



**Report of the
Comptroller and Auditor General of India
on Compliance Audit of Public Sector Undertakings
for the year ended March 2022**



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Odisha
Report No. 1 of the year 2024

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Comptroller and Auditor General of India
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Preface

This Report deals with the results of audit of Public Sector Undertakings, namely, Government Companies and Statutory Corporations of the Government of Odisha for the two years ended March 2022.

The Report on the Public Sector Undertakings for the two years ended March 2022 has been prepared for submission to the Government of Odisha for laying before the State Legislature under provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 139 and 143 of the Companies Act, 2013. The audit arrangements of Statutory Corporations are prescribed under the respective acts through which the corporations are established.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2020-22, 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 2020-22 have also been included, wherever pertinent. This Report deals with the performance of 82 Public Sector Undertakings (PSUs) consisting of 64 Government Companies, 15 Government Controlled Other Companies and three Statutory Corporations in the State of Odisha, the audit of which has been entrusted to the Comptroller and Auditor General of India. The Report includes an introductory chapter, 16 Compliance Audit paragraphs including two Detailed Compliance Audits on "Viability of Continuance of Loss making PSUs" and "Implementation of projects under the Smart City Mission in Odisha".

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

This Report of the Comptroller and Auditor General of India (CAG) on observations arising from audit of State Public Sector Enterprises (SPSEs) of Government of Odisha covers the period from April 2020 to March 2022. The observations included in this report relate to Detailed Compliance Audit on “Implementation of Projects under Smart City Mission in Odisha”, “Viability of Continuance of Loss Making PSUs” and outcome of Compliance Audit.

The primary purpose of the Report was to bring to the notice of the State Legislature significant results of audit. The audit findings are expected to enable the executive to take timely corrective action. This would help in framing policies and directives that will lead to improved management of the organisations, thus contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipts, assets and liabilities of the audited entities to ascertain whether the provisions of the applicable Rules, Laws, Regulations, various orders and instructions issued by the competent authorities are being complied with.

I. Summary of Financial Performance of State Public Sector Enterprises

Mandate

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG’s (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit.

As on 31 March 2022, there were 82 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG consisting of 64 Government Companies, three Statutory Corporations and 15 Government Controlled Other Companies. Of these, summary of financial performance of 44 SPSEs is covered in this report.

(Paragraphs 1.1.1 and 1.1.3)

Contribution to the GSDP of the State

The 44 SPSEs registered a turnover of ₹38,504.42 crore in 2021-22. The turnover relative to the Gross State Domestic Product (GSDP) of Odisha was 6.03 per cent.

(Paragraph 1.1.4)

Investment in Government Companies, Corporations and Government Controlled Other Companies

As on 31 March 2022, the investment (Equity and Long Term Loans) in 32 SPSEs was ₹25,204.22 crore. During 2021-22, the total equity holding at face

value in these 32 SPSEs registered a net increase of ₹3,561.40 crore due to increase in State Government equity share capital in five SPSEs and increase in equity share capital of holding State Government companies in one SPSE. The total long term loans outstanding in 11 SPSEs out of 32 Government Companies and Corporations as on 31 March 2022 was ₹15,903.38 crore. As on 31 March 2022, equity in 12 Government Controlled Other Companies was ₹933.08 crore.

(Paragraphs 1.2, 1.2.1, 1.2.2.1 and 1.2.3)

Return from the SPSEs

The profit earned by 21 Government Companies and Corporations increased to ₹3,289.86 crore in 2021-22 from ₹1,937.72 crore in case of 23 profit earning SPSEs in 2020-21. The Return on Equity (ROE) of the 21 SPSEs was 22.37 per cent in 2021-22 as compared to 20.04 per cent in 23 SPSEs in 2020-21. Eleven Government companies and Corporations incurred loss of ₹2,423.12 crore in 2021-22. Out of 12 Government controlled other companies, six companies earned profit of ₹3.33 crore and five companies incurred losses of ₹30.22 crore during the year 2021-22.

As on 31 March 2022, out of 32, there were 11 Government Companies and Corporations with accumulated losses of ₹8,980.85 crore. Net worth of eight out of 11 SPSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these eight SPSEs was (-) ₹5,256.37 crore against total equity investment of ₹3,443.97 crore in these SPSEs as on 31 March 2022.

(Paragraphs 1.3.1, 1.3.2 and 1.3.3)

Oversight role of CAG

Audit of State Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditors' report under Section 143 (6) of the Companies Act, 2013.

(Paragraphs 1.5 and 1.8.2)

Timeliness in preparation of accounts

Accounts for the year 2021-22 were due from 67 Government SPSEs and 15 Government Controlled Other SPSEs. A total of 13 Government SPSEs and 02 Government Controlled Other SPSEs submitted their accounts for audit by CAG on or before 30 September 2022. Accounts of 54 Government SPSEs and 13 Government Controlled Other SPSEs were in arrears.

Accounts of one Statutory Corporation *i.e.*, Odisha State Warehousing Corporation for the years 2019-20, 2020-21 and 2021-22 and the accounts of the other two Statutory Corporations *i.e.*, Odisha State Financial Corporation and Odisha State Road Transport Corporation for the year 2021-22 were awaited, as on 30 September 2022.

(Paragraph 1.7.2)

II. Detailed Compliance Audit

The audit observations noticed during the Detailed Compliance Audit on Viability of Continuance of Loss Making PSUs in Odisha are highlighted in this chapter with their financial implications.

- Performance of certain loss making PSUs operating in different important sectors were analysed in this audit from viability view point. Five loss making PSUs *viz.*, GRIDCO Limited, IDCOL Ferro Chrome and Alloys Limited, IDCOL Kalinga Iron Works Limited, Industrial Development Corporation of Odisha Limited and Odisha Rural Housing and Development Corporation Limited have been identified to be covered in this Detailed Compliance Audit.

(Paragraph 2.1)

- GRIDCO incurred loss of ₹1,065.55 crore due to procurement of high cost power from NTPC power stations located outside the State, which were not approved by OERC for determination of its aggregate revenue requirement, as there was in-ordinate delay in surrender of those high cost power stations despite OERC's earlier direction in this regard.

(Paragraph 2.5.6.1)

- GRIDCO incurred loss of ₹3,257.40 crore due to procurement of power from other high cost sources due to consistent shortfall in procurement of low cost power from the IPPs against the entitlement as per PPA.

(Paragraph 2.5.6.2)

- GRIDCO could procure 7,134.62 MU out of target of procurement of 12,688.06 MU renewable energy during the period 2017-18 to 2021-22 with shortfall of 5,553.44 MU leading to liability to pay penalty of ₹1,315.73 crore.

(Paragraph 2.5.6.4)

- GRIDCO suffered a loss of ₹2,391.54 crore incurring avoidable extra expenditure towards interest on loans during the period from 2015-16

to 2021-22 due to its failure to mobilise its internal resources by way of collection of BSP dues from DISCOMs.

(Paragraph 2.5.7.1)

- OERC in its truing up order of October 2021 allowed a revenue gap of ₹971.07 crore only as against claim of ₹3,588.02 crore by GRIDCO as it had in its earlier truing up order of 2016 directed the company to compensate the loss by way of trading of surplus power and budgetary support from the Government of Odisha. Since GRIDCO could not earn any such revenue it suffered the loss of ₹2,616.95 crore due to non-amortisation of regulatory assets.

(Paragraph 2.5.8)

- IFCAL suffered a loss of production of 9,421.728 MT of HCFC with consequential loss of contribution of ₹4.83 crore due to stoppage of both the furnaces for 8,520 hours during June to November 2019.

(Paragraph 2.6.7.3)

- IDCOL paid compensation and interest for illegal mining with penal consequence of ₹751.74 crore in respect of Talangi Chromite Mines and Roida C Mines for production without/in excess of the Environment Clearance corresponding to the period 2000-01 to 2010-11 under Section 21(5) of MMDR Act, 1957 by arranging an Inter-graduate Loan from OMC and its own source.

(Paragraph 2.6.8.3)

- ORHDC had unrecovered amount of ₹2405.11 crore in Project Finance Scheme, Building Centre Scheme, Corporate Loan Scheme, Kalinga Kutira Scheme, Individual Housing Finance Scheme, Credit Linked Housing Scheme as on 31 March 2022.

(Paragraphs 2.7.6.1, 2.7.6.2, 2.7.6.3, 2.7.6.4, 2.7.6.5 and 2.7.6.6)

- ORHDC has not prepared its annual accounts since 2009-10 in contravention of provisions of Companies Act, 2013.

(Paragraph 2.7.7)

III. Detailed Compliance Audit

The audit observations included in this chapter highlight deficiencies in implementation of projects under the Smart City Mission in Odisha with financial implications.

- Bhubaneswar and Rourkela were selected by the Ministry of Housing and Urban Affairs, Government of India (GoI), to be developed as Smart Cities under the Smart City Mission (SCM) launched by GoI. The objective of the SCM was to promote sustainable and inclusive cities that would provide core infrastructure and ensure a reasonable quality of life to their citizens, as well as a clean and sustainable environment through local area development and application of Smart Solution technology. As per the SCM guidelines, two SPVs *i.e.*, Bhubaneswar Smart City Limited (BSCL) and Rourkela Smart City Limited (RSCL) were incorporated for implementation of the SCM projects.

(Paragraph 3.1)

- Both BSCL and RSCL executed only 36 per cent and 37 per cent respectively, of the approved project cost due to poor planning and mobilisation of resources.

(Paragraphs 3.6.1, 3.6.2 and 3.6.2.4)

- Delay in award of work orders of SCM projects in the initial period of SCM resulted in excess project expenditure of ₹27.73 crore by RSCL.

(Paragraph 3.6.2.2)

- Engagement of consultant without finalising and synchronising the scope of work led to avoidable payment to the consultant.

(Paragraph 3.6.2.3)

- Execution of project without adhering to the SCM Guideline and the approved SCM proposal resulted in expenditure from the Mission fund for which no approval was accorded by MoHUA.

(Paragraph 3.6.3.2)

- Delay in completion of SCM projects resulted in denying the benefits of the projects to the citizens.

(Paragraphs 3.6.3.5 and 3.6.3.7)

- Direct release of funds to the Government departments/agencies for implementation of projects in deviation to the MoHUA advisory resulted in loss of financial control.

(Paragraphs 3.7.1 and 3.7.2)

- Non-adherence to SCM guidelines led to excess expenditure from Mission fund towards Administrative and Office Expenses and Operation and Maintenance of handed over projects.

(Paragraphs 3.7.3 and 3.7.5)

- Non-adherence to SCM guidelines for framing HR polices, appointment of full time CEO and conduct of Smart City Advisory Forum meeting indicated lack of desired monitoring and control.

(Paragraphs 3.8.2, 3.8.3 and 3.8.4)

IV. Compliance Audit Observations

Compliance audit observations included in this chapter highlight deficiencies in management of PSUs with financial implications. The irregularities pointed out are as briefed below:

- Delay in refund of sale proceeds of DISCOMs by Odisha Electricity Regulatory Commission resulted in avoidable avilment of loan by GRIDCO with consequential interest burden of ₹39.82 crore.

(Paragraph 4.1)

- Inclusion of disallowed income tax expenditure in tariff submission by Odisha Hydro Power Corporation Limited led to inadmissible

reimbursement of ₹18.56 crore, resulting in unwarranted burden on the consumers of the State.

(Paragraph 4.2)

- Loss of ₹2.36 crore to the State exchequer, due to payment of Electricity Duty at lower rate by Odisha Hydro Power Corporation Limited in deviation from the Odisha Electricity (Duty) Act, 1961.

(Paragraph 4.3)

- Delay in submission of Government Guarantee by GRIDCO Limited led to imposition of avoidable penalty to the tune of ₹6.19 crore by Commercial Banks.

(Paragraph 4.4)

- Incorrect fixation of rate contract price on the higher side by Odisha Power Transmission Corporation Limited resulted in excess payment of ₹2.44 crore to the contractors.

(Paragraph 4.5)

- Avoidable Payment of Penal Net Present Value of ₹47.12 crore by Odisha Mining Corporation Limited for illegal mining operation in the forest land.

(Paragraph 4.6)

- Avoidable expenditure of ₹7.40 crore on exploration work by Odisha Mining Corporation Limited.

(Paragraph 4.7)

- Improper fixation of floor price of iron ore fines at Gandhamardan region of Odisha Mining Corporation Limited resulted in loss of revenue of ₹2.98 crore.

(Paragraph 4.8)

- Under realisation of revenue of ₹1.97 crore due to wrong fixation of floor price by Odisha Mining Corporation Limited for sale of chrome ore.

(Paragraph 4.9)

- Loss of ₹3.12 crore due to excess payment of GST by Odisha State Police Housing and Welfare Corporation Limited.

(Paragraph 4.10)

- Procurement of On-Board Bus units by Bhubaneswar Smart City Limited without ascertaining technical feasibility resulted in idle expenditure of ₹4.50 crore.

(Paragraph 4.11)

- Funding of projects without securing financial interest resulted in wasteful expenditure of ₹1.91 crore by Bhubaneswar Smart City Limited.

(Paragraph 4.12)

- Loss of revenue of ₹1.82 crore by Odisha Industrial Infrastructure Development Corporation due to allotment of land for logistic park at lower rate.

(Paragraph 4.13)

- Imprudent allotment of land and inadequate monitoring of its utilisation and non-realisation of dues of ₹16.19 crore by Odisha Industrial Infrastructure Development Corporation.

(Paragraph 4.14)

CHAPTER-I

Introduction

CHAPTER-I

Introduction

Summary of Financial Performance of State Public Sector Enterprises

1.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies. The term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and the subsidiaries of such Government companies. The Statutory Corporations set up under Statutes enacted by the Legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorised as SPSEs.

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a 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.

Besides, any other company owned or controlled, directly or indirectly, 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 are referred to in this Report as Government Controlled Other Companies.

1.1.1 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit. The statutes governing some of the Statutory Corporations require their accounts to be audited only by the CAG.

1.1.2 What this Chapter contains

This Chapter gives an overall picture of the financial performance of the State Government Companies, Government Controlled Other Companies and Corporations of Odisha as revealed from their accounts.

Impact on revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the PSUs conducted by the CAG for the year 2021-22 is given in this chapter. This chapter also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporation.

1.1.3 Number of SPSEs

As on 31 March 2022, there were 82¹ SPSEs under the audit jurisdiction of the CAG as detailed in *Appendix 1*. These include 64 Government Companies, 03 Statutory Corporations and 15 Government Controlled Other Companies. Out of 64 Government Companies, 8 were power sector companies and 56 were non-power sector companies. Out of 56 non-power sector companies, 26 were inactive. Of these, summary of financial performance of 44 SPSEs is covered in this report and the nature of these SPSEs is indicated in the table below:

Table 1.1: Coverage and nature of SPSEs covered in this report

Nature of the SPSE	Total number of SPSEs	Number of SPSEs covered in the Report Accounts up to				Number of SPSEs not covered in the Report
		2021-22	2020-21	2019-20	Total	
Government Companies	64	13	14	3	30	34
Statutory Corporations	3	0	2	0	2	1
Total Companies/ Corporations	67	13	16	3	32	35
Government Controlled other Companies	15	2	9	1	12	3
Total	82	15	25	4	44	38

(Source: Compiled based on the accounts received from PSUs during the respective years)

No Government Companies/Government Controlled Other Companies came under/went out from the purview of CAG's audit during 2021-22.

This Chapter does not include 38 SPSEs (including 03 Government Controlled Other Companies and 01 Statutory Corporation) whose accounts were in arrears for three years or more, whose first-year account is not due or not yet received or were defunct/ under liquidation as indicated in *Appendix 2* and *Appendix 3*.

It is recommended that the process of voluntary winding up of inactive companies under the Companies Act needs to be pursued vigorously.

1.1.4 Contribution to the GSDP of the State

A ratio of turnover of the Government Companies and Corporations to the Gross State Domestic Product (GSDP) shows the extent of their activities in the State economy. The Compounded Annual Growth Rate (CAGR) is a useful method to measure growth rate over multiple time periods. The table below provides the details of turnover of 32 Government SPSEs and 12 Government Controlled other SPSEs and GSDP of Odisha for a period of three years ending March 2022:

¹ Two Government Companies viz., Startup Odisha and World Skill Centre came under the purview of CAG's audit during 2020-21

Table 1.2: Details of turnover of State PSEs vis-a-vis GSDP of Odisha

(₹ in crore)

Particulars	2019-20	2020-21	2021-22
Turnover	21,149.69	23,876.47	38,504.42
Percentage change of Turnover over Previous Year	0.97	12.89	61.27
GSDP of Odisha at current price	5,46,413	5,42,889	6,38,342
Percentage change of GSDP of Odisha	9.59	-0.64	17.58
Percentage of Turnover to GSDP of Odisha	3.87	4.40	6.03

(Source: Turnover reported in the latest finalised accounts of Government Companies and Corporations till 30 September 2022 and GSDP figures as per the Financial Attest Wing.)

In 2021-22, the turnover of the SPSEs relative to GSDP was 6.03 per cent and had increased from 4.40 per cent in the previous year. The growth rate of GSDP increased to 17.58 per cent during 2021-22 as compared to 2020-21 and the growth rate of turnover of Government Companies and Corporations has also increased to 61.27 per cent during the same period. The compounded annual growth² of GSDP was 8.59 per cent during last three years, while during the same period the compounded annual growth of turnover was 22.50 per cent. This has resulted in increase in the share of turnover of these State PSEs to the GSDP from 3.87 per cent in 2019-20 to 6.03 per cent in 2021-22. The department-wise position has been given in **Appendix 4**. The turnover of Power Public Sector Enterprises and Non-Power Public Sector Enterprises recorded compounded annual growth of 16.80 per cent and 26.97 per cent respectively during the same period.

1.1.5 Budgetary Support to State PSEs

The Government of Odisha (GoO) provides financial support to State PSEs in various forms through annual budget. During 2021-22 there was budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity by GoO in respect of 16 Government SPSEs out of 41 Government SPSEs and 03 Government Controlled Other SPSEs out of 15 Government Controlled Other SPSEs. The summarised details for the last three years ending March 2022 are as follows:

² Rate of Compounded Annual Growth $\left[\left\{ \left(\frac{\text{Value of 2021-22}}{\text{Value of 2018-19}} \right)^{\frac{1}{3}} - 1 \right\} * 100 \right]$ where turnover and GSDP for the year 2018-19 were ₹20,947.39 crore and ₹4,98,576.00 crore respectively

Table 1.3: Details regarding budgetary support to State PSEs

(₹ in crore)

Particulars ³	2019-20		2020-21		2021-22	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	2	118.70	2	32.54	4	572.80
Loans given (ii)	1	100.05	0	0	2	118.40
Grants/Subsidy provided (iii)	8	1,136.03	9	758.19	16	1,436.14
Total Outgo (i+ii+iii)	8#	1,354.76	9*	790.73	19\$	2,127.34
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	2	2,439.69
Guarantees issued	1@	600.00	1@	2,000.00	1@	600.00
Guarantee ⁴ Commitment	1@	913.50	1@	6,233.90	1@	8,277.50

(Source: Compiled based on information received from SPSEs)

One Government SPSE *i.e.*, Odisha Power Transmission Corporation Limited received equity, loans and grants in 2019-20 and One Government SPSE *i.e.*, Odisha Hydro Power Corporation Limited received both equity and grants in 2019-20.

* One Government SPSE *i.e.*, Odisha Hydro Power Corporation Limited received equity and grants in 2020-21.

\$ One Government SPSE *i.e.*, Industrial Development Corporation of Odisha Limited received equity and grants in 2021-22, One Government SPSE *i.e.*, Odisha Power Transmission Corporation Limited received both equity and loan in 2021-22 and One Government SPSE *i.e.*, Odisha Pisciculture Development Corporation Limited received both loans and grants in 2021-22.

@ GRIDCO Limited.

The budgetary assistance of ₹2,127.34 crore given during the year 2021-22 was in the form of equity, loan and grants/ subsidy. During the year 2021-22, maximum grants/subsidy was provided to Odisha State Civil Supplies Corporation Limited (₹584.30 crore) and Odisha Lift Irrigation Corporation Limited (₹170.99 crore). These two SPSEs have not furnished their annual accounts for the financial year 2021-22 as on 30 September 2022.

GoO provides guarantee in accordance with the criteria and guidelines issued (November 2002) by the Government subject to the limits prescribed by the Constitution of India. A guarantee commission is charged at the rate of 0.50 *per cent* on the maximum of the guarantee sanctioned. Outstanding guarantee commitments of GoO increased during the financial year by 32.78 *per cent* from ₹6,233.90 crore in 2020-21 to ₹8,277.55 crore in 2021-22. This increase was because GRIDCO Limited sought additional guarantee commitment from GoO to avail loans from banks/financial institutions. GRIDCO Limited paid guarantee commission of ₹33.12 crore during 2021-22.

³ Amount represents outgo from State Budget only

⁴ Closing balance of Government guarantee in respect of SPSEs at the end of a particular year

The overall summary position of financial performance of SPSEs (Government Companies & Statutory Corporations) covered in this Report, is summarised in table below.

**Table 1.4: Financial performance of SPSEs for 2021-22 covered in this Report
(Government Companies and Statutory Corporations)**

Number of SPSEs	67
SPSEs covered	32
Paid up capital (32 SPSEs)	₹9,300.84 crore
Long term loans (32 SPSEs)	₹15,903.38 crore
Net profit (21 SPSEs)	₹3,289.86 crore
Net loss (11 SPSEs)	₹2,423.12 crore
Dividend declared (11 SPSEs)	₹565.10 crore
Total assets (32 SPSEs)	₹75,237.61 crore
Value of production (15 SPSEs)	₹8,070.01 crore
Net worth (32 SPSEs)	₹12,598.72 crore

(Source: Compiled on the basis of latest finalised accounts of SPSEs and information received from SPSEs)

1.2 Investment in Government Companies and Corporations and Government Controlled Other Companies

The amount of equity and loans in 32⁵ Government Companies and Corporations as on 31 March 2022, is given in the table below:

**Table 1.5: Equity and loans in Government Companies and Corporations
(₹in crore)**

Sources of investment	As on 31.03.2022			As on 31.03.2021		
	Equity	Long term loans	Total	Equity	Long term loans	Total
1. State Government	7,629.47	1,495.68	9,125.15	4,108.87	1,243.93	5,352.80
2. State Government Companies/ Corporations/ Autonomous Bodies	1,549.14	722.83	2,271.97	616.59	596.35	1,212.94
3. Central Governments/ Central Government Companies/Corporations	44.95	6,760.81	6,805.76	44.95	7,241.53	7,286.48
4. Financial Institutions and Others	77.28	6,924.06	7,001.34	969.03	6,912.09	7,881.12
Total	9,300.84	15,903.38	25,204.22	5,739.44	15,993.90	21,733.34
Percentage of investment of State Government to total investment	82.03	9.40	36.20	71.59	7.78	24.63

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

⁵ (67-35) Government Companies and Corporations whose accounts were in arrears for more than or equal to three years, whose first year accounts have not been received or not due or were defunct/under liquidation

The amount of equity and loans in 12 Government Controlled Other Companies as on 31 March 2022 is given in the table below:

Table 1.6: Equity and loans in Government Controlled Other Companies
(₹ in crore)

Sources of investment	As on 31.03.2022			As on 31.03.2021		
	Equity	Long term loans	Total	Equity	Long term loans	Total
State Government	235.01	0	235.01	235.01	0	235.01

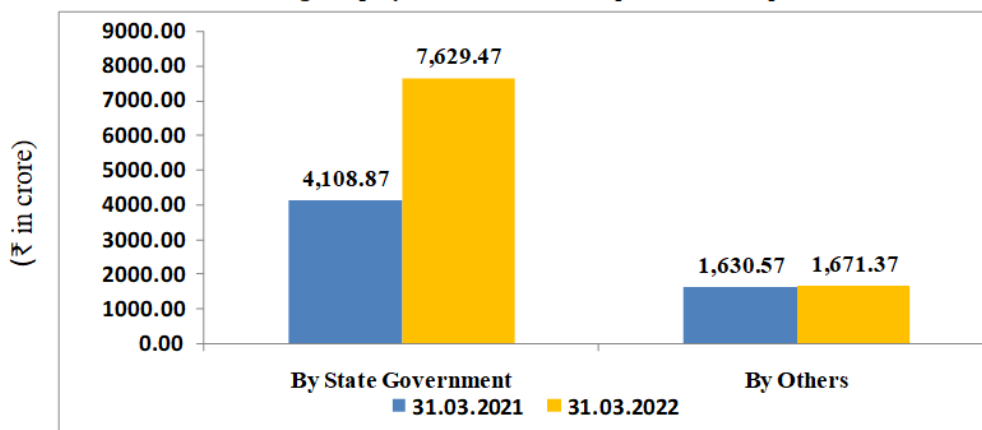
(Source: Compiled on the basis of latest finalised accounts of SPSEs)

1.2.1 Equity holding

During 2021-22, the total equity holding at face value in the 32 SPSEs covered in this Report registered a net increase of ₹3,561.40 crore. This is mainly due to increase in State Government equity share capital of ₹50.00 crore in Odisha State Road Transport Corporation, ₹2,214.51 crore in GRIDCO Limited, ₹22.54 crore in Odisha Hydro Power Corporation Limited, ₹207.00 crore in Odisha Power Generation Corporation Limited, ₹1,026.94 crore in Odisha Power Transmission Corporation Limited and increase in equity share capital of holding State Government companies of ₹39.95 crore in Odisha Coal and Power Limited.

Holding in equity by State Government and others during two years ended 31 March 2022 in Government Companies and Corporations is depicted in the Chart below:

Chart 1.1: Holding in equity in Government Companies and Corporations



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Details of significant holding (holding of more than ₹200 crore) of the State Government during 2021-22 in the paid-up capital of the SPSEs is given in the table below:

Table 1.7: Significant holding of the State Government

(₹ in crore)

Name of the SPSE	Name of the Department	Amount	Percentage of State Government holding in this individual SPSE with the total holding of the State Government
Statutory Corporation			
Odisha State Financial Corporation	Micro, Small & Medium Enterprise	342.72	4.69
Odisha State Road Transport Corporation	Commerce and Transport	328.54	4.49
Government Companies			
Odisha Power Generation Corporation Limited	Energy	1,136.47	14.90
Odisha Power Transmission Corporation Limited	Energy	1,886.71	24.73
Odisha Hydro Power Corporation Limited	Energy	833.19	10.92
GRIDCO Limited	Energy	2,791.22	36.58

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

1.2.2 Loans given to Government Companies and Corporations

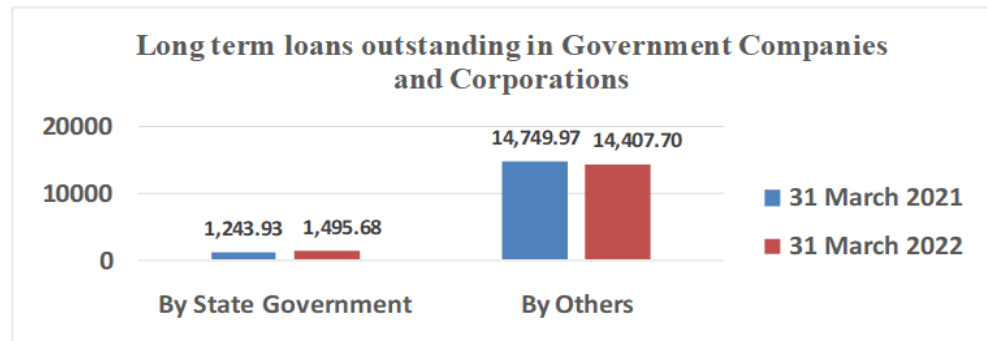
1.2.2.1 Computation of long-term loans outstanding as on 31 March 2022

Out of the 32 Government Companies and Corporations covered in this report, 11 SPSEs had outstanding long term loans amounting to ₹15,903.38 crore from all sources as on 31 March 2022. During 2021-22, the long-term loans of Government Companies and Corporations registered a decrease of ₹90.52 crore.

Year wise details of outstanding long-term loans of Government Companies and Corporations is depicted in the chart below:

Chart 1.2: Long term loans outstanding in Government Companies and Corporations

(₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

1.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of

long-term loans by value of total assets in 11 Government SPSEs which had outstanding loans as on 31 March 2022 is given in **Appendix 5**. A gist of the same is given in the table below:

Table 1.8: Coverage of long term loans with total assets

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term loans	Assets	%age of assets to loans	No. of SPSEs	Long term loans	Assets	%age of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	2	107.33	1,129.86	1,052.70	-	-	-	-
Government Companies	9	15,796.05	34,345.10	217.43	-	-	-	-
Total	11	15,903.38	35,474.96		-	-	-	-

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

From the above table and **Appendix 5**, it is revealed that all the 11 Government Companies and Corporations have positive coverage ratio, which indicates that all the Companies and Corporations possess adequate assets to meet their loan liabilities.

1.2.2.3 Interest Coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSEs, which had outstanding loans during the period from 2019-20 to 2021-22 are given in the table below:

Table 1.9: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and taxes (EBIT) (₹ in crore)	No. of SPSEs	No. of SPSEs having positive ICR	No. of SPSEs having negative ICR
Statutory Corporations					
2019-20	0.47	5.73	1	1	-
2020-21	0.47	-1.59	1	-	1
2021-22	0.47	-0.45	1	-	1
Government Companies					
2019-20	662.75	911.48	6	4	2
2020-21	1,640.31	70.61	7	5	2
2021-22	1,760.18	1,675.28	9	8	1

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that the number of SPSEs with positive ICR has increased in case of Government Companies and decreased in case of Statutory Corporations during 2021-22 as compared to the previous years.

1.2.2.4 Age-wise Analysis of interest outstanding on State Government loans

As on 31 March 2022, interest amounting to ₹956.09 crore was outstanding on long term loans of four SPSEs provided by State Government. The age-wise analysis of interest outstanding on State Government loans in SPSEs is depicted in the table below:

Table 1.10: Interest outstanding on State Government Loans

(₹in crore)

Sl. No.	Name of the SPSE	Outstanding interest on State Government loans	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years
1	Odisha Hydro Power Corporation Limited	842.27	66.94	140.23	635.10
2	Odisha State Seeds Corporation Limited	0.98	-	-	0.98
3	Industrial Development Corporation of Odisha Limited	56.53	1.66	6.04	48.83
4	Odisha Power Transmission Corporation Limited	56.31	21.58	0	34.73
Total		956.09	90.18	146.27	719.64

(Source: Compiled on the basis of information received from SPSEs)

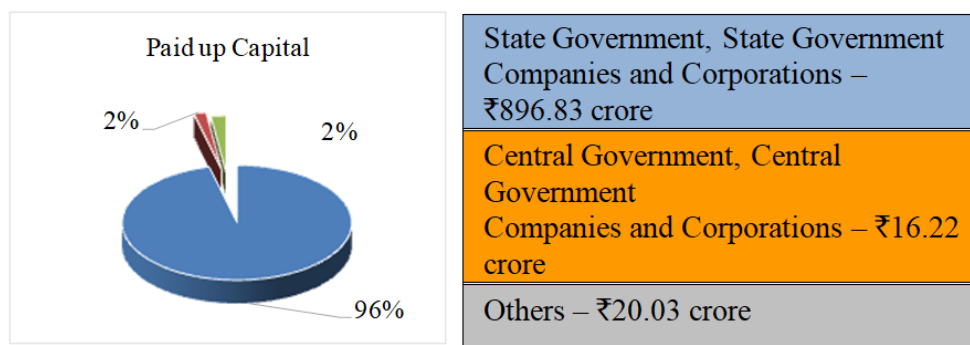
It is revealed from the above table that the companies failed to pay the interest liabilities which should have been paid within one year, resulting in accumulation of interest on State Government loans year after year.

1.2.3 Investment in Government Controlled Other Companies

The capital invested by the State Government, Central Government and by Companies and Corporations controlled by them in 12⁶ Government Controlled Other Companies during the year 2021-22 is depicted in the chart below:

⁶ 15 minus 3 Government Controlled Other Companies whose accounts were in arrears for three years or more or were defunct/under liquidation

Chart 1.3: Composition of share capital in Government Controlled Other Companies



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

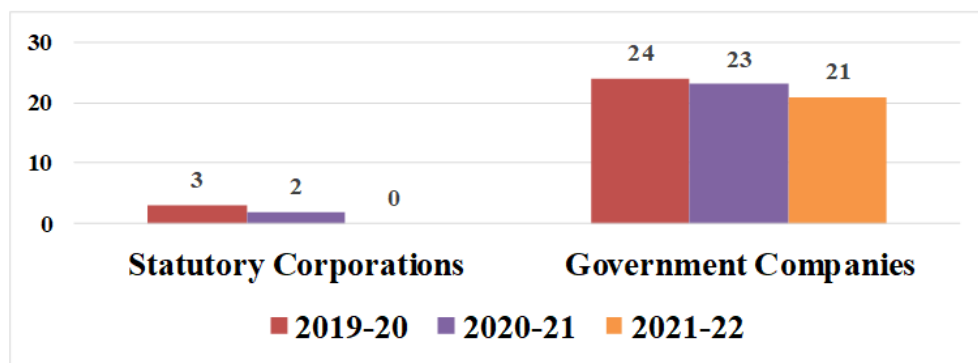
As on 31 March 2022, equity in these Government Controlled Other Companies has remained same as it was in 2020-21.

1.3 Returns from SPSEs

1.3.1 Profit earned by SPSEs

Out of the 32 Government Companies and Corporations covered in this report, profit earned by SPSEs increased to ₹3,289.86 crore in case of 21 profit earned SPSEs in 2021-22 from ₹1,937.72 crore in case of 23 profit earned SPSEs in 2020-21. The Return on Equity (ROE) of the 21 SPSEs was 22.37 per cent in 2021-22 as compared to 20.04 per cent in 23 SPSEs in 2020-21. Number of SPSEs that earned profit during the period from 2019-20 to 2021-22 is depicted in the chart below:

Chart 1.4: Number of Profit Earning SPSEs



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

The details of top three departments, which contributed maximum profit during 2021-22, are summarised in the table below:

Table 1.11: Top three departments which contributed maximum profit during the years 2020-21 and 2021-22

Name of the Department	2021-22			2020-21		
	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit
Steel & Mines						
Government Companies	1	906.12	104.57	1	-234.42	-
Water Resources						
Government Companies	1	49.05	5.66	1	49.88	-
Home						
Government Companies	1	20.95	2.42	1	20.06	-
Total	3	976.12	112.66	3	100.95	-

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

The list of Government Companies which earned profit of more than ₹50 crore during the year 2021-22 is given in the table below:

Table 1.12: List of SPSEs which earned profit of more than ₹50 crore

Sl. No.	Name of the SPSE	Net Profit (₹ in crore)
1	Odisha Mining Corporation Limited	2,731.72
2	Odisha Hydro Power Corporation Limited	180.64
3	Odisha Power Transmission Corporation Limited	61.97
4	Odisha Coal and Power Limited	158.27
Total		3,132.60

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It can be seen that these four SPSEs contributed 95.22 per cent of the total profit earned by 21 SPSEs during 2021-22.

Of the 12 Government Controlled Other Companies, six companies earned profit of ₹3.33 crore during the year ended 31 March 2022.

1.3.2 Loss incurred by SPSEs

There were 11 Government Companies and Corporations that incurred losses during the year 2021-22. In these SPSEs loss has reduced to ₹2,423.12 crore in 2021-22 as compared to loss of ₹3,414.86 crore incurred by these SPSEs during 2020-21 as given in *Appendix 6*. The details of SPSEs that incurred loss from 2019-20 to 2021-22 is given in the table below:

Table 1.13: Number of SPSEs that incurred losses during 2019-20 to 2021-22

Year	No. of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net worth ⁷ (₹ in crore)
Government Company				
2019-20	7	304.52	4,982.95	-3,873.27
2020-21	10	3,568.19	7,453.93	-2,936.07
2021-22	11	2,423.12	8,035.66	-2,106.83

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

⁷ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Out of total loss of ₹2,423.12 crore incurred by 11 Government SPSEs, loss of ₹2,361.39 crore was mainly contributed by three SPSEs (GRIDCO Limited, Odisha Power Generation Corporation Limited and Odisha Mineral Bearing Areas Development Corporation) which function in Energy and Steel & Mines sectors respectively. Five companies which incurred major loss during 2021-22 are as follows:

- (i) **GRIDCO Limited:** Loss of ₹440.18 crore during 2021-22 was mainly due to the high cost of purchase of power and expenditure towards finance costs.
- (ii) **Odisha Power Generation Corporation Limited (OPGC):** The loss of ₹102.83 crore during 2021-22 was mainly due to expenditure towards cost of material consumed and finance cost.
- (iii) **Odisha Mineral Bearing Areas Development Corporation (OMBADC):** The loss of ₹1,818.38 crore during 2020-21, OMBADC was mainly due to expenditure towards project expenses.
- (iv) **IDCOL Kalinga Iron Works Limited (IKIWL):** The loss of ₹37.64 crore during 2021-22 was due to nil Revenue from Operations in the year.
- (v) **Odisha State Road Transport Corporation (OSRTC):** The loss of ₹10.59 crore during 2020-21 was due to high expenditure towards Operation and Employee benefits as compared to Revenue from Operations.

