them and replies furnished by GoO (23 November 2017) were considered, wherever necessary, while finalising this report.

Audit Findings

2.7 Audit findings are discussed in the following paragraphs.

Financial Position and Working Results

Financial position

2.8 The financial position of OMC for the last five years ended 31 March 2017 was as under:

Table 2.1: Financial position for the five years ended 31 March 2017

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Equity and Liabilities					
Share capital	31.45	31.45	31.45	31.45	31.45
Reserves and surplus	5149.82	5864.18	5656.55	5678.21	5867.13
Non-current liabilities	67.51	65.31	90.16	92.26	221.21
Current liabilities	1334.07	937.43	2238.06	1176.44	566.45
Total	**6582.85**	**6898.37**	**8016.22**	**6978.36**	**6686.24**
Assets					
Net block including capital WIP	101.85	106.90	129.60	161.06	658.54
Long term loans and advances	511.89	466.74	866.73	1395.89	725.13
Non -current investment	143.40	374.36	383.36	378.85	399.03

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Other non-current assets	30.12	133.63	289.71	483.93	330.16
Current assets	5795.59	5816.74	6346.82	4558.63	4573.38
Total	**6582.85**	**6898.37**	**8016.22**	**6978.36**	**6686.24**
Net worth[29]	5181.27	5895.63	5688.00	5709.66	5898.58

(Source: Annual accounts of OMC Limited)

It would be seen from the overall financial position of OMC that:

- The net worth of OMC increased from ₹5,181.27 crore in 2012-13 to ₹5,898.58 crore in 2016-17 due to increase in reserves and surplus over the years. Current Liabilities (CL) had increased during 2014-15 mainly due to availing of short term loans. The short term loans were availed to meet advance income tax payment and for extending inter corporate loan to GRIDCO. CL decreased in subsequent years due to repayment of short term loans.

- Increase in fixed assets during 2016-17 was mainly due to increase in mining rights and intangible assets[30]. Long term loans and advances increased during 2014-16 due to extension of inter corporate loans to GRIDCO and Neelachal Ispat Nigam Limited (NINL). Current assets also increased by ₹530.08 crore in 2014-15 from 2013-14. This was due to increase in inventories, trade receivables and short term loans and advances. Current assets, however, decreased by ₹1,788.19 crore in 2015-16 due to decrease in cash and cash equivalents and availing of short term loans and advances. The decrease was due to extension of inter corporate loan and repayment of short term loan from banks.

Working results

2.9 The working results of OMC for the last five years ended 31 March 2017 were as under:

Table 2.2: Working result for the five years ended 31 March 2017

(₹ in crore)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Revenue from operations	1658.15	1853.88	1881.26	1546.42	2331.43
Other income	540.61	581.00	535.26	481.22	374.14
Total income	2198.76	2434.88	2416.52	2027.64	2705.57
Total expenditure	815.30	984.93	929.42	1039.65	1385.06
Profit before tax	1383.46	1449.95	1487.10	987.99	1320.51
Provision for tax	487.36	582.14	509.78	364.55	544.12
Profit after tax	**896.10**	**867.81**	**977.32**	**623.44**	**776.39**

(Source: Annual accounts of OMC Limited)

[29] Paid up capital + Reserve & surplus + Long term borrowings
[30] Expenses related to stamp duty, registration fee and NPV

It was noticed from the above that:

- OMC had earned profit in all the years, but this decreased from ₹977.32 crore (2014-15) to ₹623.44 crore (2015-16). This was mainly due to decrease in revenue from operations caused by depressed market conditions and increase in operational expenditure[31].

- Other income decreased in the year 2015-16 and 2016-17 mainly due to decrease in income towards interest on short term deposits.

Absence of Long Term Corporate Plan

2.10 The Corporate Governance Manual (CGM) of GoO (November 2009) required preparation of a corporate plan by State Public Sector Undertakings (PSUs). The corporate plan is a three years plan with annual operating and financial plans. It includes a detailed description of long term goals and objectives of the PSU. It also required State PSUs to prepare vision and mission statements based on the mandate given by the Administrative Department.

OMC had neither prepared any long term corporate plan nor any vision and mission statements. OMC had engaged (November 2016) a consultancy firm to prepare a Comprehensive Perspective Plan (CPP). The plan was yet to be finalised (October 2017).

Audit observed that in the absence of any perspective corporate plan, OMC could not develop proper strategies to achieve its objectives. As a result, production and sales activities were carried out on the basis of annual plan and budget. The annual plan overlooked requirements for long term goals as allocation of funds for ongoing plans and projects were made through annual budget.

The Government stated (November 2017) that the CPP prepared by the consultant in August 2017 had envisaged long term vision and mission of OMC. The fact, however, remained that OMC had not yet implemented long term corporate plan.

Management of Mining Leases

2.11 Mining leases were granted to an applicant under MMDR Act 1957, MCR 1960 and MCDR 1988. As per extant rules and regulations, mining leases were granted for a period not exceeding 30 years for which lease deeds were executed with the State Government. Mining operations were carried out as per mining plan approved by Indian Bureau of Mines (IBM). Operations of mines were also subject to rules and regulations framed under FCA 1980, EP Act 1986 and Water (Prevention and Control of Pollution) Act, 1974 and Air (Prevention and Control of Pollution) Act, 1981.

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[31] Ore raising cost, stamp duty/ registration charges on renewal of mining leases, forest & environment expenses, selling & distribution expenses etc.

Delay in commencement of mining operations

2.12 As per Rule 28 (1) and (2) of MCR 1960, the lessee should commence mining operations within two years from the date of execution of lease deed. The State Government may cancel the lease in the event of delay in operations or discontinuation of operations beyond a period of two years. State Government, however, may grant extension of the lease after being satisfied that reasons for non-operation are beyond the control of the lessee. As of March 2017, the status of mining leases granted to OMC and inoperative mines were as under:

Table 2.3: Status of mining leases

Nature of the ore in mines	Number of operative mines	Number of inoperative mines						Total mines
		Since inception	Number of years since inoperative				Total inoperative mines	
			6-15 years	16-25 years	26-35 years	36 and above		
Chromites	03	3	02	02	01	-	08	**11**
Iron	02	1	06	01	-	01	09	**11**
Iron & Manganese	02#	1	02	01	-	-	04	**06**
Manganese	-	1	-	01	-	-	02	**02**
Limestone	-	-	01	-	-	-	01	**01**
Gemstone	-	2	-	-	-	-	02	**02**
Bauxite	01*	-	-	-	-	-	-	**01**
Total	**08**	8	11	05	01	01	**26**	**34**

(Source: Information furnished by Odisha Mining Corporation Limited)

\# includes one mine handed over to IDCOL for operation on agency basis.

* the lease was executed in January 2017 in which mining operations are yet to be carried out.

It was seen in audit that:

- In case of eight out of 26 inoperative mines, OMC did not commence any mining operations since inception. Mining operations were commenced during the period of lease in respect of remaining 18 mines. These mines, however, remained inoperative subsequently for a period ranging from 7 to 37 years. Mines were inoperative mainly for want of statutory clearances and non-assessment of ore reserves.

- In terms of FCA 1980, it was mandatory to obtain Forest Clearance (FC) from MoEFCC[32] for use of forest land for non-forest purpose under a lease. To obtain FC, Forest Diversion Proposal (FDP) was to be submitted to MoEFCC through Forest Department of the State.

  Audit observed that out of 26 inoperative mines, 24 mines involved forest land. Out of 24 mines, in case of 20 mines, OMC submitted FDPs after a delay ranging from 99 to 366 months since 25 October 1980[33]. In remaining four mines, FDPs were not yet submitted. The delay in the submission of FDP was mainly due to non-finalisation of joint verification of forest land, delay in finalising land use plan, non-assessment of ore reserves and delay in carrying out

[32] Ministry of Forest and Environment and Climate Change
[33] FC Act, 1980 came into force

instructions of Forest Department. This had resulted in delay in obtaining FC due to which mines could not be operationalised.

Government accepted (November 2017) the fact of delay in submission of FDP. It stated that submission of FDP was delayed due to non-finalisation of joint verification of the broken up forest area by Forest and Mining Departments. It also stated that the process of joint verification was streamlined in December 1996 on the basis of judgment of Supreme Court.

The reply was not acceptable as joint verification of the broken up forest area, finalisation of land use plan and assessment of ore reserve were required to be carried out under FCA, 1980 and FC Rules, 1981.

- Based on United Nations Framework Classification (UNFC) for minerals adopted by GoI, the IBM issued (April 2003) detailed guidelines on reporting resources and reserves. As per the guidelines, mineral reserves are to be assessed through geological assessment, feasibility assessment and economic viability. As per modifications (October 2003) to FC Act, 1980, the lessee has to obtain prior permission from MoEFCC for drilling of boreholes for assessment of ore reserves beyond norms.

  Odisha Mining Corporation Limited had carried out prospecting work for assessment of mineral reserves over an area of 4,028.96 hectares only (22.60 *per cent* of total lease area) in respect of 34 mines. Detailed exploration had been carried out in respect of one[34]mine only.

  Audit observed that due to belated action in applying to MoEFCC to obtain prior permission for drilling of boreholes, prospecting and assessment of ore was delayed. In absence of assessment of ore reserve through exploration, OMC was not in a position to obtain necessary FC.

  Government stated (November 2017) that the guidelines issued by MoEFCC allowed drilling of 20-25 bore holes per 10 square kilometer, which was not adequate. The reply was not acceptable as drilling of bore holes beyond the limit prescribed by MoEFCC was permissible with prior approval of GoI. OMC, however, did not take timely action in this regard.

- As per clause 9A of MMDR Act 1957, a lease holder has to pay dead rent for inoperative mines and royalty for operating mines. OMC had paid ₹15.14 crore towards dead rent. OMC also incurred ₹42.12 crore towards watch and ward during the period 2012-17 on inoperative mines. Failure of OMC to operate the mines resulted in unfruitful expenditure of ₹57.26 crore towards dead rent and watch and ward.

  The Government accepted the facts and stated (November 2017) that necessary steps were being taken for operationalising these mines.

[34] Mahaparbat mining lease

Payment of Net Present Value without assessing ore reserves

2.13 In terms of FCA 1980, decision of Hon'ble Supreme Court (October 2002/August 2003) and subsequent clarification by Forest Department (May 2010), the lessee has to pay Net Present Value (NPV) on the entire forest land included under lease which are required for mining operations. In the event of forest land is utilised for non-forest purpose without obtaining FC, lessee has to pay penal NPV as per norms decided by MoEFCC.

Audit observed that OMC paid ₹580.56 crore towards NPV pertaining to 27 mining leases (including 21 inoperative mines) covering an area of 7,728.90 hectares of forest land on which assessment of ore reserve had not been carried out. Subsequently, OMC surrendered (May 2014 to April 2016) four mines after retaining them for a period ranging from 41 to 50 years as there was inadequate ore reserve. OMC had paid ₹112.85 crore towards NPV in respect of these four mines. Thus, payment of NPV without conducting any assessment of ore reserves resulted in avoidable expenditure of ₹112.85 crore. Further, in respect of three operative mines covering 564.83 hectares of forest land, OMC carried out mining operations without obtaining FC. As a result, it had to pay (August 2012 to June 2016) penal NPV of ₹52.05 crore.

The Government stated (November 2017) that payment of NPV and penal NPV had been made as per demand of the Forest Department. The fact remained that OMC carried out mining operations without obtaining FC from MoEFCC resulting in payment of penal NPV.

Payment of Compensatory Afforestation charges

2.14 As per FCA 1980, the lessee has to pay Compensatory Afforestation[35] (CA) charges to the Forest Department of the State when FDP is processed. The amount shall be utilised for afforestation of non-forest land by the State Government. If forest land under lease has been utilised for non-forest purposes without approval, the lessee had to pay penal CA charges.

Audit observed that in violation of FCA 1980, OMC utilised 346.84 hectares of forest land for non-forest purposes in three mines. This had resulted in payment (September 1998 to September 2016) of penal CA charges of ₹3.45 crore.

The Government accepted the facts and stated (November 2017) that the violations were not intentional. It stated that the Forest Department did not condone the violation of FC Act resulting in payment of penal CA charges. The fact remained that OMC carried out mining operations without obtaining FC from MoEFCC resulting in payment of penal CA charges.

[35] Compensatory Afforestation refers to afforestation and regeneration activities carried out as a way of compensating for forest land diverted to non-forest purposes

Payment of NPV in case of SGBK mines

2.15 As per Paragraph 5(1) of MMDR Act 1957, the State Government can grant mining lease with the prior approval of Central Government. The lessee had to specify the mineral or minerals to be exploited in the lease application. As the mining lease covered both iron and manganese, OMC was required to submit mining lease application for both the ores. After receipt of approval of GoI, mining lease deed was to be executed by GoO complying with the terms specified by GoI.

GoO handed over (June 1982) Siljora Guruda Balda Kalimati (SGBK) mine having both iron and manganese ores to OMC for operation on agency basis[36]. However, OMC applied (August 1982) to GoO for operation of the mine as a lease holder. In their application, OMC proposed to operate the mine for manganese ore only instead of both iron and manganese ores. GoI conveyed (December 1993) their decision for grant of mining lease for manganese only subject to compliance of statutory provisions like obtaining FC. OMC could not prepare land use plan for obtaining FC as both manganese and iron ores were occurring in the entire mining lease area. As such OMC could not execute the lease deed. However, GoO allowed OMC to operate the mine on agency basis to produce manganese ore only till November 2006 and disallowed the mining operations thereafter. OMC, however, continued to possess the mine.

GoO, based on request made by OMC in December 2006, recommended (February 2007) GoI to consider approval of the lease for both the ores. The application was not accepted by GoI as retention of mining lease on agency basis was abolished in January 1999 under amendment to MCR, 1960. As a result the mining lease for the mine could not be executed. Subsequently, GoI decided (January 2017) to allocate the lease through auction. OMC had incurred ₹45.03 crore towards payment of NPV and other incidental expenses during 2010-17.

Audit observed that OMC failed to include both iron and manganese ore in the lease application. It also failed to surrender the mining lease subsequent to abolition of operation on agency basis in January 1999 resulting in avoidable expenditure of ₹45.03 crore.

The Government accepted (November 2017) the facts and stated that payment of NPV was made as per demand of Forest Department.

Delay in Implementation of Sustainable Development Goal

2.16 The United Nations adopted (September 2015) a resolution on sustainable development goals at the UN Sustainable Development Summit held in New York. The resolution included 17 goals covering sustainable issues[37] to be achieved by all the member countries including India by 2030.

[36] OMC would operate as an agent of GoO taking part in the management, control, supervision or direction of the mine

[37] Ending poverty and hunger, improving health and education, making cities more sustainable, combating climate change and protecting oceans and forests

OMC had not implemented energy conservation measures at mines

2.17 As a step towards promoting sustainable development practices in mining, IBM introduced (May 2016) Star Rating System[38] (SRS) for mines. As per the norms in the SRS, OMC had to carry out energy audit in its mining lease area under provision of Energy Conservation Act, 2001.

Audit observed that OMC did not conduct energy audit since 2001 in all the mines. OMC had not put an energy audit mechanism in place to identify reasons for higher consumption of energy. Further, low Power Factor[39] (PF) was noticed in Daitari Iron Ore Mine (DIOM). The actual PF ranged from 0.49 to 0.92 against the prescribed norm of 0.92 during November 2012 to March 2017. This resulted in payment of penalty of ₹0.70 crore in consumption of electricity for the mine.

The Government stated (November 2017) that, energy audit had been carried out during May 2017 to comply with the SRS norms. The fact, however, remained that no energy audit was conducted over a long period after Energy Conservation Act came into force in 2001.

OMC had not implemented Sustainable Development Goal

2.18 Sustainable Development Goal (SDG)- 15 of UN resolution required the following measures:

- Protect, restore and promote sustainable use of terrestrial ecosystems,
- Sustainably manage forest,
- Combat desertification and halt reverse land degradation and biodiversity loss.

During the process of beneficiation of chrome ore, COBP at South Kaliapani Chromite Mines (SKCM) generated tailings (ore waste of mines). The same were to be disposed of into a tailing pond located in mining lease area. The existing tailing pond was full of sludge and dumps clay and was not capable of accommodating more tailings. The rain water along with sludge and dump clay went outside the pond during heavy rain. Villagers in the neighbourhood protested this, as it created unhealthy conditions.

Audit observed that OMC had neither constructed a new tailing pond nor renovated the existing one. The tailings were discharged in the quarry of the mine violating the terms and conditions of mining plan and environmental norms. The proposal for construction of a new tailing pond could not be carried out as OMC did not obtain forest clearance for the purpose. As a result, IBM suspended the mining operations in April 2016. The suspension was temporarily withdrawn in July 2016. It was again imposed from May 2017. The suspension of mining operations, resulted in loss of production of 0.15

[38] A web enabled online system for evaluation of measures undertaken for sustainable mining
[39] It is a measure of how efficiently electrical power is converted into useful work output

lakh MT of chrome ores with consequential potential loss of revenue of ₹10.23 crore.

The Government accepted the facts and stated (November 2017) that action had been taken for construction of a new tailing pond in SKCM.

Production Performance

2.19 Odisha Mining Corporation Limited produced iron ore and chrome ore through engagement of private contractors. The production of ore, however, was subject to ceiling fixed by various statutory authorities such as MoEFCC, State Pollution Control Board (SPCB) and IBM. The production targets for each mine were decided by the BoD based on the various clearances obtained from statutory authorities and other factors. Audit observed the following deficiencies in production performance in operative mines:

Production target could not be achieved

2.20 Production targets for the five years ended 31 March 2017 vis-à-vis achievements thereof in respect of operative mines[40] of OMC are tabulated below:

Table 2.4: Production target vis-à-vis achievement

(Figures in lakh MT)

Mines	2012-13		2013-14		2014-15		2015-16		2016-17		Total		
	Target	***Actual***	***Target***	***Actual***	***Target***	***Actual***	***Target***	***Actual***	***Target***	***Actual***	***Target***	***Actual***	***Shortfall***
DIOM	30.00	8.46	21.55	5.71	13.50	17.07	35.00	31.18	30.00	24.85	130.05	87.27	42.78
GIOM	8.68	1.14	15.10	5.51	8.10	6.72	23.00	3.25	32.85	12.70	87.73	29.32	58.41
KIOM	15.00	14.41	15.00	11.74	15.00	6.83	24.00	24.40	24.00	24.09	93.00	81.47	11.53
BKIOM	1.50	0.69	1.30	1.42	1.35	1.08	1.65	0.88	0.00	0.00	5.80	4.07	1.73
Iron ore	**55.18**	**24.70 *(44.76)***	**52.95**	**24.38 *(46.04)***	**37.95**	**31.70 *(83.53)***	**83.65**	**59.71 *(71.38)***	**86.85**	**61.64 *(70.97)***	**316.58**	**202.13 *(63.85)***	**114.45**
SKCM	10.30	6.05	5.40	5.41	4.00	6.82	9.00	8.30	11.00	10.09	39.70	36.67	3.03
SCM	0.50	0.67	0.80	0.96	0.80	0.50	1.00	0.97	1.30	1.62	4.40	4.73	-0.33
Chrome ore	***10.80***	***6.72 (62.22)***	***6.20***	***6.37 (102.74)***	***4.80***	***7.32 (152.50)***	***10.00***	***9.27 (92.70)***	***12.30***	***11.71 (95.20)***	***44.10***	***41.40 (93.88)***	***2.70***

(Figures in bracket indicate achievements in percentage term)

(Source: Annual budgets, physical verification reports of ore)

[40] Daitari Iron Ore Mines (DIOM), Gandhamardan Iron Ore Mines (GIOM), Kurmitar Iron Ore Mines (KIOM), Barpada Kasia Iron Ore Mines (BKIOM), South Kaliapani Chromite Mines (SKCM) and Sukrangi Chromite Mines (SCM)

Chart 2.1: Target and achievement of iron ore

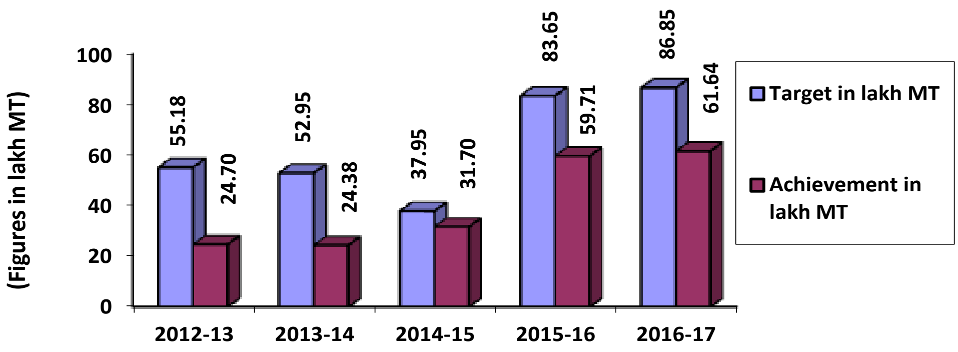
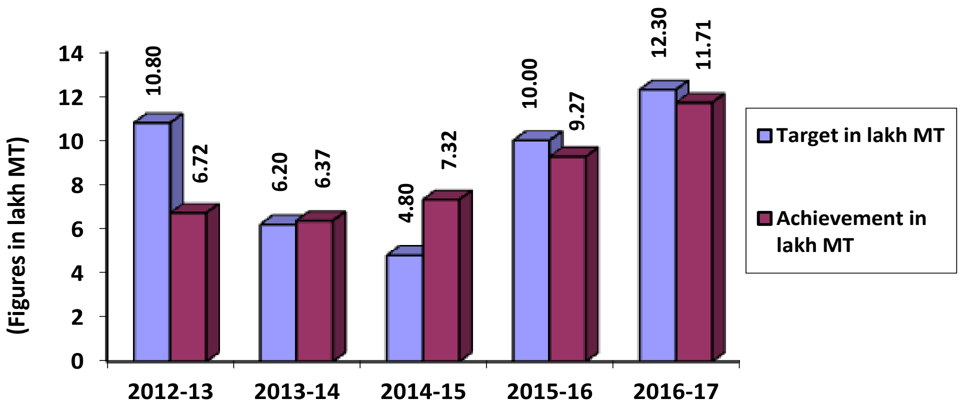


Chart 2.2: Target and achievement of chrome ore



It was seen in audit that:

- Odisha Mining Corporation Limited could not achieve its own target of production of iron ore during any of the five years ending 31 March 2017. The shortfall in production ranged from 16.47 *per cent* to 65.24 *per cent* during 2012-17. The maximum shortfall in production was noticed in GIOM and DIOM.

- In case of chrome ore, OMC achieved the production target during 2013-15, but it did not achieve the target in the year 2012-13 and 2015-17. The shortfall in production ranged from 4.80 *per cent* to 37.78 *per cent* during three out of five years of operation.

- The main reasons for shortfall in production were attributable to non-availability of statutory clearances, inadequate infrastructure for evacuation of produced ore. Space constraints in stockyards were also other factor which contributed for shortfall in production. These were discussed in **Paragraph 2.21**. OMC also could not store the produced ore in separate stacks in the absence of required statutory clearances and availability of space in the mines. This was discussed in **Paragraph 2.22**.

- OMC had to fix its production target on lower side due to non-availability of required statutory clearances in time. Further, despite fixing the target on lower side, OMC failed to achieve the targets during the period 2012-17. This resulted in shortfall in production of 114.45 lakh MT of iron ore and 2.70 lakh MT of chrome ore during 2012-17. Consequently, OMC lost the opportunity to earn revenue[41] of ₹1,838.98 crore during the aforesaid period.

  The Government stated (November 2017) that production target was revised considering constraints and situations prevailing at that time. Further, obtaining different statutory permissions/clearances were not in the control of OMC. The reply was not acceptable as process of obtaining statutory clearances was delayed by OMC itself in most of the cases.

Delay in obtaining FC resulted in shortfall of production and evacuation of produced ore

2.21 Mining lease area contains both forest and non-forest areas. Under FC Act 1980, it was mandatory to obtain FC from MoEFCC to carry out mining operations in forest areas. OMC was required to submit FDP to the MoEFCC through the Forest Department of GoO to obtain FC.

Before submission of FDP, OMC was required to carry out demarcation of forest land and broken up[42] forest land, enumeration of trees in forest land, identify land under compensatory afforestation. Further, OMC was to identify safety areas, obtain certificate from the GoO under recognition of Forest Right Act (FRA) 2006. The above activities were required to be completed and documents to be submitted with FDP.

The delay in obtaining FC and consequential production loss at three mines[43] are discussed below:

- OMC continued mining operations since 1967 in forest land of 249.97 hectares at Baliparbat Stock Yard (BSY) under DIOM without obtaining FC. As a result, Mining Department stopped mining operations from October 2011. OMC submitted final FDP in July 2012 only and obtained FC in August 2014. Thus, there was shortfall in achievement of targeted production of iron ore due to suspension of mining operations during the period October 2011 to August 2014.

[41] Sales price – (variable cost + fixed cost)
[42] Forest area already used for mining before FC Act, 1980
[43] DIOM, GIOM and SKCM

The Government stated (November 2017) that OMC had submitted FDP four times during 1997 to 2010 prior to submission of final FDP in 2012. It stated that MoEFCC had delayed grant of FC.

The reply was not acceptable as OMC initiated FDP proposal only in 1997, whereas FC Act came into force in 1980. Final FDP could only be submitted in July 2012.

- Out of 1409.65 hectares of forest land at Gandhamardan-B mine, OMC had obtained FC for only 232.438 hectares in August 2007. It applied FDP for balance forest land only in August 2010. The delay in applying for FDP was due to failure of OMC to demarcate between forest land and broken up area, identify safety area and obtain certificates under FRA 2006. This had resulted in non-availability of mineable area required for ore production. As a result there was shortfall in achievement of targeted production during 2012-17. Further, the existing produced ore also could not be evacuated from mines due to space constraints.

  The Government stated (November 2017) that as a matter of practice, OMC had obtained FC for part forest area on previous occasions. The FDP for balance forest area was initiated only after obtaining FC for part forest area and completion of handover process from State Government. The reply indicated that OMC did not submit the FDP for the mineable forest area leased to it in time resulting in stoppage of mining operations.

- OMC was carrying out mining operations of chrome ore in 146.04 hectares out of 416.50 hectares of forest land at SKCM since January 1980. It applied for FDP for balance forest land only in January 2010. The existing diverted forest land was not sufficient to meet requirement of production, storage and handling of the targeted quantum of ore production. The FC was obtained in February 2016.

  The processing of FDP was delayed due to delay in identification of land for CA, enumeration work for forest areas and obtaining certificate under FRA 2006. This had resulted in non-availability of mineable area for production and evacuation of ore and there was shortfall in achievement of targeted production of ore during 2012-17.

  The Government stated (November 2017) that the delay in obtaining FC was due to delay in identification of land for CA and enumeration work for the forest area. Further, obtaining of certificate under FRA 2006 from the Collector was delayed. The reply was not acceptable as the above activities should have been completed before submission of FDP as per FC Act 1980.

Irregular stacking and storage of ore

2.22 As per Odisha Mineral (Prevention of Theft, Smuggling and Illegal Mining and Regulation of Possession, Storage, Trading and Transportation) Rule 2007, the produced minerals should be stacked in the mine in separate stacks for determining the quality and grade. In case of fully mechanised mines, if the lessee declares to pay highest rate of royalty, stacking and sampling shall be dispensed with. In such circumstances a lessee has to pay royalty applicable for highest grade of ore irrespective of actual grade of ore dispatched.

Odisha Mining Corporation Limited requested (August 2012) GoO to dispense with mechanism of stacking ore in separate stacks on the ground of space constraint. It agreed to pay highest rate of royalty. GoO agreed to the proposal in September 2012. The produced ores were thereafter stacked in dumps in the mines. All dispatches from the iron ore mines[44] thereafter were carried out paying highest rate of royalty.

Audit observed that though OMC had sufficient lease area, yet they inordinately delayed action to obtain FC as discussed in **Paragraph 2.12**. This resulted in shortage of space for storing of ores in separate stacks. OMC was liable to pay higher royalty to GoO as ores were stored in dumps instead of in separate stacks. Consequently, royalty was paid at the rate applicable for highest grade of ore though the mines produced four different grades. This had resulted in additional expenditure of ₹110.79 crore during the period 2012-17.

In exit conference (November 2017) OMC management stated that considering volume of operation in mechanised mines, it was not possible to stack ore in separate stacks. Their contention was not acceptable as the space constraint to stock iron ore in stacks was for want of FC. Further, OMC had not carried out any study to justify the necessity of storing iron ore in dump.

Extra payment of royalty for non-segregation of natural fines

2.23 Iron ore products of mines are calibrated iron ore (CLO), natural fines (screened fines) and processed fines (crushed fines). Natural fines are unprocessed material ore required to be stacked separately for disposal/sale. Iron ore removed from mines are subject to payment of royalty during the process of sales. Natural fines being unprocessed ore attract less royalty than other processed ore.

Audit observed that, OMC had not taken any steps to stack natural fines separately at DIOM. The same were mixed with processed / crushed fines. Similarly, OMC took (February 2016) belated action (after four years) for separation and stacking of natural / screened fines at GIOM. As a result, during the process of sale of iron ore, royalty on natural fines were paid at the rate of processed fines. As such, royalty at higher rate was paid on natural fines as the same were not separated by the screening process. As a result, OMC incurred avoidable expenditure of ₹138.63 crore towards royalty during the period 2012-17.

The Government stated (November 2017) that the grade of natural fines obtained at DIOM was below 60 *per cent* Fe. So, natural fines were required to be blended with high grade crushed ore fines. The Government further stated that the occurrence of natural fines in GIOM was almost nil.

[44] DIOM, GIOM and KIOM

The reply was not acceptable as no analysis of grade of natural fines at DIOM was made, as verified by audit. Moreover, the instruction of OMC to separately stack natural fines was not carried out at DIOM. Further, the occurrence of natural fines at GIOM was established and reported to government in May 2014.

Performance of Ore Handling / Beneficiation Plants

2.24 Odisha Mining Corporation Limited had one iron Ore Handling Plant (OHP) at DIOP for production of iron ore. It also has one COBP at SKCM for beneficiation[45] of low grade chrome ore to chrome concentrate. The performance of the plants is discussed below:

Undue benefit to private contractor on operation of Ore Handling Plant

2.25 Odisha Mining Corporation Limited has been operating OHP at DIOM departmentally since 1974 for processing of ROM to produce iron ores lumps and fines. OMC decided (June 2007) to discontinue operation of plant departmentally. Further, it was decided that the plant would be operated by a private contractor on Built Operate and Transfer (BOT) basis. The contractor would invest funds for upgradation of the plant. OMC appointed (February 2008) M/s Feed Bank Venture Ltd (FBVL) as appraiser for determining the modalities for operation of the plant. OMC, based on their report (September 2008), invited (December 2008) open tender. OMC signed (April 2010) a concession agreement with the L1 bidder for operation of the plant for ten years. The agreement envisaged operation of plant at rated capacity of 0.64 million tonne for first two years and two million tonne for the balance eight years. The contractor carried out modifications to the plant during the period 2010-12, but commenced operation only from October 2014. The delay in commencement was due to delay in obtaining FC over the land used for operation of OHP.

The performance of the plant during October 2014 to March 2017 was as follows:

Table 2.5: Performance of Ore Handling Plant

(Figures in lakh MT)

Period	Targeted production	Actual production	Excess(+)/Shortfall(-)
October 2014-March 2015	3.84	7.45	(+)3.61
2015-16	20	19.71	(-)0.29
2016-17	20	24.85	(+)4.85
Total	**43.84**	**52.01**	**(+)8.17**

(Source: Annual production and sales report of Ore Handling Plant)

As can be seen from the above, the contractor had achieved more than the targeted production since commencement of operation of OHP. Audit, however, observed deficiencies in the award of contract, execution of work

[45] Process that improves economic value of ore by removing commercially worthless minerals

and monitoring, resulting in undue benefit to the contractor as discussed below:

Unjustified revision of fixed and variable components led to undue benefit to contractor

2.25.1 The estimate prepared by FBVL initially envisaged fixed and variable elements cost of operation at 66 *per cent* and 34 *per cent* respectively. M/s FBVL had prepared the estimate on the basis that the contractor would infuse funds through loans and equity in the operation. The interest cost of the loans and return on equity would be the major cost of operation which are fixed in nature. As such higher component of fixed cost was envisaged.

Audit observed that OMC revised (October 2008) the fixed component to 30 *per cent* and variable component to 70 *per cent* and finalised the bid documents accordingly. OMC did not consider the estimate prepared by the FBVL even though the contractor was required to infuse loans and equity into the project. OMC also did not make any analysis for revising the proportion of element of cost of operation for the BOT project. Due to above revision, OMC became liable to pay more to the contractor as variable cost escalated every year from time to time while fixed component was not subject to escalation. The fixed cost was reduced by 36 *per cent* and variable cost increased by 36 *per cent*. Thus, OMC incurred ₹37.91 crore towards fixed cost instead of ₹83.41 crore (₹45.50 crore less paid). Similarly, OMC incurred ₹175.32 crore towards variable cost instead of ₹85.15 crore (₹90.17 crore excess paid) in the production of 52.01 lakh MT of iron ore during the period November 2014 to March 2017. OMC thereby extended undue benefit of ₹44.67 crore (₹90.17 – ₹45.50 crore) to the contractor.

The Government stated (November 2017) that there was no undue benefit to the contractor as they were paid as per the conditions of the contract. The reply was not acceptable as the Government had not provided proper justification for enhancing the variable component to 70 *per cent* and reducing the fixed cost to 30 *per cent.* Further, revision of proportion was not favourable for OMC.

Inclusion of contract clause on electricity charges favouring the contractor

2.25.2 The contract price for production of ore included cost of electricity at the rate of five *per cent* payable to the contractor. Further, the contract stipulated that OMC would provide electricity to the contractor for production of iron ore and the cost of electricity would be recovered from them.

Odisha Mining Corporation Limited paid ₹4.70 crore to the electricity supplier for consumption of electricity by the contractor during November 2014 to March 2017. The same amount had been recovered from the contractor. However, OMC had paid ₹10.98 crore towards five *per cent* of payable price to the contractor as per contract condition. As a result, OMC incurred extra expenditure towards electricity of ₹6.28 crore (₹10.98 crore – ₹4.70 crore). This was an undue benefit extended to the contractor.

The Government stated (November 2017) that agency had installed a number of DG sets for operation of plant and machineries during non-availability of electric power.

Audit verified that no operation of the Ore Handling Plant was carried out through DG sets during power failure.

Absence of clear provision in the contract resulted in undue benefit to the contractor

2.25.3 The contractor was expected to achieve 100 *per cent* of the rated capacity[46]. The agreement provided for different payment mechanism in case the contractor produced more than 150 *per cent* of the rated capacity. The price payable for production would be determined for such excess production based on mutual agreement. It was seen that the contractor produced 7.45 lakh MT (194 *per cent*) of ore during the first year of contract, against the targeted production of 3.84 lakh MT. Thus, there was excess production of 1.69 lakh MT over 150 *per cent* of the rated capacity. The contractor agreed to reduce the price only by ₹0.50 per MT and OMC settled the price at ₹385.04 per MT against the applicable rate of ₹385.54 per MT.