1.3.3 Erosion of capital in Government Companies and Corporations

As on 31 March 2022, out of 32 there were 11 Government Companies and Corporations with accumulated losses of ₹8,980.85 crore. Of the 11 SPSEs, six SPSEs incurred losses in the year 2021-22 amounting to ₹497.70 crore, five SPSEs had not incurred loss in the year 2021-22, even though they had accumulated loss of ₹240.31 crore.

Net worth of eight out of 11 SPSEs had been completely eroded by accumulated loss and was negative. The net worth of these eight was (-) ₹5,256.37 crore against total equity investment of ₹3,443.97 crore in these SPSEs as on 31 March 2022. Out of eight SPSEs, whose capital had been eroded (negative net worth), three SPSEs had earned profit of ₹29.58 crore during 2021-22 (*Appendix 7*).

Net worth was less than half of their paid up capital in respect of two⁸ out of 21 SPSEs whose net worth was positive at the end of 31 March 2022, indicating their potential financial sickness. Overall, net worth of all the 32 Government Companies and Corporations was ₹12,598.72 crore against their total paid up capital of ₹9,300.84 crore.

⁸ Odisha State Road Transport Corporation and Water Corporation of Odisha Limited

1.3.4 Dividend pay-out by SPSEs

The State Government had formulated (December 2011) dividend policy under which all profit-making PSUs are required to pay annual dividend of 20 *per cent* of the State Government equity or 20 *per cent* of the profit after tax (PAT), whichever is higher. The minimum dividend pay-out in respect of PSUs in power generation sector should be 30 *per cent* of profit after tax. Subsequently, GoO issued revised (February 2016) guidelines for payment of dividend at the rate of 30 *per cent* for all PSUs. However, seven SPSEs had not declared dividend prescribed by the Government as given in **Appendix 8**. The total shortfall on this account was ₹558.25 crore in 2021-22.

The details of profit earned and dividend declared/paid by Government Companies and Corporations is given in the table below:

Table 1.14: Profit earned and dividend declared/paid

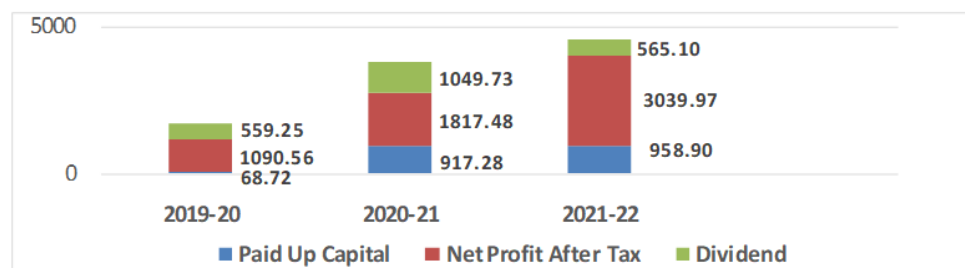
Category	No. of SPSEs	Total Paid up capital (₹ in crore)	Net profit (₹ in crore)	Dividend declared (₹ in crore)
Government Company	11	958.90	3,039.97	565.10

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Out of 32 Government Companies and Corporations, 11 SPSEs declared dividend in 2021-22. Out of eight SPSEs, which had declared/paid dividend during 2020-21, one SPSE *i.e.*, Odisha State Warehousing Corporation has been excluded in 2021-22 as it has not submitted its annual accounts from 2019-20 to 2021-22. The dividend declared as a percentage of net profit decreased to 18.59 *per cent* in 2021-22 from 57.76 *per cent* in 2020-21. In absolute terms, the dividend declared by the SPSEs in 2021-22 decreased by ₹484.63 crore compared to previous year. The chart below depicts the dividend declared *vis-a-vis* net profit earned and paid-up capital of SPSEs which declared dividend during the last three years.

Chart 1.5: Dividend declared vis-a-vis net profit earned and paid up capital

(₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Out of total dividend of ₹565.10 crore declared by 11 SPSEs for the year 2021-22, dividend received/ receivable by State Government was ₹564.81 crore (99.95 *per cent* of total dividend declared) in all the 11 SPSEs having total equity investment of ₹958.90 crore (State Government equity investment ₹956.97 crore).

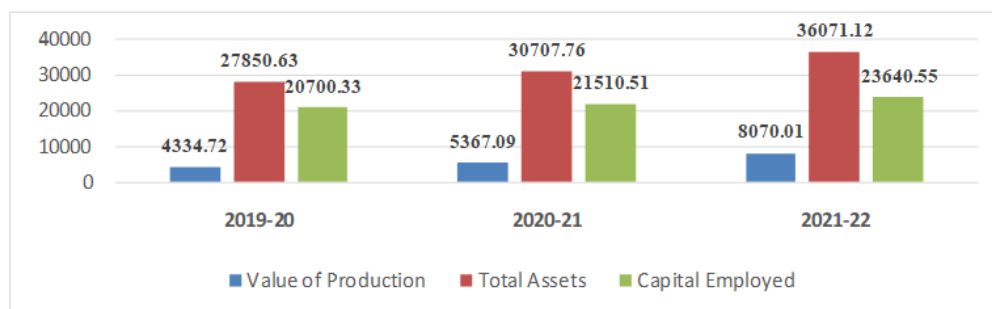
Of the 12 Government Controlled Other Companies, six companies earned profit of ₹3.33 crore during the year ended 31 March 2022. However, none of these companies declared dividend during 2021-22.

Operating efficiency of Government Companies and Corporations

1.4 Value of production

The summary indicating value of production, total assets and capital employed in Government Companies and Corporations related to 15 SPSEs over a period of three years is depicted in the chart below:

Chart 1.6: Value of Production, Assets and Capital Employed (₹ in crore)



(Source: Compiled on the basis of latest finalised accounts of SPSEs)

There was an increase in the value of production, total assets and capital employed in the year 2021-22 compared to the previous year. The SPSE wise details of value of production, total assets and capital employed is given in **Appendix 9**.

1.4.1 Return on Capital Employed (ROCE)

ROCE is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁹. The SPSE wise details of ROCE are given in **Appendix 10**. The consolidated ROCE of 32 Government Companies and Corporations during the period from 2019-20 to 2021-22 is given in table below:

Table 1.15: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2019-20	2,754.36	22,762.61	12.10
2020-21	898.44	22,908.04	3.92
2021-22	3,921.16	28,502.10	13.76

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that ROCE of 32 Government Companies and Corporations was higher during the year 2021-22 in comparison to that for the year 2020-21.

⁹ Capital Employed = Paid up share capital + Free reserves and surplus + Long term loans
– Accumulated losses – Deferred revenue expenditure

1.4.2 Return on Equity (ROE) of SPSEs

ROE¹⁰ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The SPSE wise details of ROE are given in *Appendix 11*. The consolidated ROE of 32 Government Companies and Corporations during the period from 2019-20 to 2021-22 is given in the table below:

Table 1.16: Return on Equity

Year	Net Profit after Tax and Preference Dividend (₹ in crore)	Equity (₹ in crore)	ROE (in %age)
2019-20	1,381.20	9,594.64	14.40
2020-21	-1,651.19	6,914.22	-23.88
2021-22	866.78	12,598.70	6.88

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

It was observed that ROE of 32 Government Companies and Corporations had increased and turned positive during the year 2021-22 in comparison to that of negative ROE for the year 2020-21. Sector-wise ROE of Government Companies and Corporations where total equity of the sector is more than ₹50 crore during 2019-20 to 2021-22 is depicted in the table below:

Table 1.17: ROE of sectors with total equity of ₹50 crore and more
(₹ in crore)

Sl. No.	Name of the Department	2019-20	2020-21	2021-22
1	Industries	-15.42	-9.58	0.77
2	Commerce and Transport	2.57	2.57	-6.26
3	Energy	3.64	-194.59	-4.77
4	Steel and Mines	18.00	-3.57	10.20
5	Home	13.82	14.57	13.75
6	Water Resources	33.30	33.30	27.19
7	Excise	9.37	9.37	6.07
8	Health & Family Welfare	15.59	15.59	2.97
9	Agriculture & Farmers' Empowerment	15.81	18.67	6.43

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

From the above table, it can be seen that the ROE has increased in Industries sector during the year 2021-22.

1.4.3 Rate of Real Return on Government Investment (RORR)

RORR measures the profitability and efficiency with which equity and similar non-interest bearing capitals have been employed, after adjusting them for their time value and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the PAT by the sum of all such investments, counted on historical cost basis.

Out of 44 SPSEs covered in this Report, the State Government has direct investment in 27 SPSEs.

¹⁰ Return on Equity = (Net profit after tax and preference dividend/equity) *100 where Equity = Paid up capital + Free reserves & surplus – Accumulated loss – Deferred revenue expenditure

The RORR of the State Government investment in these SPSEs was computed on the basis of following assumptions:

- In addition to actual infusion by the State Government in the SPSEs in the form of equity, interest free loans and grants/subsidy for operational and administrative expenses given by the State Government to the SPSEs have been considered as investment infusion by the State Government.
- In the cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The weighted average interest rate on State Government securities for the concerned financial year¹¹ was adopted as compounded rate for arriving at Present Value (PV) since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.
- For the purpose of RORR calculation of State Government investment, the period beginning 2002-03 till 2021-22 has been taken considering the investment of State Government in these 27 SPSEs as on 31 March 2002 as PV of State Government investment in the beginning of 2002-03.
- Calculation of RORR has been done in respect of 27 SPSEs which is detailed in *Appendix 12*.

As may be observed from the analysis made vide *Appendix 12*, RORR has shown a fluctuating trend during 2002-03 to 2021-22 which ranged between -6.63 per cent and 17.93 per cent.

Table 1.18: Consolidated RORR on State Government investment for the year 2021-22

Total Earnings/Loss in 2021-22 (₹ in crore)	Investment by the State Government since inception till 2021-22 (₹ in crore)	Return on State Government investment on the basis of historical value (in percentage)	Present value of State Government investment at the end of 2021-22 (₹ in crore)	RORR on State Government investment considering the present value of investments (in percentage)
A	B	C	D	E
Value of column M of Appendix 12	Total of the column H of Appendix 12 + Government investment in the beginning of 2002-03	$A*100/B$	Value of column K of Appendix 12	$A*100/D$
711.22	14,572.83 (8,636.02 + 5,936.81)	4.88	38,054.65	1.87

¹¹ The weighted average interest rate on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Odisha) for the concerned year wherein the average rate of interest paid = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) / 2] * 100

1.4.4 Sales and Marketing

During 2021-22, the total sales of 26 out of 32 Government Companies was ₹39,963.81 crore as compared to ₹23,253.96 crore in 2020-21. Out of 26 SPSEs, 10 SPSEs sold goods/rendered services worth ₹4,138.75 crore to the Government sector in 2021-22. The overall percentage of sales of these 10 SPSEs to the Government sector with reference to their total sales worked out to 10.36 *per cent*. No SPSEs exported or imported goods/services during the period.

The details of total sales, sales to Government sector and others thereon in respect of 26 SPSEs for three years are given in the table below:

Table 1.19: Sales details of 26 SPSEs

(₹ in crore)

Year	Total Sales	Sales to Government sector	Sales to others
2019-20	20,895.88	3,014.59	17,881.51
2020-21	23,253.96	3,765.63	19,488.33
2021-22	39,963.81	4,138.75	35,825.06

(Source: Compiled on the basis of information furnished by SPSEs)

1.5 Audit of State Public Sector Enterprises

Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

1.6 Appointment of statutory auditors of State Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

The statutory auditors of the SPSEs for the year 2021-22 were appointed by the CAG during August 2021.

1.7 Submission of accounts by SPSEs

1.7.1 Need for timely submission

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report shall be laid before State Legislature, together with a copy of the Audit Report and comments of the C&AG upon or as

supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It also states that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year have to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of a company for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 30 September 2022, as detailed in the following paragraph.

1.7.2 Timeliness in preparation of accounts by Government SPSEs and Government Controlled Other SPSEs

As of 31 March 2022, there were 67 Government SPSEs and 15 Government Controlled Other SPSEs under purview of CAG's audit. Out of these 67 Government SPSEs, three are Statutory Corporations.

Accounts for the year 2021-22 were due from all 67 Government SPSEs and 15 Government Controlled Other SPSEs. The details of accounts which are in arrears are indicated in *Appendix 2* and *Appendix 3* for Government Companies and Government Controlled Other Companies separately. The number of accounts in arrears for the aforesaid two groups is given below:

Table 1.20: Details of submission of accounts of Government Companies

Particulars	Government SPSEs/Government Controlled Other SPSEs		
	Government SPSEs	Government Controlled Other SPSEs	Total
Total number of SPSEs under the purview of CAG's audit as on 31.03.2022	67	15	82
Unlisted	67	15	82
Less: New SPSEs from which accounts for 2021-22 were not due	-	-	-
Number of SPSEs from which accounts for 2021-22 were due	67	15	82
Number of SPSEs which presented the accounts for CAG's audit by 30 September 2022 for FY 2021-22	13	2	15

Number of SPSEs whose accounts are in arrears				
Break- up of SPSEs whose accounts are in Arrears	(i) Under Liquidation	16	0	16
	(ii) Defunct	10	0	10
	(iii) First Accounts not submitted	2	0	2
	(iv) Others	26	13	39
	Total	54	13	67
Number of accounts in arrears				
Age-wise analysis of arrears	One year (2021-22)	16*	9	25
	Two years (2020-21 and 2021-22)	06	2	08
	Three years and more	942**	16	958
	Total	964	27	991

* Includes two Statutory Corporations viz., Odisha State Financial Corporation and Odisha State Road Transport Corporation

** Includes one Statutory Corporation viz., Odisha State Warehousing Corporation.

Delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2021-22 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature. Hence, the Administrative Departments should strictly monitor and issue necessary directions to clear the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

1.8 CAG's oversight- Audit of Accounts and Supplementary Audit

1.8.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

1.8.2 Audit of accounts of SPSEs by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall

objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the statutory auditors' report under Section 143 (6) of the Companies Act, 2013.

1.8.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

1.9 Results of CAG's oversight role

1.9.1 Audit of accounts of Government Companies/Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2021-22 were received from 13 Government Companies and 02 Government Controlled Other Companies by 30 September 2022. Of these, financial statements of 09 Government Companies and 02 Government Controlled Other Companies were reviewed in audit by the CAG.

1.9.1.1 Revision of Auditors Report

As a result of supplementary audit of the financial statements for the year ended 31 March 2022 conducted by the CAG, there was no revision of statutory auditors' report of any SPSEs before laying of the financial statements of the Company in its Annual General Meeting.

1.9.1.2 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/Government Controlled Other Companies

Subsequent to the audit of the financial statements by statutory auditors which were received during the period from 01 October 2021 to 30 September 2022, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other

Companies. The list of SPSEs in respect of whom comments were issued is given in **Appendix 13**. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹2.40 crore increase in profit and ₹56.93 crore increase in loss as also, increase in assets (₹51.01 crore) and increase in liabilities (₹109.07 crore). These are detailed in Tables 1.21 to 1.24 below:

Table 1.21: Significant comments on profitability of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited (Standalone Financial Statement)	Financial Liabilities (Liability to Others) was understated by ₹9.96 crore with overstatement of Other Income by ₹9.96 crore due to adjustment of revenue from Water Resource Department (DoWR) which is pending for confirmation in violation to OHPC's own Significant Accounting Policies. This also resulted in overstatement of profit by same extent. Though this was pointed out in C&AG Comment No. A(2) for the year ended 31 March 2020, no corrective action has been taken by the Management.
2	GRIDCO Limited	<p>I. Expenses (Cost of Power) was understated by ₹25.25 crore due to non-accounting of claims of Central Transmission Utility of India Limited (CTUIL) for the period of October 2021 to February 2022 by ₹20.75 crore, deferred tax liability of Power Grid Corporation of India Limited (PGCIL) amounting to ₹0.70 crore materialised during 2020-21 and non-consideration of ₹3.80 crore towards Electricity Duty payable on Auxiliary Power Consumption and Regional Load Dispatch Center charges for Talcher & Darlipali super Thermal Power Station. This has also resulted in understatement of loss by ₹25.25 crore with corresponding understatement of Current Liabilities to the same extent.</p> <p>II. Finance Cost does not include ₹52.93 crore towards interest payable on the securitised dues of Odisha Hydro Power Corporation (OHPC) amounting to ₹152.93 crore as on 31 March 2021, which was agreed for payment in 12-18 monthly equated instalments. However, the company placed a proposal before OHPC (15 March 2022), for full and final settlement of the total amount by payment of lump sum amount of ₹100 crore instead of payment of ₹152.93 crore in instalments and unilaterally made provision for the same in the accounts and shown the balance amount of ₹52.93 crore under contingent liabilities, which is yet to be agreed by OHPC. This has resulted in</p>

Sl. No.	Name of the Company	Comments
		<p>understatement of finance cost by ₹52.93 crore and current liabilities with corresponding understatement of loss to the same extent. This has resulted in overstatement of Contingent Liabilities of ₹52.93 crore.</p> <p>III. Finance Cost does not include ₹6.25 crore towards the Guarantee Fee demand of Government of Odisha on the amount of guarantee provided to the company. This has resulted in understatement of finance cost by ₹6.25 crore with corresponding understatement of loss to the same extent. This has also resulted in understatement of Current Liabilities by ₹6.25 crore.</p>
3	Odisha Power Transmission Corporation Limited	<p>I. Other expenses is understated by ₹3.66 crore due to non-provisioning of 112 number of repair and maintenance works completed under Civil Works division, Bhubaneswar with corresponding overstatement of profit by same amount. This has also resulted in understatement of current liability by ₹3.66 crore.</p> <p>II. Depreciation and amortisation expense is understated by ₹1.66 crore due to delay in capitalisation of works of 132/33 KV grid substation at Pratapsasan. Though the work has been completed on 30 October 2020, it was capitalised on 31 March 2021. This has also resulted in overstatement of profit for the year by ₹1.66 crore.</p>
4	Water Corporation of Odisha Limited	<p>I. Other Income (Rent recovery) is understated by ₹0.14 crore due to non-accounting of ₹0.80 crore towards non receipt of license fee and ₹0.60 crore towards delayed payment interest. This has also resulted in understatement of Surplus and Current Assets to the same extent.</p> <p>II. Short Term Provision (Employee benefit expense) is understated by ₹0.92 crore due to short accounting of Pension Contribution towards employees working in WATCO on deputation on accrual basis. This has also resulted in overstatement of Surplus and understatement of Short term Provision to the same extent.</p> <p>III. Other Expense (Capital Reserve) is overstated due to booking of capital expenditure of ₹0.56 crore on Construction of new Chlorine leak Absorption System (Capital Assets) in Other Expenses. This has also resulted in understatement of Surplus to the same extent.</p>

Sl. No.	Name of the Company	Comments
5	Industrial Promotion and Investment Corporation of Odisha Limited	<p>Other Expenses (District Investment Promotion Agency (DIPA) Expenses) does not include ₹0.65 crore being the DIPA consultancy fees for the month of February and March-2022 payable to M/s Price Waterhouse Coopers Private Limited (PWCPL).</p> <p>As per the decision taken by Government of Odisha (GoO) on 28 June 2021, a DIPA was setup for creation of infrastructure in various districts of the State as an extended wing of Odisha Industrial Infrastructure Development Corporation (IDCO) and the company. An agreement had been signed wherein M/s PWCPL (executing agency) had to provide human resources and infrastructure and raise monthly bills on the company for their expenses, which, in turn had to be passed on to M/s IDCO. As such, the company had to book the amount payable to M/s PWCPL as other expenses, and the same had to be booked as receivable from M/s IDCO as other income. During the year 2021-22, against the receipt of bill amount of ₹1.92 crore, the company has booked only ₹0.62 crore as other income and ₹1.27 crore as other expenses leaving an amount of ₹0.02 crore unaccounted. Whereas ₹1.92 crore was to be booked to income and expenses both.</p> <p>This has resulted in understatement of other income by ₹1.30 crore (₹1.92 crore - ₹0.62 crore) as well as understatement of other expenses by ₹0.65 crore (₹1.92 crore - ₹1.27 crore). As a result, profit has been understated by ₹0.65 crore.</p>
6	Odisha Mining Corporation Limited	<p>Other Income is understated by ₹19.82 crore due to non-inclusion of interest U/s 244A of the Income Tax Act, 1961 on Income Tax Refundable for the years 2006-07 and 2007-08 assessed during the financial year 2021-22. The Corporation had received the assessment order from the office of the Asst. Commissioner of Income Tax for the year 2006-07 and 2007-08 under section 254/147/143(3) of the I.T. Act, 1961, in which interest on income tax refund receivable u/s 244A was assessed as ₹14.35 crore and ₹5.47 crore respectively. Non-inclusion of interest amount in the accounts has resulted in understatement of Current Assets as well as understatement of Profit for the year by ₹19.82 crore.</p>
7	Odisha Bridge & Construction Corporation Limited	<p>I. Revenue from operation is overstated by ₹0.97 crore due to wrong accounting of Quality control and Contingencies as revenue instead of liability. This has also resulted in understatement of liability (Quality control & Contingency) and overstatement of profit to the same extent.</p> <p>II. Employee Benefit Expenses is understated by ₹0.97</p>

Sl. No.	Name of the Company	Comments
		crore due to non accounting of Leave Salary and Pension Contribution as demanded by AG(A&E), Odisha. This has also resulted in understatement of provision as well as overstatement of profit by ₹0.97 crore.
8	Odisha Construction Corporation Limited	Employee Benefit expenses include ₹1.36 crore towards payment of premium (paid on 12.06.2020) on group gratuity scheme to Life Insurance Corporation by the company for the year 2020-21. As the payment was for the year 2020-21, it should have not been shown in the annual accounts of 2019-20. This resulted in overstatement of 'Employee benefit expenses' by ₹1.36 crore with corresponding understatement of profit to the same extent.

Table 1.22: Significant comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited (Standalone Financial Statement)	<p>I. Current Liabilities (Payable to APGENCO on Machhakund A/C) was understated by ₹1.66 crore due to non-payment of bill of APGENCO <i>i.e.</i>, 30 <i>per cent</i> cost towards construction of E-type and F-type blocks in respect of Machhakund Project with corresponding understatement of PPE by same amount.</p> <p>II. Current Liabilities (Payable to APGENCO on Machhakund A/C) was understated by an amount of ₹4.98 crore due to non-accounting of the differential amount of operation & maintenance expenditure share of Machhakund Project which was revised from 30 to 50 <i>per cent</i>. This has also resulted in understatement of 'Receivable from GRIDCO' by the same amount as per the Power Purchase Agreement.</p> <p>III. Non-current Assets (Investment) does not include ₹27.42 crore being the amount invested in Machhakund Project for acquisition of additional 20 <i>per cent</i> share. As it is a capital expenditure, it should have been accounted as Non-current Assets. Further, the company has wrongly booked it as receivable from GRIDCO. Thus, it resulted in understatement of Non-current Assets (Investment) and overstatement of Current Assets (Receivables from GRIDCO) by ₹27.42 crore each.</p>
2	Odisha Power Transmission Corporation Limited	Equity (Other Equity) was overstated by ₹15.00 crore with corresponding understatement of loan to the same extent due to wrong accounting of Government loan as

Sl. No.	Name of the Company	Comments
		other equity without approval of the Government.
3	Odisha Pisciculture Development Corporation Limited	<p>I. The Capital work-in-progress includes various abandoned work-in-progress valuing ₹6.33 lakh which are more than 20 years old. Since there is no further scope for completion of the work, the total expenditure of ₹6.33 lakh incurred on the works should have been treated as expenditure and fully charged to profit & loss account but which has not been done by the management. This has resulted in overstatement of the fixed assets (Capital work-in-progress) and profit by ₹6.33 lakh with corresponding understatement of expenditure to the same extent.</p> <p>II. The company maintains an account at HDFC life for payment of gratuity to its employees. As per HDFC life, the closing balance under OPDC Employee Gratuity Trust as on 31.03.2018 was ₹1.14 lakh whereas management has considered the balance as ₹5.61 lakh. This has resulted in overstatement of current investment and profit by ₹4.47 lakh (₹5.61 lakh - ₹1.14 lakh) and corresponding understatement of expenditure to the same extent.</p>
4	Rourkela Smart City Limited	<p>I. Other Current Liabilities is understated by ₹2.08 crore due to non accounting of price adjustment bills paid prior to the approval of the Accounts by the Board.</p> <p>II. Other Current Liabilities is overstated by ₹0.56 crore due to accounting of operation and maintenance expenses of the revenue projects in contradiction to the Ministry of Housing and Urban Affairs direction.</p>
5	Bhubaneswar Smart City Limited	<p>I. Other Equity is overstated by ₹9.96 crore (₹4.15 crore for FY 2020-21 and ₹5.81 crore for the FY 2019-20) due to accounting of interest earned on grant received from GoI in violation to the terms & conditions of Provisions of GFR 2017. This has also resulted in understatement of Current Liabilities to the same extent.</p> <p>II. Capital work-in-progress is understated by ₹27.50 crore due to accounting of consultancy charges paid to three Programme Management Consultants (PgMCs) viz., Smart Solution Projects, Area Based Development Projects and Project initiation and conceptualisation, procurement of DPR consultants, contractors <i>etc.</i> as revenue expenditure. This has</p>

Sl. No.	Name of the Company	Comments
		also resulted in overstatement of other expenses and loss by ₹27.50 crore (₹3.66 crore relates to 2020-21 and ₹23.84 crore for prior period).
6	Odisha Bridge and Construction Corporation Limited	<p>I. Current Assets is overstated by ₹3.39 crore due to wrong accounting of Income Tax deducted at source (ITDS) receivable. This has also resulted in understatement of Other Current Assets to the same extent.</p> <p>II. Short Term loans and Advances include an amount of ₹0.62 crore including advance given to different suppliers (₹0.27 crore) and contractors (₹0.35 crore) which are rolling or more than 18 years in case of suppliers and more than 7 years in case of contractors. As the possibility of recovery of these advances is remote, necessary provision should have been made. Non-provision of the same has resulted in understatement of other expenses and overstatement of the short-term loans and advances as well profit by ₹0.62 crore.</p> <p>III. Other Current Assets include an amount of ₹0.16 crore towards refund receivable from Income tax department for the year 2013-14 and 2014-15. As the refund has already become time barred and the possibility of getting refund is remote, necessary provision should have been made. Non provision of the same has resulted in understatement of short-term provision and overstatement of other current assets and profit to the same extent.</p>
7	Odisha Construction Corporation Limited	Long Term Loans & Advances include ₹1.11 crore towards advances to suppliers pertaining to eight defunct projects lying un-recovered and unadjusted for past several years. As the projects were defunct the chances of collection is very remote, so it should have been fully provided as bad and doubtful advance. Thus due to non-provision, long term loans and advances is overstated by ₹1.11 crore with consequent overstatement of profit to that extent.

Table 1.23: Significant comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Odisha Forest Development Corporation Limited	The Company has not disclosed the balance of Insurance Reserve Fund amounting to ₹6.01 crore as on 31 March 2021 against which there is a damage claim of ₹18.34 lakh which should have been suitably disclosed in the notes to accounts.
2	Odisha State Civil	In the FPS automation process, the Point of Sale (PoS)

Sl. No.	Name of the Company	Comments
	Supplies Corporation Limited	devices were installed to digitise all the transactions of essential commodities. An amount of ₹36.43 crore received from the GoO was utilised by the Odisha State Civil Supplies Corporation Limited for installation of hardware to automate the FPS transactions. As per para 13(a) of Master Service Agreement for FPS automation under PDS system on 'Title to equipment & software' state that title to all equipment procured, developed, enhanced, prepared by the vendor (2nd party) shall rest with OSCSCL/GoO in perpetuity. However, the tangible assets <i>i.e.</i> , PoS devices installed for FPS automation amounting to ₹36.43 crore were not taken into the accounts of OSCSCL. This fact of non accountal of the assets should have been suitably disclosed along with the reasons for such non accountal in the Notes on Accounts, forming part of financial statements. The Notes on Accounts is deficient to that extent.
3	Odisha Agro Industries Corporation Limited	The management of the company has maintained separate bank account for Jalanidhi-II, Escrow accounts, RKVY & BKVY scheme funds and has shown the interest earned on the scheme funds under liability side of the balance sheet. Besides that, a sum of ₹10.21 crore (<i>i.e.</i> , 40 <i>per cent</i> of the total interest earned of ₹25.53 crore) has also been shown under other long term liabilities towards interest earned from other scheme fund deposits. The practice of taking 40 <i>per cent</i> of interest in the liability side has been considered by the management due to release of funds out of its own surplus working fund for those schemes which the Government reimburses after release of advance to fixed units. However, the practice of 40 <i>per cent</i> of interest taken in the liability side of the Balance Sheet with proper justification for the same has not been suitably disclosed under the significant accounting policies. Hence, the disclosure is deficient to that extent.
4	Industrial Promotion and Investment Corporation of Odisha Limited	Contingent Liability [Note 20 (2.7)] does not include ₹0.30 crore demand received (14-12-2021) from the Office of the Principal Commissioner (Audit), Central GST & CE, Bhubaneswar as payment of tax/interest/penalty payable by IPICOL under section 73(5) of GST Rules. As the Company has appealed the payment against above notice, the fact should have been disclosed suitably in the account.
5	Odisha Mining Corporation Limited	The Corporation had obtained lease of Baitarani West Coal Mine from GoI by making payment of ₹101.33 crore (Fixed amount: ₹31.99 crore + Upfront fee:

Sl. No.	Name of the Company	Comments
		₹69.34 crore) in August 2016. The mine could not be operated till date. Consequent to announcement of a scheme by GoI (09 May 2022) to surrender non-operating mines without penalty, the Corporation passed a resolution (19 May 2022) and with the approval of Government of Odisha submitted an application (June 2022) to surrender the Baitarani West Coal Mine under the scheme and forego the amount of ₹101.33 crore. The Corporation failed to disclose the impending impact of the event.
6	Rourkela Smart City Limited	As per the Smart City Mission Statement and guidelines, the smart city mission will be operated as a Centrally Sponsored Scheme (CSS) with matching contribution from both State and Centre. Out of ₹500 crore sanctioned, Central Government contributed an amount of ₹245 crore after deducting 2 per cent (i.e., ₹5 crore) towards MoHUA A&OE expenses. Against the total matching contribution of ₹250 crore, State Government have paid ₹249 crore resulting in short receipt of ₹1.00 crore till 31 March 2022 which should have been disclosed in the financial statement. As such Notes to Accounts is deficient to that extent.
7	Industrial Development Corporation of Odisha Limited	Intangible Assets (Mining Rights) is understated by ₹17.02 crore on account of writing off mining rights in respect of Talangi A mines as per the decision of the Board of Directors on 9 June 2021. The operation of mine was temporarily discontinued, as per the notice submitted by the Managing Director, IDCOL Ferro Chrome & Alloys Limited (IFCAL), w.e.f. 26 June 2020, for a period of two years, due to its unsafe and uneconomic operations. The decision of the Board was not in order, as the mining lease had neither been surrendered nor approved by Government prior to writing off unamortised amount in respect of the mine. Thus, improper amortisation of mining rights in one year, resulted in understatement of “Mining rights” and overstatement of “Depreciation and Amortisations”, alongwith consequential understatement of “Profit” by ₹17.02 crore.
8	Odisha Construction Corporation Limited	As per AS-15, in case the liability for retirement benefits is funded through a scheme administered by an insurer, the company should disclose the information with respect to the financial effects of changes in those plans during the period, a reconciliation statement of opening and closing balance of the present value of defined obligation showing separately under each specified head, the funded status of defined benefit obligation, the fair value of the plan assets and

Sl. No.	Name of the Company	Comments
		liabilities recognised in the balance sheet showing at least the past service cost. This was not disclosed. Thus, the disclosure is deficient to that extent.
9	Odisha State Beverages Corporation Limited	<p>I. Accounting of income tax paid for assessment year 2014-15 under protest for an amount of ₹38.07 crore only as Contingent Liability instead of the full demand of ₹54.25 crore resulted in understatement of Contingent Liability by ₹16.18 crore.</p> <p>II. The Company has paid/payable an amount of ₹1,329.41 crore and ₹57.72 crore to Government of Odisha towards VAT(Value Added tax) and TCS(Tax collected at source) respectively on sale of liquor during the year 2020-21. Since the amount involved in VAT and TCS is significant and is also an integral part of operation of the company, this should have been disclosed in the Accounts for the year 2020-21.</p> <p>III. The Company had paid/payable an amount of ₹570.77 crore towards special Covid fee levied by Government of Odisha on sale of IMFL and Beer during the year 2020-21. This also should have been disclosed in the Accounts for the year 2020-21.</p> <p>IV. As per Independent Auditors Report, the advances amounting to ₹15.59 crore are pending for more than 365 days. However, as per Audit, advances amounting to ₹7.53 crore were outstanding for more than 365 days.</p>

Table 1.24: Significant comments on Auditors' Report

Sl. No.	Name of the Company	Comments
1	Odisha State Beverages Corporation Limited	<p>I. As per Sub-direction 1 issued to Statutory Auditor under Companies Act 2013, the independent Auditor was required to comment on the accounting implication of insurance coverage expenses borne by the Company during the year. However, the Independent Auditor was silent about the accounting implication of insurance coverage expenses of ₹0.89 crore paid by the Company towards insurance premium even though the Company does not account for the stock insured as its inventory.</p> <p>II. As per Sub-direction 2 issued to Statutory Auditor under Companies Act 2013, the Independent Auditor was required to comment on the</p>

Sl. No.	Name of the Company	Comments
		<p>completeness of accounting entries made by the Corporation towards differential excise duty between two licensee periods as required under Odisha Excise Act, 2008. However, the report of the Independent auditor is silent about the quantification of differential excise duty. As per Audit, the estimated differential excise duty that should have been collected from the suppliers during 2020-21 was ₹26.62 crore.</p> <p>III. As per sub-direction 4 issued to Statutory Auditor under Companies Act 2013, the Independent Auditor was required to ensure the correctness of stock holding charges being accounted for during the year. However, the Independent Auditor was silent about the correctness of the figures of stock holding charges of consumable stocks. The comment of the Auditor is deficient in this aspect.</p>
2	Industrial Development Corporation of Odisha Limited	The amortisation of unexpired mining right of ₹17.55 crore has been qualified based on the provision of AS-28 <i>i.e.</i> , “Impairment of Assets” which is not proper. As the company has written off the unexpired mining right, the operation of which was discontinued temporarily, this should have been properly qualified by the Statutory Auditor.

1.10 Statutory corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of statutory corporations where CAG is the sole auditor are detailed below:

Odisha State Road Transport Corporation (OSRTC)

- (i) Employee Benefit Expenses does not include an amount of ₹0.44 crore being payable to the contractual employees towards revised minimum wages during the financial year 2019-20. Non-accounting of revised minimum wages payable to contractual workers also resulted in understatement of short term provision and loss by ₹0.44 crore.
- (ii) Tangible Assets is understated by ₹2.45 crore due to non-accounting of the completed works of bus terminal at Angul and Cuttack. This has also resulted in overstatement of Grants and Assistance (State Government Capital Outlay) by ₹2.45 crore and understatement of depreciation and loss by ₹0.06 crore.
- (iii) Capital work-in-progress is understated by ₹6.78 crore due to non-accounting of the demand to release fund (₹6.78 crore) towards ongoing projects *viz.*, bus terminal at Jeypore and Bolangir in order to

complete the same. This has also resulted in understatement of Other Liabilities by an equal amount.

- (iv) The corporation has not disclosed ₹25.61 crore being the amount demanded by M/s ARSS Bus Terminals Pvt. Ltd. from OSRTC out of arbitration proceeding No. 68/2019 and orders passed by the Hon'ble Supreme Court of India in SLP(C) Dy. No. 10086/2020 for maintainability of the arbitration proceedings, it should have been suitably disclosed as contingent liability (Note-21.15) in notes forming part of the accounts as per AS 29.

1.11 Non-compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that 11 companies as detailed in *Appendix 14* did not comply with mandatory Accounting Standards/Ind AS.

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS which was not reported by their statutory auditors as detailed in Table 1.25.

Table 1.25: Non-compliance to Accounting Standards/Ind AS observed during supplementary audit

Accounting Standard/Ind AS		Name of the Company	Deviation
AS-15	Non-disclosure of financial effects of changes made in the insurance plan towards retirement benefits	Odisha Construction Corporation Limited	As per AS-15, in case the liability for retirement benefits is funded through a scheme administered by an insurer, the company should disclose the information with respect to the financial effects of changes in those plans during the period. This was not disclosed by the company.

1.12 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the

financial reports or in the reporting process were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices;
- adjustments arising out of audit that could have a significant effect on the financial statements; and
- inadequate or non-disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 'Management Letters' to 26 SPSEs as listed in *Appendix 15*.

1.13 Recommendation

State Government may ensure timely submission of Financial Statements of SPSEs, as in the absence of finalisation of accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature.