Audit observed that the contract price included ₹72.90 per MT as fixed component. The fixed costs were not subject to change on variation in production level. Thus, OMC should have included a suitable clause in the contract not to reimburse fixed cost to the contractor on production beyond 150 *per cent* of the rated capacity. Thus, non-availability of suitable provision in the contract resulted in undue benefit of ₹1.23 crore to the contractor.

The Government stated (November 2017) that increase in production required additional machinery and hence there was increase in fixed component. The reply was not acceptable as the contractor had not installed additional machineries.

Non-achievement of targeted production and loss of productivity at Chrome Ore Beneficiation Plant

2.26 Odisha Mining Corporation Limited has been operating the COBP since 1995 to beneficiate low grade chrome ore. As per the plant design, low grade chrome ore with 33 *per cent* chromium content would be beneficiated to get a chrome concentrate with 50 *per cent* chromium. The productivity of the plant had declined over the years. OMC awarded (November 2010) a contract for modification to existing COBP with completion period of 10 months. The work was, however, delayed for four and half years. The delay was due to delayed submission of detailed technical information/drawings of the existing plant by OMC to the contractor. The work, after several extensions, was finally completed in May 2015. OMC produced chrome concentrate up to April 2015 from the existing plant without modification. Subsequently, from May 2015, concentrate was produced from the modified plant. The table below indicates the target, achievement and recovery of chrome from the COBP during the period 2012-17.

[46] Installed capacity of a plant

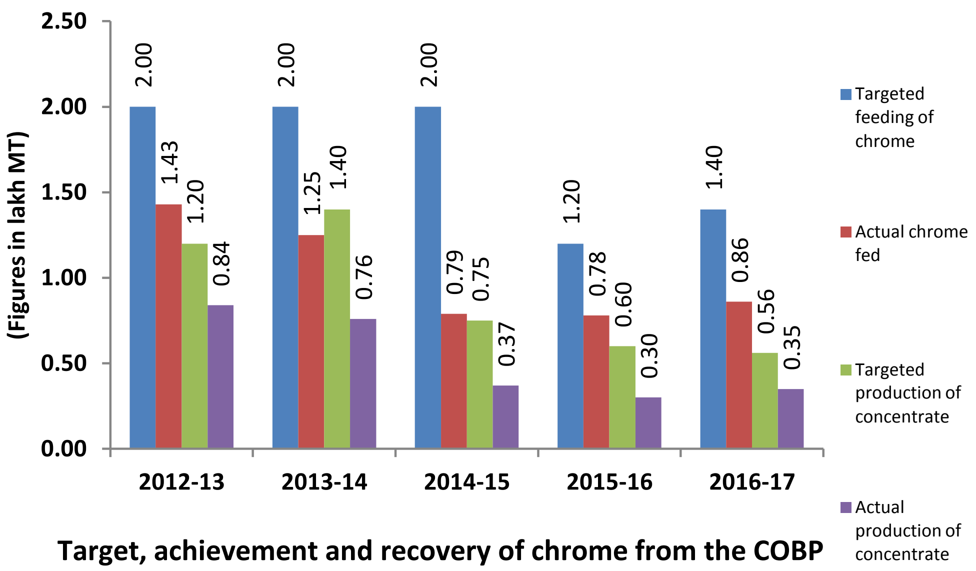
Table 2.6: Target, achievement and recovery of chrome ore from the COBP

(Figures in lakh MT)

Year	Targeted feeding of ore	Actual ore fed	Shortfall in feeding	Targeted production of concentrate	Actual production of concentrate	Shortfall in production of concentrate
2012-13	2.00	1.43	0.57	1.20	0.84	0.36
2013-14	2.00	1.25	0.75	1.40	0.76	0.64
2014 -15	2.00	0.79	1.21	0.75	0.37	0.38
2015-16	1.20	0.78	0.42	0.60	0.30	0.30
2016-17	1.40	0.86	0.54	0.56	0.35	0.21
Total	**8.60**	**5.11**	**3.49**	**4.51**	**2.62**	**1.89**

(Source: Annual physical verification report and performance report of COBP)

Chart 2.3: Target, achievement and recovery of chrome from the COBP



From the above, audit observed that:

- The actual feeding was 5.11 lakh MT to the plant against the target of feeding 8.60 lakh MT of chrome ore. This resulted in under utilisation of the plant. The plant remained under shutdown for 19578 hours[47] against availability of 35184 hours during the period 2012-17. OMC attributed higher rate of shut down to non-availability of ore, shortage of space, power failure and delay in replacement of spare parts.

  Audit observed that non-availability of ore was not a constraint, as chrome ore of 8.34 lakh MT was available during the period 2012-17. OMC could not achieve the targeted production resulting in shortfall of

[47] 12149 hours under planned shutdown and 7429 hours under forced shutdown

1.89 lakh MT of chrome concentrate. This resulted in loss of revenue of ₹201 crore during the period 2012-17.

The Government stated (November 2017) that non-achievement of targeted production of concentrate was mainly attributable to stoppage of plant by IBM for non-availability of tailing pond, power failure and handing over and taking over process of the plant to the contractor.

The reply was not acceptable as the above factors were controllable and no action was taken by OMC to mitigate those problems.

- The average chrome content of the concentrate ranged from 42.38 *per cent* to 49.49 *per cent* against plant design parameter of 50 *per cent*. Even after modification of COBP in May 2015 the average chrome content in 2015-16 and 2016-17 was 48.44 *per cent* and 49.49 *per cent* respectively. The sales price of concentrate depends on the chromium content. Hence, the shortfall in achievement of appropriate grade was a loss to OMC. This resulted in under realisation of revenue of ₹30.95 crore on production of 2.62 lakh MT of chrome concentrate during 2012-17. OMC had not analysed the reasons for the above and no remedial action had been taken thereon.

  The Government stated (November 2017) that after modification, the plant was running smoothly and achieved the production target. The reply was not acceptable as the targeted quantity and quality of chrome could not be produced after modification.

- The work of modification of the existing COBP contained a provision for restriction of tailing loss to 12 *per cent*. Thus, the recovery of chromium should be 88 *per cent* in the process of production of concentrate from chrome ore. As per records, the chrome content of the ore fed ranged from 31.5 *per cent* to 33.56 *per cent*. Out of the recovered chrome concentrate of 2.62 lakh MT, the chrome content percentage ranged from 42.38 to 49.49. Hence, an average tailing loss of 30 *per cent* was observed over the years. The tailing loss was 44 *per cent* and 39 *per cent* during 2015-16 and 2016-17 respectively even after modification of COBP. Thus, there was excess tailing loss of ₹66.35 crore. OMC had not taken any action to arrest the tailing loss and to recover such chromium for utilisation.

  The Government accepted and stated (November 2017) that the work of recovery and utilisation of tailing was under progress. It stated that around 25 *per cent* of the chromite values from the tailings would be recovered in near future.

Sales Performance

2.27 Odisha Mining Corporation Limited was selling ore available at different mines by inviting quarterly Price Setting Tenders (PST). OMC replaced PST with e-auction system for sale of chrome ore and iron ore in July 2012 and October 2014 respectively. In the e-auction process, OMC computed grade wise floor price of ores on which bids were invited. Allotment orders were issued to the buyers based on the highest price obtained. The sales policy of OMC described detailed procedures and modalities to be followed for the sale of ores to different category of buyers.

2.28 Fixation of target of sales of ore was made based on anticipated production of ores in the following year. Target of sales, actual production and shortfall in sales with reference to targets during the last five years ending March 2017 were as follows:

Table 2.7: Target and achievement of sales of iron ore and chrome ore

(Figures in lakh MT)

Year	Iron ore				Chrome ore			
	Actual production	***Sales target***	***Actual sales***	***Shortfall***	***Actual production***	***Sales target***	***Actual sales***	***Shortfall***
2012-13	24.70	69.20	27.10	42.10 *(60.84)*	6.72	11.25	4.76	6.49 *(57.69)*
2013-14	24.38	75.45	31.91	43.54 *(57.71)*	6.37	7.90	7.09	0.81 *(10.25)*
2014-15	31.70	49.85	34.97	14.88 *(29.85)*	7.32	5.55	6.15	(-) 0.60
2015-16	59.71	108.00	43.38	64.62 *(59.83)*	9.27	9.46	6.28	3.18 *(33.62)*
2016-17	61.64	90.70	71.62	19.08 *(21.04)*	11.71	12.90	8.49	4.41 *(34.19)*
Total	**202.13**	**393.20**	**208.98**	**184.22**	**41.39**	**47.06**	**32.77**	**14.29**

(Figures in bracket indicate percentage)
(Source: Annual budget of OMC for the last five years ending March 2017)

It would be seen from the above that:

- OMC could not achieve the targeted sales of iron ore in any of the year during 2012-17. The shortfall in achievement ranged from 21.04 *per cent* to 60.84 *per cent*. Similarly, in respect of chrome ore, OMC has achieved targeted sales only during 2014-15. The shortfall in achievement ranged from 10.25 *per cent* to 57.69 *per cent* in other years.

  The main reasons for non-achievement of targeted sale were due to inadequate infrastructure to evacuate produced ore and failure to dispose of old stock.

  The Government stated (November 2017) that targeted sales could not be achieved mainly due to depressed market conditions. Local problems, want of statutory clearances, inadequate evacuation facility also resulted in non-achievement of target. The reply was not acceptable as OMC could not dispose the stock mainly due to non-availability of adequate evacuation facilities in its major operating mines. The proposal of OMC to develop rail corridors and transport of produced ore to the proximity of rail network had also not materialised. Further, during the years 2012-17, the sales realisation was always more than the cost of production. This showed that even when market price of ore decreased there was scope for sale.

Royalty not recovered from the customers

2.29 As per approved sales policy of OMC, iron ore/chrome ore were sold to buyers at price inclusive of royalty. The parties had to quote price inclusive of the applicable rate of royalty prevalent at the time of offer. Royalty paid on sale of ore by OMC was required to be recovered from the buyers. OMC had been paying royalty to the GoO at the applicable rate on the date of dispatch of ore from the mines. Government of India enhanced applicable royalty on iron ore and chrome ore from 10 *per cent* to 15 *per cent* from 1 September 2014. Accordingly, OMC paid the royalty at enhanced rate to GoO from 1 September 2014.

Odisha Mining Corporation Limited had finalised (June 2014) tender for sale of CLO for the period July to September 2014. Similarly, tender for sale of iron ore fines and chrome ore for the period September to November 2014 was finalised in August 2014. OMC paid royalty at the rate of 15 *per cent* during September to November 2014. However, it recovered royalty from the buyers at the rate of 10 *per cent.* The contract executed by OMC had no provision for recovery of royalty on account of change in the rate of royalty by the GoI. This had resulted in non-recovery of royalty ₹37.28 crore from the buyers in the sale of iron ore and chrome ore during September to November 2014.

The Government stated (November 2017) that buyers were not concerned with revision of rate of royalty applicable for sale of minerals. The reply was not acceptable as sales policy of OMC envisaged recovery of royalty from customers as had been done in subsequent e-auctions.

Inventory Management

2.30 The inventory of OMC mainly comprised stock of ores. OMC had to take all necessary steps to liquidate the stock by synchronising production with evacuation mechanism. The production, sale, shortages and closing balance of different ores during the period 2012-17 were as follows:

Table 2.8: Iron ore

(Quantity in lakh MT)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Opening stock :					
Iron ore	68.74	68.29	60.20	56.82	74.46**
Production:					
Iron ore	24.70	24.38	31.70	59.71	63.66
Sales/consumption:					
Iron ore	27.10	31.91	34.97	43.38	71.62
Shortages/excess:					
Iron ore	0.52	-0.56	-0.11	-0.06	0.45
Closing stock:					
Iron ore	68.29*	60.20	56.82	73.09	66.95

(Source: Annual accounts and physical verification statements)

(* 1.43 lakh MT of iron ore received from left out stock of contractor)
(**1.37 lakh MT of iron ore received from left out stock of contractor)

Table 2.9: Chrome ore

(Quantity in lakh MT)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Opening stock :					
Chrome ore	2.56	3.92	2.71	4.12	6.66
Production:					
Chrome ore	6.80	6.37	7.32	9.27	12.06
Sales/consumption:					
Chrome ore	5.35	7.57	6.57	6.75	9.35
Shortages/excess:					
Chrome ore	-0.09	-0.002	0.66	0.02	0.01
Closing stock:					
Chrome ore	3.92	2.71	4.12	6.66	9.38

(Source: Annual accounts and physical verification statements)

It was noticed from the above that:

- The annual closing stock position of iron ore was more than production during five years ending March 2017. The accumulation of iron ore stock of 68.74 lakh MT as on 1 April 2012 was mainly due to non-synchronisation of production plan with sales plan. Excess production in violation of statutory provisions also resulted in accumulation of closing stock. This aspect was also reported vide Paragraph 3.3 in the Report of C&AG (PSUs), GoO for the year ended March 2013.

- Closing stock position during the year 2012-17 indicated that OMC could not liquidate the old stocks in time. The closing stock of ore mostly consisted of iron ore fines. Out of 66.95 lakh MT of closing stock of iron ore valuing ₹417.92 crore as on 31 March 2017, 50.87 lakh MT of stock was iron ore fines. OMC could not dispose the stock mainly due to non-availability of adequate evacuation facilities in its major operating mines. The proposal of OMC to develop rail corridors and transport of produced ore to the proximity of rail network had also not materialised. Non-disposal of ores resulted in blockage of funds as well as shortage of space for storage of ore after production.

  Government accepted (November 2017) the facts.

Iron ore fines lying at GIOM

Iron ore fines lying at DIOM

- Further, 3.71 lakh MT of ore valuing ₹15.15 crore in 14 inoperative mines could not be evacuated and lying idle for more than five years. Shortage of 0.76 lakh MT of ore valuing ₹2.72 crore was noticed in four inoperative mines during physical verification for the year 2016-17. Reasons for such shortage were not on the records.

  Government stated (November 2017) that ores lying in inoperative mines would be disposed of after obtaining the required statutory clearances. The reply was, however, silent on the shortage of ore.

Shortages of ores

2.31 As per the approved policy (October 2013), the closing stocks were to be measured taking into account 0.60 *per cent* towards storage and handling losses. In the event of losses beyond the prescribed norm, it was stipulated that the matter had to be placed before Board for their approval.

During the period 2012-17, shortage of 5.21 lakh MT (3.78 *per cent)* of ore (iron ore- 5.03 lakh MT and chrome ore- 0.18 lakh MT) valuing ₹146.01 crore was noticed in operating mines. The shortage was much beyond the norm. Audit observed that no proposal had been placed before the Board justifying the circumstances under which such losses occurred.

The Government stated (November 2017) that the shortages were not adjusted as the ore stacks were not completely exhausted. It stated that after completely exhausting a particular stack, the storage and handling losses shall be calculated and adjusted by following the approved norms. The reply was not acceptable as the shortage of 5.21 lakh MT pointed out by audit was established by annual physical verification of closing stock of OMC. Further, OMC had not followed the Board approved norm for accountal of shortage of ore in the books of account.

Non-booking of sub grade ore

2.32 As per circular issued (October 2009) by IBM, sub-grade iron ore are required to be stacked separately and to be booked under production.

As of March 2017, 23.39 lakh MT of sub-grade ore (Iron ore- 15.05 lakh MT and chrome ore- 8.34 lakh MT) valuing ₹714.87 crore were lying at different mines un-disposed. OMC had not taken any action to stack the sub-grade ores separately and account for them in the books of account violating the IBM norms.

The Government stated (November 2017) that sub-grade ores were incidental to production which did not have any active market value. Thus, they were not booked in production. The reply was not acceptable as booking of subgrade ore is mandatory as per IBM norms. Further, sub-grade ore had market price as per publication of IBM.

Project and Financial Management

2.33 Odisha Mining Corporation Limited was required to undertake new capital incentive projects in order to sustain good performance in the long run and to enhance its performance level. The profits earned from the business were, however, mainly invested in short term deposits. As discussed in **Paragraph 2.10**, OMC had not formulated any long term corporate plan to develop strategies for utilisation of its surplus fund in moderinsation and expansion of projects. In this regard, audit observed the following deficiencies:

Inadequate investment in infrastructure/projects

2.34 Odisha Mining Corporation Limited had surplus funds that ranged from ₹5,149.82 crore to ₹5,867.13 crore during the period 2012-17. The allocation of funds for investment in own projects ranged merely between ₹34.90 crore and ₹1,210.70 crore. The actual expenditure ranged between ₹2.16 crore and ₹118 crore during 2012-17. OMC identified 36 projects during 2012-17 for execution. The actual implementation was limited to eight projects including three projects on the core activities of the Company. The projects envisaged enhancement of production as well as evacuation of ore through mechanical means. The reason for execution of few projects was mainly due to non-finalisation of mode of execution of contracts, delayed action to obtain statutory clearances. Audit observations in this regard are discussed below:

Installation of new Ore Handling Plant at DIOP

2.34.1 Odisha Mining Corporation Limited decided (December 2006) to install an iron Ore Handling Plant at DIOP at an estimated cost of ₹318.94 crore. The project envisaged annual financial benefits of ₹355.97 crore to OMC through enhancement of iron ore production. GoO also approved (July 2008) the project to be funded from own source of OMC. OMC placed (May 2013) work order for construction of the project at a cost of ₹592.86 crore with scheduled completion period of 36 months. The work could not commence due to non-availability of FC as the project had to be executed in forest land.

Audit observed that OMC had not finalised FDP of the required land before awarding the work. Consequent to finalisation of the land requirement, OMC submitted (April 2014) the FDP which was not yet approved. This resulted in escalation of the project cost by ₹273.92 crore. The envisaged benefit of ₹355.97 crore per annum from the project could not accrue.

The Government stated (November 2017) that land requirement could be known after finalisation of the contract. The reply was not acceptable as land requirement should have been assessed before awarding the contract.

Setting up of infrastructural facility at GIOM

2.34.2 Odisha Mining Corporation Limited Board approved (March 2012) a project for installation of new crushing and screening plant, conveyor system at GIOM to enhance the production from 4.00 to 9.12 MTPA. GoO approved (November 2013) the project for implementation over a period of three years. The project envisaged investment of ₹500.40 crore and payback period of 7.2 months with annual earnings of ₹834 crore. The Company, however, awarded the consultancy work for the project to MECON in advance i.e., in March 2013. The same work could not progress and kept on hold by the Company as proposal for evacuation of produced ore was not envisaged in the work. The Board of Directors approved the project in November 2015 to be implemented at a revised cost of ₹1,348.47 crore. OMC awarded (April 2017) the consultancy work to MECON which *inter alia* included the provision for evacuation facility also.

Audit observed that delay in revision of scope of work resulted in delay in award of work. As the project had been delayed, the envisaged benefit of ₹834 crore per annum from the project could not accrue.

The Government stated (November 2017) that the scope of the work was subsequently modified to include evacuation facilities. The reply was not acceptable as the project was finalised by OMC in March 2012 and there was potential loss of ₹834 crore per annum to OMC.

Failure to implement Mechanical Evacuation System for disposal of ore

2.34.3 Odisha Mining Corporation Limited decided (December 2009) to install a Mechanical Evacuation System (MES) for evacuation of iron ore fines in GIOM and KIOM. MES was to be installed by private steel and mineral industries at their cost. Audit observed that the work could not be started due to non-availability of FC on the proposed land. Subsequently, OMC decided (February 2015) to terminate the proposal at GIOM as construction of MES by private industries would give rise to legal complications. The legal complications were anticipated as the land lease belonged to OMC. In case of KIOM also the proposal was terminated (November 2014) as the project was not feasible. OMC decided (February 2015) to install the systems at both the mines departmentally. The work for the same was yet to commence.

Audit observed that the decision to allow industries for installing MES for evacuation of iron ore was not a well thought plan. OMC had not conducted any technical feasibility and evaluation of the project. This had delayed the proposal for installation of MES in the mines resulting in accumulation of stock affecting sales. In both the mines there was blockade of stock of 34.01 lakh MT of iron ore fines valued at ₹165.06 crore.

The Government stated (November 2017) that OMC decided (February 2015) not to proceed with the proposal due to GoO notification (September 2014). The notification restricted OMC to sale of iron ore to parties other than Long

Term Linkage (LTL)[48] buyers. The reply was not acceptable as the notification came into effect much after the agreement was signed for MES (August 2011). There was sufficient stock of fines to accommodate the LTL buyers.

Investment in Joint Ventures and Associates

2.35 Odisha Mining Corporation Limited invested ₹408.81 crore towards equity/preference shares in 12 JVs[49], subsidiary and associate companies as on March 2017. The year-wise investments were as follows:

Table 2.10: Year-wise investment in joint venture and associates

Year	Amount invested (in crore)
Up to 2012-13	147.76
2013-14	230.96
2014-15	10.00
2016-17	20.09
Total	**408.81**

(Source: Annual Accounts of Odisha Mining Corporation Limited)

Audit observed that none of the JV projects had been completed so far (October 2017). The main reasons were delay in finalisation of project development agreements, failure to obtain forest clearance and inadequate monitoring by JV partners. As a result, OMC could not derive the envisaged benefit from these projects. In this regard, following observations are made:

Coal projects

2.35.1 Odisha Mining Corporation Limited invested (up to 2012-13) an amount of ₹3 crore as equity participation in three JVs for operation of coal mines. Audit had commented on the irregularities/deficiencies in respect of two out of three JVs in previous Audit Reports[50]. In respect of the 3rd JV project[51], Ministry of Coal (MoC) allotted (August 2006) the block in favour of OMC and APMDCL[52]. The JV partners would explore coal for utilisation in the thermal plants in Odisha and Andhra Pradesh. OMC had invested ₹1.12 crore in equity and incurred a preliminary expenditure of ₹9.64 crore towards formation of the JV company. Audit observed that the coal mine operation could not commence due to delay in preparation of DPR, survey of land and delay in finalisation of mining plan. As a result, MoC de-allocated (September 2014) the coal block. Consequently, the entire expenditure of ₹9.64 crore

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[48] LTL buyers are Steel and Mines based industries who have signed MoU with GoO to buy ore from OMC

[49] Joint Ventures: Rio Tinto Orissa Mining Private Limited, Odisha Thermal Power Corporation Limited, Nuagaon Coal Company Limited, Kalinga Coal Mining Private Limited, Neelachal Ispat Nigam Limited, Keonjhar Infrastructure Development Company Limited, Angul Sukinda Railway Limited, Haridaspur Paradip Railway Company Limited; Associates: Langigarh Scheduled Area Development Fund, South West Odisha Bauxite Mining Private Limited, East Coast Bauxite Mining Company Private Limited, Manadakini B Coal Corporation Limited
Subsidiary: Odisha Mineral Exploration Corporation Limited

[50] Paragraph 3.1 in the Report of C&AG (PSUs), GoO for the year ended March 2012 and Paragraph 3.4 in the Report of C&AG (PSUs), GoO for the year ended March 2013

[51] NuagaonTelisahi Coal Block

[52] Andhra Pradesh Mineral Development Corporation Limited

became infructuous and OMC could not derive envisaged benefits from the project.

Power Project

2.35.2 Odisha Mining Corporation Limited and Odisha Hydro Power Corporation jointly promoted (January 2007) a JV Company namely Odisha Thermal Power Corporation Limited (OTPCL). The JV Company was formed for setting up a thermal power plant of 3,200 MW capacity for supply of power to the State of Odisha. OMC invested ₹134.20 crore towards equity as of March 2017. The project was to be completed within a period of 48 months from April 2006. The project was delayed due to delay in acquisition of private land and non-finalisation of coal mines for the power plant. Delay in implementation had resulted in cost overrun of ₹2043.83 crore. The investment of surplus funds of OMC of ₹134.20 crore in the project did not yield any return.

The Government accepted (November 2017) the facts.

Corporate Social Responsibility

2.36 Corporate Social Responsibility (CSR) is a company's commitment to operate in an economically, socially and environmentally sustainable manner. As per Section 135 of the Companies Act 2013, OMC was required to spend at least two *per cent* of the average net profits of the three immediately preceding financial years on CSR.

With the enactment of Companies Act 2013, the BoD had approved (March 2014) a revised CSR policy of OMC. The policy envisaged spending annually minimum two *per cent* and maximum five *per cent* of the Average Net Profit (ANP) in the preceding three years. CSR activities of OMC for the period 2010-11 to 2013-14 were reported vide Paragraph 4.8 of Audit Report No.2 (PSUs), GoO for the year ended March 2015. CSR activities for the year 2014-15 to 2016-17 are discussed below:

The ANP and CSR expenditure of OMC during the last three years ended 31 March 2017 were as follows:

Table 2.11: The average net profit and CSR expenditure

(₹ in crore)

Year	ANP	2 *per cent* of ANP	Amount spent on CSR	Percentage of actual expenditure to ANP
2014-15	1571.33	31.43	16.88	1.07
2015-16	1440.17	28.80	44.51	3.09
2016-17	1308.34	26.17	29.19	2.23
Total:	**4319.84**	**86.40**	**90.58**	**2.10**

(Source: Annual accounts of Odisha Mining Corporation Limited)

Audit observed that OMC had spent ₹ 90.58 crore on CSR which was 2.10 *per cent* of the ANP. However, during 2014-15 expenditure on CSR was only 1.07 *per cent* of ANP.

As per CSR Rules, 2014 expenditure on sustainable urban development and urban public transport system do not qualify as CSR expenditure. Contrary to this, OMC contributed ₹5 crore in 2014-15 for development of land and construction of road in Puri town under Nabakalebar projects. OMC also contributed (2016-17) ₹2.10 crore for LED display systems in Puri town during Ratha Yatra festival.

The Government stated (November 2017) that such type of expenditures have been approved by the Board of the Company. It further stated that these expenditure were broadly covered under Clause (VII) of notification issued (February 2014) by GoI. The reply was not acceptable as such type of expenditure were specifically excluded from CSR activities by GoI in June 2014.

Monitoring and Internal Control

2.37 An effective monitoring mechanism is a pre-requisite for ensuring physical/financial progress of the company. Internal control helps the management to draw reasonable assurance that its objectives are being achieved in an efficient and effective manner. Audit observed following deficiencies in monitoring and internal control system in OMC:

- The scope of internal audit should cover all the core activities of the organisation. Internal audit in OMC was conducted by a firm of Chartered Accountants. The reports submitted by the internal auditors were reviewed by the Audit Committee from time to time. Audit observed that the scope of internal audit did not include scrutiny of settlement of advances and outstanding liabilities. OMC, in the annual accounts of 2016-17, had written back liabilities of ₹71.34 crore and written off advances amounting to ₹39.92 crore. OMC had not made any reconciliation before the write back and write off.

  The Government stated (November 2017) that the scope of internal audit covered checking of unadjusted advances and outstanding liabilities. The reply was not acceptable as OMC had appointed separate auditors to reconcile the advance and outstanding positions.

- Procedural manuals are necessary to carry out the activities in a systematic and authorised manner. OMC had not formulated any manual relating to its core activities. Such manuals include contract/production manual, sales and marketing manual, cost and budget manual and internal audit manual. In the absence of such manuals, the activities of OMC were carried out on the basis of annual policies, instructions and circulars issued from time to time. As a result, the procedures followed for carrying out various financial and non-financial activities were not systematic. It was also not authorised by any approved procedure.

  The Government accepted and stated (November 2017) that necessary steps were taken to prepare different manuals as suggested by audit.

- Odisha Mining Corporation Limited did not have a system of identification and disposal of slow moving/non-moving stores and spares. It was seen in audit that OMC had made a provision of ₹8.19 crore in the annual accounts of 2016-17 for slow moving/non-moving stores. The provision was made without ascertaining their further requirement for future use.

  The Government stated (November 2017) that provision and write off action were taken considering the age of the stores. The reply was not acceptable as no action was taken to identify the slow/non-moving stores for their use/disposal.

Conclusion

Odisha Mining Corporation Limited had not prepared corporate plan as required under Corporate Governance Manual of Government of Odisha. Out of 34 mines leased to Odisha Mining Corporation Limited, 26 mines were inoperative. The mines remained inoperative due to non-completion of exploration activities and delay in obtaining statutory clearances. The production and sale of ores from the existing working mines was restricted due to want of statutory clearances, inadequate infrastructure for evacuation of ores. The existing Ore Handling Plants were under-utilised with higher cost of production. Odisha Mining Corporation Limited could not complete any of the ongoing projects during 2012-17. Odisha Mining Corporation Limited had not formulated any procedural manuals to carry out the business activities in a systematic and authorised manner.

Recommendations

- **Odisha Mining Corporation Limited may consider preparation of long term corporate plan as required under Corporate Governance Manual of Government of Odisha;**
- **Odisha Mining Corporation Limited should speed up the process of obtaining various statutory clearances to operate the existing non-operating mines;**
- **Odisha Mining Corporation Limited should utilise the existing operating mines optimally to enhance production and profitability;**
- **Odisha Mining Corporation Limited should prioritise completion of ongoing projects in order to sustain good performance in the long run; and**
- **Odisha Mining Corporation Limited may consider to formulate various operating manuals for carrying out its business activities.**

CHAPTER-III

3. Compliance Audit Observations

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

GRIDCO Limited

3.1 Capital Expenditure Programme of GRIDCO Limited

Introduction

3.1.1 The erstwhile Odisha State Electricity Board (OSEB) was unbundled consequent to reform in power sector in Odisha. Transmission and distribution activities were entrusted (April 1996) to GRIDCO Limited, a wholly owned Company of Government of Odisha (GoO). Subsequently, the distribution activities were transferred (November 1998) to four[53] Distribution Companies (DISCOMs) incorporated as wholly owned subsidiaries of GRIDCO. The DISCOMs were then privatised (April/September1999) by divesting 51 *per cent* of shareholding in favour of private partners. The transmission activities were later transferred (1 April 2005) to another newly created State owned utility, Orissa Power Transmission Corporation Limited (OPTCL). GRIDCO was mainly engaged in business of purchase and bulk supply of power in the State of Odisha.

The electrical networks in the State were 30 to 35 years old at the time of privatisation of DISCOMs. Subsidy provided by State Government to OSEB was withdrawn subsequent to reform and restructuring of electricity sector. There was no infusion of funds to the distribution sector either by GoO or privately managed DISCOMs. Drawal of energy had increased considerably due to increase in consumer base from 13 lakh in 1999 to 26 lakh by 2008-09. There had been very little up-gradation and addition to the existing distribution assets to keep pace with the increased demand. This necessitated a substantial Capital Expenditure (CAPEX) by GoO and privately managed DISCOMs on the distribution system in the State.

Government of Odisha approved (October 2010) a CAPEX programme in the distribution sector to ensure reduction of Aggregate Technical and Commercial (ATC) losses[54]. The CAPEX aimed at reduction of ATC losses to a minimum of three *per cent* per annum during implementation period of the programme. This would also improve the quality of power supply to the consumers of the State. The CAPEX programme envisaged renovation and modernisation of existing distribution systems. It also included installation of new primary distribution substations. GoO engaged GRIDCO as nodal agency for implementation of the programme under the overall guidance of the

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[53] Central Electricity Supply Utility (CESU), North Eastern Electricity Supply Company of Odisha Limited (NESCO), Western Electricity Supply Company of Odisha Limited (WESCO) and Southern Electricity Supply Company of Odisha Limited (SOUTHCO)

[54] Sum total of transmission, distribution, billing and collection losses

Department of Energy, Government of Odisha. GoO had also constituted (November 2010) a Monitoring Committee to oversee the implementation of the programme. The CAPEX programme was to be implemented in two phases[55]. The programme envisaged an investment of ₹2,400 crore with the following funding pattern:

- Grant of ₹500 crore from Thirteenth Finance Commission of Government of India (GoI);
- Budgetary support of ₹700 crore[56] by GoO; and
- Counterpart funding of ₹1,200 crore by DISCOMs.

Audit was conducted during April to June 2017 through test check of records at Head Office of GRIDCO and four DISCOMs. The objective of the audit was to assess whether envisaged reduction of ATC losses was achieved and quality of power supply to the consumers was improved.

Deficiency in Planning

Planning is an important aspect for successful implementation of any programme. Audit observed the following deficiencies in planning for the programme:

Preparation of Detailed Project Report

3.1.2 Detailed Project Report (DPR) is a complete document for decision making, planning and approval for any investment plan. DPR is the base document for planning and implementing projects. The focus of the CAPEX programme was on improvement of distribution systems, reduction of ATC losses and establishment of reliable system.

The scope of the programme *inter alia* included:

- renovation/modernisation of existing and installation of primary distribution substations,
- re-conductoring of lines in theft prone areas,
- replacement of electromagnetic energy meters with tamper proof digital meters,
- energy audit and IT system implementation,
- ring fencing of different project areas etc.

Government of Odisha had not prepared any DPR before approval of the investment plan in October 2010. It had entrusted (November 2010) the task of preparation of DPR for the project to DISCOMs. As instructed by

55 Phase-I (2011-14): ₹960.83 crore and phase-II (2014-16): ₹1439.17 crore

56 Matching State share of ₹166.67 crore with zero *per cent* interest, counterpart funding to Finance Commission grant on behalf of GRIDCO for ₹166.67 crore as loan to GRIDCO with four *per cent* interest and budgetary support of ₹366.66 crore in shape of soft loan with four *per cent* interest

Monitoring Committee, DISCOMs prepared DPR only for phase-I of the programme for implementation.

Audit observed that DPR prepared by DISCOMs did not spell out the loss making areas which required prioritisation of the investment in phase-I. Thus, priority of the works executed in phase-I by the DISCOMs could not be established. GRIDCO and Monitoring Committee had not ensured justification for selection of sites before approval of DPR. Consequently, the target of reduction of ATC losses in the specific project area could not be achieved.

Government stated (October 2017) that selection of sites was carried out based on prioritisation, but the same were not documented. The reply indicated that detailed analysis of prioritisation was not documented in the DPR.

3.1.3 Lack of preparatory arrangements

Government of Odisha planned implementation of the CAPEX programme in four years (2010-14). As per the notification of GoO, DISCOMs were required to implement the projects strictly within time schedule to ensure timely completion of the project. GoO subsequently revised (August 2013) the implementation period to 2011-16. The phase-I of the programme was also revised to 2011-14.

Audit observed that lack of following necessary preparatory arrangements caused delay in kick start of the project and revision in its schedule from 2010-14 to 2011-16:

- Delay in finalisation of technical specifications of materials resulted in delay in issue of purchase orders by the DISCOMs.
- Delay in fixation of eligibility criteria for selection of bidders, finalisation of terms and conditions of the turnkey contracts resulted in delay in issue of work orders.
- Procurement of materials and issue of work orders for execution of work could be effected only from March 2012 and June 2012 respectively. This resulted in delay of 12 to 15 months from the date of release (March 2011) of funds. Consequently, this resulted in further delay in completion of work and revision of target date of completion of the programme.