CHAPTER-II

**Detailed Compliance Audit on
Viability of Continuance of
Loss making PSUs**

CHAPTER-II

GRIDCO Limited, IDCOL and its Subsidiaries and Odisha Rural Housing and Development Corporation Limited

Detailed Compliance Audit on Viability of Continuance of Loss making PSUs

2.1 Introduction

Public Sector Undertakings (PSUs) are created both by the Central and State Governments as a measure of State intervention in separate sectors of the economy for development at macro level for welfare of the people. It is required that they must be well governed in order to achieve their envisaged objectives while guarding the huge public money invested in them. Loss in PSUs resulting in erosion of such investment is thus waste of public money. In this context, performance of certain loss making PSUs operating in different important sectors were analysed in this audit from viability view point.

As on 31 March 2022, Odisha had 82 State Public Sector Undertakings (PSUs) consisting of three Statutory Corporations and 64 Government Companies (including 26 inactive Government Companies) and 15 Government Controlled Other Companies under the audit jurisdiction of the CAG. Out of these, fourteen¹² PSUs had accumulated loss of ₹8,775.18 crore as on 31 March 2022. Five loss making PSUs *viz.*, GRIDCO Limited (GRIDCO), IDCOL Ferro Chrome and Alloys Limited (IFCAL), IDCOL Kalinga Iron Works Limited (IKIWL), Industrial Development Corporation of Odisha Limited (IDCOL) and Odisha Rural Housing and Development Corporation Limited (ORHDC), in which the total equity investment of ₹3,065.41 crore by Government of Odisha (GoO) was completely eroded by their accumulated loss of ₹8,313.34 crore and negative net-worth of ₹5,247.93 crore, have been identified to be covered in this Detailed Compliance Audit (DCA).

2.2 Scope and Methodology

The scope of the audit includes analysis of the financial and operational performance of these five loss making PSUs for last five years ending 31 March 2022 for ascertaining the reasons for loss and analysis of their viability for continued operation. Records maintained at GRIDCO, IDCOL, IKIWL, IFCAL and ORHDC and their respective Administrative Departments *i.e.*,

¹² GRIDCO Limited (₹7,886.18 crore), Odisha Power Transmission Corporation Limited (OPTCL) (₹110.76 crore), IDCOL Ferro Chrome & Alloys Limited (IFCAL) (₹33.89 crore), IDCOL Kalinga Iron Works Limited (IKIWL) (₹188.38 crore), Odisha Mineral Exploration Corporation Limited (OMECL) (₹13.48 crore), Water Corporation of Odisha Limited (WATCO) (₹0.46 crore), Odisha State Road Transport Corporation (OSRTC) (₹183.56 crore), Odisha Forest Development Corporation Limited (OFDC) (₹66.82 crore), Industrial Development Corporation of Odisha Limited (IDCOL) (₹58.84 crore), Bhubaneswar Smart City Limited (BSCL) (₹75.51 crore), Odisha Thermal Power Corporation Limited (OTPCL) (₹7.87 crore), Paradeep Plastic Park Limited (PPPL) (₹3.16 crore), Odisha Electronic Park Limited (OEPL) (₹0.22 crore) and Odisha Rural Housing and Development Corporation Limited (₹146.05 crore)

Energy Department, Steel and Mines Department, Housing and Urban Development Department and Public Enterprises Department were examined for this purpose.

The methodology adopted for audit involves analysis of data and information collected and issue of report to the Management/Government after incorporating their replies wherever received.

An entry conference with the companies was held on 29 September 2022 explaining the audit objectives and the methodology of audit. Exit conference was held on 18 March 2023 with the nominees from the audited entities and the State Government. Views expressed in the meeting have been duly considered for finalising this Report.

2.3 Audit Objectives

The audit objectives of the DCA were to assess whether:

- business Model, planning and monitoring mechanisms exist for acquisition and utilisation of material, capital, financial and human resources required to achieve the objectives of the PSUs;
- business operations were carried out in prudent manner for ensuring operational and financial efficiency and optimum utilisation of resources to achieve its desired objectives;
- targets for sales of the companies were fixed based on availability of production capacities, raw materials and market demand to achieve the desired objectives; and
- there is viability of continuance of these PSUs in view of Government Policy/Regulatory orders/changing macroeconomic and industry scenario and actions taken by the Government/PSUs.

2.4 Audit Criteria

Since this Detailed Compliance Audit had been taken up in PSUs working in five different areas, the audit criteria adopted are given separately for each PSU. Audit observations are given separately for GRIDCO and ORHDC. Audit observations on IDCOL and its two subsidiaries IFCAL and IKIWL have been clubbed together.

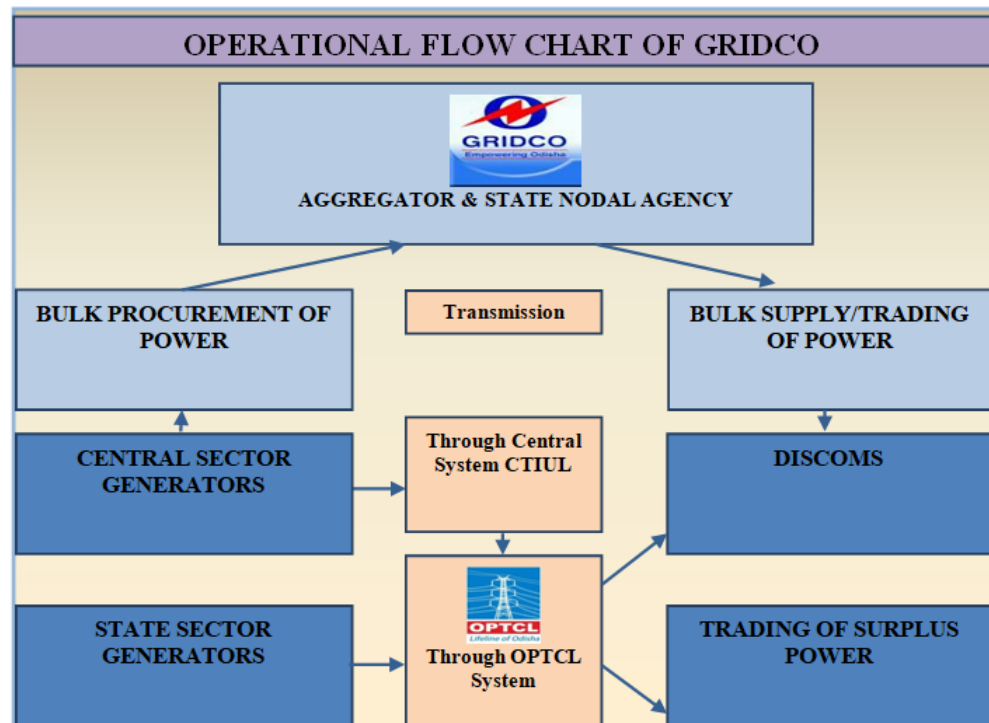
2.5 GRIDCO Limited

2.5.1 Introduction

GRIDCO was incorporated on 20 April 1995 as a fully owned Government of Odisha undertaking pursuant to the restructuring of the power sector in Odisha in terms of Odisha Electricity Reform (OER) Act, 1995. The said Act transferred all activities relating to the procurement, transmission and distribution of electricity of erstwhile Orissa State Electricity Board (OSEB) to GRIDCO. Subsequently, the distribution function of GRIDCO was hived off and vested in four Distribution Companies

(DISCOMs) with effect from 26 November 1998. GRIDCO, however, continued with power procurement from the generators. As the State designated entity, it executed Power Purchase Agreements (PPAs) with various central and state electricity generating companies for bulk supply of power to four DISCOMs to meet the electricity demand in the State. After meeting demand of the State, GRIDCO sells the surplus power outside the State. After enactment of Electricity Act (EA), 2003, the transmission function was also hived off from GRIDCO and vested with Odisha Power Transmission Corporation Limited (OPTCL) with effect from 1 April 2005. Thus, what remained with GRIDCO was the business of procurement of power from the generators and selling in bulk to the DISCOMs as a matter of legacy. This is a peculiar situation in Odisha where GRIDCO exists in power sector without any involvement in the three activities of power sector *viz.*, Generation, Transmission and Distribution of electricity. It is also not an independent power trader because it is under obligation to supply power to DISCOMs. Unlike other states, the DISCOMs are not having PPAs with the generators. In this connection, Odisha Electricity Regulatory Commission (OERC) while clarifying the legal status of GRIDCO, observed (18 March 2011) that bulk supply activity by a trader is not repugnant to any provision of EA, 2003. It is a historical legacy coming down from the period under OER Act, 1995. GRIDCO projects its procurement and sale of power annually and submits the same to OERC through Annual Revenue Requirement (ARR) application for approval. Rates for procurement and sale of power are determined by OERC in terms of Section 86(b) of EA, 2003. OERC also regulates procurement of power by GRIDCO under PPAs with generators. The operational flow chart of GRIDCO is given below:

Chart 2.1: Operation Flow Chart of GRIDCO



2.5.2 Organisation Structure

GRIDCO is under the administrative control of Department of Energy (DoE), Government of Odisha (GoO). The Management of GRIDCO is vested with the Board of Director consisting of the Chairman and 10 Directors including the Managing Director (MD). The organisation is primarily structured along three functional departments *i.e.*, Commerce and Power Procurement, Trading and Business Development and Finance and Corporate Affairs. The MD is the Chief Executive of the Company and the Directors of the three functional departments assist him in managing the affairs of the Company.

2.5.3 Financial Performance

GRIDCO has been incurring losses continuously since 2013-14. The financial performance of GRIDCO during five years ending 31 March 2022 are given in **Appendix 16**.

An analysis of the financial performance of the GRIDCO for last five years revealed that:

- The annual losses of GRIDCO had continuously increased from ₹197.50 crore in 2017-18 to ₹1,382.35 crore (600 *per cent* increase in four years) in 2020-21. GRIDCO could manage to reduce its loss to ₹440.18 crore during 2021-22 from previous year loss of ₹1,382.35 crore but even that loss was more than 157 *per cent* of loss during pre-Covid period (₹281.05 crore during 2018-19). Despite decrease in loss, the finance cost for the year 2021-22 has increased from ₹600.58 crore in previous year to ₹741.11 crore. It was observed that its peers in private sector (like PTC India) earned profit during these years (2019-20 and 2020-21).
- The revenue earned by GRIDCO declined from 97.55 *per cent* of total expenditure incurred in 2017-18 to 84.86 *per cent* in 2019-20. During 2021-22, this percentage was 95.34 despite improvement in power supply after Covid-19 pandemic.
- Accumulated losses went on increasing continuously during these period to reach the highest of ₹7,886.18 crore as on 31 March 2022. As a result, the entire investment of Government in the form of equity share capital of ₹2,791.22 crore has been eroded despite induction of fresh share capital of ₹2,214.51 crore by the GoO during 2021-22. The net worth of GRIDCO at the end of the year 2021-22 was negative at (-) ₹5,094.96 crore.
- It was also observed that continuous negative net worth of GRIDCO made it ineligible to get trading license from OERC. As a result, GRIDCO was unable to independently trade power outside the State.

The above facts revealed that the financial condition of GRIDCO was so precarious that its sustainability would be questioned unless proper timely

remedial measures were taken. Financial performance is basically a reflection of operational performance which is assessed in audit from Paragraphs 2.5.5 to 2.5.8 with the following Audit Criteria.

2.5.4 Audit Criteria

The audit criteria adopted in achieving the audit objective were as follows:

- Tariff Order, ARR and Regulations of OERC and Central Electricity Regulatory Commission (CERC);
- Power Purchase Agreements (PPAs), Bulk Supply Agreements and Power Sale Agreements (PSAs);
- Memorandum of Understanding with Government of Odisha;
- Perspective plan, Annual Plan and Annual Reports of the PSUs and Annual Budgets;
- Board minutes, agenda notes;
- Orders/ notifications/ circulars/ directions/ decisions/ regulations/ guidelines issued by the State/Central Government, OERC and CERC;
- Electricity Act, 2003 and Rules, Regulations and policies issued there under;
- National Electricity Policy (NEP) and National Tariff Policy (NTP); and
- Escrow Agreements with DISCOMs.

Audit Findings:

Operational performance

GRIDCO which is basically a power trader must correctly ascertain the power requirement and try to procure it efficiently and economically to make its business sustainable. As has been analysed in the following paragraphs, there were deficiencies in both the areas.

2.5.5 Planning and Monitoring:

Absence of Strategic Planning

Strategic planning is the process of identifying the long-term goals of the entity and the broad steps necessary to achieve the goals incorporating the concerns and expectations of the stakeholders. However, it was observed in audit that GRIDCO had not prepared any strategic/perspective plans since its inception. Section 13 of OER Act, 1995 required that GRIDCO had to plan and coordinate energy requirement of the State in coordination with Generating Companies, State Government, Central Electricity Authority (CEA) *etc.* Similarly, as per OERC (Conduct of Business) Regulations 2004, GRIDCO was required to submit a business plan to the OERC within three

months of Deemed Trading Licence¹³ coming in force and update it annually. The Business Plan would contain year-wise turnover, projected profit and loss account, projected balance sheets, projected cash flow statements and projected important financial parameters. However, GRIDCO did not formulate any such plan. This fact was also pointed out in the Performance Audit Report of this Office for the year 2012-13 when Government stated that GRIDCO would formulate Business Plans for effective power trading in future. But despite elapse of nine years till date (August 2022), no action had been initiated in this regard.

As per provisions of Memorandum of Understanding (MoU) of the Energy Department, GoO, GRIDCO was required to develop accurate short and long term power demand forecasting. But GRIDCO, instead of making any short and long term projection of power requirement of the State, signed (August 2006 to January 2011) 16 PPAs with NTPC's upcoming generating stations keeping in view the load forecast projected in 17th Electric Power Survey (EPS) of CEA published in 2006. However, during 2014, GRIDCO felt that the load growth was not in tandem with that as mentioned in 17th EPS. Hence, the Board of Directors of GRIDCO decided (15 March 2014) to float a proposal for surrender of power from NTPC stations located outside the State. Accordingly, GRIDCO requested (November 2014) the Principal Secretary, Department of Energy, GoO to take up the matter with the Ministry of Power, Government of India (GoI) for de-allocation of State's share of power supply from upcoming NTPC projects located outside the State. As satisfactory progress could not be made in this regard and GRIDCO incurred huge avoidable expenditure of ₹1,071.36 crore during 2014-15 to 2019-20 by way of fixed charges payable to these power projects without drawing power from them, GRIDCO appointed (15 May 2018) a consultant M/s Feedback Infra to carry out the Electricity Demand Forecasting and Development of Power Trading Strategy for the period 2018-19 to 2026-27. M/s Feedback Infra submitted its final report on 25 February 2019 recommending surrender of costly power of Central Generating Stations *i.e.*, M/s. Kanti Bijli Utpadan Nigam Limited (KBUNL) and Barh-II.

It was observed in audit that no effective actions had been taken by GRIDCO on the recommendations of M/s Feedback Infra like power trading with trading margins, sale of power to deficit states, surrender of high cost NTPC stations, *etc.* As a result, GRIDCO could not improve its performance and incurred huge losses over the years.

Government stated (March 2023) that GRIDCO had decided (February 2023) to adopt strategic planning for future. Further, in absence of interested beneficiaries, de-allocation could not take place from Barh-II and KBUNL (Muzaffarpur-II STPS) since 2015 which were subsequently de-allocated to Bihar and Tamil Nadu with effect from 19 February 2019 and 28 March 2022. However, the fact remained that due to inordinate delay in surrender of these power stations, GRIDCO suffered huge financial loss as cost of power from these power stations were very high and OERC did not approve these sources

¹³ Deemed Trading Licence is granted under 5th proviso of Section 14 of Electricity Act, 2003 to a Government Company

of power in the ARR of GRIDCO during those years as discussed in the following paragraph.

2.5.6 Procurement of Power

2.5.6.1 Purchase of high cost power from unapproved sources

As per OERC Regulations¹⁴, GRIDCO was required to project power requirement for the ensuing year in terms of quantity and sources of power procurement and submit the same to the OERC through ARR application for approval. The Regulations also provide that GRIDCO had to procure electricity required for the business in an economical and efficient manner and under a transparent power procurement process and generally based on the principles of least cost purchase. On the basis of ARR application submitted by the licensee and following the procedures as mentioned in the EA, 2003 and Regulations made there under, OERC analyses (i) actual requirement of power for that year, (ii) the sources of power procurement and (iii) other expenses proposed in the ARR application; and determines aggregate revenue requirement of GRIDCO for that year and bulk supply tariff at which power would be sold to DISCOMs. In case of any variation in actual power purchase cost as per audited accounts and approved power cost of that year, GRIDCO was required to appeal before OERC for truing up¹⁵ exercise after finalisation of audited annual accounts of that year.

It was observed in audit that GRIDCO filed truing up petition for its accounts for the financial years 2015-16, 2016-17 and 2017-18 in 2018 and two other applications for truing up of accounts for the financial years 2018-19 and 2019-20 in 2020 and 2021 respectively. But OERC took all three petitions for analogous hearing and disposed them in October 2021.

Audit observed that as against actual expenditure of ₹35,975.80 crore incurred by GRIDCO for purchase of power during these five years, OERC allowed only ₹35,052.52 crore in the truing up order and disallowed ₹923.28 crore due to following reasons:

- In the tariff orders of the GRIDCO for the financial years 2015-16 to 2019-20, OERC had disallowed power procurement from Barh STPS-II and KBUNL as the cost of power from these sources were very high, uneconomical and adverse to the interest of the consumers of the State. Further, the PPAs for procurement of power from those power stations were also not approved by OERC before the agreements were executed. Therefore, OERC directed GRIDCO and the State Government to expedite the matter with the Ministry of Power, GoI for immediate de-allocation of State share of these power stations. Although GRIDCO requested the State Government to take up the matter with the Ministry of Power, GoI, the State share of Barh STPS-II was deallocated to Bihar with effect from 19 February 2019 and that of KBUNL was re-allocated to Tamil Nadu with effect from 28 March

¹⁴ Conduct of Business Regulations, 2004

¹⁵ 'Truing up' is the adjustment of revenue gap between actual expenditure by the Licensee and the projected revenue determined under the ARR, through tariff order.

2022 for a period of five years. The power procurement cost of these projects before de-allocation/re-allocation were not allowed by OERC.

- GRIDCO sought for legal opinion from advocate of Supreme Court of India for surrender of allocation of NTPC power as the cost of power was very high and uneconomical and adverse to the interest of the consumers of the State. The advocate opined that the PPAs could lawfully be terminated for which GRIDCO had to approach the CERC for a declaration that PPAs stand discharged and directions given to the GoI to allocate its share of power from the aforesaid generating stations of NTPC to other states/utilities. Although the advocate had given his view during March 2016, management had not acted on this and continued purchase of power at higher rates till deallocation in February 2019/March 2022.
- As per provisions of PPAs with Barh STPS-II and KBUNL, the fixed cost was to be borne by GRIDCO so long as there was no reallocation even if it did not avail any power from that station. The loss due to higher fixed cost of these two power stations was disallowed by OERC on the ground that GRIDCO had not taken approval of OERC before execution of those PPAs.

It was observed in audit that during 2015-16 to 2019-20, GRIDCO incurred an expenditure of ₹1,850.13 crore towards purchase of power from Barh STPS-II and KBUNL. Out of this, OERC approved ₹926.85 crore and disallowed ₹923.28 crore in the truing up order in line with the aforesaid principles. Similarly, GRIDCO had also incurred an expenditure of ₹142.27 crore towards purchase of power from KBUNL power station during 2020-21 and 2021-22 which were not allowed as pass through in subsequent tariff orders as they were not approved in the tariff orders of respective years. Thus, if GRIDCO had not drawn any power from these unauthorised sources, but instead drawn power from the costliest approved source, it would have saved an amount of ₹1,065.55 crore. The Audit also observed that the loss could have been avoided if GRIDCO and the State Government had taken effective steps for early surrender of allocation of State share from these power stations and the PPAs were executed after taking approval from OERC.

In response to above audit observations, the Government replied (March 2023) that GRIDCO purchased power from high cost unapproved sources (Barh-II and KBUNL) to mitigate the exigency situation arising in the State due to the outage of generating stations or increase in demand. But no supporting document was produced to prove that power from these sources were purchased at the time of exigencies or increasing demand.

2.5.6.2 Shortfall in procurement of low cost IPP power

GRIDCO procured power from three¹⁶ out of five commercially commissioned Independent Power Producers (IPPs) during the period 2017-18

¹⁶ M/s Vedanta Limited, M/s Jindal India Thermal Power Limited, M/s GMR Kamalanga Energy Limited

to 2021-22. Power procurement from other two commercially commissioned IPPs was not yet started.

It was observed in audit that there was consistent shortfall in procurement of power from the IPPs against the entitlement as per PPA and the shortfall ranged from 3,636.13 MU to 5,642.76 MU¹⁷ during the period 2017-18 to 2021-22. The percentage of shortfall against the entitlement was ranged between 44.25 *per cent* and 68.67 *per cent* during the period 2017-18 to 2021-22. Since IPP power was one of the low cost power, GRIDCO incurred loss of ₹3,257.40 crore due to procurement of power from other high cost sources as discussed in the following cases.

2.5.6.2.1 As per the terms and conditions of the PPA (December 2012) with M/s Vedanta Limited, GRIDCO was entitled to procure 25,167.77 MU (5,009.97 MU to 5,039.45 MU each year) of power during the period 2017-18 to 2021-22 at the rate varying from ₹2.38 to ₹2.61 per unit from Vedanta Limited. In this regard, it was observed in audit that:

- Vedanta Limited consistently failed to supply the State entitled power as per PPA during the period 2017-18 to 2021-22. During the period 2017-18 to 2021-22, Vedanta Limited had generated 57,660.43 MU of power from its plant, of which it had supplied only 7,694.67 MU to GRIDCO against PPA entitlement of 25,167.77 MU. The balance power has been utilised by Vedanta Limited for captive consumption.
- Due to short supply of 17,473.10 MU (25,167.77 MU – 7,694.67 MU) of power which was 69.43 *per cent* of GRIDCO's entitlement under the PPA, GRIDCO procured high cost power from the market, the cost of which ranged from ₹3.13 to ₹4.66 per unit and incurred an additional expenditure of ₹2,020.65 crore during the period 2017-18 to 2021-22. Due to non-supply of State entitled power by Vedanta Limited, GRIDCO filed (November 2019) a petition¹⁸ before OERC under Section 142 of EA, 2003 which was still not disposed off even after lapse of more than 36 months (December 2022). Further, the matter had been brought to the notice of the Principal Secretary, Industries Department, GoO to convene a joint meeting among various departments for taking necessary action so as to prevent Vedanta Limited from non-compliance of various obligations towards State as agreed in the MoU and PPA. However, no concrete action had been taken by the Government in this regard till date.
- There was also no penalty clause in the PPA in case of default in supply of State entitled power by Vedanta Limited. However, GRIDCO had recovered compensation amount of ₹547.28 crore for the period 2017-18 to 2021-22 from Vedanta Limited as per direction (June 2020) of OERC due to short supply of power.

¹⁷ MU refers to Million Units

¹⁸ Section 142 of the Electricity Act, 2003 provides for penal action against violations of the PPA. GRIDCO filed a petition before OERC for seeking remedy against such violation by Vedanta Limited.

Thus, default in supply of State entitled power by Vedanta Limited resulted in loss of ₹1,473.37 crore (₹2,020.65 crore - ₹547.28 crore) to GRIDCO during the period 2017-18 to 2021-22.

2.5.6.2.2 Jindal India Thermal Power Limited (JITPL) had not supplied the full State entitled power after commercial operation of its units between February 2015 and April 2015. JITPL sold 25,286.33 MU of power outside the State during the period 2017-18 to 2021-22 wilfully defaulting in supply of power to the State. Against entitlement of 5,042.13 MU as per the PPA, JITPL supplied meagre 523.72 MU to GRIDCO during the above period. The shortfall in supply as per the PPA ranged between 74.09 *per cent* and 100 *per cent* during the five year ending March 2022. Although JITPL assured (September 2017) GRIDCO to compensate the shortfall in supply of State entitled power in subsequent months, it did not do so.

- Further, JITPL had filed a writ petition before Hon'ble High Court of Odisha challenging the MoUs with the GoO and PPA with GRIDCO and completely stopped supplying the State entitled power from 23 May 2019, citing the interim order (16 May 2019) of the Hon'ble High Court in the case that no coercive action would be taken against JITPL till the next date. Although no direction was given in the court order to stop supply of State share of power, JITPL did not resume supply of power.
- After delay of five years of not receiving entitled power and one year from complete stoppage of supply of State share of power, GRIDCO intimated (March 2020) GoO to convene a meeting among all concerned Departments of GoO to discuss the matter and decide upon the future course of action. After delay of six months from the intimation of GRIDCO, a meeting was convened (September 2020) under the chairmanship of Principal Secretary, Industries Department wherein GRIDCO requested Industries Department to take action against JITPL by withdrawing all the benefits extended to JITPL for setting up and operating its plant in the State. GoO asked GRIDCO to approach IDCO, Department of Water Resource, State Pollution Control Board, *etc.* to assess the concessional facilities extended to JITPL. Although GRIDCO submitted (February 2021) a report thereon, GoO didn't take any action. JITPL had been supplying the State share of power again from 29 April 2022 after its stoppage from 23 May 2019. So due to delayed action by GRIDCO and the GoO and lack of coordination amongst various departments of GoO and lack of robust mechanism to tackle such type of situation, JITPL took the advantage of wilfully not supplying the State entitled power.
- Due to non-supply of the State entitled low cost (cost per unit varied between ₹1.28 and ₹1.71) IPP power, GRIDCO was forced to procure power from high cost (cost per unit varied from ₹3.93 to ₹8.11) generating stations to meet State demand and thereby sustained a loss of ₹1,769.80 crore during the period 2017-18 to 2021-22.

2.5.6.2.3 Similarly, as per the PPA (September 2006/January 2011/February 2018) with M/s GMR Kamalanga Energy Limited, GRIDCO was entitled to 25 per cent of the power sent out from the thermal power plant excluding the quantum of power in excess of 80 per cent plant load factor. It was, however, revealed in audit that against entitlement of 10,824.90 MU as per the PPA, the IPP had supplied 8,740.16 MU during the period 2017-18 to 2021-22. The shortfall in supply as per the PPA ranged between 9.06 per cent and 31.36 per cent during the above period. Due to non-supply of State entitled low cost (cost per unit ranging from ₹3.08 to ₹3.23) IPP power, GRIDCO was forced to procure high cost (cost per unit ranging from ₹3.24 to ₹3.62) power during 2018-19 and 2020-21 for which GRIDCO sustained loss of ₹14.23 crore.

Hence, due to non-supply of State entitled power by the IPPs, GRIDCO incurred a loss of ₹3,257.40 crore (₹1,473.37 crore + ₹1,769.80 crore + ₹14.23 crore). Further, in the absence of a penalty clause in the PPAs, GRIDCO could not enforce the contract, to safeguard its interest at the time of default by the IPPs, for supply of state entitled power. However, no responsibility has been fixed by GRIDCO for faulty contractual agreements.

Government replied (March 2023) that calculation of shortfall quantum of power with reference to the normative availability of power from the IPPs was not correct. The shortfall quantum had to be worked out considering power sent out from the power plant *vis-à-vis* actual supply of power.

The reply of Government to calculate the shortfall based on power sent out from the plant was not tenable because power sent out was not to be worked out considering power sent out as such. It is to be considered by linking it to the normative generation at 85 per cent plant load factor as required under OERC (Terms and Conditions of Determination of Generation Tariff) Regulations, 2014.

2.5.6.3 Procurement of power from Odisha Hydro Power Corporation Limited

Among all sources of power, procured by GRIDCO, to meet the power demand of the State, hydro power procured from Odisha Hydro Power Corporation Limited (OHPC) is the least costly. The purchase rate per unit of hydro power varied from ₹0.79 to ₹1.08 during the period 2017-18 to 2021-22. It is thus in the interest of the State/GRIDCO to maximise procurement of hydro power.

It was observed in audit that:

- i. GRIDCO procured 28,857.55 MU of power from OHPC Limited against the target fixed by OERC for 29,408.70 MU during the period 2017-18 to 2021-22. Out of the above five years, in case of three years *i.e.*, 2018-19, 2019-20 and 2020-21 there were excess procurement of 272.58 MU, 286.68 MU and 396.22 MU respectively than the target fixed by OERC. However, during the year 2017-18 and 2021-22, there were short procurement of 292.14 MU and 1,214.49 MU respectively. Hence, there was aggregate shortfall in procurement of 551.15 MU than the target fixed by OERC during the five year period ending 31 March 2022. It was also revealed that OERC while approving the Bulk Supply Price (BSP) of GRIDCO during the year 2014-15 and 2021-22,

viewed that with proper planning and redesigning of priorities, power generation of OHPC can go beyond the design energy without sacrificing obligation towards flood control and irrigation and as a result GRIDCO with proper planning and co-ordination could trade 2,500 MU of power on a conservative basis to generate substantial amount of revenue. However, the same was not acted upon till date by State Government.

- ii. Further, during the year 2021-22 the procurement of power by GRIDCO reached new height with aggregate procurement of 33,641.65 MU which was 29.01 *per cent* higher than the procurement during the year 2017-18. However, in the same year, there was drastic shortfall in procurement of 1,214.49 MU power from OHPC which was 20.65 *per cent* lesser than the target fixed by OERC for that year. Due to short procurement of low cost hydro power, GRIDCO procured power from high cost sources. It was observed that the average procurement price of GRIDCO during the period 2017-18 and 2021-22 was ₹2.44 to ₹2.77 per unit against average cost of hydro power which was ₹0.79 and ₹1.08 per unit respectively for which GRIDCO sustained a loss of ₹76.18 crore during these period.

Hence, in procurement of power from OHPC, there was loss of ₹76.18 crore to GRIDCO during the period 2017-18 to 2021-22.

Government replied (March 2023) that during FY 2017-18 and FY 2021-22, there was hydrology failure due to poor monsoon and OHPC was not able to generate as per the design energy of its generating stations. To ensure energy security, GRIDCO was compelled to procure power from alternate sources at comparatively higher price.

However, it was revealed from the fortnightly reservoir level data submitted by OHPC to Energy Department that there was consistently higher water level than the minimum draw down level throughout the year in 2017-18 and 2021-22. Thus, proper planning and redesigning priorities would be required to generate more than the design energy as observed by OERC.

2.5.6.4 Procurement of renewable energy below the target

As per Section 61 (h) and 86(1)(e) of EA, 2003, the OERC shall promote co-generation and generation of electricity from renewable sources of energy and shall also specify amount of purchase of electricity from such sources as a percentage of total consumption of the State. In case, actual purchase from renewable sources falls below specified percentage, obligated entities are required to purchase Renewable Energy Certificates (RECs)¹⁹. Further, Para 4.2 of OERC (Procurement of Energy from Renewable Source and its compliance) Regulations 2015 and 2021, states that a minimum quantum of electricity to be procured from renewable sources by the obligated entity as percentage of total consumption. As per Para 9.1 of Regulations 2015 and Para

¹⁹ Certificate issued by Central Agency *i.e.*, National Load Despatch Centre. This can be bought and sold in any of the power exchange in India.

10.1 of Regulations 2021, in the event the obligated entity not being able to fulfill the Renewable Purchase Obligation (RPO) during any year and also do not purchase the certificates, the obligated entity shall deposit a penalty calculated by the State Agency on the basis of shortfall in units of RPO and the forbearance price decided by the Central Commission.

It was observed that GRIDCO could not achieve the target set for procurement of power from renewable sources, nor procured the RECs during the period 2017-18 to 2021-22 leading to liability to pay penalty of ₹1,315.73 crore. It was observed that against target of procurement of 12,688.06 MU renewable energy during the period 2017-18 to 2021-22, GRIDCO could procure 7,134.62 MU leading to shortfall of 5,553.44 MU.

Government replied (March 2023) that while procurement of RECs would have helped GRIDCO comply to its RE procurement targets, it would have unnecessarily burdened the consumers of the State through increase in power procurement cost and ultimately consumer tariff. Further, they replied that no penalty had ever been imposed by OERC on account of shortfall in RE procurement by GRIDCO.

The reply was not acceptable as any imposition of penalty would further deteriorate the financial condition of GRIDCO and hence GRIDCO should take all out effort to meet the target fixed for procurement of renewable energy.

2.5.6.5 Loss of ₹91.12 crore due to excess transmission loss over the norms

The quantum of power and price at which GRIDCO procures and sells are determined by OERC in the tariff order based on Annual Revenue Requirement application submitted by GRIDCO every year. While determining the quantum of power to be sold during the year, OERC allows certain percentage of power as transmission loss *i.e.*, power lost in transmission from the point of procurement to the point of distribution to DISCOMs. As transmission loss to be recovered from the sale price is only up to the extent allowed by OERC in the tariff order, any excess transmission loss would be borne by GRIDCO. In this regard Audit observed that:

- OERC, while approving the tariff order for the year 2017-18 to 2021-22, allowed 3 to 3.5 *per cent* towards transmission loss for procurement of power from the generating stations. It was observed in audit that during the period 2017-22, the aggregate transmission loss incurred by GRIDCO was higher by 0.19 to 0.62 *per cent*, than the norms approved by OERC except 2021-22.
- The aforesaid excess transmission loss ranged from 33.73 MU to 153.68 MU during the year 2017-18 to 2020-21 for which GRIDCO sustained loss of ₹91.12 crore. Though GRIDCO had been sustaining heavy financial loss due to excess transmission loss, it had not taken any remedial measure in co-ordination with the Government of Odisha/OPTCL for reduction of transmission losses.

Government stated (March 2022) that any technicalities pertaining to transmission loss was outside the purview of GRIDCO. The transmission loss pertaining to the power availed from central sector includes both Central Transmission Utility (CTU) and State Transmission Utility (STU) loss, whereas for power availed from within the state, only STU loss was incurred. Hence, the aggregate transmission loss incurred was within the norm.

The reply was not acceptable because transmission loss (on power procurement through STU/CTU) is very much a factor having financial impact for GRIDCO. While OERC allows a definite percentage of transmission loss for deciding power procurement cost, any loss beyond that percentage (on energy procured through STU/CTU) would be a loss to be absorbed by GRIDCO. Since the overall loss has been computed to be more than the allowable percentage, there was loss to that extent.

2.5.7 Financial Management

2.5.7.1 Non-recovery of huge outstanding trade receivables

Sale of power to DISCOMs is the prime source of revenue for GRIDCO. But it was observed in audit that GRIDCO had been continuously failing to recover large portion of its revenue from these DISCOMs which had adversely affected the liquidity and solvency position of GRIDCO. As on 31 March 2022, GRIDCO's trade receivables were ₹2,933.01 crore which was 52.85 per cent of the total assets of GRIDCO as on that date. Out of this, ₹1,593.92 crore was outstanding for more than three years for which GRIDCO had provided an allowance loss of ₹959.51 crore. As huge capital was blocked in trade receivables, efficient management of trade receivables was inevitable for sustenance of GRIDCO in the long run.

It was observed that the amount (₹36,635.55 crore) collected from DISCOMs during these periods were not adequate to meet the power purchase cost (₹42,618.26 crore) required to be paid to the generators after meeting fixed overheads like employee cost and other administrative and general overhead expenditure. To recoup this deficient funds requirement, GRIDCO was compelled to borrow funds from the banks, financial institutions, Government and other PSUs for which it had to incur heavy interest expenses.

It was observed in audit that as against actual interest expenses of ₹2,770.03 crore incurred during these five years as per accounts, OERC approved ₹826.83 crore as pass through in tariff orders and disallowed ₹1,943.20 crore. In addition to this, GRIDCO had incurred ₹1,104.97 crore for interest during 2015-16 (₹532.62 crore) and 2016-17 (₹572.35 crore) against which OERC approved ₹616.63 crore only in the ARR of respective years leaving a gap of ₹488.34 crore. Thus due to failure of the Company to recover Bulk Supply Price (BSP) dues from DISCOMs in time, GRIDCO had to borrow funds to meet its operating expenses and incurred extra expenditure of ₹2,431.54 crore by way of interest cost during 2015-16 to 2021-22 which was not approved by OERC in the tariff orders.

OERC in the tariff order of GRIDCO for the year 2017-18 observed that the inability of GRIDCO to mobilise its internal resources by way of collection of BSP dues from DISCOMs had led GRIDCO to deficit balance *i.e.*, revenue

received from DISCOMs being not sufficient to discharge the dues of generators which was quiet alarming. Hence, OERC refused to allow the interest on loan taken during the year 2016-17 and onwards.

GRIDCO had appealed before OERC for truing up of revenue gaps for the years 2015-16 to 2020-21. But truing up exercises up to 2020-21 had not been finalised by the OERC till date (March 2023). As regards truing up of interest cost, OERC observed that on the analysis of the total revenue requirement and expected revenue for these years, GRIDCO was not required to borrow further from banks, if it was able to collect the approved revenue from DISCOMs. Hence, it reiterated its view in the tariff orders of respective years and approved interest cost of ₹1,284.19 crore which was same as approved in the ARR. Thus, due to failure of GRIDCO to mobilise its internal resources by way of collection of BSP dues from DISCOMs, GRIDCO suffered a loss of ₹2,391.54 crore by incurring extra expenditure towards interest on loans during the period from 2015-16 to 2021-22.