Government accepted the audit observations. It stated (October 2017) that there were various lacunae in the initial stage of the programme as CAPEX programme was a first project in the distribution sector after a long time.

The reply was not acceptable as lack of necessary preparatory arrangements resulted in delay in implementation of the project.

3.1.4 Deficient funding mechanism

The CAPEX programme envisaged equal investment of ₹1,200 crore each by GoO (including contribution by GoI) and DISCOMs. GoO, initially prescribed (October 2010) the following funding mechanism for the programme:

Table 3.1: Source of funding for CAPEX programme

(₹ in crore)

Source	2010-11	2011-12	2012-13	2013-14	Total
	Phase-I		Phase-II		
Finance Commission	0	200	150	150	**500**
Government of Odisha	300	200	100	100	**700**
DISCOMs	0	200	400	600	**1200**
Total	**300**	**600**	**650**	**850**	**2400**

(Source: Notification of Government of Odisha)

Government of Odisha subsequently revised (August 2013) the funding mechanism and the implementation period to 2011-16. The year wise targets and actual sources of funding as per the revised funding mechanism were as under:

Table 3.2: Revised target and actual source of funding for CAPEX programme

(₹ in crore)

Source		2011-12	2012-13	2013-14	2014-15	2015-16	Total
		Phase-I			Phase-II		
Finance Commission (GoI)	**Target**	125.00	125.00	125.00	125.00	-	**500.00**
	Actual	125.00	125.00	125.00	75.00	-	**450.00**
Government of Odisha	**Target**	295.83	10.00	196.66	197.51	-	**700.00**
	Actual	295.83	10.00	0.00	0.00	-	**305.83**
DISCOMs	**Target**	-	-	83.34	216.66	900.00	**1200.00**
	Actual	-	-	0.00	0.00	0.00	**0.00**
Total	**Target**	420.83	135.00	405.00	539.17	900.00	**2400.00**
	Actual	420.83	135.00	125.00	75.00	0.00	**755.83**
Interest on CAPEX funds released by GoO during 2015-16							**121.66**
Total funds released for the programme							**877.49**

(Source: Notification of Government of Odisha and data furnished by GRIDCO)

In this regard, audit observed that:

- The initial notification (October 2010) prescribed that the DISCOMs would contribute ₹200 crore in the phase-I. GoO, however, revised (August 2013) the counterpart funding by the DISCOMs from ₹200 crore to ₹83.34 crore in the phase-I. The reduction was due to inability of DISCOMs to arrange counterpart funding at the initial stage of the implementation of the programme. However, GRIDCO failed to implement the revised funding pattern. DISCOMs did not contribute ₹83.34 crore out of total outlay of ₹960.83 crore during phase-I. Further, there was a reduction in funding for implementation of the programme by reducing its scope.

- Government of Odisha decided (May 2015) to foreclose the programme midway after release of ₹877.49 crore for phase-I up to 2014-15. The programme was foreclosed mainly due to slow pace of implementation and failure of DISCOMs to arrange counterpart funding. Further, Finance Commission did not release the balance grant of ₹50 crore for the programme as per the plan due to non-completion of work within scheduled time. The foreclosure of the programme led to non-achievement of intended objective of reduction of ATC losses to the targeted level.

Government accepted the facts. It stated (October 2017) that DISCOMs could not raise loan for arranging counterpart funding as their fixed assets were already hypothecated with GRIDCO.

The reply was not acceptable as GoO was well aware of the fact of hypothecation of fixed assets before the launching of CAPEX programme. GoO, despite knowing the fact, planned equal financial contribution by DISCOMs in the CAPEX programme and failed to ensure the same. Implementation of the programme without any contribution from DISCOMs also resulted in extension of unintended benefit to DISCOMs.

Deficiency in Implementation

Audit observed the following deficiencies in implementation of the programme.

3.1.5 Poor utilisation of funds

The phase-I of the CAPEX programme with a proposed investment of ₹960.83 crore was scheduled to be implemented during 2011-14. DISCOMs, however, could not complete the phase-I work within stipulated time. The implementation period for phase-I was extended up to February 2018. As nodal agency, GRIDCO was responsible for coordinating with GoO, DISCOMs and Monitoring Committee with regard to release of funds and monitoring the end use of funds. The receipt and utilisations of funds in respect of phase-I of the programme were as under:

Table 3.3: Receipt and utilisation of funds during phase-I of CAPEX programme

(₹ in crore)

Year	Receipt	Cumulative receipt	Utilisation	Cumulative utilisation	Balance fund	Percentage of cumulative utilisation
2011-12	420.83	420.83	-	-	-	-
2012-13	135.00	555.83	104.87	104.87	450.96	19
2013-14	125.00	680.83	206.28	311.15	369.68	46
2014-15	75.00	755.83	192.17	503.32	252.51	67
2015-16	-	755.83	129.50	632.82	123.01	84
2016-17	121.66	877.49	48.97	681.79	195.70	78

(Source: Information submitted by GRIDCO)

Audit observed that:

- DISCOMs utilised only 46 *per cent* of the funds allotted up to the due date of completion of the phase-I, i.e. March 2014. The low utilisation was mainly due to lack of preparatory arrangements as discussed in **Paragraph 3.1.3**. This resulted in reduction of ATC losses only by 0.4 *per cent* against the target of nine *per cent* by March 2014.

- DISCOMs could not utilise an amount of ₹195.70 crore as on March

2017. GRIDCO, being the nodal agency for implementation of the project, had not ensured end use of the funds allotted within specified time period.

Government accepted the facts. It stated (October 2017) that DISCOMs were not equipped with the skills and expertise to handle CAPEX projects.

The reply was not acceptable. GRIDCO, being the nodal agency, should have ensured the utilisation of funds by the DISCOMs within stipulated time period by equipping with necessary skills and expertise.

Delayed execution and non-adherence to timeline

3.1.6 Government of Odisha notified that DISCOMs shall implement the project strictly within the time schedule to ensure quality and timely completion of the project. The CAPEX programme was executed by dividing the entire erection works into 71 packages[57] based on number of divisions/circles in each DISCOM. The packages included construction and up-gradation of sub-stations, re-conductoring of lines, replacement of conductors, metering etc. Twenty seven out of 71 packages were awarded to National Small Industries Corporation (NSIC)/Odisha Small Industries Corporation (OSIC). The award to NSIC/OSIC was on negotiation basis due to non-availability of suitable bidders. Thirty seven packages were allotted after following due tendering procedures and seven packages were executed departmentally. All the 71 packages were awarded during the period June 2012 to August 2015 with scheduled completion period of August 2013 to January 2017.

Audit observed that:

- Only one package, out of 20 completed packages, was completed within the scheduled period of completion. The rest 19 packages were completed with a delay ranging from 104 to 1158 days.
- Fifty-one packages were not completed (March 2017).
- DISCOMs awarded 15 out of 71 packages after the scheduled date of completion of the phase-I of the programme (March 2014).

This indicated non-adherence to timelines prescribed in the programme.

The delay was mainly due to delay in finalisation of technical specifications of materials and inadequate response from the bidders, delay in execution by contractors and revision in scope of work. The delay in completion of work resulted in extension of completion of phase-I project from March 2014 to February 2018. It also resulted in delay in achievement of desired objective of reduction of ATC losses.

Government accepted the facts and stated (October 2017) that steps were being taken to complete the balance work by the extended period of February 2018.

[57] CESU -22, NESCO-16, WESCO-15 and SOUTHCO-18

Procurement of materials were not synchronised with the execution of work

3.1.7 Monitoring Committee had decided to procure all major materials separately in advance and execute the work through turnkey contract. This was to ensure quality and avoid delay in implementation. During the period of implementation, DISCOMs had placed purchase orders of ₹525.04 crore towards procurement of materials.

Audit observed that:

- Procurement of materials were not synchronised with the execution of work. Materials valuing ₹106.14 crore remained idle as on March 2017. Consequently, guarantee period of unutilised materials like conductors, distribution transformers and cables valuing ₹83.94 crore as on March 2017 had already expired. This would lead to additional expenditure on rectification of defect, if any, noticed after expiry of the guarantee period. The useful life of the materials was also reduced to that extent.

- NESCO and WESCO procured materials worth ₹139.56 crore without any detailed survey. As a result, procurement exceeded requirement and materials valuing ₹31.44 crore were not utilised as on March 2017.

Government accepted the facts and stated (October 2017) that materials for the programme could not be utilised due to non-availability of suitable contractors for execution of the work.

The reply was not acceptable as Monitoring Committee had decided (June 2012) that in case of non-availability of suitable contractors, the work could have been taken up departmentally to complete the same in time.

Non-achievement of execution targets as per the DPR

3.1.8 The execution of works mainly involved renovation/ modernisation of existing distribution networks and provision of new substations and lines. DPR envisaged execution of works within the scheduled time in order to achieve the desired objective of system upgradation and reduction of ATC losses. The physical progress of works as against the target fixed in the DPR was as under:

Table 3.4: Target and achievement of physical progress of works

Works particulars	Target as per DPR	Achievement as on March 2014 (Phase-I)	Percentage of achievement as on March 2014	Achievement as on March 2017	Percentage of achievement as on March 2017
33/11 KV substation (in Nos)	194	102	53	187	96
33 KV and 11 KV lines/ re-conductoring (in Km)	7237	610	8	5040	70
Distribution Transformers (in Nos)	3330	404	12	3054	92
AB Cable (in Km)	6983	273	4	4667	67
Three Phase Meter (in Nos)	26933	1528	6	23168	86
Single Phase meter (in Nos)	561094	2800	0.5	502900	90

(Source: Monthly progress report submitted by DISCOMs to GRIDCO)

Audit observed that:

- Re-conductoring of lines involves replacement of old and worn out conductors of lower capacity. This would reduce the technical losses. This would also result in increase in billing efficiency by 0.5 *per cent*. DISCOMs completed only eight *per cent* by March 2014 of phase-I and 70 *per cent* of total DPR target by March 2017. This resulted in loss of 13.55 Million Units (MU) of energy with consequential loss of ₹3.69 crore during 2014-17.

- Low Tension (LT) bare conductors are susceptible to theft. Replacement of bare conductors with AB cables was proposed in the DPR to reduce commercial losses. This would prevent theft of energy by hooking to a large extent resulting in saving of 12,000 units of energy per KM per year. DISCOMs completed only four *per cent* by March 2014 of phase-I and 67 *per cent* of total target of replacement of conductors by March 2017. The delay resulted in loss of 195.68 MU of energy with consequential loss of ₹53.33 crore during 2014-17.

- Installation of Distribution Transformer (DT) in a substation results in voltage improvement. DISCOMs completed only 12 *per cent* by March 2014 of phase-I and 92 *per cent* of total DPR target of DT by March 2017. As a result, the desired objective of improvement of voltage could not be fully achieved.

- Replacement of every defective single and three phase meter would result in saving of 120 units and 3,600 units of energy per year respectively. DISCOMs completed only 0.5 *per cent* and six *per cent* single phase and three phase meters respectively by March 2014 of phase-I. They completed 90 *per cent* and 86 *per cent* single phase and three phase meters respectively by March 2017. Delay in replacement of meters resulted in loss of 358.17 MU of energy with consequential loss of ₹97.48 crore during 2014-17.

- Implementation of Information Technology (IT) was one of the elements in the scope of the CAPEX programme. It was mainly intended to prevent human intervention and increase in billing efficiency. The entire provision of ₹92.49 crore made in DPR for IT implementation was, however, diverted for other system improvement measures. Consequently, the intended objectives of prevention of human intervention and increase in billing efficiency could not be achieved.

Government stated (October 2017) that the physical target could not be achieved mainly due to:

- non-availability of suitable contractors;

- non- availability of shut down time for replacement of conductors;

- right of way problems in laying new lines; and

- resistance from public for laying AB cable.

The reasons cited by the Government are not convincing as field realities were known to the Government while formulating the programme. Further, effective monitoring by the nodal agency and Monitoring Committee could have resolved the bottlenecks.

Non-achievement of Objective

3.1.9 The CAPEX programme aimed at reduction of ATC losses to a minimum of three *per cent* per annum in the area of project implementation. The programme aimed at overall reduction of 15 *per cent* during 2011-16. Each one *per cent* reduction in ATC losses was expected to generate additional revenue of about ₹50 crore *per annum*. The DISCOMs were required to ring fence[58] the identified project area at the beginning of the programme. This would facilitate evaluation of the actual reduction of ATC losses due to CAPEX programme. GRIDCO had to appoint Third Party Independent Evaluation Agencies (TPIEA) for verification of baseline data[59] and subsequent verification of ATC losses figure during the implementation period.

Audit observed that DISCOMs had not ring fenced the project area at the beginning of the programme. GRIDCO engaged (October 2011) three consultants as TPIEA for verification of baseline data for calculating ATC losses. Baseline data, however, was not furnished to GRIDCO by TPIEA for verification and validation. As a result, actual reduction of ATC losses in each project area could not be evaluated. In the absence of detailed analysis of ATC losses of project areas, audit had to depend on the combined ATC losses calculated by DISCOMs. The combined ATC losses in respect of all DISCOMs were 39.75 *per cent* during 2011-12. The same were reduced to 34.17 *per cent* during 2016-17.

It was seen that the ATC losses were reduced only by 5.58 *per cent* (2011-17). The envisaged targeted reduction of 15 *per cent* could not be achieved. This resulted in loss of opportunity to earn additional revenue of ₹471 crore[60]. The additional revenue could have helped DISCOMs to further invest on system upgradation to improve efficiency.

Government accepted (October 2017) the fact that reduction of ATC losses could have been better, had the entire funds been invested in the CAPEX programme.

Monitoring and Evaluation

3.1.10 A Monitoring Committee was formed (November 2010) comprising of eight members under the chairmanship of Commissioner-cum-Secretary of Department of Energy. The committee was to meet as frequently as required or at least once in a month to take stock of progress of work. It was also to sort

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[58] Installation of export/import meters at the boundary of those lines that are feeding outside as well as inside the area of the utility so that import and export of energy can be measured for the project area

[59] Initial collection of data which serves as a basis for comparison with the subsequently acquired data

[60] (15-5.58) x ₹50 crore

out the bottlenecks in implementing the project. GRIDCO as nodal agency was responsible for monitoring the release and the end use of the funds. It was also to coordinate with the different departments of GoO and DISCOMs.

Audit observed that:

- Monitoring Committee met only 36 times, as against the requirement of 77 meetings during the period 2010-17. The committee met only on eight[61] occasions during 2013-14, 2015-16 and 2016-17 but had not met at all during 2014-15. Meeting of Monitoring Committee was held as and when the DISCOMs raised any issue during implementation of the programme.

- Monitoring Committee/GRIDCO did not evolve any mechanism for fixation and achievement of milestones during implementation of the programme *vis-à-vis* targets.

The above facts indicated that Monitoring Committee was not effective in overseeing the implementation of the programme in a systematic manner.

Government accepted (October 2017) the facts.

Conclusion

The CAPEX programme was launched with a total proposed outlay of ₹2,400 crore for strengthening the electricity distribution system of the State. This was to increase the quality of power and reduction in Aggregate Technical and Commercial losses. There were defects in the funding mechanism of the programme. Government of Odisha short-closed[62] the programme with an investment of ₹877.49 crore as Distribution Companies did not contribute any funds. The programme was executed by dividing the entire work into 71 packages. Nineteen packages were completed with a delay ranging from 104 to 1158 days and 51 packages were not completed (March 2017). This indicated non-adherence to timelines prescribed in the programme. The reduction of Aggregate Technical and Commercial losses was only 5.58 *per cent* against a target of 15 *per cent.* This had resulted in loss of opportunity to earn additional revenue of ₹471 crore.

[61] 5 times (2013-14), 2 times (2015-16) and 1 time (2016-17)

[62] Closure of the programme before scheduled period of completion or without expending the budgeted outlay of the programme

Odisha Hydro Power Corporation Limited

3.2 Extra expenditure

Failure to take timely action for reduction of government guarantees resulted in excess payment of guarantee commission of ₹14.98 crore

As per the guidelines issued[63] by Government of Odisha (GoO), Borrowing Institutions (BI) availing government guarantee from GoO were liable to pay Guarantee Commission (GC) to the State Government. The GC was payable at the rate of 0.5 *per cent* per annum on the maximum amount guaranteed on 1 April of each year. The guidelines also stipulated that the guarantee could be reduced/ closed on account of repayment of loan and surrender of unutilised guarantee by the BI. Clearance of the lending institution and prior concurrence of the Finance Department (FD), GoO would be required for reduction/ closure of guarantee. The Administrative Department (AD) of the BI was responsible for obtaining concurrence from Finance Department.

Odisha Hydro Power Corporation Limited (OHPC) had obtained[64] government guarantee of ₹615.04 crore for availing loans for its hydro electric projects. It had availed four[65] loans of ₹557.19 crore against the guarantee and the balance guarantee of ₹57.85 crore remained unutilised. OHPC was paying GC on the basis of reduced outstanding guarantee against the loans availed and repaid by it from time to time.

Consequent to full repayment of one loan[66], OHPC requested (August 2007) Energy Department (ED) to obtain concurrence from FD for closure of guarantee against that loan. FD, however, stated (January 2008) that OHPC and ED did not initiate action to reduce the guarantee in the respective years of repayment of the loans. As a result, GC on the maximum amount of guarantee sanctioned would be payable. Subsequently, OHPC took up[67] the matter with ED to obtain concurrence from FD for reduction/ cancellation of guarantee. ED, however, belatedly submitted (November 2015) the proposal to FD for post facto approval on year wise calculation of guarantee commission paid by OHPC. FD rejected the proposal of ED as there was no provision in the guidelines to accord such *post-facto* approval. FD also directed (November 2015) ED to recover GC of ₹14.03 crore outstanding as on 31 March 2015 from OHPC. OHPC deposited (March 2016) ₹7.02 crore being 50 *per cent* of the amount demanded under protest.

OHPC submitted (April 2016) a fresh proposal to ED for reduction of GC on prospective basis for reduction of guarantee with effect from 1 April 2016. FD agreed for the reduction with stipulation that OHPC should deposit GC of ₹7.96 crore outstanding as on 31 March 2016. OHPC deposited (February

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63 April 1980/ November 2002/ June 2003

64 July 1994-May 2001

65 Hirakud Hydro Electric Project (Unit-1&2) - ₹76.12 crore, Hirakud Hydro Electric Project (Unit-3&4) - ₹65.15 crore, Upper Indravati Hydro Electric Project - ₹320.00 crore, Balimela Hydro Electric Project - ₹95.92 crore

66 Hirakud Hydro Electric Project (Unit-1&2) - ₹76.12 crore

67 April and December 2008, February 2011, June 2012, May 2013, July 2014, March 2015

2017) the demanded amount of GC. OHPC had recovered the GC paid by it through tariff by claiming the same in its Aggregate Revenue Requirement.

In this regard, audit observed the followings:

- Energy Department, being the Administrative Department for OHPC was responsible to obtain concurrence from FD for reduction of government guarantee. However, it did not move the proposal for reduction of government guarantee to FD on year to year basis. Consequently, OHPC had to pay the GC applicable on the maximum guarantee sanctioned by GoO.

- OHPC had not moved any proposal to surrender the un-availed guarantee of ₹57.85 crore to ED. It calculated the GC on reduced loan outstanding assuming that guarantee would be reduced by the amount of surrender or repayment of loan.

Thus, lack of timely action by OHPC/ ED in obtaining concurrence from FD resulted in extra expenditure of ₹14.98 crore towards GC. It had also resulted in additional tariff burden on the consumers of the State as OHPC recovered the GC paid by it through its Aggregate Revenue Requirement.

Government stated (October 2017) that due to lack of coordination between Energy Department and Finance Department, the matter was delayed. Government, however, assured that ED would be careful in future to avoid such type of delays.

Odisha State Police Housing & Welfare Corporation Limited

3.3 Extra expenditure

Unauthorised construction deviating from the approved plan had resulted in additional liability of ₹1.94 crore

The State Government decided (March 2008) to set up a training academy at Jamujhori of Khurda district. The objective was to impart training to prison officers and staff. The Directorate of Prison (DoP) accorded administrative approval[68] of the work at ₹12.73 crore. The work was entrusted to Odisha State Police Housing & Welfare Corporation Limited (OSPHWC) for execution with scheduled completion by June 2013. The project, however, remained incomplete as of February 2017 after utilising ₹11.01 crore.

Audit observed that the project *inter alia* included construction of ladies hostel up to first floor at ₹2.57 crore. OSPHWC, however, constructed up to second floor by utilising ₹2.91 crore. The deviation occurred due to construction on the basis of an old plan and design, in which the ladies hostel had the provision of three floors. OSPHWC stopped the works in August 2012 as the allocated funds were exhausted. Thereafter, it revised the estimated cost of the project to ₹19.04 crore, which included ₹1.94 crore towards construction of second floor of the hostel. OSPHWC requested (June 2014) DoP for release of

[68] April 2009 to March 2011

additional funds of ₹6.31 crore. The approval of the DoP had not been received as of April 2017.

OSPHWC had not fixed responsibility on the erring officials for such unauthorised construction. As the extra expenditure was attributable to OSPHWC, the same would be borne by it.

Thus, unauthorised construction deviating from the approved plan led to additional liability of ₹1.94 crore. It also delayed the completion of the work. The objective of setting up of the Prison Academy to impart training to prison staff also remained unfulfilled.

Government while admitting the fact stated (July 2017) that OSPHWC would be held responsible for cost and time overrun in completion of the project.

3.4 Avoidable expenditure

Construction of building deviating from the approved design and lack of supervision over execution resulted in avoidable expenditure of ₹0.64 crore

Government of India released ₹1.92 crore during 2009-13 under a centrally sponsored scheme[69] for construction of a civil defence training institute as well as purchase of equipment and vehicle. The Director of Civil Defence accorded (October 2013) administrative approval for ₹1.56 crore and released (January 2014) ₹1.46 crore to OSPHWC for the purpose.

The approved plan and design envisaged for construction up to 1st floor, with foundation for construction up to 5th floor (G+4). The plan and design of the project had provision for construction of 48 columns. OSPHWC started (February 2014) execution of the work scheduled to be completed by February 2015.

Photograph of incomplete civil defence training institute at Bhubaneswar

Audit observed (October-November 2016) that the concerned Engineer of OSPHWC constructed 64 columns against the provision of 48 columns. The concerned engineer had also not taken approval of the Chief Engineer (CE) or consent of the Director, Civil Defence for the deviation. Further, the GM (Technical) had not pointed out the deviation during inspection of the work. After executing work valued at ₹1.22 crore, OSPHWC stopped construction (May 2015) on the ground of non-availability of funds. As a result, OSPHWC could not execute the unfinished work[70].

[69] Revamping the civil defence set up in the country
[70] Flooring, plastering, electrification, sanitary works and approach roads

OSPHWC submitted a revised estimate of ₹2.20 crore to the Director, Civil Defence in January 2017 for approval. However, the Director, Civil Defence asked (February 2017) OSPHWC to complete the work at their own cost, since the latter was responsible for escalation of cost. Thus, deviation from the approved plan had resulted in avoidable expenditure of ₹0.64 crore[71] for construction of the building which is lying incomplete since May 2015. The incomplete building may also suffer damage due to weathering etc. However, OSPHWC had not fixed responsibility for such lapse (March 2017). The objective of construction of civil defence training institute to impart training also remained unachieved.

The Joint Manager, OSPHWC attributed the increase in number of columns and change of design to advice of the Principal, Fire Training Institute, Bhubaneswar. However, the Director General (Fire Service, Civil Defence and Home Guard) denied that they had issued any such instruction.

The Home Department stated (July 2017) that the OSPHWC would bear the extra cost and the Managing Director of OSPHWC was being requested to fix responsibility for the lapse.

3.5 Deficient monitoring

Deficient management of stores resulted in damage and pilferage of materials worth ₹0.31 crore and non-completion of project

Government of India (GoI) sanctioned ₹6.68 crore[72] during 2009-12 for construction of 250-men barrack and allied facilities at Soroda for Central Armed Police Forces (CAPF). The Home Department released (2009-12) the entire amount of ₹6.68 crore to the Odisha State Police Housing and Welfare Corporation Limited (OSPHWC) for execution of the project. OSPHWC completed 100-men barrack and allied facilities during December 2014 to December 2015 at a cost of ₹5.15 crore. Construction of the 150-men barrack had not been completed as of December 2016.

Audit observed the following:

- The State Government had handed over the site of the project to OSPHWC in March 2013. However, OSPHWC had placed order for the pre-fabricated structural materials[73] for the 150-men barrack in March 2010 much before the site was handed over. It received materials during May and July 2010 and paid ₹0.31 crore to the supplier. Materials were stored in the premises of Mohana Police Station under the custody of the then Assistant Project Manager. The Assistant Project Manager neither safeguarded the procured materials nor conducted periodical physical verification of stores. As a result, some of the materials were found damaged and some stolen. The Joint Manager of OSPHWC reported about missing materials in August and

[71] Difference between the administratively approved cost (₹1.56 crore) and revised estimated cost (₹2.20 crore)

[72] 2009-10: ₹1.53 crore for construction of 150-men barrack; 2010-12: ₹5.15 crore for construction of 100-men barrack

[73] Truss, GCI sheet, doors, windows and ventilators

October 2015. OSPHWC stopped construction of 150-men barrack in September 2016 due to the missing of materials. On the basis of audit observation, OSPHWC lodged an FIR belatedly in January 2017.

- Despite completing construction of the other works[74], CAPF, the user agency, declined to take over the completed assets on account of non-completion of 150-men barrack.

Procurement of material before taking possession of land was in violation of the codal provisions. Deficient management of stores resulted in damage and pilferage of materials worth ₹0.31 crore. The objective of setting up secured camping ground for CAPF also remained unfulfilled, even five years after release of funds.

Government accepted the observation and stated (May 2017) that due to prolonged storage, some materials were damaged and some fitting and fixture materials were found stolen. They also stated to have filed (January 2017) FIR for detailed investigation into the matter.

Odisha Power Transmission Corporation Limited

3.6 Extra expenditure

Failure to take timely action for construction of transmission lines resulted in extra expenditure of ₹0.71 crore

Odisha Power Transmission Corporation Limited awarded (May 2013) contract for construction of a grid substation at Samangara in Puri. The grid substation was constructed to improve power supply to Puri town for Nabakalebar festival held during July 2015. The power to the substation was to be supplied by constructing a transmission line from the proposed grid substation of Power Grid Corporation of India Limited (PGCIL) at Pandiabil.

OPTCL held (August/September 2014) meeting with PGCIL wherein PGCIL shared progress of work of their substations and lines. Considering the progress of work by PGCIL, OPTCL apprehended that PGCIL would not be able to complete its grid substation before Nabakalebar festival. Hence, OPTCL decided[75] to supply power to its substation at Samangara by constructing an alternate transmission line from another grid substation of OPTCL at Atri.

OPTCL invited (November 2014) tender for construction of transmission line from Atri to Pandiabil against which only one tender was received. The quoted price (₹26.94 crore) was 64.37 *per cent* higher than the estimated cost (₹16.39 crore). OPTCL cancelled the tender and decided (December 2014) to execute the work departmentally through its empanelled Rate Contract Holders (RCHs). OPTCL also decided (December 2014) to allow 50 *per cent* additional amount over the normal rate contract price for the erection work. The additional amount was allowed on the ground that the contractors would have to work overtime for completing the project within short period. OPTCL

[74] 100-men barrack and allied facilities
[75] September 2014

issued (January/ March 2015) work orders to five RCHs with additional 50 *per cent* over normal rate contract price. The work was completed (June 2015) at a total erection cost of ₹4.02 crore and the contractors were paid ₹1.34 crore extra over the normal rate contract price.

Audit observed that PGCIL had issued (September 2014) work order for construction of its substation at Pandiabil scheduled for completion by September 2015. The substation was actually completed (July 2016) after one year of Nabakalebar festival. This indicated that construction of substation by PGCIL was not synchronised with Nabakalebar festival. OPTCL had not obtained confirmation from PGCIL while awarding work (May 2013) that the grid substation would be available before the festival. It belatedly held (August/September 2014) meeting with PGCIL wherein PGCIL indicated about non-completion of its grid substation before the target date. As a result, OPTCL had to make alternate arrangement for supply of power. For this, OPTCL executed the work by paying additional amount over the rate contract for emergency work, on the ground of urgency. This resulted in extra expenditure of ₹ 0.71 crore.

This indicated the failure of the management to take timely action for construction of line.

Government while accepting the fact stated (October 2017) that PGCIL had confirmed non-availability of their substation only in August 2014. As a result, the alternative arrangement had to be made on emergency basis. Government further stated that the expenditure incurred was less than the quoted price obtained through tender.

The reply was not acceptable as OPTCL had not regularly followed up the progress of construction work with PGCIL. This resulted in execution of the work on emergency basis. Further, the quoted price obtained through tender was higher due to urgency of work with short completion time period and hence not comparable. Alternatively, OPTCL could have ensured execution of work as per the approved rates for emergency works thereby avoiding extra expenditure of ₹0.71 crore.

3.7 Undue favour

Imprudent fixation of rate contract price resulted in extension of undue benefit of ₹0.59 crore to the contractors

Odisha Power Transmission Corporation Limited (OPTCL) executes normal and emergency works through its rate contract holders selected by open tender[76]. The Rate Contract Price (RCP) approved in July 2012 was valid up to July 2014. OPTCL floated (March 2014) tender for fresh enlistment of rate contract holders for a period of two years. The Contract Scrutiny Committee (CSC) observed that the item-wise rates quoted by the lowest bidder were not workable. CSC recommended (November 2014) to fix the new RCP by increasing the existing RCP by 11.58 *per cent* based on variation in Wholesale Price Index (WPI). The recommendation was based on the increase in WPI of

[76] A bidding process that is open to all qualified bidders and where the sealed bids are opened in public for scrutiny and are chosen on the basis of price and quality

September 2014 (185) with base index of July 2012 (165.80). As a result, the Price Scrutiny Committee (PSC) recommended (December 2014) for increase in RCP by 12.91[77] *per cent.* The recommendation was based on proportionate increase in the WPI from July 2012 to December 2014 as the WPI for December 2014 was not available.

Audit observed that the proportionate increase in WPI resulted in assumption of WPI for December 2014 as 187.20[78] instead of actual WPI for December 2014 which was 179.80. Board of Directors (BoD) approved (December 2014) the RCP recommended by PSC. The BoD also decided that the RCP for the first year would be kept firm and RCP for second year would increase based on variation in WPI during the first year of contract. The RCP for the first year was effective from 3 February 2015.

Subsequently, while fixing the RCP for the second year, PSC recommended (April 2016) for reduction of existing RCP by 0.91 *per cent.* The recommendation was made considering variation in WPI from February 2015 (175.6) to February 2016 (174). The new RCP for the second year was approved (June 2016) by BoD and made effective from 16 June 2016.

Audit observed that:

- RCP for the first year was fixed considering increase in WPI from July 2012 to December 2014. OPTCL, however, fixed terms and conditions for fixation of RCP for the second year considering variation in WPI from February 2015 to February 2016. It had not considered the variation in WPI from December 2014 while fixing the RCP for the second year.
- RCP for second year was fixed considering variation in WPI up to February 2016, though it was made effective from 16 June 2016. WPI for the month of May 2016 was available when the RCP for the second year was made effective. Hence, OPTCL should have considered the WPI for the month of May 2016, instead of February 2016 while fixing RCP for the second year.

Thus, OPTCL should have calculated RCP considering variation from December 2014 (187.20) to May 2016 (179.40) instead of February 2015 (175.6) to February 2016 (174). The RCP was to be decreased by 4.17[79] *per cent* instead of 0.91 *per cent*. This resulted in fixation of RCP on higher side by 3.26 *per cent*. Audit test checked records relating to 48 works valuing ₹18.01 crore awarded during June 2016 to December 2016. Audit observed that OPTCL extended undue benefit of ₹0.59[80] crore to the contractors due to fixation of RCP on higher side.

Government, during discussion on the paragraph stated (October 2017) that the deficiencies in procedure for fixation of RCP had since been rectified. They agreed to implement the same from subsequent rate contract.

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77 11.58 *per cent* x 29 months (July 2012 -December 2014)/26 months (July 2012-September 2014)

78 [(165.8x12.91)+(165.8*100)]/100

79 (187.20-179.40)/187.20*100

80 ₹18.01 crore*3.26/100)

Odisha Film Development Corporation Limited

3.8 Loss of revenue

Failure to take timely action to let out the vacant space resulted in loss of revenue of ₹0.63 crore towards rental income

Odisha Film Development Corporation Limited (OFDC) was incorporated as the nodal agency of the State Government for promotion of the film industry in the State. The ancillary objective of OFDC *inter alia* included lease or mortgage of all or any part of its property. Income from leasing out the properties was the second major source of revenue of OFDC.

The corporate office building of OFDC consisted of four floors, out of which the first floor was occupied by OFDC. The rest of the floors were let out on lease to earn revenue from utilisation of vacant space. The second floor of the building was occupied by Registrar of Companies (RoC). RoC vacated (July 2011) the premises with prior intimation to OFDC. OFDC published (September 2011) advertisement in one local newspaper to lease out the vacated space, against which no response was received. Subsequent advertisement (January 2012) also did not receive any response. OFDC did not make any further effort to let out the vacant space due to non-receipt of any response to its earlier advertisements.

Subsequently, Debt Recovery Tribunal (DRT) informed (August 2013) OFDC about their willingness to hire the vacant space. They requested OFDC to execute certain repair works before taking possession. OFDC belatedly engaged (August 2014) Odisha Small Industries Corporation Ltd (OSIC) to carry out the work at an estimated cost of ₹16.40 lakh. OSIC, however, completed only part of the work by February 2015. OFDC withdrew (March 2015) the repair work from OSIC and entrusted the balance repair work to IDCO[81] for early completion. IDCO completed (June 2015) the balance repair work at a cost of ₹20.24 lakh. OFDC requested (June/October 2015) DRT to take possession of the vacant space, as it was losing rental income of ₹0.86 lakh per month. DRT, however, expressed (October 2015) their unwillingness to take possession as Odisha High Court had granted stay order (May 2015) on shifting of their office. OFDC had not taken any further steps to lease out the renovated vacant space stating that the matter was sub-judice.

In this regard, audit observed the followings:

- OFDC published advertisement to lease out the vacant space only on two occasions and only in one local newspaper. As a result, wide publicity was not given to attract more bidders. No further advertisements were made by OFDC after January 2012 to let out the vacant space.

- OFDC took action after a delay of 12 months from the receipt of request of DRT to issue work order for repair work. OFDC did not

[81] Industrial Development Corporation of Odisha

monitor the progress of repair work undertaken by OSIC. As a result, the repair work could be completed only in June 2015.