On analysis of reasons for huge accumulation of outstanding trade receivables which includes BSP dues, Delayed Payment Surcharge (DPS), securitised dues, transfer scheme and other dues over the periods, it was observed in audit that:

- The OERC vide its order dated 04 March 2015 revoked the Retail Supply Licences of the Reliance Infrastructure Limited (RIL) managed three DISCOMs, Western Electricity Supply Company of Odisha Limited (WESCO), Northern Electricity Supply Company of Odisha Limited (NESCO) and Southern Electricity Supply Company of Odisha Limited (SOUTHCO) due to poor performance. The management and control of these distribution companies along with all the assets, liabilities and rights were vested with the Chairman, GRIDCO in his capacity as the Administrator of these three distribution companies under the supervision and control of the Principal Secretary, Department of Energy, Government of Odisha. As on the date of revocation, the outstanding dues payable by these companies to GRIDCO was amounting to ₹4,234.09 crore for recovery of which GRIDCO filed a petition before OERC on 29 October 2019. OERC pronounced its order on 27 October 2021 holding the three RIL managed DISCOMs and RIL, squarely liable for settling the above claim. RIL challenged the said order of the OERC before Appellate Tribunal for Electricity (APTEL) the verdict of which was awaited. Thus, non-recovery of the amount led to undue advantage to the RIL managed DISCOMs.
- The Utilities of WESCO, SOUTHCO and NESCO have been vested with Tata Power Western Odisha Distribution Limited on 01 January 2021, Tata Power Southern Odisha Distribution Limited on 01 January 2021 and Tata Power Northern Odisha Distribution Limited on 01 April 2021 respectively. The utility of Central Electricity Supply Utility (CESU) was vested with Tata Power Central Odisha Distribution Limited (TPCODL) on 01 June 2020. However, the four transferee companies did not take over the liability of ₹7,128.60 crore payable to GRIDCO which were lying as receivable from the residual

utilities in the accounts of GRIDCO with nobody liable for that. This had negatively impacted the capabilities of GRIDCO to meet the debt service obligations. This led to undue advantage to the above DISCOM utilities.

Government replied (March 2023) that outstanding BSP dues could not be recovered from the DISCOMs as they could not generate sufficient revenue to meet the power purchase cost owed to GRIDCO and also to meet their operating cost. So, GRIDCO was compelled to avail loans from banks/financial institutions in order to settle the Generators's dues and maintain uninterrupted power supply to the State.

The replies of the Government were not acceptable, because the dues recoverable from DISCOMs were their contractual liabilities in as much as dues payable to generators were contractual liabilities of GRIDCO. Hence, GRIDCO should take steps to recover its dues when OERC was not buying its argument for uninterrupted power supply. Moreover, system of such power supply was unsustainable proposition in the long run.

2.5.7.2 Non-submission of detail documents of securitisation of OHPC dues to OERC for approval led to disallowance of interest cost of ₹193.71 crore in tariff orders

GRIDCO procures hydro power from hydro power stations of OHPC Limited. Pursuant to the decision of the 155th BoD (25 September 2014) for securitisation of energy dues of an amount of ₹619 crore payable up to 31 March 2013, an agreement was executed on 23 February 2015 with the OHPC and simple interest on the dues was payable at the rate of eight *per cent* from 01 April 2014 with repayment period of 10 years including three years moratorium period. During the moratorium period, the interest amount of ₹4.13 crore was to be paid every month within 10 days of the succeeding month and repayment of principal was to be made in 84 instalments of an amount of ₹7.37 crore per month from 01 April 2017 to 31 March 2024 along with interest. So, GRIDCO was required to deposit ₹619 crore and ₹323.94 crore towards principal and interest, respectively, up to April 2024. However, GRIDCO did not submit the detailed documents regarding securitisation of OHPC dues to OERC for approval as stated in paragraphs 482, 290, 277, 303 and 284 of OERC tariff orders of 2011-12, 2015-16, 2016-17, 2017-18 and 2018-19 respectively. OERC disallowed the interest cost of ₹193.71 crore on securitisation of debt in the tariff order during 2014-15 to 2018-19, causing loss to GRIDCO.

Government accepted (March 2023) the audit observation.

2.5.7.3 Improper analysis of funds requirement led to unwarranted guarantee fee payable ₹6.25 crore

GRIDCO borrows funds from Commercial Banks/Financial Institutions to meet its working capital requirement each financial year. GoO had been providing Guarantee for enabling GRIDCO to avail term loans from different Commercial Banks from time to time. GRIDCO was required to pay "Guarantee Commission/Fee" on the said Government Guarantee. As per the Finance Department Resolution No. 54323(14)/F, dated 26 November 2002,

all organisations availing Government Guarantee are required to pay Guarantee fee on the maximum amount of Guarantee sanctioned irrespective of the amount availed or outstanding till final liquidation of the loan. The resolution also allows surrender of unavailed guarantee vide Para No.4 and reduce the payable guarantee fee.

In this backdrop, Audit observed, that GRIDCO was well aware of the fact that the guarantee fee is required to be paid on the sanctioned amount and GRIDCO could surrender the unutilised guarantee to the Government, as per above notification, to reduce the guarantee fee burden on GRIDCO. However, GRIDCO utilised ₹2,350 crore out of sanctioned Government guarantee of ₹3,000 crore, but did not surrender the unutilised guarantee on the balance amount of ₹650 crore during the year 2018-19. Similarly, GRIDCO utilised ₹2,000 crore out of sanctioned Government guarantee of ₹2,600 crore, but did not surrender the unutilised Guarantee on the balance amount of ₹600 crore for the financial year 2020-21 causing unwarranted expenditure to the tune of ₹6.25 crore at the rate of 0.5 *per cent* on the unutilised guarantee amount.

Government accepted the observation and stated (March 2023), Finance Department, Government of Odisha in its demand for guarantee fee up to FY 2020-21, claimed ₹6.25 crore for FY 2018-19 and FY 2020-21 based on approved guarantee irrespective of sanction/issuance of guarantee against drawal of loan.

2.5.8 Non-amortisation of regulatory asset of ₹2,616.95 crore

Para 8.2.2 of the National Tariff Policy, 2016 states that the facility of a regulatory asset (deferral of expenses for adjustment against future revenue) has been adopted by some Regulatory Commissions in the past to limit tariff impact in a particular year. This should be done only as a very rare exception in case of natural calamity or force majeure conditions.

The regulatory assets of GRIDCO approved by OERC as on 31 March 2021 stands at ₹1,306.55 crore. This has been arrived at after finalisation of truing up exercise up to 2020-21. The truing up exercise for the year 2021-22 had not yet been finalised.

In this connection, the Audit observed that:

- Although the National Tariff Policy stipulates that the regulatory asset should be created only in very exceptional cases like natural calamity and force majeure conditions, the OERC adopted it on regular basis except in the years when there were estimated surplus revenue.
- GRIDCO had a regulatory asset of ₹3,588.02 crore as on 31 March 2015 which should have been amortised within seven years as per National Tariff Policy 2016. But the OERC in its truing up order of October 2021 allowed a revenue gap of ₹971.07 crore only as against claim of ₹3,588.02 crore by GRIDCO as it had in its earlier truing up order of 2016 directed GRIDCO to compensate the loss by way of trading of surplus power, UI charges, other miscellaneous receipts and budgetary support from GoO. But GRIDCO failed to earn adequate revenue from trading of surplus power, UI charges and miscellaneous receipts to compensate the said loss. GoO also did not provide any

budgetary support. Hence, GRIDCO suffered the loss of ₹2,616.95 crore due to non-amortisation of regulatory assets.

Government accepted (March 2023) above audit observations and stated that the erroneous orders of OERC had adversely affected the financial conditions of GRIDCO considerably for which GRIDCO had preferred for filing Appeal before the Hon'ble APTEL, the orders of which was pending.

Conclusion

GRIDCO as an entity is not involved in the three key functions of power sector viz., Generation, Transmission and Distribution. It is engaged in power procurement from generators for supply to DISCOMs which ideally should be done by the DISCOMs. In the above process, it is incurring heavy losses for inefficiency in procurement of power and realisation of its dues from the DISCOMs. It is also not getting required cooperation from the GoO to deal with the erring generators and DISCOMs. Its operation has become unviable in as much as it is into a debt trap for carrying out its activities. It is taking a fresh tranche of loan every year to service the old loan. OERC is not allowing reimbursement of its interest costs citing inefficiency in its operation. Consequently, it has a huge debt burden of ₹6,563.86 crore with a negative net worth of ₹5,094.96 crore for standing in between the generators and the DISCOMs. This is ultimately a burden on the general public because the loans which GRIDCO is unable to service are all against Government guarantee.

Recommendations

- **The role of GRIDCO needs to be redefined, as it is an intermediary with no specified role in generation, distribution or transmission of power, and it is operating with financial unsustainability, with its situation worsening continuously.**
- **Government may take prompt action regarding share of power in NTPC power stations located outside the State.**
- **Government may facilitate GRIDCO in its handling of IPPs for agreed State entitled share of power and realisation of dues from DISCOMs.**
- **GRIDCO should fix responsibility for faulty contractual agreements with IPPs, which did not keep the interest of the State exchequer in mind.**
- **Government may frame a mechanism to recover ₹7,128.60 crore lying with the residual utilities after vesting of distribution activities with the new partners.**

2.6 Industrial Development Corporation of Odisha Limited (IDCOL) and its subsidiaries i.e., IDCOL Ferro Chrome and Alloys Limited (IFCAL) and IDCOL Kalinga Iron Works Limited (IKIWL)

Introduction

2.6.1 IDCOL was incorporated (29 March 1962) as a wholly owned Government Company with the objectives to promote and establish industries, promote and operate schemes for industrial development of Odisha and carry out all kinds of exploration including buying and selling of mineral products. The role of industrial promotion and development assigned to IDCOL is critical for the economic development of Odisha. Structural change models for development focus on the mechanism by which developing countries/states transform their economic structure from a predominantly agriculture or primary sector based to a more industry and service sector led. In this context it is observed in the Economic Survey 2022 of the GoO that in Odisha per capita GSDP from industry is 38 *per cent* and that from agriculture is 22 *per cent* in 2019-20 against 50 *per cent* and 42 *per cent* from industry in small states like Uttarakhand and Himachal Pradesh against their contribution of 9 *per cent* and 14 *per cent* from agriculture respectively. But the agriculture sector still absorbs 48.31 *per cent* of State's total workers in 2019-20 against 26.93 *per cent* absorbed in industry. Further, Odisha ranks 9th in terms of area, 11th in terms of population in the country but ranks 20th among 36 states and union territories in terms of per capita income in 2019-20²⁰.

Evidently a lot is to be done for development of viable industry as agriculture sector is highly dependent on monsoon remaining vulnerable to climatic condition. The primary role of industry sector in Odisha is that of broadening the base of economy of the State, by adding value to the products of the primary sector and relieving the pressure of a large part of the population seeking a living from agriculture by creating additional employment. In terms of feasibility of doing this it is observed that Odisha is endowed with vast natural resources. It accounts for country's 96 *per cent* of chromite, 92 *per cent* of nickel, 51 *per cent* of bauxite, 33 *per cent* of iron ore, 43 *per cent* of manganese ore and 24 *per cent* of coal. Such endowment provides an opportunity to Odisha to build its industries based on natural resources.

In pursuance of the stated objective, IDCOL established/promoted 13 subsidiaries²¹ and one joint venture²² (JV) company till date (December 2022), out of which 11 subsidiaries and the JV were liquidated/disinvested. In seven subsidiaries, IDCOL could not recover its investment and sustained loss

²⁰ Odisha Economic Survey 2022 compares the economic growth in 2021-22 with that of 2019-20. Hence, this is the latest available data.

²¹ ABS Spinning Orissa Limited, East Coast Breweries and Distilleries Limited, East Coast Salt and Chemicals Limited, Hirakud Industrial Works Limited, Hira Steel and Alloys Limited, IDCOL Cement Limited, IDCOL Ferro Chrome & Alloys Limited, IDCOL Kalinga Iron Works Limited, IDCOL Piping and Engineering Works Limited, IDCOL Rolling Mills Limited, IDCOL Software Limited, Konark Jute Limited and ORICHEM Limited

²² S N Corporation Limited

of ₹140.71 crore due to recovery of ₹206.73 crore only against investment of ₹347.44 crore towards Share Capital and Loans and Advances. Committee on Public Undertakings (CoPU) in its fourth report of Twelfth Assembly recommended (March 2001) disinvestment of the subsidiaries quickly. Though disinvestment proposal was initiated in October 2005, disinvestment of the remaining two subsidiaries IFCAL and IKIWL could not be carried out so far. This resulted in plants of IFCAL running with inadequate infrastructure resulting in low capacity utilisation, lower productivity and higher cost of production.

Presently activities of IDCOL are confined to operation of a chrome ore mine and to oversee functioning of two working subsidiaries incorporated on 26 March 1999. While IKIWL was engaged in operation of its iron ore mines, production/sale of pig iron/spun pipe, IFCAL was engaged in production and sale of high carbon ferrochrome after obtaining chrome ore from OMC.

In this backdrop, both financial and physical performance of IDCOL and its two subsidiaries were analysed which revealed that their failure to run efficiently in the competitive market as discussed in Paragraphs 2.6.5 to 2.6.7 had left them no longer viable with no taker for disinvestment.

Organisational Structure

2.6.2 IDCOL along with its subsidiaries are under the administrative control of Department of Steel and Mines, Government of Odisha (GoO). Management of IDCOL is vested in a Board of Directors (BoD) consisting of eight Directors including Chairman and Managing Director. Managing Director, being the Chief Executive of IDCOL, looks after day-to-day operation. Subsidiaries are managed by their respective BoD and Managing Directors.

Broad functions of the subsidiaries

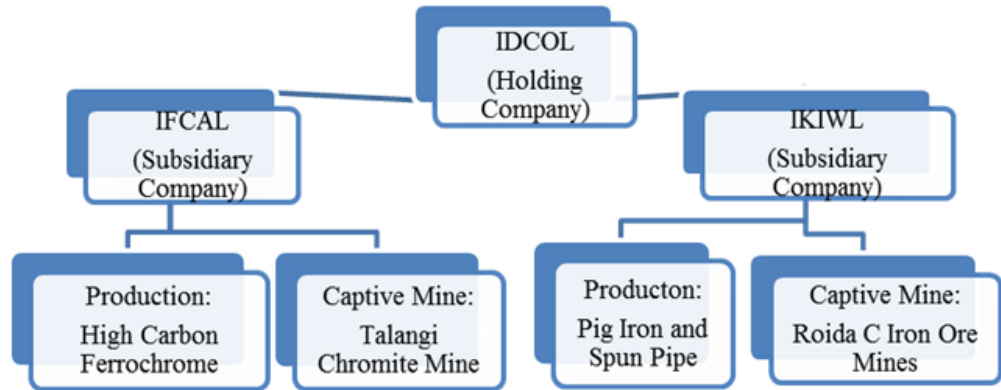
2.6.3 IFCAL produces High Carbon Ferrochrome (HCFC) through its two sub-merged Electric Arc Furnaces by charging chrome ore from its captive mines at Talangi. It also uses chrome ore purchased from Odisha Mining Corporation and briquettes produced in its briquetting plant out of concentrates. The existing briquetting plant is operated manually by charging input materials like chrome ore fines, lime and other additives.

IKIWL produces pig iron through four blast furnaces having annual installed capacity of 1.70 lakh MT. The essential raw materials required for production of pig iron is iron ore of blast furnace grade. In the process, the ore is converted into hot metal and is transported to pig casting machine for production of Pig Iron and part of hot metal is transferred to the spun pipe division for manufacturing cast Iron Spun Pipes. IKIWL is having Roida 'C' mine for production of pig iron and spun pipes. However, the plant at IKIWL was shut down since March 2015 due to uneconomical operation.

IDCOL analyses the quarterly financial performance of IFCAL plant and takes the decisions for operation/shutdown of the furnaces by analysing the

contribution margin²³ of the furnaces. IDCOL is also discharging the functions relating to finalisation of tenders for operation of mines and sale of HCFC and iron ores in the market.

Chart 2.2: Broad functions of the subsidiaries



Audit Criteria

2.6.4 The audit criteria adopted in achieving the audit objectives were drawn from the followings:

- Acts and Rules governing operation of mines and plants including guidelines and circulars of various statutory authorities;
- Annual budgets and plans of the Companies;
- Companies Act, 2013, Memorandum and Article of Association of the Companies, Memorandum of Understanding (MoU) signed by Companies with GoO and Corporate Governance Manual of GoO;
- Installed capacity, production and consumption parameters set for plants by the Companies; and
- Procurement/Sales policy of GoO/Companies.

Audit Findings

Analysis of Financial Performance

2.6.5 IDCOL and its subsidiaries have finalised their Accounts for the year up to 2021-22. The financial position as per the 'Balance Sheet' and working results as per the 'Statement of Profit and Loss' for the period 2017-18 to 2021-22 of these Companies are given in **Appendix 17**. From the Balance Sheets and Statements of Profit and Loss of the Companies, Audit observed the following:

- IDCOL had incurred loss in three out of five years mainly due to payment of mining compensation of ₹111.55 crore in 2017-18 for

²³ Contribution margin is the difference between the Sale Price and Variable Cost

operating Roida ‘C’ mines without lawful authority and writing-off of restructuring expenses of ₹43.09 crore in 2018-19 as the process of disinvestment with Kudremukh Iron Ore Company Limited (KIOCL) was not materialised as discussed in paragraph No. 2.6.10.6 infra. As a result the ‘Reserve and Surplus’ was negative which was further increased by ₹564.54 crore during 2021-22 on account of provisions made for payment of mining compensation to GoO in favour of Talangi Chromite Mines (TCM) due to operation of the mines without/in excess of environmental clearance.

- The ‘Revenue from Operations’ of IFCAL was less during 2019-20 and 2020-21 due to reduction in the sale of HCFC on account of sluggish market condition. As a result, the ‘Reserve and Surplus’ was negative with effect from 2019-20 which was attributable to continuous loss incurred by the Company.
- The ‘Revenue from Operations’ of IKIWL decreased from 2019-20 due to booking of revenue of Roida ‘C’ mines in the Accounts of IDCOL. The ‘Reserve and Surplus’ was negative due to continuous loss incurred by the Company.

Such adverse financial situation has been further analysed according to different viability parameters as discussed below:

Viability Parameters

2.6.6 Based on the Balance Sheets and Statements of Profit and Loss of IDCOL, IFCAL and IKIWL for the period from 2017-18 to 2021-22, the financial performance of the Companies in general was analysed in audit on following viability parameters.

Net Worth of the Companies

2.6.6.1 Net worth is an estimation of the absolute monetary value of a company which is determined by subtracting the sum of liabilities from the sum of assets. A high net worth of a company indicates to the lenders that a company’s assets are high relative to debt, making them a more attractive candidate for receiving a loan while a negative net worth implies that the financial position of the Company is weak. The table below indicates the financial performance of IDCOL, IFCAL and IKIWL in the terms of their Net Worth for the last five years ended 31 March 2022.

Table 2.1: Financial performance of IDCOL, IFCAL and IKIWL

(₹ in crore)

Years/ Particulars	IDCOL					IFCAL					IKIWL				
	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
Income	41.57	80.96	82.87	122.52	209.22	145.05	85.28	44.01	48.66	110.88	84.60	134.29	22.79	29.13	0.59
Expenditure	131.11	88.21	80.41	112.99	773.76	149.88	93.71	66.77	73.01	112.03	98.95	138.99	26.24	13.61	38.23
Profit/(Loss)	(89.54)	(7.25)	2.46	9.53	(564.54)	(4.83)	(8.43)	(22.76)	(24.35)	(1.15)	(14.35)	(4.70)	(3.45)	15.52	(37.64)
Percentage of Income to Expenditure	31.71	91.78	103.06	108.43	27.04	96.78	91.00	65.91	66.65	98.97	85.50	96.62	86.85	214.03	1.54

Years/ Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22	2017-18	2018-19	2019-20	2020-21	2021-22
Accumulated Profit/(Loss) up to the year ended	(63.57)	(70.83)	(68.37)	(58.84)	(623.38)	21.37	20.70	(2.06)	(31.94)	(33.89)	(158.12)	(162.82)	(166.27)	(150.75)	(188.39)
Share Capital	57.12	57.12	57.12	57.12	107.12	18.81	18.81	18.81	18.81	18.81	150.10	150.10	150.10	150.10	150.10
Net Worth (Share Capital + Accumulated Profit/(Loss))	(6.45)	(13.71)	(11.25)	(1.72)	(516.26)	40.18	39.51	16.75	(13.13)	(15.08)	(8.02)	(12.72)	(16.17)	(0.65)	(38.29)

(Source: Annual accounts of IDCOL, IFCAL and IKIWL)

From the table, it is evident that the percentage of income to expenditure of IDCOL varied from 27.04 to 108.43, for IFCAL it varied from 65.91 to 98.97 and that of IKIWL varied from 1.54 to 214.03 as the income was not sufficient to cover up their expenditure. The Accumulated Loss of IDCOL and IKIWL increased from ₹63.57 crore to ₹623.38 crore and ₹158.12 crore to ₹188.39 crore during the period while the Accumulated Profit of IFCAL of ₹21.37 crore in 2017-18 was converted into Accumulated Loss of ₹33.89 crore in 2021-22 due to loss incurred by these companies. As a result, the Net worth of the companies were negative at the end of 2021-22 which had eroded their share capital.

Liquidity positions of the Companies

2.6.6.2 Audit observed that the Current Ratio²⁴ of IDCOL increased from 0.46 in 2017-18 to 4.68 in 2021-22 due to stock of unsold iron ores at its Roida 'C' mines. IKIWL had Current Ratio less than one which indicated that it may not be able to serve its liabilities out of the assets in future as its liquidity position was not sound.

Debt to Equity Ratio of the Companies

2.6.6.3 Audit observed that the Debt to Equity Ratio²⁵ of IDCOL and IKIWL were negative for all these years and for IFCAL from 2020-21 due to negative Shareholders' Equity of the Companies on account of loss incurred which would be considered a sign of high risk. This usually happens when a company is losing money and is not generating enough cash flow to service its debts.

Return on Equity of the Companies

2.6.6.4 The Return on Equity²⁶ of the Companies was negative, due to continuous loss incurred, indicating the poor financial performance of the companies which would affect their future growth and sustainability and that would again render them unattractive for disinvestment.

Hence, the above parameters showed that the financial performance of the Companies was not sound for their future sustainability and growth. Based on

²⁴ Current Ratio = Current Assets/Current Liabilities

²⁵ Debt to Equity Ratio = Total Debt/Total shareholder's equity

²⁶ Return on Equity = Net Income/Shareholders' fund

the activities undertaken by the Companies during the period 2017-18 to 2021-22, Audit analysed the reasons for such dismal performances vide Paragraph 2.6.7.

Analysis of Physical Performances

2.6.7 Financial performance is the reflection of the physical performance. At present the operations of IDCOL and its two subsidiaries were limited to performance of the two sub-merged Electric Arc Furnaces of IFCAL producing HCFC with installed capacity of 13,000 MT and 6,000 MT *per annum* respectively and operation of Roida ‘C’ mines and TCM. Audit analysed them and observed as under:

Under-utilisation of the furnaces at IFCAL resulted in loss of production of HCFC

2.6.7.1 The production performance of the two furnaces at IFCAL for the last five years upto 31 March 2022 was as under:

Table 2.2: Production performance of IFCAL

Year	Installed Capacity (in MT)			Actual Production (in MT)			Loss in production as per I.C. (in MT)		
	F-I	F-II	Total	F-I	F-II	Total	F-I	F-II	Total
2017-18	13,000	6,000	19,000	11,836	4,182	16,018	1,164	1,818	2,982
2018-19	13,000	6,000	19,000	9,560	2,551	12,111	3,440	3,449	6,889
2019-20	13,000	6,000	19,000	5,925	2,078	8,003	7,075	3,922	10,997
2020-21	13,000	6,000	19,000	4,003	305	4,308	8,997	5,695	14,692
2021-22	13,000	6,000	19,000	7,852	2,643	10,495	5,148	3,357	8,505
Grand Total	65,000	30,000	95,000	39,176	11,759	50,935	25,824	18,241	44,065

(Source: Information furnished by IFCAL)

From the table, it is seen that as against the installed capacity of 95,000 MT, the actual production of HCFC during the period was 50,935 MT (53.62 *per cent*). Audit observed that the reasons for less production of HCFC were due to shutdown of the Furnace-I for 19 months and Furnace-II for 33 months during the five years period. Hence, Audit analysed the utilisation of the available working hours by the furnaces during the above period as under:

Table 2.3: Utilisation of furnaces at IFCAL

Year	Available Working Hours			Actual Working Hours			Loss of working Hours			Percentage utilisation of available hours		
	F-I	F-II	Total	F-I	F-II	Total	F-I	F-II	Total	F-I	F-II	Total
2017-18	8,472	8,472	16,944	8,181	6,112	14,293	291	2,360	2,651	96.57	72.14	84.35
2018-19	8,472	8,472	16,944	6,126	3,551	9,677	2,346	4,921	7,267	72.31	41.91	57.11
2019-20	8,472	8,472	16,944	4,033	3,023	7,056	4,439	5,449	9,888	47.60	35.68	41.64
2020-21	8,472	8,472	16,944	2,871	530	3,401	5,601	7,942	13,543	33.89	6.26	20.07
2021-22	8,472	8,472	16,944	5,990	3,959	9,949	2,482	4,513	6,995	70.70	46.73	58.72
Total	42,360	42,360	84,720	27,201	17,175	44,376	15,159	25,185	40,344	64.21	40.55	52.38

(Source: Information furnished by IFCAL)

From the table it is evident that as against 84,720 available working hours the furnaces were utilised for 44,376 hours. The percentage utilisation of available hours during the period ranged between 6.26 (Furnace-II) and 96.57 (Furnace-I) with an overall utilisation of 52.38 *per cent*. The main reasons for non-utilisation of working hours attributed by the management to electrical and mechanical shutdown of 8,427 hours, transformer connection changes and transfer troubles of 5,117 hours, maintenance shutdown of 1,777 hours, water leakage of 750 hours *etc.*

Government accepted the audit observation and stated (March 2023) that due to volatile market of HCFC and non-availability of captive ore, operation of furnaces were planned depending on market condition.

However, the fact remained that there was failure on the part of the Company to reduce the variable cost by modernising the briquetting plant as well as replacement of transformer for achieving better production and productivity with reduction in the cost of production of HCFC as recommended (September 2018) by Plant Level Committee of IFCAL

Audit analysed the reasons for less utilisation of available working hours and observed the followings:

Delay in repairing of 6.5 MVA transformer of Furnace-II

2.6.7.2 The 6.5 MVA transformer of Furnace-II was tripped on 25 January 2018 due to over current. During investigation, it was felt that the transformer needed complete rewinding. IFCAL placed (23 March 2018) work order on the contractor for rewinding and design modification of the transformer at a cost of ₹82.32 lakh to complete the work within 45 days from the date of receipt of the transformer. The contractor received the transformer on 05 April 2018 which was supposed to be delivered by 20 May 2018. The contractor on 30 April 2018 informed IFCAL that the design modification of voltage table was not feasible but IFCAL did not finalise the matter in spite of repeated requests by the contractor and the contractor intimated on 12 June 2018 his inability to repair the transformer with modified design and insisted for carrying out the repairing as per the existing design only. Since there had already been delay in repairing work, IFCAL agreed with their suggestion to repair the transformer as per the original design and issued the amended work order on 14 June 2018. Finally, the contractor delivered the transformer on 11 October 2018 which was put to load on 29 October 2018. In the meantime, IFCAL was carrying out relining work of its furnace which was completed on 20 July 2018. However, the same could not be put to use till 28 October 2018 due to delay in repairing of the transformer. This had resulted in loss of production of 1,632.288 MT of HCFC with consequential loss of contribution of ₹1.14 crore as per norms fixed by IFCAL.

Government accepted (March 2023) the audit observation and stated that performance of the transformer after repair was satisfactory. Liquidated damages were levied for delay and EMD deposited was forfeited. For production loss due to delay in delivery, the balance amount payable was withheld.

However, the fact remained that IFCAL could recover only ₹6.62 lakh from the party as against the loss of ₹1.14 crore

Non-availability of concentrates from the mines due to strike by the mine workers

2.6.7.3 Low grade chrome ores from the TCM were converted to chrome concentrates through Chrome Ore Beneficiation Plant (COBP). The Concentrates along with high grade OMC ores²⁷ were used for production of briquettes²⁸ for charging the furnaces for production of HCFC. The available concentrates from TCM could not be brought to the plant since April 2019 due to obstructions by the mine workers resisting closure of mines. As a result, the operations of both the furnaces of IFCAL were stopped for 8,520 hours during June to November 2019 resulting in loss of production of 9,421.728 MT of HCFC with consequential loss of contribution of ₹4.83 crore.

Government stated (March 2023) that operation of both furnaces were planned depending on availability of input and market condition of HCFC.

However, the fact remained that considering the market trend and liquidity position of the company, IFCAL Board decided (May 2019) that only Furnace-I may be continued to operate by procuring ore from OMC by liquidating the available stock till the exhaustion of concentrate in the TCM but, the available concentrate from Talangi mines could not be brought to the plant since April 2019 due to obstruction by the mine workers. Hence, ultimately the Company was not able to operate the plant for the period from June to November 2019 due to non-availability of concentrates for which there was loss of production.

Loss of production due to non-operation of Furnace-II during July to September 2021

2.6.7.4 From April to June 2021 the furnaces were shut down due to restriction in supply of industrial oxygen by the Government and unfavourable market conditions. Keeping the Covid-19 pandemic situation in view, the Board of IFCAL advised (28 April 2021) management to ensure the procurement of required raw materials including oxygen before starting the operation of furnaces. After the supply of industrial oxygen and inputs like OMC ore and coke were ensured, operation of Furnace-I was resumed from 01 July 2021. The Board had also advised (25 August 2021) to make necessary planning and arrangement to run both the furnaces and to take advantage of the current good market price of the HCFC. However, IFCAL did not operate Furnace-II during this period to take the advantage of the favourable market condition without any reasons on record. This had resulted in loss of production of 1,482.384 MT of HCFC with consequential loss of contribution margin of ₹3.68 crore during July to September 2021.

²⁷ Chromite ore procured from OMC

²⁸ Small compressed lumps of chrome ore

Government stated that both furnaces were shutdown from April 2021 due to non-availability of industrial oxygen on account of Covid-19. After availability of oxygen, initially planning was made for operation of Furnace-I. After ensuring arrangement of all input for Furnace-I and stabilisation of production, action was initiated for procurement of required input and briquette. Furnace-II was put into operation during October 2021.

However, the fact remained that IFCAL did not carry out the advice of their Board by operating Furnace-II to take advantage of the prevailing good market price of HCFC even after resumption of supply of industrial oxygen from July 2021.

Lower productivity of the furnaces

2.6.7.5 The standard rate of production of HCFC for Furnace-I and Furnace-II are 1.520 MT and 0.694 MT per hour respectively. The standard and actual rate of production of both the furnaces during the period 2017-18 to 2021-22 were as per the table below:

Table 2.4: Productivity of the furnaces at IFCAL

Year	Furnace-I					Furnace-II				
	Actual working hours	Standard rate of production per hour	Expected production (in MT)	Actual production (in MT)	Difference (in MT)	Actual working hours	Standard rate of production per hour	Expected production (in MT)	Actual production (in MT)	Difference (in MT)
2017-18	8,181	1.520	12,435	11,836	599	6,112	0.694	4,242	4,182	60
2018-19	6,126	1.520	9,312	9,560	-248	3,551	0.694	2,464	2,551	-87
2019-20	4,033	1.520	6,130	5,925	205	3,023	0.694	2,098	2,078	20
2020-21	2,871	1.520	4,364	4,003	361	530	0.694	368	305	63
2021-22	5,990	1.520	9,105	7,852	1,253	3,959	0.694	2,748	2,643	105
Grand Total	27,201		41,346	39,176	2,170	17,175		11,920	11,759	161

(Source: Cost sheet of IFCAL)

Considering the standard rate of production per hour, the expected production on the basis of actual working hours, would be 53,266 (41,346+11,920) MT during the period from 2017-18 to 2021-22 for both the furnaces. Due to lower productivity of the furnaces, 50,935 (39,176+11,759) MT of HCFC was produced resulting in loss of production of 2,331(2,170+161) MT. Audit observed that the lower productivity was mainly attributable to use of lower quality of briquettes and under-utilisation of furnaces with age old transformers as detailed below:

Loss of productivity due to use of low quality briquettes

2.6.7.6 The Plant Level Committee of the IFCAL observed (September 2018) that the quality of ore, concentrates available from the TCM and procured from OMC were suitable for production but the size of the ores were not suitable as the ores were mostly fines. Therefore, the fines required to be briquetted to the extent possible for charging to the furnaces to achieve optimum production capacity. Based on the recommendations of the Committee, the Board of Directors of the Company approved (September 2018) for mechanisation of briquetting plant and procurement of new

transformers for the furnaces in order to get long term benefits of increased productivity with reduction of cost.

IFCAL floated (April 2019) the tender for mechanisation of the existing briquetting plant which was subsequently dropped (June 2020) by the Board without citing any reason. Hence, IFCAL continued with manual operation of the briquetting plant with less efficiency. Due to use of lower quality of briquettes, the production of HCFC was adversely affected.

Audit noticed that during the period 2017-18 to 2021-22, a quantity of 1,09,252.989 MT of Cr₂O₃ (chrome) and briquettes were charged to the furnaces as input having 48,980.289 MT of chrome. The input of chrome contained 33,512.818 MT of chromium (Cr₂). During the process, 50,935 MT of HCFC was produced with 30,830.990 MT of Cr₂. Therefore, in the reduction process, there was short recovery of 2,681.839 MT of Cr₂ with a sale value of ₹21.64 crore. Besides this, the Plant Level Committee of IFCAL had also estimated (July 2018) an annual saving of ₹1.09 crore with the mechanisation of the briquetting plant with 100 *per cent* OMC ore. However, due to continuing the operation of the briquetting plant by manual means the Company was incurring losses of revenue on account of loss of chromium in the metal instead of the benefit in annual saving as envisaged by the committee.

Government stated (March 2023) that IFCAL was using chrome ore briquettes for production of HCFC processed through manual briquetting machines. In absence of availability of chromite mines, there was uncertainty in furnace operation for which the decision for mechanisation of the briquetting plant was cancelled.

The reply appeared to be an afterthought as this reason *i.e.*, uncertainty of availability of chromite mines, for cancellation of mechanisation of plant, was not found on record. However, even in absence of availability of chromite mines, IFCAL continued the operation of the furnaces with OMC ore with manual briquetting machines with less efficiency and failed to save ₹1.09 crore per annum by using 100 *per cent* OMC ore as envisaged by the committee.

Under-utilisation of furnaces due to inefficient transformers running at lower load

2.6.7.7 Both the transformers for Furnace-I (9 MVA) and Furnace II (6.5 MVA) were in service for more than 55 years owing to which these were running with troubles resulting in lower production and productivity of the furnaces. Hence, the Board agreed (24 September 2018) for procurement of new 9 MVA transformer with an estimated cost of ₹1.50 crore while it was decided to defer the procurement of 6.5 MVA transformer since the same was put to load on 29 October 2018 after its repair. The Company had initiated the proposal and received (19 October 2019) the offer price at ₹10.39 crore from M/s ABB who was the original manufacturer of 9 MVA transformer. However, IFCAL decided (December 2020) to drop the proposal considering the current financial state of affairs of the Company. Audit observed that

operation of the plant had come to such a pass where inefficiency had become both the cause and effect of poor performance.

Government (March 2023) stated that the decision for procurement of new transformer was dropped as the main source of chrome ore from Captive mine became uncertain. However, the records showed that the reason for this decision was the poor financial status, which itself is indicative of poor financial and operational performance.

Analysis of reasons for failure

Besides the aforesaid analysis of failure in both financial and physical performance over the last five years, Audit also examined the reasons adversely affecting the viability of the three companies from the perspectives of strategic, operational and transactional deficiencies.

2.6.8 Strategic deficiencies

Non-compliances to the Corporate Governance Manual

2.6.8.1 The Corporate Governance Manual (the Manual) of GoO provides (November 2009) a set of guidelines to strengthen the structure and systems of PSUs with the objectives to define the roles and responsibilities of the Board, improve accountability in reporting and improve compliance with statutory and regulatory requirements. The Manual requires the preparation of a three years Corporate Plan with annual operating and financial plans which provides a detailed description of how a PSU intends to deliver its long term goals and objectives. It also incorporates the requirement of the mandate in terms of commercial and developmental goals and objectives which will be achieved by preparing a budget integrating the resource requirements.

Audit scrutinised the compliances to the Manual for better planning and monitoring in respect of the Companies during the period 2017-18 to 2021-22 and observed as follows:

Non formulation of the Corporate Plans

- The Companies did not have any Corporate Plan depicting the long term strategies for their growth. IFCAL and IKIWL were carrying out their activities by preparing Annual Revenue Budgets with budgeted production and sales of HCFC and mines respectively. In absence of corporate planning, it was not possible to go for renovation and modernisation of production facilities and strategising marketing moves to sustain in a competitive environment where there were private players also.