- OFDC had not signed any agreement with DRT to lease out the vacant space before undertaking repair work as per the requirement of DRT. Further, OFDC was not a party in the court case pertaining to shifting of DRT office to OFDC premise. High court had also not given any direction to OFDC to keep the vacant space reserved for DRT. OFDC, however, did not take any action to let out the vacant space to others on the ground that the matter was sub-judice.

Thus, failure to take timely action to let out the vacant space resulted in loss of rental income to the extent of ₹0.63 crore[82].

Government stated (September 2017) that OFDC did not make further advertisements as it wanted to avoid private tenants and lease out the space to governmental offices.

The reply was not acceptable as Board of Directors of OFDC has not taken any decision to let out the property only to governmental offices. The reply also indicated lack of serious efforts on the part of OFDC to lease out the space despite it remaining vacant for more than six years.

Industrial Development Corporation of Odisha Limited

3.9 *Loss of revenue*

Failure to take decision within validity period of the offer resulted in sale of iron ore fines at lower rate and loss of ₹0.46 crore

Industrial Development Corporation of Odisha Limited (IDCOL) was holding mining lease of one iron ore mine and one chrome ore mine. IDCOL floated (3 March 2015) a tender for sale of 20000 Metric Tonne (MT) iron ore fines. The price bid of the tender was opened on 11 March 2015. Brahmani River Pellets Limited (BRPL) became the highest (H1) bidder with quoted price of ₹795 per MT (exclusive of royalty). As per terms and conditions of the tender, the offer was valid for 30 days from the date of opening of the price bid, i.e., up to 10 April 2015. The Tender Committee recommended (13 March 2015) for allotment of tendered quantity in favour of H1 bidder.

Chairman-cum-Managing Director (CMD) of IDCOL, however, did not approve the recommendation of Tender Committee. CMD decided (21 March 2015) to refer the matter to Odisha Mining Corporation Limited (OMC) to ascertain the reasonableness of the offered price. The matter was referred (26 March 2015) to OMC as it was also selling iron ore fines. OMC, in turn intimated (9 April 2015) IDCOL that they were selling iron ore fines of different grade. The selling price of iron ore fines of OMC was ₹1,500 per MT inclusive of royalty. The Tender Committee, based on the sale price of iron ore fines in OMC and applicable royalty, worked out (15 April 2015) the sale price of its own grade of iron ore fines. The worked out price came to ₹830 per MT

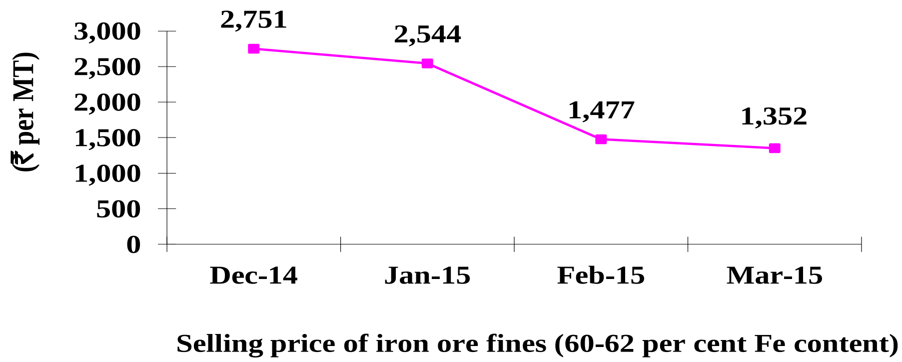
[82] 7776.90 square feet (floor area of vacant space) x ₹11 per square feet x 74 months (August 2011 to September 2017)

which was higher than the H1 price by ₹35 per MT. CMD, IDCOL, however, decided (16 April 2015) to send the analysis of sale price of Tender Committee to Department of Steel & Mines, Government of Odisha for vetting. IDCOL had not received any response from the Department in this regard.

IDCOL subsequently decided (13 May 2015) to float a fresh tender for sale of iron ore fines as the validity of offer of BRPL had expired on 11 April 2015. It cancelled two tenders floated during May 2015, as the H1 prices received were on much lower side. IDCOL finally sold (July 2015) iron ore fines at a price of ₹565 per MT exclusive of royalty. The selling price was lower by ₹230 per MT than the price offered by BRPL resulting in loss of ₹0.46 crore[83].

Audit observed that the average sale price of iron ore fines in the State had decreased by 50 *per cent* from December 2014 to March 2015 as depicted in the following graph:

Chart 3.1: Average selling price of iron ore fines



IDCOL was aware that OMC sells different grade and size of iron ore fines than IDCOL and average sale price of iron ore fines in the State was on downward trend. CMD, IDCOL despite knowing the above facts, referred the matter to OMC/Government for their opinion on H1 price. IDCOL, while referring the matter to OMC and Government had not ensured receipt of clarification within validity period of the offer. It also did not seek extension of validity period from BRPL to safeguard against delay in receipt of communication from OMC/Government.

Thus, failure on the part of management to decide the reasonableness of H1 price within the validity period of the offer had resulted in loss of ₹0.46 crore.

Government accepted (July 2017) the fact of non-receipt of information from OMC/Government within the validity period. It stated that loss or gain would always arise when compared with previous tender price as market behaviour could not be predicted.

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[83] 20000 MT * ₹230 per MT (₹795 per MT -₹565 per MT)

The reply was not acceptable as the average sale price of iron ore fines was on a downward trend since December 2014 and thus the market behaviour was predictable during this period. Further, IDCOL had not ensured receipt of information from OMC/Government within the validity period of the offer. It had also not sought extension of validity period from H1 bidder.

Bhubaneswar

The : 16 February 2018

(YASHODHARA RAY CHAUDHURI)
Principal Accountant General
(Economic and Revenue Sector Audit), Odisha

Countersigned

New Delhi

The: 20 February 2018

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE-1

Statement showing investment made by State Government in PSUs whose accounts are in arrears

(Referred to in paragraph 1.11)

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

Sl. No	Name of the Public Sector Undertaking	Year up to which Accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years of which accounts are in arrear		
					Equity	Loans	Grants/ Subsidy
1	2	3	4	5	6	7	8
A.	**Working Government Companies**						
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2014-15	1.10	2015-16			0.50
				2016-17			0.50
2	Odisha State Cashew Development Corporation Limited	2015-16	1.55	2016-17			8.52
3	Odisha State Seeds Corporation Limited	2012-13	2.63	2013-14			
				2014-15			
				2015-16			0.62
				2016-17			18.00
4	Odisha Lift Irrigation Corporation Limited	2015-16	74.73	2016-17			48.94
5	Odisha Film Development Corporation Limited	2014-15	5.40	2015-16			2.37
				2016-17			1.00
6	Industrial Development Corporation of Odisha Limited	2015-16	57.11	2016-17			1.00
7	GRIDCO Limited	2015-16	576.71	2016-17		121.66	
8	Odisha Hydro Power Corporation Limited	2015-16	638.65	2016-17	55.00		
9	Odisha Power Generation Corporation Limited	2015-16	490.22	2016-17	247.35		
10	Odisha Power Transmission Corporation Limited	2015-16	410.07	2016-17	50.00		
11	Odisha State Civil Supplies Corporation Limited	2015-16	11.03	2016-17			890.67
12	Western Odisha Urban Transport Service Limited	2015-16	1.00	2016-17			5.00
		Total A	**2270.20**		**352.35**	**121.66**	**977.12**
B.	**Working Statutory Corporations**						
1	Odisha State Road Transport Corporation	2015-16	162.44	2016-17	20.00		20.00
		Total B	**162.44**		**20.00**	**0.00**	**20.00**
		Grand Total (A+B)	**2432.64**		**372.35**	**121.66**	**997.12**
C.	**Non-working Government Companies**						
1	Orissa State Commercial Transport Corporation Limited	2000-01	2.34	2015-16			0.03
				2016-17			0.03
		Total C	**2.34**				**0.06**
		Grand Total (A+B+C)	**2434.98**		**372.35**	**121.66**	**997.18**

ANNEXURE-2

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

(Referred to in Paragraph 1.15)

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

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. Working Government Companies													
AGRICULTURE AND ALLIED													
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2014-15	2016-17	1.10	0.00	0.66	0.28	0.10	-1.68	6.91	0.10	**1.45**	33
2	The Odisha Agro Industries Corporation Limited	2014-15	2017-18	7.15	0.00	10.63	493.53	25.87	-1.47	17.96	26.39	**146.94**	181
3	Odisha State Cashew Development Corporation Limited	2015-16	2017-18	1.55	0.00	23.26	15.41	3.07	-0.08	42.07	3.07	**7.30**	363
4	Odisha Forest Development Corporation Limited	2015-16	2016-17	5.00	0.00	-135.45	175.78	22.81	-34.57	-98.42	25.40		1945
5	Odisha Lift Irrigation Corporation Limited	2014-15	2016-17	74.73	0.49	0.91	537.85	0.43	6.67	519.01	0.43	**0.08**	1032
		2015-16	2017-18	74.73	0.42	3.29	529.64	0.62	-67.95	571.72	0.62	**0.11**	
6	Odisha State Seeds Corporation Limited	2012-13	2015-16	2.63	40.01	23.82	183.36	2.11	-1.55	99.32	4.07	**4.10**	125
7	Odisha Pisciculture Development Corporation Limited	2014-15	2016-17	2.21	5.08	-2.81	71.91	0.09	0.15	9.71	0.14	**1.44**	166
Sector Wise Total				**94.37**	**45.51**	**-76.60**	**1469.91**	**54.67**	**-107.15**	**649.27**	**59.79**	**9.21**	**3845**
FINANCING													
8	The Industrial Promotion and Investment Corporation of Odisha Limited	2016-17	2017-18	89.69	0.00	12.51	27.75	9.47	-1.47	108.12	9.47	**8.76**	82
9	The Odisha Film Development Corporation Limited	2014-15	2017-18	5.40	2.64	0.56	0.64	-0.15	-5.05	11.00	-0.15		18

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
10	Odisha Rural Housing and Development Corporation Limited.	2008-09	2016-17	48.16	467.74	-146.05	5.11	-42.93	0.00	371.00	-16.18		34
11	The Odisha Small Industries Corporation Limited	2013-14	2016-17	26.06	1.19	10.16	612.77	13.69	-0.76	49.32	14.18	**28.75**	212
12	Paradip Investment Region Development Limited	2014-15	2017-18	0.05	0.00	0.03	0.00	0.02	0.00	0.08	0.02	**25.00**	8
Sector Wise Total				**169.36**	**471.57**	**-122.79**	**646.27**	**-19.90**	**-7.28**	**539.52**	**7.34**	**1.36**	**354**
INFRASTRUCTURE													
13	The Industrial Development Corporation of Odisha Limited	2015-16	2016-17	57.12	128.20	24.41	15.55	-20.64	10.73	209.73	-18.36		75
14	Odisha Construction Corporation Limited	2015-16	2016-17	17.50	439.88	34.53	678.92	41.28	3.86	492.20	41.32	**8.39**	466
		2016-17	2017-18	17.50	557.21	57.01	867.46	54.22	-0.99	632.02	54.26	**8.59**	
15	Orissa Bridge and Construction Corporation Limited	2015-16	2016-17	15.00	0.00	3.55	70.06	4.41	0.00	18.95	4.41	**23.27**	212
16	The Odisha State Police Housing and Welfare Corporation Limited	2015-16	2016-17	5.63	0.00	86.63	325.00	24.09	-16.97	92.26	24.09	**26.11**	292
		2016-17	2017-18	5.63	0.00	98.06	385.31	26.14	-5.16	103.69	26.14	**25.21**	
17	Brahamani Railways Limited	2015-16	2016-17	21.00	0.00	-1.51	0.00	0.89	0.00	19.49	0.89	**4.57**	4
18	Odisha Mineral Bearing Areas Development Corporation Limited	2015-16	2016-17	0.01	0.00	90.95	0.00	77.02	0.00	90.96	77.02	**84.67**	0
19	IDCO SEZ Development Limited												
20	Water Corporation of Odisha Limited	2015-16	2016-17	0.56	0.00	0.00	0.00	0.00	0.00	1.05	0.00	**0.00**	4
		2016-17	2017-18	0.97	0.00	-0.06	0.00	-0.05	0.00	1.41	-0.05		
21	Rourkela Smart City Limited	2016-17	2017-18	135.50	0.00	0.00	0.37	0.00	0.00	154.54	0.00	**0.00**	4
22	Bhubaneswar Smart City Limited	2016-17	2017-18	250.00	0.00	-9.06	0.12	-9.06		393.21	-9.06		16
23	Odisha Electronics Park Limited												0
Sector Wise Total				**502.73**	**685.41**	**263.35**	**1338.87**	**132.93**	**4.58**	**1624.00**	**135.25**	**8.33**	**1073**

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
MANUFACTURING													
24	Baitarani West Coal Company Limited	2016-17	2017-18	30.00	0.00	-0.18	0.00	-0.05	0.00	29.82	-0.05		9
25	IDCOL Ferro Chrome & Alloys Limited (subsidiary of Sl.No.A-13)	2015-16	2016-17	18.81	0.00	21.17	87.85	-4.02	0.11	39.98	-2.76		1368
26	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. A-12)	2015-16	2016-17	150.10	0.00	-146.75	38.10	-21.18	-4.66	3.35	-20.87		292
27	Konark Jute Limited	2016-17	2017-18	5.94	11.99	-38.09	0.00	-0.11	0.00	-20.16	-0.11		6
28	The Mandakini B-Coal Corporation Limited	2015-16	2017-18	8.31	0.00	0.00	0.00	0.48	0.00	8.31	0.48	**5.78**	0
29	The Odisha Mining Corporation Limited	2015-16	2016-17	31.45	0.00	3441.64	1546.42	988.00	-36.52	5709.66	1020.95	**17.88**	2642
		2016-17	2017-18	31.45	0.00	3541.40	2331.43	1320.51	-53.18	5898.59	1329.34	**22.54**	
30	Odisha State Beverage Corporation Limited	2016-17	2017-18	1.00	0.00	33.11	3241.42	39.33	-12.49	282.54	39.33	**13.92**	277
31	Nuagaon Coal Company Limited	2014-15	2016-17	2.00	0.00	0.22	0.00	0.10	0.00	2.22	0.10	**4.50**	0
32	Paradeep Plastic Park Limited	2014-15	2016-17	0.05	23.29	-0.05	0.00	0.09	-0.72	31.29	0.09	**0.29**	4
33	Angul Aluminium Park Private Limited	2014-15	2016-17	2.00	0.00	0.26	0.00	0.13	0.00	2.26	0.13	**5.75**	2
		2015-16	2017-18	2.00	9.94	0.44	0.00	0.27	0.00	22.58	0.27	**1.20**	
		2016-17	2017-18	2.00	9.94	0.84	0.00	0.44	0.00	37.13	0.44	**1.19**	
34	Odisha Mineral Exploration Corporation Limited	2016-17	2017-18	0.17	0.00	-0.02	0.00	-0.02	0.00	0.15	-0.02		0
Sector Wise Total				**249.83**	**45.22**	**3411.65**	**5698.80**	**1335.57**	**-70.94**	**6313.22**	**1345.97**	**21.32**	**4600**
POWER													
35	GRIDCO Limited	2015-16	2016-17	576.71	3616.75	-3732.01	6806.91	-406.66	-221.47	461.45	115.43	**25.01**	61
36	Odisha Hydro Power Corporation Limited	2015-16	2016-17	638.65	1253.88	478.98	419.98	137.97	-33.18	2471.51	219.69	**8.89**	2099
37	Odisha Power Generation Corporation Limited	2015-16	2016-17	490.22	1625.70	968.41	627.53	178.16	-5.83	3199.27	182.81	**5.71**	664

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
38	Odisha Power Transmission Corporation Limited	2015-16	2016-17	410.07	884.35	-90.94	661.58	38.19	-0.48	2423.20	110.50	**4.56**	3118
39	Odisha Thermal Power Corporation Limited	2016-17	2017-18	268.41	0.00	-6.97	0.00	0.48	0.00	261.44	0.48	**0.18**	7
40	Kalinga Bidyut Prasaran Nigam Private Limited	2016-17	2017-18	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	**0.00**	0
41	Green Energy Development Corporation of Odisha Limited	2016-17	2017-18	50.32	15.00	5.09	14.83	6.84	15.85	70.41	10.22	**14.51**	9
42	Odisha Coal and Power Limited	2015-16	2016-17	0.05	0.00	-0.80	0.00	-0.80	0.00	-0.75	-0.80		73
Sector Wise Total				**2434.44**	**7395.68**	**-2378.24**	**8530.83**	**-45.82**	**-245.11**	**8886.54**	**638.33**	**7.18**	**6031**
SERVICES													
43	IDCOL Software Limited (Subsidiary of Sl. No. A- 13)	2015-16	2016-17	1.00	0.00	1.10	7.26	0.37	0.02	2.11	0.37	**17.54**	5
		2016-17	2017-18	1.00	0.00	1.27	7.38	0.24	0.00	2.27	0.24	**10.57**	
44	Lanjigarah Project Area Development Foundation	2014-15	2016-17	0.05	0.00	0.00	0.00	10.80	-12.30	73.80	10.80	**14.63**	0
45	Odisha State Civil Supplies Corporation Limited	2014-15	2016-17	11.03	0.00	3.00	3658.77	0.00	-37.78	19.70	559.37	**2839.44**	2204
		2015-16	2017-18	11.03	0.00	3.00	3674.87	0.00	-37.77	19.27	597.05	**3098.34**	
46	Odisha Tourism Development Corporation Limited	2016-17	2017-18	9.62	0.00	26.20	25.96	7.50	-4.49	35.82	18.80	**52.48**	613
47	Bhubaneswar Puri Transport Services Limited	2015-16	2016-17	1.00	0.00	4.67	1.69	2.01	0.00	5.67	2.03	**35.80**	5
48	Western Odisha Urban Transport Service Limited	2015-16	2016-17	1.00	0.00	0.68	0.08	0.15	0.00	1.68	0.15	**8.93**	3
49	Ganjam Urban Transport Service Limited	2015-16	2016-17	1.00	0.00	-0.04	1.72	-0.01	0.00	0.96	-0.01		2
50	Odisha State Medical Corporation Limited	2015-16	2016-17	10.00	0.00	12.63	1.34	18.64	0.00	22.63	18.64	**82.37**	89