Government stated (March 2023) that Cabinet Committee on Divestment had taken decision for divestment of stake in IKIWL and IFCAL in favour of central PSU during the year 2010. All out efforts made by IDCOL and GoO for early divestment could not materialise. In anticipation of divestment no corporate plan could be formulated.

The reply was not acceptable because the importance of planning for disinvestment cannot be undermined.

- Though IDCOL decided (February 2018) to undertake mining activities and fixed its mandate to do merchant mining as per Memorandum of Understanding (MoU) signed with Government it had not prepared any Corporate Plan with the long term strategy to get mining leases from the Government. In absence of a Corporate Plan, IDCOL failed to reserve the mining leases required for inducting strategic investors for revival of its loss making subsidiaries and to mobilise resources for operation of the mines in future as a merchant miner.
- The operation of Talangi Chromite Mine which was the captive mine of IFCAL was suspended since November 2018. Due to non-availability of chrome ore at cheaper rate, the operation of the furnaces was carried out depending on chrome ore purchased from OMC which had increased the cost of production. However, the Company had not devised any Long Term Plan in order to operate the furnaces economically in order to sustain in the long run.

Non-fulfilment of the commitments by GoO as per the MoU

2.6.8.2 IDCOL signed the MoUs with GoO reflecting the activities of IFCAL and IKIWL with the mandate to establish/promote industries including modernisation/expansion of existing factories at IFCAL and IKIWL and to do merchant mining of its own. As per the MoU, the Administrative Departments of GoO were committed to facilitate IDCOL in getting some more mines reserved for the purpose of their merchant mining, to monetise the land available with it for financing the mining development expenses and conversion of all outstanding Government dues into equity capital of IDCOL. The Administrative Departments further committed to grant mining leases for IFCAL and IKIWL for economical operation of their plants and to expedite Government decisions with respect to IKIWL after backing out by KIOCL from the disinvestment process as discussed in paragraph No. 2.6.10.6 infra.

It was, however, observed that the Administrative Departments did not fulfill their commitments in compliance with the MoUs for the future growth and sustainability of the Companies. As a result, in the absence of availability of ore from the captive mines at lower rates there was increase in the cost of production of HCFC for which IFCAL had been running in losses and IKIWL had been incurring expenditure on the salary and wages of the employees deputed at the plant since closure of the plant in March 2015.

In reply Government stated (March 2023) that after deliberation of all the issues and in view of greater synergy of IDCOL with OMC, GoO has decided to merge IDCOL along with its two wholly owned subsidiaries with OMC, which would be a win-win situation for both the companies.

The reply was not acceptable because the merger plan did not contain any element for the revival/ sustainable existence of the merged units.

Illegal mining with penal consequence of ₹751.74 crore

2.6.8.3 As per the decision (August 2017) of the Hon'ble Supreme Court, IDCOL received (April 2018) a demand notice from GoO to pay compensation amount ₹338.65 crore in respect of TCM for production without/in excess of the Environment Clearance corresponding to the period 2000-01 to 2010-11 under Section 21(5) of MMDR Act, 1957. Since, IDCOL had to clear all dues of GoO relating to mining compensations before surrendering TCM, it paid (August 2022) the compensation amount with interest of ₹300.16 crore by arranging an inter-corporate loan from OMC of ₹635.26 crore due to its funds constraints and the balance of ₹3.55 crore out of its own source.

Similarly, as per the decision (August 2017) of the Hon'ble Supreme Court, IDCOL received (September 2017) demand notices from GoO to pay compensation amount ₹111.55 crore in respect of Roida 'C' mines for production without/in excess of the Environment Clearance and for production in excess of the lower of the approved limits under the mining plan and consent to operate corresponding to the period 2000-01 to 2010-11 under Section 21(5) of MMDR Act, 1957. IDCOL paid (January/September 2018) the compensation amount along with interest of ₹1.37 crore by arranging an inter-corporate loan from OMC due to its fund constraints.

Therefore, the Company, despite being a State PSU, had indulged in illegal mining, by violating the law of the land. This had also adversely impacted its financial position, due to payment of a huge amount of penalty, out of borrowed funds.

Government stated (March 2023) that they had operated the mines during the period of processing of documents for obtaining EC, otherwise the mining project would have been stopped and deposited the compensation amount along with interest as per the order of the Hon'ble Supreme Court of India by taking an inter corporate loan from OMC.

The reply was not acceptable because illegal mining cannot be rationalised by any means.

Future prospects of IDCOL as a merchant mining company

2.6.8.4 As the manufacturing activities of IDCOL were reducing after disinvestment/sale of assets/liquidation of the subsidiary companies and stoppage of operation of IKIWL since March 2015, it decided (February 2018) to focus on mining activities and to request GoO to consider IDCOL as a mining company and for allotment of mines. IDCOL identified and requested (February 2019) GoO for reservation of five operating iron ore mines, the leases of which would expire on 31 March 2020 as per the MMDR Amendment Act, 2015. However, GoO did not consider the proposal of IDCOL for allotment of these iron ore mines. As on date, IDCOL has one operating mine *i.e.*, Ampavalli limestone mine and the Thakurani iron ore mine which is in the prospecting stage. Besides these, IDCOL had three other

limestone mines²⁹ which were inoperative since 23 December 2003 due to disinvestment of its captive cement plant. Hence, in this connection, a review in relation to the prospects of IDCOL as a merchant miner was conducted and the followings were observed:

- As per Rule 28(2) of Mineral Concession Rule, 1960 IDCOL was required to submit the application to GoO by October 2005, explaining the reasons for discontinuation of the three limestone mines. However, IDCOL belatedly submitted the applications to GoO in respect of these three inoperative limestone mines on 11 August 2011 with a request to condone the delay for late submission. Further, IDCOL had no approved Mining Plan/Review of Mining Plan/valid financial assurance and had not obtained the Environment Clearance for these mines. In view of these deficiencies, Indian Bureau of Mines (IBM) issued (December 2017) the order of suspension of mining operations in all these mines which had an estimated deposit of 12.221 million tonne. The mining leases were lapsed by GoO in July 2019. Hence, such absence of proper planning for submission of application in required manner leading to loss of mining leases was evidently repugnant to the objective of getting into merchant mining.
- IDCOL requested (February 2019) GoO for allotment of five operating iron ore mines, through the reservation route, under section 8 (A) of the MMDR Act 2015, in addition to the Thakurani Block 'A' iron ore mine. However, GoO had conveyed (13 November 2020) its approval for reserving Thakurani Block 'A' iron ore mine only, with an area of 416.512 ha, to undertake prospecting and mining operations. IDCOL awarded (June 2022 *i.e.*, after a delay of 18 months) the work for detailed exploration with the scheduled completion period of six months. Hence, here also the development was not in line with the objective of getting into merchant mining.

As may be observed from the above, having lost its viability in industrial operations, IDCOL was trying for a diversification through merchant mining. There also it failed for lack of proper planning and absence of required cooperation from Government.

Government accepted the observation of the audit and stated (March 2023) that GoO did not consider the request of IDCOL to allocate the mines which were expiring on 31 March 2020. Further, IDCOL participated in the auction process but could not compete with other bidders.

Thus, this indicated that there was absence of proper planning and required cooperation from the GoO in achieving the renewed objective of IDCOL as a merchant miner.

²⁹ Dampalla, Rohenpadar and Chandapalla

2.6.9 Operational deficiencies

Non-utilisation of grants received under the scheme of Technology Development Centre

2.6.9.1 IFCAL received ₹10 crore during the year 2018-19 as grants under the State Plan Scheme for establishment of Technology Development Centre (Scheme) for conversion of huge quantity of slag of nominal value into saleable product, to modernise the briquetting plant *etc.* The Company had utilised ₹2.73 crore for installation of Metal Recovery Plant-II and other miscellaneous purposes, retained ₹2.04 crore for carrying out various energy saving measures and refunded ₹5.23 crore in September 2020 to the Government.

Audit observed that the Company was not able to utilise the amount of grants received to modernise the briquetting plant for achieving better production and productivity.

Besides this, the Company had also received grants of ₹3 crore during 2015-16 to 2017-18 under the Scheme to carry out technological development in the existing operation of COBP and Jigging Plant for its overall improvement. The Company had utilised ₹1.59 crore in the modification of COBP and ₹1.99 crore in the installation of Metal Recovery Plant-I. Modification and commissioning of the COBP was completed in February 2018 but the operation of TCM was stopped from November 2018 due to un-economical and unsafe condition of the mine. Hence, the COBP modified with an additional investment of ₹1.59 crore could be used only for nine months.

Government stated (March 2023) that since chrome ore is the main input for briquetting plant, due to absence of assured supply, the decision was taken not to go for modernisation of briquetting plant.

The reply was not acceptable because manual operation of the briquetting plant with less efficiency adversely affected the productivity of HCFC thereby increase in cost of production. That rendered the product non competitive in the market resulting in long period of shutdown of the furnaces.

Non-operation of Talangi 'B' chromite mines (TCM) and loss of ₹11.23 crore

2.6.9.2 Government of India had granted (December 1992) approval for mining lease of TCM over 221.22 hectares (ha) in favour of IDCOL. As per the approval, IDCOL had to obtain permission for diversion of forest land of 158.921 ha before mining lease could be executed. IDCOL applied for diversion of 92.42 ha of forest land but only 17.483 ha of forest land was granted (June 2001) by MoEF, GoI. Subsequently, IDCOL made a proposal for splitting the mining lease into two blocks. The proposal was accepted by GoO in June 2003 by splitting the total area into 65.683 ha as Talangi A and the rest area of 155.537 ha as Talangi B with the condition that forest clearance from MoEF for Talangi B had to be obtained before using the mining lease.

The mining lease for Talangi 'A' was executed in September 2003. The lease of Talangi B mine could not be executed within the stipulated time *i.e.*, 11 January 2017 because of delay in getting statutory clearance as required under Section 10A (2) (c) of MMDR Amendment Act, 2015. Approval for the Talangi B mine lapsed because of delay in fulfilment of the statutory conditions, hence, to ensure operation of the IFCAL plant, GoI was requested (November 2018) to consider reservation of the mine under Section 17A (2) of the Act. However, proposal was not approved by GoI indicating that the mineral blocks are to be put to auction. Hence, IDCOL could not start mining operations in Talangi B due to delay in getting the statutory clearances even after paying ₹11.23 crore towards Net Present Value (NPV) for the forest area of the mines.

Government accepted the audit observation and stated that steps were being taken for refund of the NPV amount.

Operation of Talangi 'A' Chromite mine

Extra expenditure of ₹22.99 crore on the procurement of OMC Ore at high rate

2.6.9.3 The chrome ores produced from the mines having more than 40 *per cent* Cr₂O₃ (chrome) were directly dispatched to IFCAL plant for charging to the furnaces and for production of briquettes. The chrome ores having less than 40 *per cent* chrome were processed at COBP to produce concentrates which were subsequently used for production of briquettes. During the period 2017-18 to 2021-22, 25,591.280 MT of high grade ore directly despatched to IFCAL plant. The Company sold 65,579.230 MT of low grade chrome ore (below 30 *per cent* chrome) and despatched 65,218.819 MT to COBP. There was no production from the year 2019-20 due to stoppage of the operation of the mines with effect from 11 November 2018.

The Ferrochrome plant at IFCAL was not continuously operating since December 2019 mainly because of problem of chrome ore after stoppage of operation of TCM in November 2018. After exhaustion of high grade ore from the mine the low grade ore available in the mines were raised and converted to concentrate by engaging contractor for use in its ferrochrome plant. The high cost of ore purchased from the market (mostly OMC ore) being the main raw material increased the cost of production owing to which the Company had been incurring losses.

Audit observed that during 2017-18 and 2018-19 the Company had sold 65,579.230 MT of low grade chrome ore in the market without beneficiation, while at the same time the Company was procuring high grade chrome ore from OMC at market price for use in its plant. The percentage of Cr₂O₃ content in the low grade chrome ore sold during the period was ranged between 20.36 and 29.21 with the average grade of 26.359 *per cent* Cr₂O₃. During the period 2017-18 the contractor had processed 29,384.398 MT of low grade chrome ore with average 24.97 *per cent* Cr₂O₃ and produced 12,895.000 MT of concentrates having 50.40 *per cent* of average Cr₂O₃

contents. The cost of beneficiation was ₹760 per MT of concentrates produced with 43.88 *per cent* of average recovery. By considering the similar average *per cent* of recovery the 64,643.460 MT of low grade chrome ore sold during the period could have been beneficiated to produce 28,365.551 MT of concentrates by incurring ₹2.16 crore towards cost of beneficiation. At the same time IFCAL was procuring OMC ore at higher rate ranging from ₹7,526 to ₹17,429 per MT for using in its plant for production of HCFC. In comparison to that IFCAL had received ₹10.81 crore out of sale of the low grade chrome ore and incurred ₹35.96 crore in purchasing the similar quantity of OMC ore at higher rates.

Instead of selling the low grade chrome ore from its captive mines at ₹10.81 crore, had the Company, used it for beneficiation by spending ₹2.16 crore, there would not have been any need for buying OMC ore at higher rates by spending ₹35.96 crore. Against the total cost of ₹12.97 crore (₹10.81 crore + ₹2.16 crore), the Company spent ₹35.96 crore, which resulted in extra expenditure of ₹22.99 crore, for taking out the same output.

This had resulted in extra expenditure of ₹22.99 crore (₹35.96 crore - ₹10.81 crore - ₹2.16 crore) in purchasing OMC ore at a higher rate, due to selling the available low grade chrome ore at its captive mines without beneficiation, for subsequent use in its plant for production of HCFC.

Government replied (March 2023) that for payment of ₹10.00 crore for supplementary lease deed within the stipulated time, it took decision to generate fund by selling low grade chrome ore.

The reply was not acceptable as IFCAL had spent ₹35.96 crore in purchasing the similar quantity of OMC ore at higher rates against realisation of ₹10.81 crore out of sale of the low grade chrome ore. Improper utilisation of available resources indicated poor financial management and operational performance.

Inefficient execution of Agency agreement for Ampavalli Limestone mine

2.6.9.4 IDCOL executed an agreement with Toshali Cement Private Limited (TCPL) on 30 August 2004 for operation of Ampavalli Limestone mine for their cement plant for a period of five years with provisions for extension. Accordingly, the agreement was renewed (24 March 2009) with revised terms of agency fee basis (increasing from 30 to 50 *per cent* of the royalty gradually at 5 *per cent* biennial addition) for ten years (with minimum guaranteed extraction of 0.24 million tonne *per annum*) with a condition to carry out expansion of the cement plant from 600 tonne per day (TPD) to 0.7 million tonne per annum in 1st phase and up to 1 million tonne per annum in 2nd phase. The agreement stipulated that after one year of expansion the minimum guaranteed quantity was to be revised with consequent increase in agency fee.

Audit observed that, TCPL did not pay ₹1.02 crore of arrear agency fees under the existing agreement for the period from September 2019 to April 2022. Further, despite expansion of capacity of their plant up to 0.33 million tonne in May 2015, IDCOL could not claim additional agency fee because there was no timeline in the agreement for expansion of capacity up to 0.7 million tonne as

referred to above. Hence, IDCOL failed in running the mine on agency fee basis also.

Government replied (March 2023) that after expansion of the plant, the same had not been stabilised due to various technical issues and local administrative issues in addition to frequent power failure. Also dispatch of limestone from mines to their cement plant was even less than the contracted quantity hence, minimum despatch quantity was not revised.

The reply was not acceptable because while putting forth arguments in favour of TCPL, no documentary evidence was given in support of those.

Transactional deficiencies

2.6.10 Besides the strategic and operational deficiencies which were affecting the viability of the companies, Audit also observed that there were transactional deficiencies in the day to day affairs further complicating their sustenance in a competitive market as illustrated below:

Sales of HCFC and iron ores at lower rates

2.6.10.1 IDCOL used to sell various grades of HCFC and iron ores by inviting tenders in the newspapers and through its website. The terms and conditions of sale of iron ores through open tender by IDCOL did not have the condition to charge the differential rates during the period of extension. As a result, the Company had allowed the extension of the validity period of the tender and lifting of iron ores at contractual rates, while it had already obtained higher rates for the same grades and size of iron ores through subsequent tenders.

Audit observed that the Company had allowed to lift iron ores from the mines by extending the lifting period at pre-revised rates varying from ₹270 to ₹5,215 per MT whereas during the extension period it had already obtained enhanced rates of iron ores varying from ₹1,650 to ₹8,505 per MT. This had resulted in short recovery of ₹3.46 crore in the sale of 28,562.820 MT of iron ores at lower rates by allowing extension of the lifting periods.

IDCOL had allowed the buyers to lift the materials beyond stipulated delivery period without going for fresh tender and deprived itself of the advantage of enhanced price for the minerals. Since June 2020, IDCOL got the enhanced rate for sale of Calibrated Lump Iron Ore (CLO) from ₹3,370 to ₹5,701 per MT and ₹1,674 per MT for screen iron ore fines against the last tender rate of ₹404 per MT obtained in February 2020. Thus, it was evident that there was an increasing trend of the price of the iron ores in the market after June 2020. However, IDCOL did not invite any fresh tender for Crushed Iron Ore Fines(CIOF) since June 2020 to get the advantage of the increased price of the minerals to earn additional revenue. During the period from June to October 2020 it allowed the parties to lift 39,647.810 MT materials in extended period at the pre-revised rate of only ₹295/300 per MT. IDCOL obtained ₹2,258 per MT as the sale price for CIOF as per the tender floated in December 2020.

Government replied (March 2023) that the Company could not supply the materials to the buyers due to stack/labour problem and non obtaining ore removal permission hence, it was not prudent to ask for higher price. The terms and conditions of the open tender allowed delivery period of 60 days and during the above period no extension beyond that period was allowed. Hence, no higher rate was applicable.

The reply was not acceptable as the Company allowed the parties to lift the materials at pre-revised rate with an extension period ranging from 95 to 401 days which were beyond the scheduled delivery period of 60 days.

Short realisation of ₹11.46 crore due to fixing the floor price at lower rate for sale of iron ores

2.6.10.2 Audit observed that from July 2021 to March 2022 IDCOL had conducted eight e-auctions and fixed the floor prices of 5-18 mm of CLO iron ore at lower rate ranging from ₹5,700 to ₹11,000 per MT by considering the last floor price instead of the last bid price of the corresponding minerals. Due to fixing the floor price at lower rate, the Company lost an opportunity to get additional revenue of ₹11.46 crore in the sale of 1,10,083.43 MT of 5-18 mm CLO during the period.

In reply, Government stated (March 2023) that the floor price of iron ore was fixed considering last bid price, ASP of last published month, present market price as per steel mint and price of Sponge Iron. Since market was volatile, sale price cannot be fixed considering the last bid price only. Buyers quote their price considering the prevailing market price and demand on the day of auction.

The reply was not acceptable as the last bid price was the primary source of information on market condition. Hence, it should have been given priority over other sources as long as it was higher than the corresponding floor price.

Short realisation of ₹3.08 crore due to fixation of floor price at lower rate for sale of HCFC

2.6.10.3 IDCOL conducted seven e-auctions for sale of HCFC by fixing the floor price. Before introducing the e-auction, the sale prices of HCFC were finalised by comparing the prevailing market conditions *i.e.*, steel mint prices³⁰. However, under e-auction method, IDCOL considered the last floor price as their base, upon which the impact of changes of the steel mint prices from the date of last tender was added /subtracted to derive the floor prices of HCFC to be fixed for the ensuing tender. As a result, the floor price was fixed at lower side than the prevailing market price. Since, the steel mint price of HCFC reflected the present market price, the floor price should have been fixed by considering the prevailing steel mint price instead of the last floor price. This had resulted in short realisation of ₹3.08 crore in the sale of 4,485.308 MT of HCFC.

³⁰ The prices of minerals published by Steel Mint

Avoidable payment of additional amount of ₹8.25 crore in the sale of iron ores

2.6.10.4 As per the terms and conditions of the tender in the case of sale on H₁ bid basis, the bidders were requested to quote the basic price exclusive of Royalty, contribution to DMF any other Government levies and taxes as applicable at the time of delivery. However, the tenders did not have the provisions for recovering the amount from the buyers in case of any tax or duty levied by the Government other than Royalty and DMF, NMET *etc.* As per the Sections 8(4), 8A(8) and 17A(2C) of the Mines and Minerals (Development and Regulations) Amendment Act, 2021, IDCOL was required to pay an additional amount equivalent to 1.5 times of the Royalty payable for the quantity of iron ores sold from the mines from the date of notification of the Act *i.e.*, 28 March 2021. Since, the terms of the tender did not have the clause to indemnify IDCOL for such additional amount levied by the Government, it had to pay (December 2021/January 2022) the additional amount of ₹8.25 crore on sale of 60,110.050 MT of iron ore out of its own source of funds.

Government in their reply stated (March 2023) that after issue of notification on 28 March 2021, all parties were asked to deposit the additional amount but they refused as they have quoted the price not considering the additional amount. It was further stated that even if the terms of tender specified indemnification of additional amount levied by Government, the party might have quoted lesser price after considering the amount payable towards additional amount.

The reply was not acceptable because it was an ordinary prudence to have a clause for passing on any increase in statutory duties to the buyers. IDCOL had rightly included such conditions for recovering the amount from the buyers in case of any enhancement of any tax or duty to be levied by the Government in subsequent tenders from July 2021 onwards.

Role of Government in revival of the loss making PSUs

2.6.10.5 As had been observed in the beginning, CoPU had advised for strong disinvestment plan for the loss making PSUs. In this context, it was revealed in audit that the framework instituted by GoO for this purpose was ineffective resulting in making such PSUs unattractive for the strategic investors as under:

Procedures of disinvestment of PSUs in Odisha

2.6.10.6 The decision of disinvestment of PSUs is required to be approved by the Board of the Directors and the Members of the Company and to be informed to the Public Enterprise (PE) Department being the nodal department for disinvestment. The PE Department had laid down (November 2002/January 2021) a three tier decision making and implementation mechanism for disinvestment of PSUs in Odisha. These are (a) Inter Department Core Group (IDCG) chaired by the Principal Secretary of the Administrative Department, (b) Public and Co-operative Enterprise Restructuring Committee (PCERC) chaired by the Chief Secretary and (c)

Cabinet Sub-Committee on Disinvestment (CCD) chaired by Ministers (Finance, PE, Industries and Law). All the decisions taken by the CCD would be finally approved by the Cabinet.

Audit observed that in the meeting of the CCD held on 27 September 2010, it was decided that IDCOL would negotiate with Steel Authority of India Limited (SAIL) for Joint Venture/Sale of IKIWL and IFCAL. SAIL submitted its financial bids on 26 November 2014 with additional conditions which were not accepted by PCERC. However, during the period from 2017-18 to 2021-22, three meetings of IDCG and two meetings of PCERC were held, while no meeting with CCD was held till date since September 2010 to take a final decision on the disinvestment of the loss making subsidiaries.

After failure to negotiate with SAIL, the PCERC recommended (July 2015) that IDCOL should request CPSUs for 51 *per cent* equity participation in its subsidiaries *i.e.*, IFCAL and IKIWL. All the CPSUs³¹ had informed that a lease/linkage was extremely important for survival and sustainable operation of IKIWL and IFCAL. Hence, IDCOL requested (26 November 2015) GoO to consider allotment of one iron ore mine and one chrome ore mine to bring one PSU as a strategic partner for expansion and modernisation for long term sustenance of IDCOL. However, that was never materialised.

KIOCL, the only interested CPSU, apprised that IDCOL group's current operations as such were neither technically nor financially sustainable even after the proposed change of management/ownership without allotment of mines/assured coal linkage in favour of IDCOL and submitted the financial bids on 25 April 2016. KIOCL offered (April 2016) at ₹235.49 per share for acquiring the 51 *per cent* equity shareholding with total amount of ₹140 crore against the reserve price of ₹226.72 per share with certain assumptions and conditions. PCERC in its meeting held on 09 June 2016 deliberated the issue and advised IDCG to discuss with KIOCL about their assumptions and conditions of the bids. During discussion (12 August 2016) KIOCL informed that the grant of iron and chrome ore mining leases with a reserve of 100 million tonne and 1 million tonne respectively were the fundamental issue without which it would not be possible to invest and revive IKIWL and IFCAL.

IDCOL requested (23 September 2016) to the Steel and Mines Department, GoO for grant of iron ore and chrome ore mines for captive consumption in IKIWL and IFCAL. Further, in the PCERC meeting held on 24 December 2016, it was decided that KIOCL may be requested to send their final confirmation for further necessary actions at Government level for obtaining approval of the CCD. In the meantime, KIOCL submitted (January 2017) their revised proposal comprising investment of ₹8,335 crore for the mine development and operation and setting up 1.2 MT of an Integrated Steel Plant at IKIWL. They also requested IDCOL to consider and confirm the decision of GoO to reserve/notify Thakurani 'A' iron ore mine for IDCOL. KIOCL also

³¹ SAIL, National Mineral Development Corporation (NMDC), Rastriya Ispat Nigam Limited (RINL), National Aluminium Company Limited (NALCO) and Kudremukh Iron Ore Company Limited (KIOCL)

requested (April 2017) to issue the minutes of the PCERC meeting held on 24 December 2016 on the subject so that KIOCL could take the matter forward towards the strategic partnership with their Board/GoI. However, PE Department submitted the minutes of the meeting on 19 June 2017 after a delay of six months, without any confirmation with regard to the reservation of captive mines for IKIWL. Hence, KIOCL decided (August 2017) not to accede to the request for further extension of the financial validity. This had brought an abrupt end to the process of IDCOL in reviving its loss making subsidiaries by inducting KIOCL as a strategic investor with ₹140 crore as share capital.

Government stated (March 2023) that after taking into consideration, the delay in divestment and poor response of the potential investor for divestment, it was decided by State Cabinet to merge IDCOL, along with its wholly owned subsidiaries *i.e.*, IKIWL and IFCAL with OMC.

The reply was not acceptable because the decision for merger had been taken only in August 2022. The reply was also non-specific about the issues relating to period prior to that decision as highlighted in the para.

Delay in taking decisions by the GoO for disinvestment of IKIWL

2.6.10.7 After failure of disinvestment process of IKIWL due to backing out of KIOCL in August 2017, IDCOL decided (February 2018) to request GoO to consider it as a mining company and a justification of reservation of Thakurani Block A mine was submitted to GoO in July 2018. No decision was, however, taken on that request instead, PCERC decided (November 2019) to sell the plant and machineries of IKIWL at e-auction route through Metal Scrap Trade Corporation (MSTC) as these were very old and obsolete. The same was yet to be approved by the CCD due to non-convening of their meeting.

Since continuation of IKIWL and IFCAL under the management of IDCOL would put financial burden on it, the Board of IDCOL decided (October 2021) to approach the GoO for 100 *per cent* disinvestment of its subsidiaries. Considering the fact that IDCOL was not able to pay off its huge outstanding loan, PCERC decided (02 May 2022) to merge IDCOL and its subsidiaries with OMC by which OMC would take over its entire liabilities, corresponding tax benefits accruing from IDCOL's accumulated loss and benefit from access to huge land bank for mining related business diversification. The said decision was finally approved by the Cabinet on 12 August 2022.

Government accepted the audit observation and stated (March 2023) that due to non-constitution of the CCD by the Department of Public Enterprises, there was delay in the disinvestment of the companies.

Conclusion

Industrial development is acceptably the key for economic development of Odisha and IDCOL has an important role to play in this regard. The strategic, operational and transactional deficiencies in IDCOL rendered it ineffective as a tool for economic development of the State and both the

mineral based industries became unviable. GoO also failed in its role as a stakeholder which required policy intervention in terms of both revival and disinvestment. Consequently, IDCOL became unviable and unattractive for disinvestment despite its operation in mineral based industries. Finally, decision was taken for merger with OMC who is no way associated with management of manufacturing industries. The consideration of tax benefit to OMC accruing from the accumulated loss of IDCOL was just indicative of ignoring the core issues of inefficiencies.

Recommendations

- Government may clearly re-define the role of IDCOL in the present day context with the parameters of their contribution to the economic development of the State.
- Government may develop and institute a robust mechanism for consistent review of performance of IDCOL for early diagnosis of the imminent sickness and timely action for revival.
- Government may ensure compliances with the relevant statutes to avoid penal actions.
- Government may consider an alternate mechanism to perform the role of industrial promotion through intervention of the State as a supplement to the private initiative.
- Government may consider making the disinvestment mechanism effective to achieve its envisaged goal.

2.7 Odisha Rural Housing and Development Corporation Limited

Introduction

2.7.1 The Odisha Rural Housing and Development Corporation Limited (ORHDC) was incorporated on 19 August 1994 as a wholly owned Government Company under Housing and Urban Development Department, with the main objective of financing, promoting and developing rural housing. Rural housing, as a concept for State intervention, is very much important even today. Government of Odisha (GoO) is continuing with the schemes for rural housing like Biju Pakka Ghara Yojana, Prime Minister Aawas Yojana, *etc.* Even then the Company could not sustain its operation and consequently the main activities of the company *i.e.*, financing for housing schemes have been discontinued (July 2003) due to restriction imposed by Finance Department owing to poor recovery of loans and paucity of funds. The Company is technically alive without any Board of Directors, which did not even prepare its accounts for last 13 years. During five years ending March 2022 the Company had recovered ₹6.69 crore *i.e.*, 0.28 *per cent* against an outstanding dues of ₹2,405.11 crore. Audit analysed the state of affairs in the following paragraphs.

2.7.2 Organisation Structure

The Board of Directors of the Company had not been formed since June 2016. The day to day operation of the Company was being managed by the Managing Director who was holding additional charge along with his original charge as an additional secretary to the GoO.

2.7.3 Audit Criteria

- Corporate Plan and scheme guidelines;
- Annual budget and long term perspective plans of company;
- Companies Act, 2013, Memorandum and Article of Association of the Company, Memorandum of Understanding (MoU) signed by the Company with GoO and Corporate Governance Manual; and
- Policies of GoO, notifications, guidelines *etc.*

Audit Findings

2.7.4 Financial Performance

The Company had prepared provisional accounts for the period 2017-18 to 2020-21. The Company had not compiled even the provisional figures for the financial year 2021-22. The financial position and working results of the Company for the last four years ended 31 March 2021 are given in **Appendix 18**.

It was observed that the Company had incurred losses in all the financial years from 2017-18 to 2020-21 and the loss ranged between ₹38.82 crore in 2017-18 and ₹39.38 crore in 2020-21. The accumulated loss of the Company had increased from (-) ₹426.23 crore in 2017-18 to (-) ₹543.76 crore in 2020-21. The loss was mainly attributed to the yearly finance cost of ₹38.29 crore on borrowings from GoO. The employee benefit expenses of the Company ranged between ₹1.05 crore and ₹1.28 crore during the period 2017-18 to 2020-21 against total revenue ranging from ₹0.27 to ₹0.76 crore in the same period. It was observed that 15 employees of the Company had been deployed in Housing and Urban Development Department from time to time without finalising the terms and conditions of the deployment and payment of their salaries by the Department. As a result, the Company had paid ₹2.70 crore from 2017-18 to 2021-22 to these deployed employees without availing their services. Though the Company requested (30 September 2022) the Department to relieve these employees, the same was pending till date.

ORHDC replied (March 2023) that another reminder had been submitted on 21 March 2023 to the Principal Secretary, H&UD Department, besides earlier letter dated 30 September 2022.

The poor financial state of affairs was analysed in audit wherein it revealed that such position was mainly attributable to lapses in planning, monitoring and internal control in general. Further, for recovery of loans, provisions of Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act, 2002 and Odisha Public Debt Recovery (OPDR) Act, 1962 for taking possession of the mortgaged assets were not enforced for better recovery.

2.7.5 Planning, Monitoring and Internal Control

- i.** The Company had neither formulated any corporate long term plan nor annual budgets as required under the corporate governance manual of GoO to integrate the resource requirements with the achievements of financial and non-financial targets. Memorandum of Understanding (MoU) with the Administrative Department had also not signed as required under the manual which specified development of key performance indicators based on corporate plan and specify the targets against each performance criteria. Due to non-formulation of corporate plan and MoU, the evaluation of performance of the Company against the targets could not be ascertained in audit.
- ii.** The Company had not conducted any meeting of the Board of Directors since June 2016. The Company neither had any Audit Committee nor had any internal audit wing to safeguard the integrity of the business process and reliability of financial reporting.

There was complete lapse of internal control in absence of Board of Directors, which was primarily responsible for internal control and monitoring of the Company.

No reply was furnished by ORHDC/GoO.

2.7.6 Management of Loan Scheme Operations

The Company had raised a total capital of ₹614.49 crore³² and disbursed loans amounting ₹554.47 crore during the period 1995 to 2003 under six different schemes to 1,60,362 beneficiaries. As disbursement of loans had been discontinued since July 2003, presently main activity of ORHDC was to monitor recovery of these loans. Audit observed that there was huge overdue amount of loans sanctioned under these schemes and the recovery of outstanding loans was meagre during the period 2017-18 to 2021-22, as discussed in the following paragraphs.

2.7.6.1 Project Finance Scheme

The Company launched Project Finance Scheme in May 1996 for facilitating bridge loan³³ to builders/construction companies for construction of apartments in urban areas. Under the scheme, loans were disbursed to 25 beneficiaries during the period 1996 to 2001 for an amount of ₹19.74 crore. The rates of interest for the loans were varied from 17 to 21 *per cent* per annum with further penal interest of 2 to 3.5 *per cent* per annum in case of default in payment of interest or principal or both. Land documents were taken as mortgage against the loans. Audit observed as below:

- Ten beneficiaries had repaid and closed the loan accounts during the period 1998 to 2007 and one beneficiary repaid the loan amount in 2018. During the period 2017-18 to 2021-22, only one beneficiary closed its loan account by repaying ₹0.29 crore. No recovery from the other 14 beneficiaries was made during the above period. As of March 2022, the outstanding loan amount against the 14 beneficiaries was ₹71.55 crore including interest of ₹64.55 crore.
- Demand notices for repayment of the loans were not served regularly. During the period 2017-18 to 2021-22 the demand notices have been served once only to three beneficiaries and no demand notices were served to other beneficiaries during this period.
- The Board resolution by circulation (November 2012) appointed Managing Director as authorised officer for enforcement of SARFAESI Act, 2002. However, out of 14 beneficiaries, no notice has been served to seven beneficiaries under SARFAESI Act for possession of mortgaged assets. This indicated undesirable discrimination being exercised while dealing with beneficiaries. Though notices had been served to seven beneficiaries, the possession of assets was not taken in case of five beneficiaries. Two beneficiaries from whom the possession of assets were taken under the Act, the Company could recover partial amount of ₹4.23 crore through sale of mortgaged assets in July 2010 and October 2013. Hence, due to non-enforcement of the SARFAESI Act, 2002 against all the defaulted

³² Borrowing from HUDCO (₹438.33 crore) + Share capital infusion by GoO (₹48.16 crore) + Retained labour component under Credit Linked Housing Scheme and Kalinga Kutira Scheme (₹102 crore + ₹26 crore)

³³ A bridge loan is a short-term loan used until a person or company secures permanent financing or pays an existing obligation

beneficiaries and non-persuasion for repayment of the loan amount, ₹71.55 crore as of March 2022 remained unrealised.

- Further, it was observed in audit that the loan settlement amount had been incorrectly calculated by the Company in case of settlement of loan outstanding of M/s B. Engineers and Builders during July 2018. The loan ledger of M/s B. Engineers and Builders had not been updated since December 2006. The loan was settled based on demand (July 2018) made by the Company for ₹0.29 crore. However, it was recalculated in audit as per terms and conditions of the loan agreement and found that there was short realisation of ₹0.66 crore from M/s B. Engineers and Builders towards loan settlement amount due to incorrect calculation.

The Company had also adopted the policy of adjusting the repayment amount first from interest and principal and then from penal interest instead of adjusting the repayment amount first from penal interest and then from interest and principal. That was despite an expert opinion obtained from a Chartered Accountant in this regard. For this reason, there was short realisation of ₹1.06 crore in settlement of loan amount of M/s B. Engineers and Builders. Hence, there was loss of ₹1.72 crore (₹0.66 crore + ₹1.06 crore) in settlement of loan of M/s B. Engineers and Builders sanctioned under Project Finance Scheme.

ORHDC replied (March 2023) that updated demand notice would be sent to the loanees. Further, fresh demand notice was now being sent to M/s B. Engineers and Builders as per observation of audit.

2.7.6.2 Building Centre Scheme

The Company implemented Building Centre Scheme in February 2000 under which loans were given for production of low cost building materials in thirteen cyclone (Super Cyclone 1999) affected districts to meet the needs of building materials. Under the scheme, loan was disbursed to 67 NGOs/private bodies, engaged in production of building materials, for an amount of ₹5.84 crore during the period 2000 to 2002. The loan was disbursed with interest rate of 13.5 *per cent* per annum. Land documents were taken as mortgage against the loan.

The detailed position of recovery and outstanding balances for loans sanctioned under the scheme were analysed and observed that out of 67 beneficiaries, only nine beneficiaries had repaid and closed the loans. No loan amount had been recovered during the period 2017-18 to 2021-22 towards principal and interest outstanding. Demand notices for recovery of loans were not served regularly. During the period 2017-18 to 2021-22 only once during March 2020 the demand notices were served. No action had been taken under SARFAESI Act, 2002 for taking possession of the mortgaged assets against any beneficiary. As a result, an amount of ₹69.96 crore remained unrealised, as of March 2022.

ORHDC replied (March 2023) that actions were being taken for issuing the updated demand notices to the loanees under this scheme.

2.7.6.3 Corporate Loan scheme

Under the Corporate Loan Scheme, the Company provided loans to the employees of State/Central Government/PSU/Semi-Government institutions/Local Self Government at the rural as well as urban sector of the cyclone affected districts of Odisha, whose houses were affected in Super cyclone during the year 1999. The loans were disbursed with interest rate of 13.5 *per cent* per annum. The loans disbursed were guaranteed by the employers of the beneficiaries. The Company had disbursed an amount of ₹116.22 crore during the period 1999 to 2003 to 25,793 beneficiaries under the scheme. Out of these, 16,906 beneficiaries repaid the loan and closed their loan accounts.

It was further observed that the Company had recovered an amount of ₹3.39 crore towards principal and ₹1.41 crore towards interest during the period 2017-18 to 2021-22 indicating a meagre recovery of 8.72 *per cent* towards principal and 0.69 *per cent* of the interest, leaving a balance amount of total interest and principal of an amount of ₹203.96 crore and ₹38.88 crore respectively, as on 31 March 2022. As a result, an amount of ₹242.84 crore against 8,887 beneficiaries remained unrealised. The Company did not initiate any action under OPDR Act, 1962 for recovery of the loan outstanding.

ORHDC replied (March 2023) that in the mean time lot of demand notices were sent to the respective Drawing and Disbursing Offices and actions would be initiated against each individual defaulted loanees under OPDR Act.

2.7.6.4 Kalinga Kutira Scheme

Government of Odisha (GoO) decided (October 1994) to implement Kalinga Kutira Scheme through the Company for providing easy loan assistance to Economically Weaker Section (EWS) of rural areas at low rate of interest of 10 *per cent* per annum. The loan was secured by Record of Rights³⁴ (RoR) and title deeds of the land and lien of fixed deposit of ₹4,500 with the Company till the repayment of the loan. Under the Scheme, the Company had disbursed ₹59.23 crore to 28,524 beneficiaries during the period 1995 to 2003. Out of which, 4,114 beneficiaries had repaid and closed the loan leaving an overdue amount of ₹128.83 crore including cumulative interest of ₹75.38 crore till 31 March 2022 against the remaining 24,410 beneficiaries. It was observed that:

- i. There was no recovery of principal during last five years ending on 31 March 2022 and no recovery of interest during the FY 2019-20 and 2020-21. However, the Company was able to recover a meagre amount of ₹0.01 crore interest during the period 2017-18, 2018-19 and 2021-22, leaving an outstanding amount of ₹128.83 crore including interest amount of ₹75.38 crore as on 31 March 2022.
- ii. No steps had been taken by the Company to issue any demand notice to the defaulted beneficiaries under the provisions of OPDR Act, 1962. Due to which an amount of ₹128.83 crore remained unrealised under the scheme. However, GoO decided (July 2018) that the Company

³⁴ 'Record-of-Rights' is a legal document that gives the details about the land and who owns it

would submit proposal before Government for complete waiver of loan liabilities of EWS borrowers under the Kalinga Kutira Scheme. However, no such proposal was submitted by the Company till date (September 2022).

ORHDC replied (March 2023) that updated demand notices to the defaulted beneficiaries would be issued shortly and actions would be taken to invoke OPDR Act/SARFAESI Act against the defaulted beneficiaries.

2.7.6.5 Individual Housing Finance Scheme (IHFS)

For construction and acquiring of dwelling accommodation, for purchase of new house from private party, purchase of a new house/flats being constructed through any Semi-Government Organisation, Central Government, Autonomous Bodies and expansion of existing living accommodation, the Company provided long term housing loan specially designed for individuals, working couples, businessmen, self-employed professionals and multi income families under the Individual Housing Finance Scheme (IHFS) introduced in May 1995. The loan was secured by land documents or an undertaking from the employer for deduction from the salary. The loan was provided with rate of interest ranging from 14 to 14.5 *per cent* per annum.

The Scheme was implemented by the Company from May 1995 to July 2003 with disbursement of ₹59.21 crore as housing loan to 3,198 beneficiaries. Out of that 2,076 loanees repaid and closed their loan accounts. The outstanding balance of ₹294.33 crore including interest was due from the 1,122 beneficiaries as on 31 March 2022. It was observed that:

- i. A meagre loan amount of ₹1.39 crore was recovered during the last five years ending on 31 March 2022. Only 15 beneficiaries closed their accounts during the period 2017-18 to 2021-22 due to poor recovery of loan account.
- ii. The Company had not issued any demand notice after June 2018 to the above 1,122 beneficiaries even after a lapse of more than four years and no action had been taken by the Company to take possession of the secured assets under the provisions of SARFAESI Act, 2002, except issuing demand notice under the Act during October 2008. Non-enforcement of the above Act, in violation to Board directives, had resulted in non-recovery of ₹294.33 crore under the scheme.

ORHDC replied (March 2023) that notices under SARFAESI Act had been issued against 14 defaulted loanees and similar actions would be initiated for balance defaulted loanees.

2.7.6.6 Credit Linked Housing Scheme (CLHS)

Subsequent to the super cyclone in the year 1999, the GoO decided (13 January 2000) to provide Credit Linked Rural Housing Scheme (CLHS) through the Company, to cyclone affected districts of the State in favour of those cyclone affected families who belonged to the BPL category and whose

houses had been collapsed or washed away. The housing loans were extended to the people in 13 super cyclone affected districts under this scheme as rehabilitation and reconstruction measure with the rate of interest of 11 *per cent* per annum.

Under the scheme, the Company had sanctioned and disbursed loans to 1,02,755 beneficiaries, of an amount of ₹294.23 crore during the period 1999 to 2002 out of which only 767 loanees closed their accounts. The loan overdues amount of ₹1,597.60 crore including cumulative interest of ₹1,311.45 crore against 1,01,988 beneficiaries was outstanding as on 31 March 2022. It was observed that:

- i. There was no recovery of principal and the Company recovered a meagre amount of ₹0.20 crore towards interest during last five years ending on 31 March 2022.
- ii. Further, the Company did not issue any notice of demand under OPDR Act to recover the loan overdue amount since the disbursement of loan during the years 1999-2002. As a result, an amount of ₹1,597.60 crore remained unrealised. However, GoO decided (July 2018) that the Company would submit proposal before Government for complete waiver of loan liabilities of BPL borrowers under this Scheme. However, no such proposal had been submitted by the Company till date (September 2022).

ORHDC replied (March 2023) that the Company would submit the complete waiver proposal to the Government in H&UD Department, Public Enterprise Department and Finance Department.

2.7.7 Non-preparation of accounts

Preparation of annual accounts is the only communication device for explaining the state of the affairs of a company to the outside world. The Company had not finalised its accounts since 2009-10 violating the provisions of the Section 134, 129, 96 of the Companies Act 2013 read with Section 210, 166 and 216 of the Companies Act 1956. The Company thus failed to place its annual report together with the audit report and comments of the CAG of India before the house of the State Legislature as envisaged in the Act.

The fact of arrear in finalisation of accounts and lack of sincere efforts in liquidating the arrears by the Company had also been pointed out in the Paragraph No. 3.14 of Report No.4 (Commercial), GoO for the year ended 31 March 2010, which was pending for discussion in the meetings of the Committee on Public Undertakings (CoPU).

In spite of these, the Company had failed to chalk out a time bound programme and initiate concrete and effective steps for clearance of arrear accounts for the last 13 years.

Audit observed that, due to non-finalisation of accounts, bank reconciliation statements had not been prepared, ledgers were not updated and there were

transactions in cash violating Government circular (July 2012) leaving the books of accounts for these years remained open and were exposed to the risks of fraud, leakage of public money *etc.*, by way of possible tampering with these accounts. Thus, the Company failed to make the accounts up to date as well as in maintaining proper records of accounts.

No reply was received from ORHDC/GoO.

2.7.8 Non-payment of Government of Odisha loan amounting to ₹966.81 crore

The Company borrowed an amount of ₹438.33 crore during the period 1995-96 to 2002-03 upon Government Guarantee from Housing and Urban Development Corporation (HUDCO) for implementation of Kalinga Kutira Scheme (₹74.33 crore) and Credit Linked Housing Schemes (₹364 crore). The Company, with the assistance of Government had repaid the entire dues of HUDCO amounting to ₹765.92 crore out of which Government paid ₹489.55 crore and the Company paid ₹276.37 crore. The Government assistance of ₹489.55 crore was provided as loan to the Company with rate of interest eight *per cent* per annum. The sanction of loan by the Government was made with condition that the total income of the Company including amount received towards recovery of loans, rental *etc.* would be deposited in escrow account to be jointly operated by Under Secretary to GoO, H&UD Department and MD, ORHDC, Bhubaneswar. Further, the Company was allowed to withdraw maximum of rupees one crore per annum towards establishment cost from the escrow account and deposit the balance in Government account towards repayment of State Government loan on quarterly basis.

As on 31 March 2022, an amount of ₹966.81 crore was outstanding towards the Company for payment to Government including interest ₹488.13 crore. The escrow account was seized by the Income Tax Department during March 2017 due to non-payment of income tax dues for the assessment year 2006-07 and the repayment of loan to Government was stopped since then. As a result, ₹966.81 crore remained outstanding for payment to Government.

No reply was received from ORHDC/GoO.

2.7.9 Investment of funds in violation of the guidelines of the Government led to non-realisation of ₹25.89 crore

ORHDC subscribed (10 April 1999) to 300 numbers of 14.90 *per cent* non-convertible, secured, redeemable debenture bonds of face value of ₹1 lakh each issued by Uttar Pradesh State Yarn Company Limited (UPSYCL) for a sum of ₹3 crore. The bonds were allotted to the Company in February 2000 and were secured by the unconditional and irrevocable guarantee of the Government of Uttar Pradesh. As per terms and conditions of the subscription, the bonds were redeemable on 10 February 2004 (33 *per cent*), 10 August 2004 (33 *per cent*) and 10 February 2005 (34 *per cent*). The interest was payable annually up to the date of redemption. UPSYCL remitted (August 2000) ₹37.47 lakh towards interest up to 10 February 2000 and ₹1.90 crore towards principal leaving a principal balance of ₹1.10 crore. Subsequently,

UPSYCL neither paid any interest nor redeemed the principal amount till date. The balance principal and interest outstanding as on 10 February 2022 was ₹25.89 crore. In this regard, Audit observed that:

- The Company subscribed to the bonds without prior approval of the Board of Directors violating the guidelines of Department of Public Enterprises, GoO (November 1996) and only obtained (January 2000) their retrospective approval. Further, as per the guidelines, no investments other than term deposit in banks could be made for tenure exceeding one year. The investment was thus in violation of the above directive to the extent that the maturity period of the bonds were five years. No approval from GoO had also taken for subscription to the bonds of UPSYCL.
- Though UPSYCL did not pay any interest and principal amount since August 2000, the Company only raised demand notice during February 2005 *i.e.*, after 53 months from the last payment. Further, the Company issued demand notice during December 2006 and July 2007 and filed a writ petition in this regard in the Odisha High Court in the year 2013 which was dismissed (September 2022) by the court upon submission of the UPSYCL to make payment of the principal amounts which was not objected by ORHDC. However, no further payment was made by UPSYCL.
- The bonds were stated to be secured by the unconditional and irrevocable guarantee of the Government of UP. The Company, however, did not obtain confirmation from the Government of UP with respect to their guarantee against the bonds, nor did it invoke the guarantee in view of the failure of UPSYCL in servicing and redeeming the bonds in time.

Further, the Company had not taken up the matter with Government of UP for the unconditional and irrevocable guarantee given against the bonds. This indicated failure of the Company in taking required steps for realisation of the dues. As a result, ₹25.89 crore as of February 2022 remained unrealised.

ORHDC replied (March 2023) that the Company requested (March 2023) advocate of Odisha High Court to take up the matter with appropriate judicial authority/institution for recovery of the debt.

Role of Government

2.7.10 Non-expediting of the proposal of Government of Odisha to liquidate the Company

ORHDC had disbursed loans to Economically Weaker Section (EWS) and Below Poverty Line (BPL) borrowers under Kalinga Kutira Scheme and Credit Linked Housing Scheme which constituted 82 *per cent* of the borrowers and 65 *per cent* of the total loan disbursement by the Company. As chances of recovery of the loans under the schemes were extremely low and Government schemes were now providing EWS housing under various schemes such as

Prime Minister Awas Yojana (PMAY), Biju Pakka Ghara Yojana, *etc.* and banks were also offering housing loans with more lenient terms and interest, GoO felt that ORHDC had lost its significance and did not serve the purpose anymore. Hence, GoO decided (July 2018) that ORHDC should submit suitable proposal for liquidation, in accordance with the provisions of the Companies Act, 2013 with suitable plans for rehabilitation of employees and management of the assets of the ORHDC and seek in-principle approval of the Government. Though, ORHDC had submitted (September 2018) the proposal for liquidation of the Company to GoO, no further action had been taken in this regard till date. Even after lapse of more than four years from the date of decision of Government to liquidate the Company, the Company had not taken any substantial steps except writing (March 2021) a letter to a Chartered Accountant for providing the guidelines and process of liquidation. Necessary steps may be taken to expedite the process for early liquidation of the Company.

No reply was received from ORHDC/GoO.

Conclusion

The Company was incorporated to cater to a basic need for rural poor in the form of finance for housing. Presently, EWS housing is being provided under various schemes such as PMAY, BPGY *etc.* and banks are offering house loans with more lenient rate of interest. Financial assistance for rural housing had been stopped as the Company could not run its operation viably. Consequently, there was drainage of public money without the corresponding social benefit being achieved.

Recommendations

- **Government may consider to ensure enforcement of recovery provisions under the SARFAESI Act and OPDR Act for better recovery.**
- **Government may also consider to offer option for One Time Settlement (OTS) to beneficiaries considering the fact that the market rate of interest at present is substantially less than the rate charged by the Company.**
- **Government may consider to take early actions for liquidation of the Company.**

CHAPTER-III

**Detailed Compliance Audit on
Implementation of projects
under the Smart City Mission
in Odisha**

CHAPTER-III

Bhubaneswar Smart City Limited and Rourkela Smart City Limited

Detailed Compliance Audit on Implementation of projects under the Smart City Mission in Odisha

3.1 Introduction

The Government of India (GoI) launched the Smart Cities Mission (SCM) in June 2015, with the objective of promoting sustainable and inclusive cities that would provide core infrastructure and ensure a reasonable quality of life to their citizens, as well as a clean and sustainable environment, by enabling local area development, harnessing technology and application of ‘Smart Solutions’. The SCM was a Centrally Sponsored Scheme (CSS), in which the GoI was to give financial support, to the extent of ₹500 crore, over five years, *i.e.*, ₹100 crore every year, with an equal amount of matching grant to be contributed by the State/Urban Local Body (ULB), for each city. The Mission covered 100 cities, with a duration of five years, from FY 2015-16 to FY 2019-20. This duration was extended (August 2021) upto June 2023. The strategic components of Area Based Development (ABD) in the SCM are city improvement (retrofitting), city renewal (redevelopment) and city extension (Greenfield development) plus a Pan City initiative, in which Smart Solutions are applied, covering a larger part of the city. The aforesaid development was to be achieved through the provisioning of basic infrastructure, with corresponding smart solutions, which included:

- Adequate water supply, with quality monitoring;
- Assured electricity supply, with smart metering;
- Sanitation, including solid waste management, by conversion of waste to energy;
- Efficient urban mobility and public transport, with smart parking;
- Affordable housing for the poor;
- Health and education, with telemedicine and smart class rooms;
- Robust IT connectivity and digitalisation for electronic service delivery *etc.*; and
- Sustainable environment.

Based on the Smart City Proposal (SCP) of the Government of Odisha (GoO), two cities *viz.*, Bhubaneswar and Rourkela, were selected (January/September 2016), by the Ministry of Housing and Urban Affairs (MoHUA), to be developed as Smart Cities, under SCM. For implementation of the SCP, SCM envisaged creation of Special Purpose Vehicles (SPVs), outside the purview of the ULBs, to ensure greater operational independence and autonomy in decision making. Accordingly, two SPV companies *viz.*, Bhubaneswar Smart City Limited (BSCL) and Rourkela Smart City Limited (RSCL), were incorporated (March/December 2016), under the Companies Act, 2013, for

implementation of the SCM programme. The SPVs were required to plan, appraise, approve, manage, operate, monitor and evaluate the smart city development projects and release funds for the purpose. Government contributions for Smart Cities were to be used only to create infrastructure that had public benefit outcomes. The execution of projects was to be done through joint ventures, subsidiaries, public-private partnerships (PPPs), turnkey contracts *etc.*, suitably dovetailed with revenue streams. The shareholding pattern, among the Housing and Urban Development Department (H&UD), Urban Local Bodies³⁵ and Development Authorities³⁶, is in the ratio of 45:45:10. The organisation structures of the two SPVs are as below:

Chart 3.1: Organisation structure of BSCL

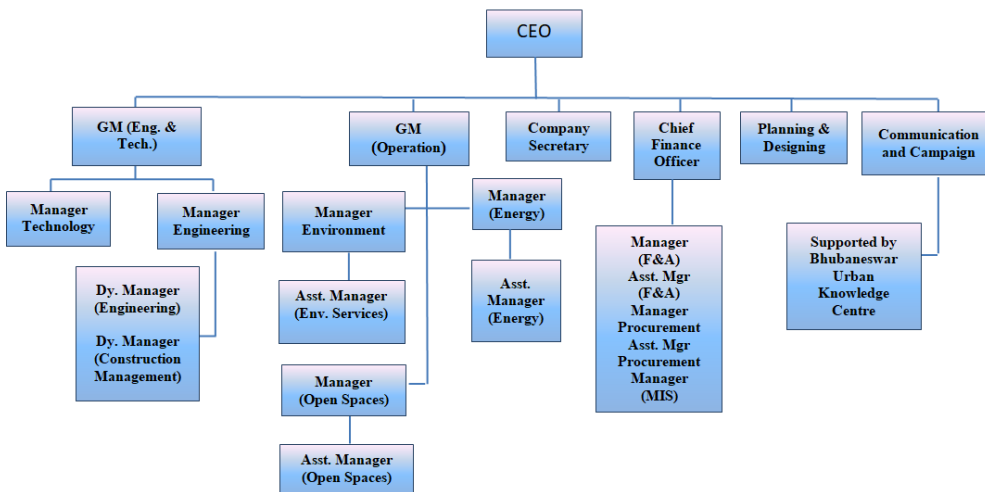
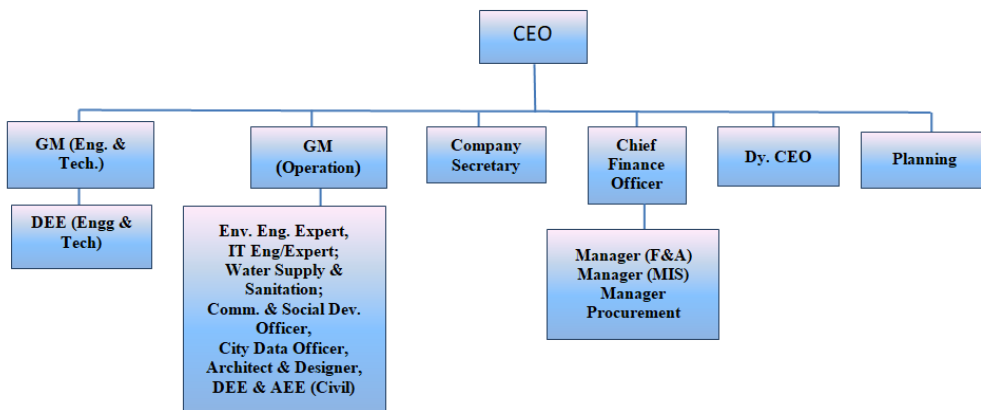


Chart 3.2: Organisation structure of RSCL



3.2 Audit Objectives

The Detailed Compliance Audit, on the implementation of projects under SCM, by the SPVs, was taken up with the objectives of assessing whether:

- the planning and execution of projects were in consonance with the SCM objectives, for comprehensive area development;

³⁵ Bhubaneswar Municipal Corporation and Rourkela Municipal Corporation
³⁶ Bhubaneswar Development Authority and Rourkela Development Authority

- the adequacy of funding, for the projects sanctioned, had been ensured and financial controls were present; and
- the institutional mechanism, as envisaged in the Mission guidelines, was in place and the monitoring mechanism was effective.

3.3 Audit Criteria

The criteria adopted for assessing the achievements of the audit objectives were: (i) Smart Mission Guidelines, issued by GoI (ii) Norms and standards, fixed for different activities, in execution of projects (iii) Perspective plan and annual budget (iv) Works manual, financial manual and HR policy (v) Orders, instructions and advisories, issued from time to time, by GoI and the Board of Directors of SPVs and (vi) Progress reports on the execution of projects and all other prescribed reports and returns.

3.4 Scope of Audit

The Detailed Compliance Audit was conducted from May 2022 to August 2022, covering the period from FY 2016-17 to FY 2021-22. The DCA covered the overall working of the SPVs, in the implementation of the project, as per the SCM guidelines, by test-check and general examination of records and transactions, relating to the period covered under audit.

3.5 Audit Methodology

The audit methodology adopted comprised analysis of data/information, from project planning to project handing over, including scrutiny of Board Meetings/agenda notes; Detailed Project Reports (DPRs); proposals/estimates of projects; schedules of rates and estimates of the projects; committee and consultant's reports, tendering and award of projects; physical and financial targets and achievements; records of the Project Management Consultant; Joint Inspection, to verify the present status of projects; project completion and handing over reports; and correspondence with the administrative department/other agencies.

An Entry Conference was held with the Principal Secretary (H&UD), wherein the audit scope, coverage, criteria and methodology, were discussed. Similarly, on completion of audit, audit findings were discussed in the exit conference with the Principal Secretary to Government of Odisha, H&UD Department on 22 March 2023. The response of the Government had been duly considered for finalising this report.

Audit Finding

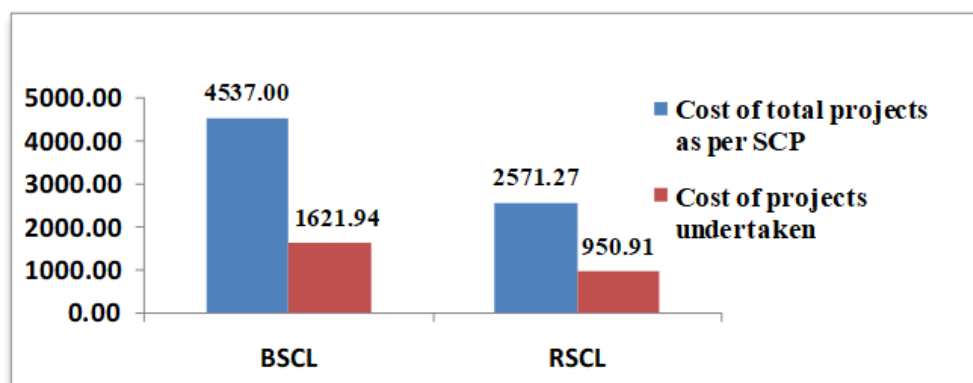
3.6 Planning and Execution of Smart City Proposal Projects

3.6.1 Smart City Proposal

Under the SCM, Bhubaneswar Municipal Corporation (BMC) and Rourkela Municipal Corporation (RMC) were required to prepare their SCPs, which were appropriate to their local context, resources and levels of ambition. The SCP should contain the vision, plan for mobilisation of resources and intended

outcomes, in terms of infrastructure upgradation and smart applications. The Bhubaneswar SCP consisted of 57 projects, with an estimated project cost of ₹4,537 crore (which included ₹4,095 crore for 56 Area Based Development³⁷ (ABD) projects and ₹442 crore for one Pan City³⁸ project). Similarly, the Rourkela SCP consisted of 31 projects, with an estimated project cost of ₹2,571.27 crore (which included ₹1,702.24 crore for 30 ABD projects and ₹869.03 crore for one Pan City project). As against the above plan, the cost of projects approved and undertaken by the two SPVs, are detailed in chart 3.3 below:

Chart 3.3: Cost of projects approved and actual cost of projects undertaken



(Source: Approved SCP and SPV data)

It could be seen from the above that BSCL and RSCL had undertaken (March 2022), only 36 per cent and 37 per cent, respectively, of the projects approved as per their SCPs.

Government stated (March 2023) that number of projects were curtailed to adjust the availability of funds. All the departments were requested to deposit their resources but as per their financial procedures funds were managed at their level. The reply was not acceptable because as stated in Para 3.6.2.4 infra, the SPVs were responsible for timely mobilisation of resources from internal and external means for timely implementation of the smart city proposals.

3.6.2 Planning

As per the SCM guidelines, for implementation of SCPs, the SPVs are required to plan, appraise, approve and release funds for the projects. The SCP, as approved by the MoHUA, contained projects valuing ₹4,537 crore for BSCL and ₹2,571 crore for RSCL. The said funds were to be mobilised from various sources, including ₹2,578 crore and ₹334 crore, respectively, from PPPs. However, no planning was made to tap these sources. As a result,

³⁷ ABD consists of city improvements (Retrofitting), city renewal (Redevelopment) and City extension (Greenfield), in earmarked areas, to make the existing areas more efficient and liveable, through a large number of smart applications/solutions

³⁸ Pan city development envisages application of Smart Solutions to the existing city-wide infrastructure, through technology, information and data, to make the infrastructure and services better

against the required funds of ₹7,108 crore, the SPVs had mobilised only ₹1,817 crore, till March 2022. Finally, BSCL and RSCL significantly reduced their project size, by dropping their ABD projects, as below:

Table 3.1: Comparison between the number of projects originally planned and executed

Particulars	BSCL		RSCL	
	Number	Value (₹ in crore)	Number	Value (₹ in crore)
Original ABD projects	56	4,095.00	30	1,702.24
Original Pan City projects	01	442.00	01	869.03
Total	57	4,537.00	31	2,571.27
Revised ABD projects	33	939.85	59	844.49
Revised Pan City projects	4	682.09	01	106.42
Total	37	1,621.94	60	950.91

(Source: Information received from BSCL and RSCL)

As may be observed from the above, there was a substantial reduction in the number of ABD projects (41 *per cent*), in case of BSCL. In case of RSCL, although the number of ABD projects increased from 30 to 59, the corresponding investment was reduced from ₹1,702.24 crore to ₹844.49 crore (*i.e.*, by 50 *per cent*). In this regard, it was noticed that small projects³⁹, with lesser area coverage, were proposed to be undertaken. This aspect has been analysed in detail, in Para 3.6.2.4 of this report.

Government stated (March 2023) that, there was substantial reduction in ABD projects due to non-availability of fund, encroachment free land *etc.* The reply was not acceptable as SPVs were responsible for mobilising funds and co-ordinate with other department for related issues.

The following specific cases of lack of planning were also observed, in audit:

3.6.2.1 Unplanned procurement led to idle expenditure of ₹3.09 crore, by BSCL

BSCL awarded (December 2017) the contract for Smart Solution projects⁴⁰, to M/s Honeywell Automation India Limited (HAIL), with scheduled completion *i.e.*, Go-Live of all systems, by January 2020. As per the contract agreement (Section-5: Technical requirement), it was the responsibility of BSCL to: (i) provide basic infrastructure, like power, space and access, for installation of equipment (ii) facilitate necessary permits or permissions, for any activities requiring outside authorisation and (iii) assign a project manager, with authority to make decisions on behalf of BSCL. Further, as per the Standard Operating Procedure (SOP) of BSCL, the Project Implementation Committee (PIC) would be the single point for the purpose of bringing about

³⁹ Spraying of disinfectant through drone (₹5 lakhs), provision for line, diversion for Rourkela one project (₹1 lakh), installation of GPS devices in city buses (₹6 lakh), computer hardware and peripherals (₹18 lakh), power supply to Netaji Subash Park (₹3 lakh), baby feeding and diaper changing units at four public spaces (₹6 lakh) *etc.*

⁴⁰ City-wide wifi system, Automatic Traffic Counter and Classifier, Smart Response and Incident Management System *etc.*

overall co-ordination between different agencies, during the implementation of various projects.

Based on dispatch clearance from BSCL, several equipment, for the smart solution project, were dispatched by the agency, between September to December 2018. The installation of some of these items was also subject to completion of civil projects executed by other agencies. Audit observed that, even after supply of material for more than three years, the material, *viz.*, Automatic traffic counter and classifier, City-wide wi-fi system, Command and control centre, Smart response and incident management system, Smart tracking system and Solid waste management system, could not be installed, due to non-availability of clear work site, right of way/power issues, pending approvals from competent authorities *etc.* Against the above material supplied, an amount of ₹3.09 crore (30 *per cent* of the cost) had been released (December 2018) to the agency but could not be installed for a period of over three years. Consequently, the aforesaid smart solution modules could not be completed and the related equipment remained unutilised. Thus, BSCL failed to provide necessary facilities and approvals as per section 5 of the contract agreement for which the city dwellers were deprived of the benefit of aforesaid smart solutions, rendering the expenditure idle for three years, with consequential loss of interest of ₹0.57 crore (at 5.30 *per cent*⁴¹ per annum, upto June 2022).

Government, in its response, stated (March 2023) that some of the equipment stated in the observations had been installed and the remaining was yet to be installed. Reply was not acceptable because BSCL failed in providing necessary facilities to the HAIL as per the contract agreement due to failure in co-ordination with different agencies during implementation of the project. As a result intended benefits could not be served to citizens for more than three years.

3.6.2.2 Delay in award of work orders, in the initial period of the smart city mission, resulted in excess expenditure of ₹27.73 crore

The SCM guidelines envisaged the duration of the Mission as being five years, from FY 2015-16 to FY 2019-20. The SCP of Rourkela and Bhubaneswar were sent to MoHUA, in December 2015. Based on the SCP, Rourkela was selected for being developed as a Smart City, in September 2016. Accordingly, RSCL was incorporated as the SPV Company, in December 2016, for implementing the projects, as per the SCM. Its responsibility was to approve and sanction the projects (including carrying out their technical appraisal) and ensure timely completion of projects.

Audit observed that RSCL had appointed the consultant for ABD projects in its 4th BoD meeting, held on 23 September 2017, for consultancy services, for execution of SCM projects. RSCL issued work orders for only 13 projects, during FYs 2016-17 to 2019-20. Subsequently, it issued work orders for 47 projects during FYs 2020-21 and 2021-22. Since the Mission was envisaged to be implemented during FYs 2015-16 to 2019-20, these projects should have

⁴¹ Being the lowest deposit interest rate of SBI from December 2018 to June 2022

been awarded at the early phase of the Mission period. Due to delay in award of the projects, RSCL had to incur additional project cost of ₹27.73 crore, due to increase in the rate of GST, from 12 to 18 *per cent*, with effect from 1 January 2022.

Government stated (March 2023) that, though Covid-19 pandemic affected the progress of work, yet the executions were expedited and works were under execution. The reply was not acceptable, because the impact of the Covid-19 pandemic had started in FY 2020-21 and RSCL had awarded 47 projects, during FY 2020-21 and 2021-22. Further, despite incorporation of the SPV in December 2016, only 13 projects (22 *per cent*) had been awarded during FYs 2016-17 to 2019-20. Thus, despite approval of the MoHUA in 2016, RSCL had failed to ensure timely initiation of the SCM projects, which had resulted in additional expenditure of ₹27.73 crore, besides depriving the citizens of the intended benefits from the projects.

3.6.2.3 Engagement of consultant without finalising and synchronising the scope of work

(i) BSCL awarded (September 2016) a consultancy contract to M/s Egis India Consulting Engineers Private Limited (EGIS), at a contract price of ₹23.30 crore, for undertaking 22 ABD projects. The contract price comprised two components *i.e.*, Programme support team remuneration, amounting to ₹6.99 crore and Milestone-based deliverables, amounting to ₹16.31 crore. Audit observed that, as of March 2023, out of the 22 ABD projects, only seven projects (32 *per cent*) had been executed, two projects had been de-scoped and the remaining 13 projects had not been taken up by BSCL. Such dropped/not taken up projects included smart waste management, water recycling and decentralised STP *etc.*, which were essential for improvement in the quality of life in the city. However, the consultant had executed milestone activities⁴² for all these 22 projects against which ₹4.50 crore had been paid. Thus, due to dropping of these 13 important projects⁴³, ₹2.17 crore, spent for preparation of above milestone activities by the consultant, remained unfruitful, while the city remained deprived of the envisaged benefits.

Government stated (March 2023) that, the projects had been dropped due to various reasons, like non-availability of funds, encroachment-free land, legal issues, forest clearance *etc.* and the expenditure incurred for consultancy would be utilised by different Government agencies, as a reference for execution of these dropped projects. The reply was not acceptable, as it indicated poor planning in selection of projects, which had resulted in taking up of only 32 *per cent* of the total projects earlier envisaged. Moreover, use of old consultancy reports, for future projects, appears impractical, as there are no such plans in the pipeline.

⁴² Like preparation of inception reports, situation analysis, feasibility reports and DPRs

⁴³ City Gas, 24x7 water supply, Energy supply, URBS, Water recycling project, Sewage treatment plant, underground electric wiring, city fiber, Smart energy meter, Smart water meter, Smart waste management, Cycle highway and Janpath housing

(ii) RSCL appointed (October 2017) M/s Delloite Touche Tohmatsu India, as its consultant for preparation of the feasibility report and overall supervision of the implementation of the Smart Solution project⁴⁴, at total cost of ₹10.28 crore. As per the feasibility report of the consultant, two distinct activities *viz.*, construction of a new building in which an Integrated Command and Control Centre (ICCC) was to be established and procurement, as well as installation of a system for the smart solution application to be installed therein, by an agency to be selected by the consultant by October 2018. However, Audit noticed that, the second activity was abnormally delayed by 13 months due to delay in finalisation of tender for selection of an agency. The delay was attributable to re-tendering due to change in tender conditions and specifications. Moreover, the tender finalised (November 2019) had also been cancelled (June 2020), due to delay in award and construction work of the Command and control centre building (January 2020).

Audit observed that the work order, for construction of the building for ICCC had been issued in January 2020, with scheduled completion in January 2022. The work was, however, still going on (as of October 2022). Consequently, the tender, for selection of an agency, for the second activity *i.e.*, implementation of the smart solution, was cancelled. However, by that time, the consultant M/s Delloite Touche Tohmatsu India had already been paid ₹1.74 crore, for such tendering, as its dues for selection of an agency, during the period from November 2018 to June 2020. Hence, improper planning, in the implementation of two elements of a job, resulted in unfruitful expenditure of ₹1.74 crore.

Government stated (March 2023) that, the tender for selection of an agency, for implementation of Smart Solutions, had been cancelled due to delay in completion of the ICCC building although M/s Deloitte had executed its job, as per the assignment. The fact remained that the man-month remuneration, paid to M/s Deloitte, for the period from November 2018 to June 2020 amounting to ₹1.74 crore, for selection of contractor, had been unfruitful.

3.6.2.4 Slow financial and physical progress in projects, due to improper planning

The overall physical and financial progress of projects, implemented by the SPVs, for the period from FY 2016-17 to FY 2021-22, is summarised below:

a) Financial progress

As per Clause 11.2 of the SCM guidelines, the project cost of each Smart City proposal will vary, depending upon the level of ambition, model and capacity to execute and repay. Substantial funds will be required to implement the Smart City proposal and, for this purpose, Government grants, of both the Centre and the State, will be leveraged, to attract funding from internal and

⁴⁴ Through Smart Solution project, the city activities like Solid waste management, Traffic and transport management, City governance, Safety and surveillance, Health, Environment and Education, City network backbone *etc.* are to be governed through various smart solutions which would be monitored and administered through a Central command and control centre

external sources. It was also envisaged in the SCM that, smart city SPVs would take necessary measures for timely mobilisation of resources from internal and external sources, for timely implementation of the smart city proposals. The actual funds, mobilised by both SPVs, as of March 2022, are as detailed below:

Table 3.2: Fund mobilisation by the SPVs, as of March 2022

(₹ in crore)

Fund resource	BSCL			RSCL		
	Proposed	Actual	Percent	Proposed	Actual	Percent
Convergence State Schemes	227	20	9	0	0.5	0
Convergence National Schemes	298	0	0	571.34	0	0
Mission Funds	950	932	98	997.35	465	47
Public Private Partnerships	2,578	375.3	15	334.34	0	0
Loan Program	210	12.52	6	128.09	0	0
Pooled Municipal Debt and CB	90	1	1	0	0	0
Others, including CIDE, OUIDF	184	10.93	6	195	0	0
State Government and CSR	0	0	0	345.16	0	0
Total	4,537	1,351.75	30	2,571.28	465.5	18

(Source: Information received from BSCL and RSCL)

From the above table, it is evident that, even after completion of more than six years of the mission period, only 30 per cent and 18 per cent of the total funds, as envisaged in the SCPs, could be mobilised, by BSCL and RSCL, respectively. It was also observed that BSCL had been able to mobilise only ₹1 crore, through municipal debt, against the proposed amount of ₹90 crore.