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
51	Inland Waterways Consortium of Odisha Limited												0
Sector Wise Total				**34.70**	**0.00**	**48.41**	**3713.04**	**39.33**	**-54.56**	**162.10**	**647.70**	**399.57**	**2921**
MISCELLANEOUS													
52	Kalinga Studios Limited (Subsidiary of Sl. No.A-9)	2013-14	2016-17	2.54	0.63	-3.26	0.18	-0.03	0.00	0.10	0.00	**0.00**	0
53	Odisha Sports Development and Promotion Company	2013-14	2016-17	0.25	0.00	0.79	8.52	0.79	-2.75	7.04	0.79	**11.22**	4
		2014-15	2017-18	0.25	0.00	9.86	23.64	9.07	0.00	16.11	9.07	**56.30**	
Sector Wise Total				**2.79**	**0.63**	**6.60**	**23.82**	**9.04**	**0.00**	**16.21**	**9.07**	**55.95**	**4**
Total A (All sector wise working Government Companies)				**3488.22**	**8644.02**	**1152.38**	**21421.54**	**1505.82**	**-480.46**	**18190.86**	**2843.45**	**15.63**	**18828**
B. Working Statutory Corporations													
FINANCE													
1	Odisha State Financial Corporation	2015-16	2016-17	415.34	99.89	-478.56	3.01	-1.65	-1.07	541.33	-1.65		143
Sector Wise Total				**415.34**	**99.89**	**-478.56**	**3.01**	**-1.65**	**-1.07**	**541.33**	**-1.65**		**143**
SERVICES													
2	Odisha State Road Transport Corporation	2015-16	2016-17	162.44	10.27	-169.99	78.46	5.00	-5.00	45.37	6.11	**13.47**	1651
Sector Wise Total				**162.44**	**10.27**	**-169.99**	**78.46**	**5.00**	**-5.00**	**45.37**	**6.11**	**13.47**	**1651**
MISCELLANEOUS													
3	Odisha State Warehousing Corporation	2015-16	2016-17	3.60	0.00	0.00	93.53	11.70	-1.19	113.51	13.10	**11.54**	299
Sector Wise Total				**3.60**	**0.00**	**0.00**	**93.53**	**11.70**	**-1.19**	**113.51**	**13.10**	**11.54**	**299**
Total B (All sector wise working Statutory Corporations)				**581.38**	**110.16**	**-648.55**	**175.00**	**15.05**	**-7.26**	**700.21**	**17.56**	**2.51**	**2093**
Grand Total (A + B)				**4069.60**	**8754.18**	**503.83**	**21596.54**	**1520.87**	**-487.72**	**18891.07**	**2861.01**	**15.14**	**20921**

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
C. Non working Government Companies													
	AGRICULTURE AND ALLIED												
1	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	1972-73	1975-76	0.01									0
2	Orissa Fisheries Development Corporation Limited	1982-83	1983-84	0.35				-0.04		0.20	-0.03		0
Sector Wise Total				**0.36**		**0.00**	**0.00**	**-0.04**	**0.00**	**0.20**	**-0.03**		**0**
	MANUFACTURING												
3	ABS Spinning Orissa Limited (Subsidiary of Sl. No.A-13) (Under liquidation)	2006-07	2010-11	3.00	1.40	-48.89		12.24		-7.69	12.48		0
4	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	1968-69	1974-75	0.04						0.02	0.00		0
5	Hira Steel and Alloys Limited (Subsidiary of Sl. No.A-13) (Under liquidation)	1975-76	1976-77	0.12						0.27	0.00		0
6	IPITRON Times Limited (Subsidiary of Sl.No.C-23) (Under liquidation since 1998)	1997-98	2005-06	0.81	1.68	-9.47		-0.92		-2.07	-0.92		0
7	Kanti Sharma Refractories Limited (Subsidiary of Sl. No. A 11) (Closed since 5 December 1998)	1996-97	2008-09	0.75		-1.26		-0.81		1.92	-0.53		0
8	Konark Detergent and Soaps Limited (Subsidiary of Sl.No.A-11)	1981-82	1996-97	0.06						0.05	0.00		0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
9	Konark Television Limited (Defunct since 1999-2000)	1991-92	1998-99	1.20	2.01	-6.04	14.05	-0.95		6.00	0.36	**6.00**	0
10	Manufacture Electro Limited (Under process of liquidation; assets are disposed of)	1965-66	1982-83	0.01						0.00	0.00		0
11	Mayurbhanj Textiles Limited	1970-71	1976-77	0.04		0.00				0.00	0.00		0
12	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	1972-73	1975-76	0.04		0.00				0.03	0.00		0
13	New Mayurbhanj Textiles Limited	1981-82	2003-04	0.02		0.03		0.03		0.05	0.03	**60.00**	0
14	Orissa Boat Builders Limited (under liquidation)	1970-71	1997-98	0.05		0.00				0.01	0.00		0
15	Orissa Electrical Manufacturing Company Limited	1966-67	1973-74	0.05		0.00				0.05	0.00		0
16	Orissa Instruments Company Limited	1987-88	2000-01	0.09		0.00	0.00	-0.06	0.00	0.36	-0.04		0
17	Orissa Leather Industries Limited (Subsidiary of Sl.No.C-25)	1991-92	1995-96	0.65	1.77	0.00			0.00	1.92	0.00		0
18	Orissa Textile Mills Limited (Under liquidation since 2001)	1997-98	1998-99	24.70	14.68	-53.41		-10.24		5.17	-7.66		0
19	Orissa State Electronics Development Corporation Limited	2004-05	2008-09	20.03	0.19	-2.80		-0.26	-	0.00	-0.26		0
20	Orissa State Handloom Development Corporation Limited (under liquidation)	2003-04	2011-12	3.53	1.58	-20.77	0.03	-0.59	0.00	-5.60	-0.36		0
21	Orissa State Leather Corporation Limited (closed since 18 June 1998)	1988-89	2004-05	1.85	0.37	-2.46		-0.23		1.71	-0.17		0

Sl. No.	Sector/ name of the Company	Period of Accounts	Year in which Accounts finalised	Paid up Capital*	Loan out-standing at the end of year^	Accumulated Profit (+)/ Loss (-)	Turnover	Net Profit (+)/ Loss (-)	Net Impact of Accounts Comments	Capital employed@	Return on capital employed$	Percent-age of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
22	Orissa State Textile Corporation Limited	1993-94	2003-04	2.62	1.62	-15.95	3.52	-3.10		-5.45	-1.80		0
23	Orissa Tools and Engineering Company Limited (619-B)	1982-83		0.44		-0.43				0.00	0.00		0
24	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	1966	1973-74	0.02		0.00				0.00	0.00		0
Sector Wise Total				**60.12**	**25.30**	**-161.45**	**17.60**	**-4.89**	**0.00**	**-3.25**	**1.13**		**0**
	SERVICES												
25	ELCOSMOS Electronics Limited (Subsidiary of Sl. No. C-23)	1997-98	2005-06	1.58	2.00	-6.87		-0.50		1.76	-0.50		0
26	ELCO Communication and Systems Limited (Subsidiary of Sl.No.C-23 Under liquidation since 1998)	1997-98	2005-06	0.64	0.72					-1.46	0.00		0
27	ELMARC Limited (Subsidiary of Sl. No. C-23)	2000-01	2006-07	1.02	0.57	-2.25	0.77	-0.07		-0.56	-0.07		0
28	Orissa State Commercial Transport Corporation Limited	2000-01	2016-17	2.34	2.07	-25.03	0.00	-0.16	0.00	-3.66	0.04		0
	Sector wise total			**5.58**	**5.36**	**-34.15**	**0.77**	**-0.73**	**0.00**	**-3.92**	**-0.53**		0
	Total C (All sector wise non working Government Companies			**66.06**	**30.66**	**-195.60**	**18.37**	**-5.66**	**0.00**	**-6.97**	**0.57**	**0.00**	**0**
	Grand Total (A + B + C)			**4135.66**	**8784.84**	**308.23**	**21614.91**	**1515.21**	**-487.72**	**18884.10**	**2861.58**	**15.15**	**20921**

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

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

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

* Paid-up capital includes share application money

^ Loan outstanding represents Long-term Borrowings

ANNEXURE-3

Statement of the mining lease showing nature of ore, areas, present status of operation

(Referred to in Paragraph 2.1)

Sl. No.	Name of Mining Lease	Minerals	Date of execution of lease	ML Area (in Ha)	Forest Land (in Ha)	Non Forest Land (in Ha)	Non working since	Reason for non-operation of mines
Operative Mines								
1	South Kaliapani	Chromite	22-01-1980	552.457	416.499	135.958	Working	-
2	Sukrangi	Chromite	20-09-1980	382.709	177.760	204.949	Working	-
3	Bangur	Chromite	02-09-1975	139.940	0.000	139.940	Working	-
4	Gandhamardan-B	Iron	11-07-1970	1590.867	1409.649	181.218	Working	-
5	Daitari	Iron	27-01-1966	1018.309	825.280	193.029	Working	-
6	Kurmitar	Iron & Manganese	29-04-1965	651.000	651.000	0.000	Working	-
			Total	**4335.282**	**3480.188**	**855.094**		
Handed over to IDC								
7	Rodia C	Iron & Manganese	30-12-1985	192.810	192.810	0.000	Working	-
			Total	**192.810**	**192.810**	**0.000**		
Inoperative Mines								
8	Kalarangi	Chromite	09-12-1966	936.220	700.120	236.100	04.12.1998	Want of Forest Clearance. Cent per cent exploration as per United Nations Framework Classification (UNFC) not done.
9	Kaliapani	Chromite	08-07-1967	971.245	749.995	221.250	07.07.2007	
10	Birasal	Chromite	04-11-1976	583.021	504.300	78.721	1995-96	
11	Kathpal	Chromite	10-02-1969	264.466	176.690	87.776	01.02.2009	
12	Base of Mahagiri	Chromite	09-09-1970	185.810	185.810	0.000	Execution	Forest Diversification Proposal (FDP) not yet applied. Cent *per cent* exploration as per UNFC not done.
13	Saruabil-Sukrangi	Chromite	29-01-1981	23.243	23.243	0.000	Execution	Want of Forest Clearance. Cent per cent exploration as per UNFC not done.
14	Baniapank	Chromite	15-01-1986	1582.833	295.389	1287.444	Execution	FDP not yet applied. Cent *per cent* exploration as per UNFC not done.
15	Boula	Chromite	07-08-1965	207.360	207.360	0.000	1989-90	Want of Forest Clearance. Cent per cent exploration as per UNFC not done.
16	Gandhamardan-A	Iron	21-05-1963	618.576	519.747	98.829	01.04.2009	
17	Banspani	Iron	21-05-1966	380.400	188.717	191.683	30.06.2004	

Sl. No.	Name of Mining Lease	Minerals	Date of execution of lease	ML Area (in Ha)	Forest Land (in Ha)	Non Forest Land (in Ha)	Non working since	Reason for non-operation of mines
18	Khandbandh	Iron	30-11-1963	366.311	294.530	71.781	05.01.2010	
19	Tiringpahar	Iron	24-08-1964	79.300	79.300	0.000	1979-80	
20	BPJ	Iron	27-02-1970	836.688	359.280	477.408	07.10.2008	
21	Mahaparbat	Iron	09-06-2008	68.000	68.000	0.000	Execution	Want of Forest Clearance.
22	Sakradihi & Dubna	Iron & Manganese	28-12-1959 08-09-1971	1332.019	1141.697	190.322	April.2006	Want of Forest Clearance. Cent per cent exploration as per UNFC not done.
23	Dalki	Iron & Manganese	19-11-1988	265.290	246.524	18.766	1997-98	
24	Seremda-Bhadrasahi	Iron & Manganese	30-08-1986	1734.570	1086.756	647.814	31.12.2009	
25	Roida-78	Manganese	25-04-1981	78.711	78.711	0.000	Execution	
26	Parlipada	Iron & Manganese	25-04-1981	104.860	84.188	20.672	Execution	FDP not yet applied. Cent *per cent* exploration as per UNFC not done.
27	Koira-Bhanjapali	Iron	06-04-1987	141.235	99.963	41.272	09.09.2007	Want of Forest Clearance. Cent per cent exploration as per UNFC not done.
28	Koira-Kasira	Iron	13-10-1976	418.355	231.670	186.685	09.09.2007	
29	Rantha	Iron	31-12-1968	268.873	268.873	0.000	1997	
30	Nishikhal	Manganese	28-06-1964	501.670	454.790	46.880	1997-98	
31	Umpavalley	Limestone	20-08-1975	859.990	215.790	644.200	2001-02	FDP not yet applied. Cent *per cent* exploration as per UNFC not done.
32	Malipada	Gemstone	07-09-2002	27.655	0.000	27.655	Execution	OMC proposed (June 2015) to surrender the ML after a lapse of more than 12 years on the ground of ores having no commercial values.
33	Budhapada	Gemstone	14-06-1993	33.950	0.000	33.950	Execution	OMC proposed (June 2015) to surrender the ML after a lapse of more than 22 years on the ground of ores having no commercial values.
			Total	**12870.651**	**8261.443**	**4609.208**		
New Mine								
34	Kodingamali	Bauxite	10-01-2017	428.075	428.075	0.000	New Mine	
	TOTAL			**428.075**	**428.075**	**0.000**		
	Grand Total			**17826.818**	**12362.516**	**5464.302**		

Glossary of Abbreviations

Sl. No.	Abbreviation	Description
1.	AD	Administrative Department
2.	ANP	Average Net Profit
3.	ATC	Aggregate Technical and Commercial
4.	ATNs	Action Taken Notes
5.	BoD	Board of Directors
6.	BRPL	Brahmani River Pellets Limited
7.	BSY	Baliparbat Stock Yard
8.	CA	Compensatory Afforestation
9.	CAG	Comptroller and Auditor General of India
10.	CAPEX	Capital Expenditure
11.	CESU	Central Electricity Supply Utility
12.	CGM	Corporate Governance Manual
13.	CL	Current Liabilities
14.	CLO	Calibrated Lump Ore
15.	COBP	Chrome Ore Beneficiation Plant
16.	CoPU	Committee on Public Undertakings
17.	CPP	Comprehensive Perspective Plan
18.	CSC	Contract Scrutiny Committee
19.	CSR	Corporate Social Responsibility
20.	DIOM	Daitari Iron Ore Mine
21.	DISCOMs	Distribution Companies
22.	DPRs	Detailed Project Reports
23.	DRT	Debt Recovery Tribunal
24.	ED	Energy Department
25.	FDPs	Forest Diversion Proposals
26.	EP	Environment Protection
27.	FBVL	M/s Feed Bank Venture Limited
28.	FC	Finance Commission
29.	FC	Forest clearance
30.	FCA	Forest Conservation Act
31.	FD	Finance Department
32.	GC	Guarantee Commission
33.	GDP	Gross Domestic Product
34.	GIOM	Gandhamardan Iron Ore Mines
35.	GoO	Government of Odisha
36.	GoI	Government of India
37.	IBM	Indian Bureau of Mines
38.	IDCOL	Industrial Development Corporation of Odisha Limited
39.	IRs	Inspection Reports
40.	JV	Joint Venture
41.	MC	Monitoring Committee
42.	MCDR	Mineral Conservation and Development Rules
43.	MD	Managing Director
44.	MES	Mechanical Evacuation System
45.	ML	Mining Leases

Sl. No.	Abbreviation	Description
46.	MMDR	Mines and Minerals (Development and Regulation)
47.	MoC	Ministry of Coal
48.	MoEFCC	Ministry of Environment, Forest and Climate Change
49.	MT	Metric Tonne
50.	MU	Million Units
51.	NPV	Net Present Value
52.	NSIC	National Small Industries Corporation
53.	OER	Orissa Electricity Reform
54.	OERC	Odisha Electricity Regulatory Commission
55.	OFDC	Odisha Film Development Corporation Limited
56.	OHP	Ore Handling Plant
57.	OHPC	Odisha Hydro Power Corporation Limited
58.	OMC	Odisha Mining Corporation Limited
59.	OPTCL	Odisha Power Transmission Corporation Limited
60.	OSMCL	Odisha State Medical Corporation Limited
61.	OSRTC	Odisha State Road Transport Corporation
62.	OSEB	Odisha State Electricity Board
63.	OSIC	Odisha Small Industries Corporation Limited
64.	PAG	Principal Accountant General
65.	PSC	Price Scrutiny Committee
66.	PSU	Public Sector Undertakings
67.	RC	Rate Contract
68.	RCP	Rate Contract Price
69.	RoC	Registrar of Companies
70.	SARs	Separate Audit Reports
71.	SDG	Sustainable Development Goals
72.	SGBK	Siljora Guruda Balda Kalimati
73.	SKCM	South Kaliapani Chromite Mines
74.	SPCB	State Pollution Control Board
75.	SRS	Star Rating System
76.	TC	Tender Committee
77.	TPIEA	Third Party Independent Evaluation Agencies
78.	UN	United Nations
79.	UNFC	United Nations Framework Classification
80.	WPI	Wholesale Price Index