Audit analysed this issue and it was found that:

- (i) ULBs were required to raise funds, by issuing bonds with proper credit rating. However, even though, the credit rating of Bhubaneswar ULB was stable for investment purposes, during 2017, it had failed to raise any Municipal bonds for the Smart City projects, as envisaged in the SCP.
- (ii) It has also been observed that both the SPVs failed to mobilise funds through PPP arrangements for no reasons on records.

Thus, due to poor mobilisation of funds, important projects, including ‘Railway station Multi-modal hub’ and ‘Janpath government housing redevelopment project’ etc., had not been taken up, defeating the envisaged goal of improvement in the quality of life in the city.

Government stated (March 2023) that, BSCL could not take up certain important projects due to poor mobilisation of resources. However, they would fill the gap in future.

As regards RSCL, it had failed to mobilise any funds from sources other than the Mission funds (excepting ₹50 lakh, under the convergence scheme). As a result, it had failed to take up important projects, like provision for EWS housing and transit units under Integrated Informal Settlement, development

of 'Brahmani riverfront', 'Smart powergrid', solar panels in public buildings etc.

Out of the total funds mobilised by BSCL and RSCL, 69 per cent and 100 per cent respectively, were from the Smart City Mission grant. Thus, the failure of SPVs, to mobilise resources in time, had led to non-execution of major projects, as envisaged in the approved smart city proposal. This resulted in non-achievement of envisaged objective of making the existing areas more efficient and livable for citizens.

Government stated (March 2023) that, various projects of RSCL were taken up with different departments, for development through convergence. The reply was non-specific as out of proposed convergence funds from national schemes of ₹571 crore, RSCL had not yet (March 2023) mobilised any fund. Further, out of the total proposed mobilisation of ₹2,571 crore, RSCL could receive only the SCM grant of ₹465 crore.

b) Physical Progress

Details of project execution of both SPVs, as on March 2022, are shown in the table below:

Table 3.3: Project execution by the SPVs, as of March 2022

Sector	No. of Projects		Project Cost (₹ in crore)		Completed		Ongoing		To be taken up	
	BSCL	RSCL	BSCL	RSCL	BSCL	RSCL	BSCL	RSCL	BSCL	RSCL
Urban mobility and public transport	10	11	250.28	184.35	2	3	4	8	4	0
Assured electricity supply	1	7	20.00	0.95	1	6	0	1	0	0
Sustainable environment	11	28	230.20	653.34	7	5	2	23	2	0
Robust IT connectivity and digitalisation	5	4	693.12	108.23	3	2	0	1	2	1
Adequate water supply	1	4	25.00	2.25	0	0	0	4	1	0
Sanitation and solid waste management	2	0	37.52	00	2	0	0	0	0	0
Affordable housing for poor	5	0	362.82	00	1	0	4	0	0	0
Health and education	2	6	3.00	1.79	0	5	0	1	2	0
Total	37	60	1,621.94	950.91	16	21	10	38	11	1

(Source: Information received from BSCL and RSCL)

In BSCL, out of 37 projects, only 16 projects (43 per cent) had been completed, as of March 2022, with delays in 10 projects, ranging from 41 days to 963 days. Another 10 projects were still in progress. Further, BSCL was yet to taken up 11 projects⁴⁵.

Similarly, in case of RSCL, out of 60 approved projects, 21 projects (35 per cent) had been completed, with delays in 11 projects, ranging from 4 days to

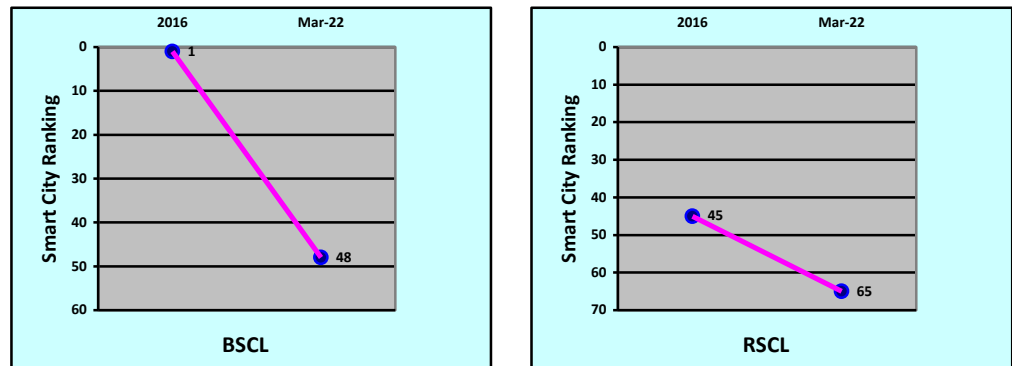
⁴⁵ Drink from tap, E-Rickshaw, Digital door numbering, Development of new road, Floor work of new BMC building, Bamboo fencing at Janpath, Skill development centre, Mo Seva Kendra, City surveillance system, Development of new road zone II and Redesigning of traffic post

732 days, while another 38 projects were in progress. Further, one project was yet to be taken up by RSCL.

Audit observed that, due to poor planning in the case of RSCL, work orders for 47 projects had been awarded in the last leg of the Mission period *i.e.*, during FYs 2020-21 and 2021-22. That resulted in negligible project expenditure (₹1.92 crore) by RSCL during FYs 2016-17 to 2018-19. Due to less project expenditure, RSCL had not received the remaining SCM grant of ₹496 crore (as of March 2022). Moreover, out of the total mission funds received⁴⁶, ₹670 crore (72 per cent) and ₹376 crore (81 per cent) had been expended by BSCL and RSCL, respectively, for implementation of projects.

Audit observed that, ranking of Smart cities are done through Geospatial Management Information System (GMIS), a Management Information System, developed by MoHUA, on the basis of basic parameters like physical progress of work and various outcomes and impacts being generated by them. Due to less physical and financial progress in SCM projects, the smart city rankings of both the cities had reduced, from 1 to 48 and 45 to 65, respectively, for BSCL and RSCL, as of March 2022.

Chart 3.4: Reduction in Ranking of BSCL and RSCL in the last five years



Government stated (March 2023) that, there was an initial delay due to different issues, but sincere efforts had been made, in monitoring and supervision of the works and it was expected that, all the projects would be completed, before scheduled date. The reply was not acceptable for being non-specific.

3.6.3 Execution of Projects

Proper planning and efficient execution through proper contract management are of utmost importance for achievement of the desired outcomes from projects. In this regard, it was noticed that the desired outcomes had not been achieved, not only due to the scaling down of the project size (on account of the inability to mobilise funds), but also due to lapses in the execution of the projects as illustrated below:

⁴⁶ BSCL: ₹932 crore and RSCL: ₹465 crore

3.6.3.1 Lack of coordination between different agencies, resulted in avoidable expenditure

BSCL awarded (October 2017) the contract for redevelopment of Janpath road, at a contract price of ₹79.56 crore, to M/s RKD Constructions, for scheduled completion by November 2019. As per the contract agreement, Right of Way⁴⁷ (ROW), for 40 per cent of the length, was to be provided by BSCL, within 15 days of the date of the contract agreement and the remaining 60 per cent (at 20 per cent three times), within 105 days, 195 days and 285 days, from the date of the agreement.

However, only 35 per cent of the work was completed within the scheduled completion period, due to non-availability of work front, as multiple agencies, like Bharat Sanchar Nigam Limited, Gas Authority of India Limited, Water Corporation of Odisha and Tata Power Central Odisha Distribution Limited, were working simultaneously, on their respective works, on the Janpath road. Extension of Time (EoT) was granted three times, for cumulative 674 days, upto 30 September 2021, without levy of damages and without monetary compensation on both sides. Despite three extensions, the work could not be completed by March 2022 and the agency had already been paid price escalation of ₹5.42 crore, for the extended period.

Audit observed that a Project Implementation Committee (PIC) had been constituted, as per the SOP, for the purpose of bringing above overall co-ordination between different agencies, during the implementation of various projects. The Committee was also responsible for overall contract management, including extension of time, approval of the implementation plan *etc.* No mention was, however, available on records, to show that any steps had been taken by the PIC, for ensuring better coordination between different agencies. Consequently, BSCL failed to provide a clear site, as well as assistance for shifting of any utilities, for carrying out the work. Thus, lack of proper co-ordination among multiple agencies and the failure of BSCL to provide a clear site, as per the agreement, resulted in avoidable delay and avoidable expenditure of ₹5.42 crore.

Government stated (March 2023) that, the additional amount had been paid to the contractor, as price adjustment, as per the contract agreement. The reply of the Government was not relevant, as the circumstances causing the additional payment to the contractor, had arisen because BSCL had failed in ensuring coordination with the different agencies engaged in different works on the Janpath road, for providing the required work front, as per the contract, for timely execution of the work.

3.6.3.2 Excess financial burden towards construction of new Bus Queue Shelter, due to inclusion of project not in conformity with the SCM guidelines

As per the SCM guidelines (Section 5.1.4), Pan City development envisages application of selected smart solutions to the existing city-wide infrastructure.

⁴⁷ Right of way is the legal right of someone to pass over another's land, acquired by grant or by long usage

Further, the advisory (January 2019) of MoHUA stipulated that addition of non-Information and Communication Technology (ICT) related works, under Pan City development initiatives, was not permissible. Only projects that followed the guidelines prescribed under Section 5.1.4 of the Mission guidelines and having clear funds availability, could be included in Pan City initiatives.

Scrutiny of records revealed that, in order to strengthen the city bus service in Bhubaneswar, Capital Region Urban Transport⁴⁸ (CRUT) had forwarded (September 2018) a proposal to BSCL, for construction of new Bus Queue Shelters (BQSs) and requested (August 2018/March 2019) BSCL to release funds for the purpose, amounting to ₹29.32 crore. BSCL had approved (September 2018) the proposal of CRUT, under the Pan City development head. The requested funds were released to CRUT (September 2018/March 2019) and the work was executed by CRUT. The project was not included in the SCP submitted to MoHUA and hence, was not approved by MoHUA. As these BQSs had been newly constructed and were not in consonance with the SCM guidelines, they were not eligible for execution under Pan City initiatives, out of the SCM fund.

Thus, in the absence of clear fund sources for the CRUT project, expenditure of ₹29.32 crore was incurred, deviating from the SCM guidelines, which resulted in excess financial burden on the BSCL, even though it was unable to take up its earlier planned projects, due to funds constraints.

Government stated (March 2023) that, bus service is a Pan City project, which is to be installed across the city, and the expenditure, for installation of BQSs, had been made accordingly. The reply was not acceptable, because SCM guidelines envisaged that: (i) Pan City development was to be made to the existing infrastructure and (ii) Non-ICT development was not permissible under Pan City development. Since construction of BQSs constituted creation of new infrastructure, it had not been approved by MoHUA.

3.6.3.3 Unfruitful expenditure of ₹1.15 crore, due to absence of agreement and terms of reference, towards consultancy charges, for implementation of the CITIIS project

City Investments to Innovate, Integrate and Sustain (CITIIS) challenge (a program to fund Smart City project) initiated by MoHUA to foster sustainable, innovative and participatory approaches to build projects by providing funds financed by French Development Agency⁴⁹ (AFD). BSCL was one of the 12 finalists shortlisted under the scheme. BSCL received ₹7.93 crore (June 2019), being 10 *per cent* of the total project grant of ₹79.30 crore, out of the total project cost of ₹99.13 crore by the AFD, for development of B-active projects⁵⁰ under CITIIS challenge. As per the related guidelines, the projects were to be

⁴⁸ A Special Purpose Vehicle (SPV), created by the Housing and Urban Development (H&UD) Department, GoO, for providing public transport services in capital region areas

⁴⁹ The French Development Agency (AFD) Group funds, supports and accelerates the transition to a fairer and more sustainable world. In this way, they contribute to the commitment of France and French people to support the Sustainable Development Goals (SDGs).

⁵⁰ B-active projects include: (i) water assets (ii) parks and open spaces and (iii) sports and playground assets

implemented in two stages *i.e.*, Maturation phase and Implementation phase. The maturation phase consists of development of DPR, Environmental and Social management plan and Procurement plan for the project.

BSCL appointed (December 2019), the Bhubaneswar Urban Knowledge Center (BUKC), a private agency working for Bhubaneswar Development Authority, as the Project Management Consultant (PMC), for preparation of DPRs, Environment and Social compliance, procurement and tendering compliance and other documents listed under the maturation phase. The duration for completion of the maturation phase was six months.

Scrutiny of records revealed that BSCL presented its maturation deliverables for the project and AFD accorded final approval in October 2021. The completion certificate, in regard to all maturation phase deliverables, by BUKC, was issued by BSCL, in February 2022. Audit observed the following in this regard:

- As per the guidelines (November 2018) of the Finance Department, GoO, for engagement of consultant, the Terms of Reference (ToR) for engagement of consultant should include the precise statement of objectives of the consultancy assignment, outline the task to be carried out, schedule for completion of tasks, data to be provided by the competent authority to facilitate the consultancy and the final outputs, in quantifiable/comprehensible terms, that will be required of the consultant. However, Audit found that, BSCL had not signed any such agreement with the PMC.
- For moving into the Implementation phase, BUKC expressed its lack of technical know-how and experience for ensuring successful implementation of the project. BUKC neither provided the concerned project implementation agency with Good-for-Construction (GFC)⁵¹ drawings, nor did it possess the technical expertise required for implementation of the water asset projects. Without detailed technical drawings, the water asset projects could not be taken up immediately. An amount of ₹1.44 crore had been paid towards consultancy fees of BUKC so far (as of March 2023) for the whole B-active projects.
- Since BUKC did not provide the required Construction drawings, BSCL issued Request for Proposal, for selection of consultant, for preparation of DPR, for undertaking the Water asset projects, in June 2022. Thus, engagement of consultant, without agreement and clear ToRs, regarding technical competence, resulted in delay in taking up of the Water asset projects, apart from unfruitful expenditure, amounting to ₹1.15 crore⁵², paid specifically towards consultancy for the project.

⁵¹ The drawing helps the executing agency to see the elements and the measurement mentioned in the drawing sheet

⁵² $\frac{\text{Water asset project cost: ₹79.86 crore}}{\text{Total project cost: ₹99.13 crore}} \times (\text{₹1.44 crore})$

Government, while accepting the audit observation, stated (March 2023) that though BUKC had prepared the broad DPR in respect of all Water projects, it had not prepared the detailed tender drawing and item-wise budget, for moving into the Implementation phase, for execution of the projects. Accordingly, fresh tenders had been invited (June 2022), for engagement of an agency, for preparation of the DPR and tender document.

3.6.3.4 Undue favour of ₹5.91 crore to contractor, despite non-achievement of operational acceptance of various modules

BSCL awarded (December 2018) the Smart Solution project to M/s HAIL, as the Master System Integrator (MSI), with the scheduled completion of the project being January 2020. Various modules of the project included Smart traffic management system, Smart parking management system *etc.* The BoD extended (November 2019) the completion period upto October 2020, due to delay in completion of work because of general elections, cyclone *etc.* BoD, further directed phase-wise operationalisation of the Smart solutions, in prioritised corridors, at the sub-system level. The work was further delayed due to the Covid-19 pandemic and the Board again extended (October 2020) the completion period upto May 2021, with the condition that operational acceptance of various modules be achieved between November 2020 and February 2021. BoD, during December 2020, while reviewing the progress on Smart Solution projects, directed the CEO, BSCL that, in case of delay in project implementation, necessary penalty provisions, as per the contract, may be invoked against MSI.

Audit observed that MSI could not achieve operational acceptance of the system/sub-system within the extended timeline and could achieve only partial operational acceptance, at the sub-system level, for the smart traffic management system, smart tracking system *etc.* PMC, in accordance with the contract agreement⁵³, analysed the delay attributable to various elements and recommended (April 2021) liquidated damages (LD) of ₹5.91 crore, for non-achievement of operational acceptance within the extended timeline. However, no such LD, as per the provisions of the contract, were recovered by BSCL. Despite provisions in the contract agreement and PMC recommendations, non-imposition of LD resulted in undue favour of ₹5.91 crore, to the contractor.

Government stated (March 2023) that, due to the Covid-19 pandemic, projects had been delayed, the delay had been approved by BoD and extension of time had been granted for execution of project. The reply was not acceptable, because BoD, while reviewing the progress in December 2020, had directed that, in case of delay in project implementation, necessary penalty provisions, as per the contract, may be invoked against the agency. Accordingly, PMC had also recommended levy of LD, for the delay attributable to MSI, which was not adhered to.

⁵³ Clause 55 of the General Conditions of Contract and Clause 55.2 and 55.3 of the Special Conditions of the contract agreement

3.6.3.5 Delay in completion of Smart classroom project, by BSCL

As a part of the Smart Solution project, the Education and Healthcare Management System was implemented by the MSI appointed by BSCL. Under this module, smart class rooms, having major infrastructure like smart class solutions, digital content for students, CCTVs for monitoring, digital smart boards, attendance management system *etc.*, were to be installed in Government schools. The objective was to provide a comprehensive solution to assist teachers in meeting their day-to-day needs, enhancing students' reachability and monitoring academic performance, with simple, meaningful and practical use of technology.

Based on the survey by BSCL, 13 Government schools were shortlisted in Bhubaneswar. All material for the project was made available, in October 2020, for installation at the selected schools. The complete system was to be handed over by March 2021.

Scrutiny of records revealed that, as of October 2022, out of 13 schools, only five smart classrooms, which had achieved 'Go-live' status, had been installed by the MSI. Installation of Smart classroom material valuing ₹4.85 crore⁵⁴ at the remaining eight schools was still pending (as of March 2023). This is indicative of lack of co-ordination between BSCL and Education Department resulting in denial of benefit of the project to the student community.

Government stated (March 2023) some schools, chosen under the SCM, had also been selected under GoO's 5T program for transformation. Accordingly, survey had been conducted for selection of other schools. However, in most schools, the infrastructure was not adequate, for implementation of the equipment. The reply itself is indicative of the fact that the selection process of the schools, for implementation of Smart class rooms, was flawed, owing to which Smart Solution material, worth ₹4.85 crore, remained idle till date (March 2023).

3.6.3.6 Non-achievement of the outcome of reduction in vehicular emissions

BSCL decided to introduce 2,000 bicycles, under the Public Bicycle Sharing (PBS) system, under the Smart City project, to reduce vehicular emissions, management of traffic congestion and to provide last mile connectivity to people. The project was awarded to three agencies, for supply of 2,000 bicycles, at the cost of ₹25,000 per bicycle, for deployment, and ₹5,000 per year per cycle, for repair and maintenance, for five years.

Audit observed that, the usage of different mobile applications by the three agencies, had made it cumbersome for customers to download different applications. Hence, it was decided (August 2019) to create a dedicated application for use of the bicycles. Despite the lapse of over three years, no such dedicated application had been developed by BSCL (as of March 2023).

⁵⁴ Being the value of material for eight schools (Total material cost: ₹7.88 crore, for 13 schools)

In the absence of such a dedicated application, utilisation of the bicycles was very low and stood at monthly average of 16 *per cent*, as of March 2022. Thus, despite spending ₹4.80 crore for deployment and ₹1.60 crore for repair and maintenance, the intended outcome on the life of citizens was not achieved. The financial irregularities in this transaction are reported separately vide Paragraph 4.12 *ibid*.

Government, while accepting the audit observation, stated (March 2023) that, due to technical challenges, a single application for users had not yet been developed.

3.6.3.7 Non-fulfilment of objectives due to non-utilisation of space for economically weaker sections

The Project “Social Equity Centre” (SEC)⁵⁵, was a 200 bedded housing facilities envisaged under the rental housing scheme of Smart City project for economically weaker sections (EWS), construction workers and the urban homeless, at Bhubaneswar. The construction work was awarded (April 2017) to M/s Sai Smruti Infrastructure Private Limited at a project cost of ₹5.41 crore, with the scheduled completion by April 2018. Under this project, the SEC, of 35,619 sqft built up area, was to be constructed. The key features of the building included ‘Aahar Center’ for 140 persons, rental accommodation of 200 dormitory beds, 12 family rooms and shelter for 100 urban homeless. It was proposed that the rent charged from the residents would be spent towards the Operation and Maintenance (O&M) of the building. The work was in convergence with the Odisha Urban Housing Mission, under the H&UD Department. The scheme envisaged that up-keep of the asset would be carried out by the Bhubaneswar Municipal Corporation (BMC).

The project was inaugurated by the Chief Minister, Odisha, in March 2019. The ground floor was handed over to BMC in November 2019. As of March 2022, BSCL had spent ₹6.12 crore, towards execution of the project. Audit observed, in this regard, that:

- Though the three storied building under the project had been inaugurated (March 2019), only the ground floor had been handed over (November 2019) to BMC, for the Aahar Center and accommodation for the urban homeless. The first floor⁵⁶, though not handed over, formally to BMC, was being utilised for the targetted beneficiaries, and BMC collected revenue therefrom, amounting to ₹2.67 lakh. However, the O&M expenses were being met by BSCL as stated below.
- The second and third floors, together having a plinth area of 17,428.40 sqft, were not in operation and BSCL had spent ₹4.75 lakh, towards maintenance, for the period from March 2019 to March 2022, due to non-handing over of the complete building, as shown in the photograph below:

⁵⁵ A building providing space for accommodation to EWS people like, migrant workers for various construction works and urban homeless citizens

⁵⁶ The first, second and third floors were intended for dormitories and family rooms

Photograph No. 3.1: Images showing the unutilised facilities in the SEC Building



Thus, non-handing over of the complete building, even after a lapse of more than three years, had resulted in non-utilisation of space of 17,428.40 sqft, valuing ₹2.99 crore⁵⁷, thereby leading to non-fulfillment of the desired objective of providing shelter to EWS. Further, media reports had also highlighted (November 2022) that migrant labourers and homeless were taking shelter at different public places, under the open sky, in the peak of winter, which was indicative of failure to provide basic shelter to the intended beneficiaries.

Photograph No. 3.2: Images showing people sleeping under open sky in Bhubaneswar



Source: The Samaja Newspaper, Date: 9 November 2022

Government stated (March 2023) that the ground floor has been utilised for BMC, as the Aahar centre and ward office and the remaining floors for migrated labour. For operation of the SEC, one agency has been appointed (June 2022), by BSCL. However, the reply is silent regarding non-utilisation of the SEC facility for the period from March 2019 (date of inauguration) to June 2022.

3.7 Project funding and Financial Management

Financial Management and Control

Non-availability of required funds was a major constraint in the implementation of projects by SPVs, as per SCPs. This required rational

⁵⁷ (₹6.12 crore/35,618.72 sqft x 17,428.40 sqft)

management of available funds, for deriving maximum value for money. There were, however, lapses on this front, as illustrated below:

3.7.1 Non-adherence to MoHUA guidelines in execution of projects, resulted in blockage of funds and loss of interest of ₹0.68 crore

As per the Advisory (January 2019) of MoHUA, wherein smart city projects were to be executed through Government Departments/Agencies, the Smart City SPV (*i.e.*, RSCL) was to enter into a Tripartite Agreement with the Government Line Department/Agencies and the selected bidder for the project. Further, the SPV was not to transfer funds to the Government Departments/Agencies and payments were to be disbursed directly by the SPV, to the contractor, on completion of each milestone, as per the terms of the tender. The Government Line Department was to check and verify the contractor's bills and submit them to the SPV, for payment.

RSCL decided (December 2019) to develop a recreation park at Koelnagar, Rourkela, through the Odisha Forest Development Corporation (OFDC), a GoO undertaking. Based on the estimates of OFDC, RSCL signed (July 2020) an agreement with OFDC, for construction of a recreation park, at a cost of ₹12.93 crore, alongwith ₹2.40 crore for the boundary wall and gate of the recreation park. RSCL had, accordingly, released ₹8.00 crore, in three instalments, till September 2021.

Audit observed that RSCL, without having entered into a tripartite agreement with OFDC, had released funds directly, in deviation to the MoHUA advisory. This indicated casual approach of RSCL in execution of the project. The work was scheduled to be completed by October 2021. However, the work could not be completed, due to encroachment of some area by the local people. The casual approach of RSCL was further amplified by the fact that despite being aware (June 2020) of the encroachment, RSCL had released ₹8.00 crore, out of which only ₹4.71 crore had been spent till July 2022 without yielding the desired results. This has resulted in blockage of funds and loss of interest, amounting to ₹0.68 crore⁵⁸ (as of September 2022).

Government stated (March 2023) that, the tripartite agreement was inadvertently skipped. However, OFDC being a Government undertaking, the project was implemented through them and funds were released to them for execution of work. Further, RSCL was not aware of the encroachment issues. Reply was not acceptable, because RSCL was aware about the encroachment issues in June 2020 before release of fund in July 2020.

3.7.2 Release of funds, amounting to ₹84.59 crore, to line departments, violating the MoHUA advisory

The Board of Directors of BSCL, during March 2016, authorised the Executive Committee, to initiate action for entering into contractual arrangements, with BMC, BDA, WATCO, IT Department and with any other authority, as and when required, for execution of SCM projects. Further, as

⁵⁸ Loss of interest was calculated at 5.10 *per cent* of SBI rate of interest for fixed deposits during that period

stated in paragraph 3.7.1, the MoHUA advisory (January 2019) had also stipulated entering into tripartite agreements for execution of SCM projects. The aforesaid advisory had also stipulated non-transfer of funds directly to the Government Line Departments/Agencies.

(a) Audit observed that, without entering into tripartite agreements, as stipulated in the advisory mentioned above and, without adhering to the instructions of the BoD, BSCL had released funds to different entities, during the period from FY 2016-17 to FY 2022-23, amounting to ₹64.32 crore⁵⁹. Further, in the absence of any agreement with the Line Departments, BSCL failed to exercise its power to supervise the overall physical and financial progress of the projects. In the absence of the bills of contractors being routed through the SPVs and non-submission of UCs by BMC, Audit could not ascertain whether the funds were actually utilised for the purposes which they had been sanctioned.

Government stated (March 2023) that, the funds had been transferred, as per decision of the BoD/Executive Committee of BSCL. Reply was not acceptable because, transfer of funds directly to Government line departments/agencies was not permissible, under the MoHUA advisory.

(b) Similarly, for efficient traffic management, by improvement of road infrastructure, RSCL decided to up-grade and improve the roads in Rourkela, under SCM, through the Superintending Engineer, Rourkela (R&B). RSCL released ₹20.27 crore to the Rourkela R&B Division, during November 2021 to February 2022 with the scheduled date of completion being June 2022. Audit observed that RSCL had not entered into tripartite agreements among RSCL, SE, Rourkela (R&B) and the Contractors, as envisaged in the MoHUA advisory, for execution of these works. Further, no utilisation certificate had been submitted by the Rourkela (R&B) Division till date (March 2023). In the absence of such agreements, RSCL could not enforce any terms for timely completion of the projects.

RSCL stated (October 2022) that Rourkela (R&B), being a Government agency, funds had been released to it, for implementation of the projects. The reply was not acceptable because MoHUA advisory prohibited release of funds directly to Government agencies. Funds were instead, to be paid to the concerned contractors, through running account bills, by entering into tripartite agreements. The MoHUA advisory had aimed at reducing the time lag in issuing tenders and supervision, thereby facilitating faster and sustainable implementation of projects. However, in the above case, this was not adhered to.

3.7.3 Diversion of ₹22.73 crore from project funds towards Administrative and Office Expenditure of SPVs

As per the SCM guidelines (Clause 11.4), out of the total mission fund, 93 *per cent* would be earmarked as project fund. Out of remaining seven *per cent*, five *per cent* earmarked for Administrative and Office Expenditure (A&OE), for State/ULB, for preparation of SCP and payment for Project Management

⁵⁹ ₹29.32 crore to CRUT for construction of BQS; ₹25 crore to BMC for 'waste-let us recycle'; ₹10 crore to the Water Corporation of Odisha, for drink from tap projects

Consultancy; and two *per cent* towards A&OE, for MoHUA, GoI. Accordingly, ₹50 crore was earmarked for A&OE, in respect of BSCL. In respect of RSCL, ₹29 crore was envisaged till March 2022, as the SPV had not yet received the full mission grant (March 2022). Audit observed that, as of March 2022, BSCL and RSCL had incurred ₹62.57 crore and ₹39.16 crore, respectively, as A&OE expenditure. Thus, there was excess utilisation of ₹12.57 crore⁶⁰ (6.32 *per cent*) and ₹10.16 crore⁶¹ (7.92 *per cent*) towards A&OE, in regard to BSCL and RSCL, respectively. Thus, excess expenditure of ₹22.73 crore towards A&OE, without availability of funds for the same, had resulted in diversion of the project funds.

Government stated (March 2023) that necessary adjustment entry would be made while finalising the accounts for 2022-23. The reply was not acceptable because the observation is on excess expenditure on A&OE which was in violation of the SCM guidelines.

3.7.4 Delay in completion of revenue earning projects, led to loss of revenue, amounting to ₹11.60 crore

The SCP of BSCL had proposed to mobilise required funding through two sources of revenues *i.e.*, project specific revenue sources and general revenue sources. In this connection, it is observed in audit that two revenue generating projects *i.e.*, Multi Level Car Parking (MLCP) at Rajmahal and Saheednagar, were taken up by BSCL, under the SCM. The annual revenue generation and annual operation and maintenance, as envisaged in the SCP were as below:

Table 3.4: Annual revenue generation and operation and maintenance

(₹in crore)

Project	Annual O&M cost	Annual Revenue	Annual Income	Status (March 2023)
MLCP, Rajmahal	1.2	7	5.8	Complete
MLCP, Saheednagar	1.2	7	5.8	Complete

(Source: SCP of BSCL)

Audit observed that the scheduled completion dates, of MLCP, Saheednagar and Rajmahal, were December 2018 and June 2019, respectively. MLCP, Saheednagar and Rajmahal, had provision for parking of vehicles, as well as for commercial establishments. However, the projects could not be completed within the schedule period, due to failure on the part of BSCL, in handing over the clear site and work front. Thus, lack of proper planning in execution of the projects, resulted in failure to earn annual income, amounting to ₹11.6 crore, as envisaged, affecting the financial position and credit worthiness of BSCL.

⁶⁰ BSCL: ₹62.57 crore - ₹50 crore = ₹12.57 crore

⁶¹ RSCL: ₹39.16 crore - ₹29 crore = ₹10.16 crore

MLCP, Saheednagar



MLCP, Rajmahal



Government stated (March 2023) that the two MLCPs had recently been completed and both were functional at the moment. The reply did not address the delay in completion of the respective projects and the revenue loss suffered.

3.7.5 Irregular expenditure from the SCM fund, for operational and maintenance costs of handed over projects

RSCL had redeveloped six citizen friendly parks, in Rourkela, at a total cost of ₹6.26 crore. As per the SCM guidelines, Smart City project funds were to be used only to create infrastructure, that has public benefit outcomes. Hence, there was no fund provisions in the SCM guidelines for O&M, after completion of the work. Audit observed that the above six parks had been completed and handed over (January 2021) to the Rourkela Municipal Corporation (RMC), for public use and subsequent maintenance. However, there was no formal agreement with the RMC for such maintenance. In absence of such formal agreement, Audit noticed that despite handing over of projects, the maintenance of the parks was being carried out by RSCL and an amount of ₹0.34 crore (till May 2022) had been incurred, from the SCM fund, in this regard. Expending from the SCM fund, for operation and maintenance in regard to completed projects, resulted in depletion of the SCM fund, which would otherwise had been used for carrying out further capital projects.

Government stated (March 2023) that the maintenance of the parks, by RMC, was not adequate. Hence, the parks were being maintained by RSCL, by appointing an agency, through tendering. The reply was not acceptable, because SPVs are having specific operational life till the completion of the project. Hence, permanent arrangement is required to take up O&M activities even after they cease to exist.

3.8 Institutional mechanism for Monitoring and Control

Monitoring

3.8.1 Non-delegation of powers to the Smart City SPVs

As per the SCM guidelines, one of the primary reasons for creation of an SPV was to ensure operational independence and autonomy in decision making and mission implementation. SCM encourages State Governments and ULBs to

adopt the following practices for creating empowered SPVs, to the extent and as provided under the Municipal Act.

- Delegating the rights and obligations of the municipal council, with respect to the smart city project of the SPV; and
- Delegating the decision making power, available to the ULB under the Municipal Act, to the Chief Executive Officer (CEO) of the SPV.

Further, the SCM envisaged key roles and responsibilities for the SPVs, which included:

- determination and collection of user charges, as authorised by the ULB; and
- collection of taxes, surcharges *etc.* as authorised by the ULB.

It was, however, seen that the H&UD Department, vide notification dated 25 November 2017, had delegated the powers to accord administrative approvals and approvals for tenders, to SPVs, for the smart city projects. The notification did not have any reference to the powers of ULBs which were being delegated. The ULBs also had not made any such delegation on their own. Further, the powers of the Municipal Councils in regard to determination and collection of user charges, taxes and surcharges, with respect to the Smart City projects, had not been conferred to the SPVs wholly, as envisaged in the SCM guidelines. These powers were being exercised by the ULBs themselves. This added to the resource constraint already faced by the SPVs.

Government, accepting the observation stated (March 2023) that, necessary steps to be taken for delegation of municipal powers to the SPVs.

3.8.2 Human Resources of SPVs

MoHUA, in November 2018, had framed the HR policy for the SPVs under SCM. The guidelines provided a framework to be put in place, with regard to appointment of staff, salary, leave, pension *etc.*, and its compliance with Companies Act, 2013. MoHUA instructed (November 2018) that all Smart Cities should have approved HR policies, before 15 December 2018.

Scrutiny of records revealed that no HR policy had been framed by RSCL as of March 2023. In the absence of an HR policy, the functioning of the SPV had been affected, due to non-filling of several vacant posts⁶² (41 *per cent*), resulting in non-adherence to the guidelines issued by GoI. It was observed that some government employees had been deputed in the SPV, with additional charges, while the remaining employees had been appointed on contractual basis. Although its impact on performance of RSCL cannot be correlated in audit, it is observed that delay in initiation of project works, poor mobilisation of funds, reduction in project size were attributable to it.

⁶² Out of 22 posts, the posts of AEE (Civil) and Manager (Procurement) had remained vacant since December 2016, three posts had been vacant since 2019, one post had been vacant since 2020, two posts since 2021 and one post since June 2022

Government stated (March 2023) that HR policy prepared by RSCL was under examination. The fact remained that, even after five years of implementation of SCM projects, HR policy had not yet been approved.

3.8.3 Non-appointment of a full-time Chief Executive Officer, without adhering to the SCM guidelines

The SCM guidelines stipulated (Clause 10.1) that the implementation of the Mission, at the city level was to be done by an SPV created for the purpose. The SPV was required to plan, appraise, approve, release funds, implement, manage, operate, monitor and evaluate the Smart City development projects. Each SPV was to be headed by a full-time CEO. MoHUA also directed (October 2018) SPVs to appoint full-time CEOs, in order to facilitate quick decision making and better results, in terms of frequent Board meetings and faster rates of project implementation.

Thus, specific instructions had been issued by MoHUA, to appoint full-time CEOs, as part time CEO may not be in a position to give complete attention to the functioning of the SPVs. However, Audit observed that both SPVs did not have full-time CEOs, on a regular basis, and both posts were held by officers of H&UD as additional charges.

Government stated (March 2023) in respect of RSCL that, posting of CEO was made by GoO. In respect of BSCL, Government stated (March 2023) that, in the SCM project, involvement of BMC and BDA is highly essential, as the areas of operation fell within the jurisdiction of the BMC and BDA. Accordingly, Commissioner, BMC, had been appointed as the CEO of BSCL, as an additional charge. Reply was not acceptable because SCM guidelines and instructions of MoHUA specifically stated for appointment of fulltime CEO for quick decision making and faster project implementation.

3.8.4 Smart City Advisory Forum

As a monitoring mechanism, the SCM guidelines stipulated creation of a Smart City Advisory Forum (SCAF), at the city level, for proper mission monitoring. The SCAF was to be established at the city level, for all smart cities, for rendering advice and enabling collaboration among various stakeholders. It was expected to include the District Collector, MP, MLA, Mayor, local youth, technical experts, citizen representatives and members of NGOs. The CEO of the SPV was to be the convener of the SCAF.

In accordance with the Mission guidelines, the SCAFs for BSCL and RSCL, were constituted during July 2017 and November 2017, respectively. MoHUA, during January 2018, impressed constitution of city advisory forums and instructed that meetings be held once in a month, for better monitoring. However, Audit observed that only six meetings of the SCAFs (in case of RSCL) and four meetings (in case of BSCL) had been held till March 2022 against the required number of 52 meetings, which was likely to have hampered the process of formal co-ordination and monitoring of the Smart City projects.

Government stated (March 2023) that there was no provision in MoHUA guidelines for holding monthly meeting. The reply was factually incorrect as MoHUA has specifically instructed (January 2018) H&UD to hold at least one meeting in a month.

3.8.5 Internal Control

To implement the Smart Solutions project in Bhubaneswar and Rourkela, BSCL and RSCL had appointed PMCs. As part of the agreements entered into, it was the responsibility of the PMCs to provide technical support teams, to monitor and provide post-implementation support to the Smart Solution projects.

In this regard, Audit observed that:

- In case of BSCL, the contract with the PMC had been closed in January 2022. However, the smart solution project, being implemented by the MSI, had not yet been fully handed over to BSCL. In the absence of technical support from the PMC, the running bills of MSI were being processed, based on undertakings provided by the MSI with regard to the bills of quantity, as per the contract. Further, testings of various items of equipment was still in process. In the absence of the technical support of the PMC, there was no assurance that proper quality checks were being ensured and internal control was being properly exercised.
- In case of RSCL, the contract with PMC had been closed in October 2021. The work order for implementation of the Smart Solution project in Rourkela, amounting to ₹90.18 crore, was issued to M/s Bharat Electronics Limited (BEL) and the project was to be implemented within six months *i.e.*, by December 2022. Only one IT expert had been engaged, on contractual basis, in RSCL. No third party consultant had been appointed, for monitoring the project implementation and Go-Live activity of the project. Further, in the absence of any consultant, there was no assurance that processing of bills and testing of equipment, as per project requirements was being carried out in a proper manner and internal control was being duly exercised.

Government stated (March 2023) that, the SPVs have now constituted committees for examination of technical issues. The reply was silent about absence of internal control mechanism for previous events as pointed out in the para.

Conclusion

City development is primarily the responsibility of the ULBs operating under State Governments. To assist ULBs and State Government, the Central Government, however, sponsored the SCM for this purpose with part funding thereof to provide better infrastructure with smart solutions to improve the quality of life in the cities. The State Governments submitted their smart city proposals to MoHUA for their selected cities. For the State of Odisha, two cities Bhubaneswar and Rourkela were selected on the basis of proposals of the State Government. With a view to ensuring greater autonomy in funds

mobilisation and implementation of the projects outside the ULBs, the SCM envisaged creation of SPVs. The proposals involved execution of projects valuing to the tune of ₹4,537 crore for Bhubaneswar and ₹2,571.27 crore for Rourkela through mobilisation of funds from various sources.

As observed in audit, although SPVs were created as envisaged in SCM guidelines, they could not succeed in achieving their intended objectives as projects valuing only ₹1,621.94 crore and ₹950.46 crore were taken up by the SPVs for Bhubaneswar and Rourkela respectively against the target for ₹4,537 crore and ₹2,571 crore. In other words, substantial components of the projects *i.e.*, 64 *per cent* in case of BSCL and 63 *per cent* in case of RSCL could not be taken up depriving the city dwellers of the envisaged benefits. As a consequence, both the cities lost their ranking as smart city drastically as stated *supra*. This is mainly attributable to the following:

- Non-delegation of required ULB powers to the SPVs with respect to SCM projects.
- Failure to mobilise the required funds as was envisaged in the SCP.
- Non-adherence to the guidelines of MoHUA while entering into contracts for execution of the projects and disbursement of funds to the executing agencies.
- Lack of monitoring mechanism and internal control.
- Lack of adequate manpower with the SPVs.

Recommendations

- To achieve financial sustainability, SPVs may develop strategic plans for mobilisation of the envisaged resources, *i.e.*, through convergence from national/state schemes, PPP, loan and others, in co-ordination with the State Government.
- The organisational structure of SPVs should be strengthened with the appointment of full-time executives and other functionaries.
- GoO may ensure delegation of decision making powers, available to the ULBs under the Municipal Act, as well as project approval powers, available to the Housing and Urban Development Department, to the SPVs, for effective implementation of the smart city projects.
- SPVs may ensure effective functioning of the SCAF, for desired monitoring and control, through regular meetings.
- SPVs may ensure adherence to the MoHUA guidelines/advisories, for better contract management.
- SPVs may recover liquidated damages from contractors, as per the provisions of the contract agreements.
- SPVs may develop an effective digital monitoring mechanism, like Gatishakti, for early completion of projects and handing over of the completed assets and their maintenance thereafter.
- SPVs may ensure that funds are utilised as per the terms and conditions of the SCM guidelines.

CHAPTER-IV

Compliance Audit Observations

CHAPTER-IV

Compliance Audit

Important audit findings emerging from test check of transactions of the State PSUs/Corporations are included in this Chapter.

Odisha Electricity Regulatory Commission

4.1 Avoidable loss

Delay in refund of sale proceeds of DISCOMs by OERC resulted in avoidable availment of loan by GRIDCO with consequential interest burden of ₹39.82 crore

In pursuance of the Odisha Electricity Reform Act, 1995, all the assets of the Grid Corporation of Odisha Limited (GRIDCO) pertaining to the distribution business, were transferred (November 1997) to four wholly owned distribution companies (DISCOMs)⁶³. Subsequently, 51 *per cent* of shares of GRIDCO were disinvested (April 1999) in favour of private partners through competitive bidding. However, due to the unsatisfactory performance of the private partners, the Odisha Electricity Regulatory Commission (OERC) revoked⁶⁴ the licences of all the four DISCOMs, under Section 19 of the Electricity Act, 2003 (the “Act”), for failure of the licensees to operate as per the Act. Thereafter, the management and control of the four DISCOMs (*i.e.*, four utilities) were vested with GRIDCO. OERC initiated (November 2017 for CESU and July/August 2020 for the other three DISCOMs) competitive bidding process, for selection of an investor for sale of the four utilities, in terms of Section 20 of the Act. As per the terms of the Request for Proposal (RFP) and decision of Government of Odisha (GoO), the utilities were to be vested in the newly created Special Purpose Vehicle (SPV) companies, with the shareholding of investor and GRIDCO being 51 and 49 *per cent*, respectively.

Tata Power Company Limited (TPCL) was selected⁶⁵ as the successful bidder, in case of all four utilities in the tendering process. Accordingly, OERC issued orders⁶⁶ for sale of all four utilities, in favour of TPCL. As per the orders of sale, TPCL deposited their share value of ₹752.25 crore⁶⁷ with OERC. The date of vesting of the utilities, with the newly created SPV companies⁶⁸, was specifically mentioned in the orders for sale.

⁶³ (i) Central Electricity Supply Utility of Orissa (CESU) (ii) North Eastern Electricity Supply Company of Odisha Limited (NESCO) (iii) Western Electricity Supply Company of Odisha Limited (WESCO) (iv) Southern Electricity Supply Company of Odisha Limited (SOUTHCO)

⁶⁴ CESU: 01.04.2005; WESCO: 04.03.2015; SOUTHCO: March 2015 and NESCO: March 2015

⁶⁵ In December 2019 for CESU, in December 2020 for WESCO/SOUTHCO and in January 2021 for NESCO

⁶⁶ CESU: 26.05.2020; WESCO: 28.12.2020; SOUTHCO: 28.12.2020 and NESCO: 25.03.2021

⁶⁷ TPCODL: ₹178.50 crore on 16.03.2020; TPWODL: ₹255 crore on 17.12.2020; TPSODL: ₹127.50 crore on 17.12.2020; and TPNODL: ₹191.25 crore on 10.03.2021

⁶⁸ TPCODL: 06.04.2020; TPWODL: 30.12.2020; TPSODL: 25.12.2020 and TPNODL: 20.03.2021

As per the orders for sale of utilities, the amount of sale proceeds deposited by TPCL, with OERC, were to be remitted to GRIDCO within 30 days or sooner, after vesting of the utilities with the SPV and after deduction of the transaction cost. OERC remitted the sale proceeds of ₹732.25 crore to GRIDCO, after deduction of the transaction costs, with delays ranging from 199 to 367 days, in violation of the order. Audit noticed that, pending refund of the sale proceeds to GRIDCO, OERC had earned undue benefit of interest of ₹20.12 crore, by keeping the same in deposit accounts in banks.

In this regard, Audit noted as below:

- While passing orders (March 2017/2018/2019) on the Annual Revenue Requirement (ARR) of GRIDCO, OERC had noted that GRIDCO was in deficit balance, as the revenue received from the DISCOMs was not sufficient to discharge even the power dues of the generators. Further, OERC noted that interest paid by GRIDCO on the working capital loan was not allowed for reimbursement in the ARR, as OERC did not accept the interest liability on the loans availed by GRIDCO. This evidenced that, despite having knowledge of huge borrowings by GRIDCO and payment of interest thereon, OERC did not remit the sale proceeds in time.
- Had the dues been refunded by OERC to GRIDCO in time, as per the orders above, GRIDCO could have reduced the working capital loan by that extent and saved interest burden to the extent of ₹39.82 crore⁶⁹ as calculated below:

Table 4.1: Loss of interest to GRIDCO

(₹ in crore)

Name of DISCOMs/ Utilities	Name of the SPV	Date of vesting of power with SPV	Amount remitted to GRIDCO	Due date of remittance to GRIDCO (30 days from date of vesting)	Actual date of remittance	Delay in remittance (in days)	Interest earned by OERC	Loss of interest by GRIDCO
CESU	TPCODL	01.06.2020	173.50	30.06.2020	02.07.2021	367	8.72	12.63
WESCO	TPWODL	01.01.2021	250.00	30.01.2021	29.10.2021	271	5.57	13.29
SOUTHCO	TPSODL	01.01.2021	122.50	30.01.2021	03.11.2021	276	2.78	6.63
NESCO	TPNODL	01.04.2021	186.25	30.04.2021	15.11.2021	198	3.05	7.27
Total			732.25				20.12	39.82

(Source: Ledgers of GRIDCO)

In reply to the audit observation, Government stated (January 2023) that the utilities of CESU, WESCO, SOUTHCO and NESCO were vested through a process of sales with TPCODL, TPWODL, TPSODL and TPNODL with effect from 01 June 2020, 01 January 2021, 01 January 2021 and 01 April 2021 respectively under Section 21 of the Act. The mere taking over of the management cannot be construed as closure of sale process and there was every chance of stall in the sale process. The sale of utilities cannot be treated

⁶⁹ Loss of interest has been calculated at 7.10 per cent, 7.20 per cent and 7.35 per cent for applicable period of delay during 2020-21 and 2021-22 at which GRIDCO availed working capital loan

to be completed without share acquisition agreement, bulk supply agreement, completion of audit of the accounts *etc.*

Reply of Government was not acceptable, because OERC, in its orders for sale, has stipulated that the sale proceeds would be remitted to GRIDCO within 30 days or soon after vesting of utilities with the SPV. The date of vesting has also been clearly specified in the reply. Hence, closure of the sale process was never a parameter in the order. Further, as per Section 21 of the Electricity Act, from the date of vesting of the utilities or completion of sale, whichever is earlier, the rights, powers, authorities, duties and obligations of the utilities shall stand transferred to the purchaser and such purchaser shall be deemed to be the licensee. Hence, as per the orders of sale of utilities, the sale proceeds should have been transferred to GRIDCO within 30 days or sooner, after vesting of utilities. However, OERC, in violation of its own orders and the Act, remitted the sale proceeds in a delayed manner, resulting in avoidable payment of interest ₹39.82 crore by GRIDCO.

Odisha Hydro Power Corporation Limited

4.2 Unwarranted burden on consumers

Inclusion of disallowed income tax expenditure in tariff submission by OHPC led to inadmissible reimbursement of ₹18.56 crore, resulting in unwarranted burden on the consumers of the State

Odisha Hydro Power Corporation Limited (OHPC), a wholly owned State Government Company, is engaged in the business of generation of hydro power in the State of Odisha. The entire power generated by OHPC is sold to GRIDCO Limited. For power generating companies, the Aggregate Revenue Requirement (ARR) and generation tariff are governed by the Odisha Electricity Regulatory Commission (OERC) (Terms and Conditions for Determination of Generation Tariff) Regulations, 2014⁷⁰ (Tariff Regulations, 2014). Accordingly, OHPC files application before OERC for determination of ARR and fixation of generation tariff. OERC approves the same following provisions of Electricity Act, 2003 and Tariff Regulations, 2014.

As per clause 4.7 of the Tariff Regulations, 2014⁷¹, “Income Tax of the generating company would be recovered from the beneficiaries. This would exclude income tax on other income streams (*i.e.*, income from non-generation and non-transmission business)”. OHPC claimed an amount of ₹185.62 crore towards income tax paid for reimbursement, while filing application for determination of ARR and generation tariff, for the financial years 2018-19 to 2021-22. Out of this amount, OHPC received approval and reimbursement of ₹138.34 crore, for the above financial years.

In this regard, Audit observed the following:

- While submitting the application for income tax reimbursement, through ARR, for the financial years 2018-19 to 2021-22, OHPC did

⁷⁰ Tariff Regulations, 2014 was in effect from 08 September 2014 to 31 March 2020 (*i.e.*, up to FY 2019-20), and subsequently revised by Tariff Regulations, 2020 w.e.f. 15 July 2020

⁷¹ Clause 21(1) of Tariff Regulations, 2020 w.e.f. 15 July 2020

not exclude the portion of income tax paid on income from 'Interest from others' and 'Interest in lieu of Delayed Payment Surcharge (DPS) from GRIDCO'. As those incomes were income from other income streams (non-generation and non-transmission activities), they should have been excluded from the income tax reimbursement claim while filing ARR before OERC.

- For determination of ARR and tariff during the financial year 2017-18, the claim of OHPC on reimbursement of income tax paid on the other income streams *viz.*, 'Interest on others' and 'Interest in lieu of DPS from GRIDCO', was disallowed by OERC. Subsequently, a review petition of OHPC for considering reimbursement of income tax on the above other income streams, was also rejected (23 October 2017) by OERC.
- Despite rejection of such claims during financial year 2017-18, OHPC claimed and received reimbursement of income tax amounting to ₹18.56 crore, during the financial years from 2018-19 to 2021-22, on the above other income streams, by deviating from the Tariff Regulations, 2014.

Thus, the inclusion of disallowed income tax expenses in the application for approval of ARR and generation tariff in deviation from Tariff Regulations, 2014, resulted in inadmissible reimbursement of Income Tax expenses of ₹18.56 crore. Consequently, allowance of inadmissible reimbursement caused an unwarranted burden on the electricity consumers of the State.

Government accepted (November 2022) the fact and stated to take action for adjustment of excess claim through the ARR filing for ensuing year 2023-24.

4.3 Short payment of statutory dues

Payment of Electricity Duty at lower rate in deviation from the Odisha Electricity (Duty) Act, 1961 resulted in short payment of ₹2.36 crore

As per the Odisha Electricity (Duty) Act, 1961, Electricity Duty (ED) should be levied and paid to the Government of Odisha (GoO), on the energy supplied to consumers, at such rate as the State Government may specify by notification, from time to time. The energy consumed by any person, not being a licensee or Board, who generates such energy for his own use or consumption, is also liable to levy and pay of ED to GoO, under the said Act. Department of Energy (DoE), GoO notified (January 2017) that ED payable would be assessed by the power generators on the units used or consumed from their self-generation, including auxiliary consumption⁷². The ED is to be deposited, within thirty days of expiry of the month of generation, in the Government Treasury. Besides, the generator is to submit a monthly return within seven days from the date of expiry of the preceding month. In case of delay in payment of ED, the licensee would be liable to pay interest at the rate

⁷² Auxiliary consumption is the energy consumed by equipments of generating station used for operating plant and machinery, including switch yard of the generating station and the transformation loss in the generating station but does not include supply of power to housing colony and other facility at generating station

of 18 *per cent* per annum⁷³ on the amount of the ED remaining so unpaid, until the payment thereof was made. DoE, GoO, notified (December 2016) that the rate of ED, for any person not being a licensee, who generates energy for his own use or consumption, would be 30 paise per unit. This rate was revised vide DoE, GoO notification (May 2017) to 55 paise per unit.

Rengali Hydro Electric Project (RHEP), a unit of Odisha Hydro Power Corporation Limited (OHPC), generated electricity and supplied it to GRIDCO Limited. RHEP also distributed electricity to its colony nearby it, out of its own generation, as these areas had not yet been handed over to the electricity distribution companies. For such distribution of electricity in colony, RHEP collected ED at the rate of four *per cent* of the energy charges and deposited the same with the State Government.

Audit observed that RHEP was not a licensee and it was liable to pay ED at the rate of 55 paise per unit for colony consumption, as per the aforesaid notifications of December 2016 and May 2017. However, in deviation from the above notifications, RHEP had been depositing ED at the rate of four *per cent* of energy charges. In this connection, it was observed that, as per the notification of May 2017, the rate of four *per cent* was applicable to low tension non-industrial category consumers. Hence, payment at four *per cent* was irregular, as RHEP was a generator for whom the rate specified in the notification was 55 paise per unit. Further, a comparison with the Upper Indravati Hydro Electric Project, Mukhiguda, another hydro electric project of OHPC, revealed that it was also paying ED at the rate of 55 paise per unit for colony consumption. Application of this incorrect rate resulted in short payment of ED by ₹2.36 crore⁷⁴, for the period from April 2018 to March 2022, as calculated by audit. The arrear ED of ₹2.36 crore, along with interest thereon, was a loss to the State exchequer.

Government replied (February 2023) that for energy supplied to housing colony, ED should be charged in high tension (HT) category at the rate of eight *per cent* of energy charges. They also stated that the matter was referred to the Engineer in Chief/EIC (Electricity) and OHPC would comply with the decision on the matter and pay the ED if determined.

The reply was not acceptable as RHEP had paid ED during April 2018 to March 2022 at the rate of four *per cent* on energy charges which was applicable to low tension (LT) category consumers. That was indicative of the fact that the colony fell under LT category. Further, the RHEP, Rengali had already paid ED for the month of May 2022 at the rate of 55 paise per unit and also estimated to pay the differential outstanding ED by applying the same rate. Therefore, fact remained that the arrear ED at the rate of 55 paise per unit had not been deposited with Government for the period from April 2018 to March 2022.

⁷³ Section 5(c) of the Odisha Electricity (Duty) Act, 1961

⁷⁴ ED at the rate of 55 paise per unit ₹2.43 crore - ED actually paid by RHEP ₹0.07 crore

GRIDCO Limited

4.4 Avoidable payment of penalty

Delay in submission of Government Guarantee led to imposition of avoidable penalty, amounting to ₹6.19 crore by commercial banks

The Grid Corporation of Odisha Limited (GRIDCO), a Government of Odisha (GoO) undertaking, is engaged in the business of bulk purchase and sale of power, to four Distribution Companies (DISCOMs) in the State, as well as and trading of surplus power, through traders and energy exchanges. GRIDCO has been borrowing working capital loans from commercial banks, for the last 20 years, by submitting Government Guarantees (GGs), for making timely payments to the power generating companies (PGCs). Each year, after approval of its borrowing proposal by its Board of Directors (BoD), GRIDCO used to request banks to sanction loans and simultaneously request GoO to sanction Government Guarantees.

Scrutiny of records revealed that the BoD of GRIDCO had approved (12 May 2016) a proposal to borrow ₹1,000 crore, from commercial banks, to ensure timely payment to PGCs, for the Financial Year (FY) 2016-17. Accordingly, GRIDCO requested (July 2016) the Union Bank of India (UBI), for sanction of term loan of ₹500 crore. UBI sanctioned (September 2016) the loan of ₹500 crore and released the loan amount in four phases⁷⁵, with the condition that the GG be submitted within six months (*i.e.*, by May 2017) from the date of first disbursement (November 2016), failing which, penal interest, at the rate of one *per cent*, would be recovered for the period of delay in submission of the GG. GRIDCO accepted (November 2016) the terms and conditions of the bank.

However, GRIDCO submitted (July 2017) the proposal for sanction of GG of ₹1,000 crore, for FY 2016-17, to the Department of Energy (DoE), after 14 months of the BoDs' approval and after eight months of disbursement of first instalment. In response, DoE requested (August 2017), GRIDCO to furnish certain information and documents, for onward transmission to the Finance Department, for consideration of GG. Due to delay in compliance of the above, DoE reminded GRIDCO for compliance of same, in October 2017.

Subsequently, GRIDCO submitted (July 2018) its proposals for two years, for sanction of GG of ₹2,015 crore, for FYs 2016-17 and 2017-18. The proposal was further revised and submitted (November 2018) for ₹3,000 crore, for three years, from FY 2016-17 to FY 2018-19. Finally, GG of ₹3,000 crore, was sanctioned (March 2019) in favour of GRIDCO.

As GRIDCO had not been able to submit GG within six months of the date of first disbursement of the loan amounting to ₹500 crore, UBI charged penal interest, at the rate of one *per cent*, on the aforesaid term loan. On the request of GRIDCO, UBI reversed (March 2020) penal interest of ₹7.97 crore, leaving penal interest of ₹2.42 crore, which was paid by GRIDCO.

⁷⁵ 15 November 2016, 31 December 2016, 02 March 2017 and 07 July 2017, in four phases of ₹200 crore, ₹100 crore, ₹100 crore and ₹100 crore respectively

Similarly, BoD approved (26 July 2019) GRIDCO's proposal for borrowing of ₹1,500 crore, from commercial banks, in FY 2019-20. Canara Bank sanctioned (August 2019) a term loan of ₹400 crore, which was disbursed in two phases⁷⁶, with similar terms and conditions⁷⁷. In this regard, GRIDCO submitted (10 September 2019) its proposal to DoE, for sanction of GG, after 46 days of the BoDs' decision. Further, due to non-submission of some documents/information⁷⁸ along with the application, DoE requested (7 April 2020) GRIDCO to submit the wanting documents/information. GRIDCO submitted the sought for documents/information on 15 April 2020. Accordingly, GG was sanctioned on 19 August 2020 and submitted to Canara Bank on 16 September 2020. Thus, due to delay in submission of the GG proposal, as well as non-submission of the requisite documents/information, there was delay in the sanction of GG, for which Canara Bank charged penal interest of ₹3.77 crore. Thereafter, GRIDCO had transferred (March 2022) the loans, from the Canara Bank to the Bank of Baroda. Hence, there was no scope for reversal of the penal interest charged by the Canara Bank, resulting in loss to GRIDCO.

Audit observed that, despite being aware of the fact that GG was to be submitted to the Banks within six months of disbursement, GRIDCO did not expedite the matter. It was also observed that there had been delays on the part of GRIDCO, in submission of its guarantee applications to DoE. Moreover, its applications had not been supported with basic information, such as information relating to its share capital, accumulated losses, outstanding borrowings, period of guarantee to be availed, plan to settle loans outstanding against GG *etc.* Consequently, GoO had to ask for this information from GRIDCO and also remind it subsequently for the same, resulting in further delay in the process of sanction of GG. Due to the above delay GRIDCO had to repeatedly revise its proposals and to submit consolidated proposals, which included proposals for subsequent financial years. This resulted in delay in submission of GGs to the concerned banks and led to payment of avoidable penal interest of ₹6.19 crore (₹2.42 crore + ₹3.77 crore).

Government stated (February 2023) that, though BoD had approved GRIDCO's proposal for availing loan, on 12 May 2016, at that time GRIDCO was pursuing GG for FY 2015-16. Therefore, it was not prudent on the part of GRIDCO to request GG for a subsequent year *i.e.*, 2016-17, as the previous year's guarantee had not been sanctioned. Accordingly, GRIDCO had made its request for guarantee for FY 2016-17, on 29 July 2017. Government further stated that, due to timely payment of dues to the generating companies, by availing loans, without waiting for GG, GRIDCO had availed the maximum rebate and had also avoided Delayed Payment Surcharge. Thus, procedural delay in approaching DoE for GG, should not be considered as a lapse.

⁷⁶ ₹200 crore on 07 August 2019 and ₹200 crore on 31 December 2019

⁷⁷ One *per cent* penal interest on non-submission of GG within six months from the date of first disbursement

⁷⁸ Cabinet memorandum, along with financial memorandum and synopsis which was to include: reasons for loss in power trading and prospects for profit in future; total borrowing of GRIDCO; revenue expenditure during the last three years; financial projections for repayment of the loans under GG *etc.*

The reply was not acceptable because GRIDCO had been borrowing from banks for several years, for which submission of GG was a pre-condition of the banks. Since delays in submission of GGs entailed levy of penalty by the banks, it was prudent to ensure timely submission of the same. Further, at the time of application for GG, GRIDCO had not submitted all the requisite information/documents. The same were only submitted after being called for and reminded of by the DoE, which further delayed the sanction of GG. Timely payment of dues, to avoid DPS, is an obligation of GRIDCO, which cannot be cited to justify the delays in submitting application for GG.

Odisha Power Transmission Corporation Limited

4.5 Excess payment to contractors

Incorrect fixation of rate contract price resulted in excess payment of ₹2.44 crore to the contractors

Odisha Power Transmission Corporation Limited (OPTCL) was incorporated in March 2004 to undertake the business of transmission and wheeling⁷⁹ of electricity in the State. It owns extra high voltage transmission system comprising transmission lines and substations. The normal and emergency works in its substations and transmission lines are executed through rate contract holders selected by open tender.

The Rate Contract Price (RCP) approved in July 2012 was valid up to July 2014. OPTCL floated a tender (March 2014) for fresh enlistment of rate contract holders for a period of two years. During evaluation of tender, OPTCL observed that in some items, the rates quoted by the lowest bidder were below the existing RCP and not workable. Hence, Board of Directors (BoD) of OPTCL approved (December 2014) to increase the existing RCP by 12.91 *per cent* based on increase in Wholesale Price Index (WPI) from July 2012 to December 2014. The Board also decided that the new RCP would be kept firm for the first year and for the second year the RCP would be enhanced on the basis of percentage increase in WPI during the first year of the rate contract. The new RCP was made effective from 3 February 2015. The BoD of OPTCL approved (June 2016) for reduction in RCP for the second year (3 February 2016 to 2 February 2017) rate contract by 0.91 *per cent* based on decreasing trend in WPI during first year of rate contract. The Board further decided that in future rate contract tender, the increase or decrease in price would be determined considering monthly average of WPI.

OPTCL again floated (December 2016) a tender for finalisation of fresh RCP for execution of normal and emergency works in its substations and transmission lines. As GST compliant price bids were to be evaluated after promulgation of GST laws from 01 July 2017, OPTCL analysed that the entire process for evaluation of tender would take considerable time to finish. Hence, OPTCL extended the existing RCP *i.e.*, 12 *per cent* (12.91 *per cent* – 0.91 *per cent*) increase over the RCP of July 2012 without any alteration of price.

⁷⁹ In electric power transmission, wheeling is the transportation of electric energy (megawatt-hours) from within an electrical grid to an electrical load outside the grid boundaries

Thereafter, the extensions were given for different time period since 03 February 2017 *i.e.*, after expiry of the previous RCP on 2 February 2017 up to 31 October 2020. During the 116th meeting of BoD, the RCP was enhanced by 5.38 *per cent* for a further period of two years with effect from 01 November 2020.

In this regard, Audit observed that non-compliance with the directions of the BoD resulted in excess payment to contractors as detailed below:

- OPTCL, in contravention of the direction of the BoD to increase or decrease the RCP considering the WPI, extended the existing RCP from February 2017 to October 2020 without any adjustment with reference to that WPI.
- The 12 *per cent* increase over the RCP of July 2012 was determined by taking the WPI data with base year 2004-05. Ministry of Commerce & Industry, Government of India revised (May 2017) the base year of WPI from 2004-05 to 2011-12 with release of monthly WPI of new series from April 2012 to April 2017. OPTCL extended the RCP from 03 February 2017 to 30 June 2017 on first occasion. After that the RCP was extended for different time periods from 01 July 2017 to 31 October 2020. However, OPTCL had not considered the new series of WPI with the base year as 2011-12 which was in force while extending the RCP from 01 July 2017.
- Had the Company determined the RCP as per direction of the BoD while extending the rate contract and considering the new series of monthly WPI with base year 2011-12, the RCP would have increased by only 7.25 *per cent* for July 2017 over the RCP of July 2012. However, the Company continued to extend the RCP from 1 July 2017 at existing rate which was 12 *per cent* over the RCP of July 2012. Consequently, the RCP was fixed on higher side by 4.75 *per cent* (12 *per cent* – 7.25 *per cent*) over July 2012 RCP. The RCP was continued to extend till October 2020 after which the BoD enhanced it during the 116th meeting.
- OPTCL awarded 196 works valuing ₹51.29 crore during July 2017 to October 2020. Due to fixation of RCP on the higher side, OPTCL made excess payment of ₹2.44 crore to the contractors.

Government replied (May 2022) that increase of WPI between February 2017 (113.0) and October 2020 (123.6) was 9.38 *per cent* which was not allowed to the contractors. The price was kept firm and that was beneficial to OPTCL. The reply was not correct because the increase in WPI between February 2017 and October 2020 would be applicable for subsequent period starting from November 2020.

Odisha Mining Corporation Limited

4.6 Avoidable expenditure

Avoidable payment of penal Net Present Value of ₹47.12 crore

Odisha Mining Corporation Limited (OMC) executed (November 1963) Mining Lease (ML) with Government of Odisha (GoO) for an area of 366.311 ha at Khandabandha iron ore mines having 345.189 ha of forest area for a period of 30 years up to November 1993. Subsequently, on application of OMC, the lease period was extended (June 2018) upto 29 November 2033 subject to execution of supplementary lease deed by the company. However, the supplementary lease deed had not been executed till date (December 2021).

As observed in audit, OMC selected an agency through tender for mining operation. An agreement was signed (February 2008) with the agency for mining operations at Khandabandha mines. The allotments of quarries to the agency for the mining operations were to be made by OMC. The mines manager had to certify that the agency had complied with all applicable provisions, while recommending the bills for payment. The mines manager had full power and authority to inspect the work at any time when it was in progress. Hence, the mines manager was primarily responsible for lawful execution of mining contract under the control of the Regional Manager of the mines.

As per Section 2(ii) of the Forest Conservation Act (FCA), 1980, it was obligatory to take prior approval from Ministry of Environment, Forest and Climate Change (MoEF&CC) for non-forest use of forest land. OMC submitted (October 1995) a Forest Diversion Plan (FDP) for Khandabandha mines to the DFO, Keonjhar for onward submission to the MoEF&CC. While dealing with the aforesaid plan for diversion of 77.173 ha of forest land, the Forest Conservator, GoO, observed (August 1996) that, OMC had already broken up 15.349 ha of forest land for mining operations without approval in violation of the aforesaid Act. Temporary working permission was, however, granted (May 1997) for nine months seeking an explanation for the violation. Specific direction was also issued that no fresh forest area would be broken up during the period of temporary permission. Subsequently, the permission was cancelled (January 2001) by GoI due to non-furnishing of required information sought for by MoEF&CC. In contravention to the direction, OMC continued mining in additional 113.746 ha of forest area.

The Divisional Forest Officer, Keonjhar issued (December 2009) closure notice to OMC to stop mining operations in both virgin and broken up forest lease area since forest clearance had not been obtained from GoI as required under the Act and the mining operations were discontinued with effect from 05 January 2010. The GoI while conveying its in-principle (Stage-I) approval (January 2019) for diversion of 345.189 ha of forest land, directed the GoO to collect applicable penal Net Present Value⁸⁰ before Stage-II clearance.

⁸⁰ When forest land is diverted for other use without permission penal NPV is payable

Accordingly, GoO demanded penal NPV of ₹47.12 crore over 129.095 ha of diverted forest land utilised for illegal mining during the period from 1994 to 2009 and the same was deposited by OMC in September 2019.

Audit noticed that mining in forest area by OMC without required approval resulted in payment of penal NPV of ₹47.12 crore as below:

- It was observed that, OMC did not adhere to the stipulation of the FCA, 1980 and initiated mining in 15.349 ha of forest land without obtaining approval of GoI and continued mining operations in additional 113.746 ha of forest area in violation of the conditions of temporary permission till closure of the mine on 05 January 2010.
- While ratifying the payments of penal NPV, it was submitted (August 2020) to the Audit Committee of OMC that although OMC was well aware of the illegal mining, they had never foreseen such consequences. Hence, Audit opines that illegal mining was wilful and there was no systematic arrangement to prevent it.
- The company took about 24 years to obtain (January 2019) the Stage-I approval for use of the forest area due to frequent changes and resubmission of FDP as well as delay in submission of compliance/information to MoEF&CC.

Government accepted the facts (June 2022) that after expiry of lease, mining operations were continued in 113.746 ha of broken up forest area till 1998. Further, the delay caused in obtaining Stage-I forest clearance was beyond the control of OMC and was only a procedural delay such as discrepancies in certified land schedule for detailing forest land status, delay in obtaining certificate for diversion of forest area under Forest Right Act, 2006, frequent submission of FDP from 1995 to 2017 (five times), land identification for Compensatory Afforestation (CA) *etc.*

The reply was not acceptable as there was severe delay in compliance with the GoI instructions, which was very much within the control of OMC. Moreover, delay in obtaining clearance did not entitle the company to violate the statute and continue with illegal mining. No responsibility was fixed for such wilful violation of the Acts on any official who was in charge of execution of the mining contract till date. It is also pertinent to mention that Audit had reported similar issue of diversion of forest area for mining without MoEF&CC clearance in respect of Daitari iron ore mines in Audit Report No. 3 of 2015 (PSUs) for the year ended March 2014.

Hence, in cases of such violations, responsibility needs to be fixed on the officers to prevent recurrence of this persisting irregularity. While accepting the audit recommendation, Government stated in its reply, that all concerned Mine Managers and Regional Managers who were working during the said periods have already been retired from service and the company has been instructed to relook into the matter with minute investigation at their end and confirmation of no further recurrence of such illegal mining in future.

4.7 Imprudent expenditure

Avoidable expenditure of ₹7.40 crore on exploration work

The Odisha Mining Corporation Limited (OMC) executed a chromite mining lease, in November 1976, in Birasal (Dhenkanal district), for a period of 20 years (1976 to 1996). The lease area of 583.021 ha included 504.310 ha of forest land and 78.711 ha of non-forest land. Subsequently, OMC obtained extension of the Birasal mining lease, for a further period of 20 years (till 2016).

For compliance with the provisions⁸¹ of the Mineral Conservation Development Rules (MCDR) 1988, OMC engaged (September 2004) M/s Mineral Exploration Corporation Limited (MECL), a Government of India undertaking, to carry out exploration work, to delineate the chrome ore mineralisation zones and carry out a quantitative and qualitative assessment of the chrome ore deposits in the lease area. MECL carried out geological mapping and geophysical prospecting, over the entire mining lease area of 583.021 ha. The geophysical magnetic surveys revealed a promising mineralised area of only 80 ha, located in the eastern and central part of the lease. Thereafter, MECL conducted down-the-hole drilling, of 81 bore holes, in the 80 ha of the promising mineralised area and found that only a small area in the eastern part had mineral deposits of low grade. The estimated quantity of deposits was 12,695 MT of sub-grade ore quality with below 40 per cent chrome content. In view of the small mineralised area and low grade of deposits, MECL reported (September 2006) that the Birasal leasehold area was not promising for chromite mineralisation.

Subsequently, when the lease was expiring in 2016, an Internal Committee proposed (report dated 26 August 2016) that the Birasal chromite mine was not economically viable. As per OMC's approved mining plan (FYs 2011-12 to 2015-16), the total mineral reserves for the Birasal mine were 12,695 MT, with sub-grade ore, valuing ₹2.76 crore at the prevailing prices. Another Internal Committee (report dated 15 January 2018) also recommended that the lease should not be renewed. However, OMC did not analyse this report and did not take action to surrender the lease.

Instead, disregarding the MECL report and the recommendations of the Internal Committees, it was decided (April 2018) that views of an outside Government agency, regarding non-potentiality of the lease, should be obtained, before considering surrender. Simultaneously, contending that exploration data pertaining to the entire mining lease area was not available and detailed exploration and statutory approvals were required for resuming mining operations, OMC applied and obtained (November 2018) the approval of the State Government, for extension of the lease till November 2026. The

⁸¹ As per MCDR, 1988 and MCDR (Second Amendment), 2003, a brief account of the geological feasibility, economic viability studies and estimate of reserves, in respect of the concerned mine, is to be submitted to the Indian Bureau of Mines (IBM). According to the revised MCDR, 2017, detailed exploration is to be carried out, over the entire potentially mineralised area, under the mining lease

rationale was not convincing, as MECL had already conducted exploration activities, equivalent to preliminary exploration⁸², over the entire lease area and detailed exploration⁸³ over the identified potentially mineralised area.

Further, disregarding the views of a Government agency (MECL), OMC appointed (July 2019) a private party viz., M/s Maheshwari Mining Private Limited, at a cost of ₹7.40 crore, for carrying out exploration of the lease area, till January 2021, to assess the potentiality of the lease, without carrying out any cost-benefit analysis of such exploration.

Eventually, the report submitted (March 2021) by M/s Maheshwari Mining Private Limited estimated that the lease area had chrome ore deposits of only about 6,697 MT, with below 40 *per cent* chrome content, thereby confirming the fact that the Birasal mining lease was not promising for chromite mining, which was already known from the MECL report and had been reiterated by two Internal Committee reports. OMC subsequently, decided (October 2021) to surrender the lease.

Thus, disregarding the MECL report findings and the recommendations of Internal Committees, in regard to non-potentiality of the Birasal mining lease for chromite mining, without any basis and, instead, commissioning another exploration of the lease area, by a private party, led to avoidable expenditure of ₹7.40 crore.

The draft paragraph was issued to Government on 19 January 2023. The reply had not yet been received (as of February 2023).

4.8 Loss of revenue

Loss of revenue of ₹2.98 crore due to improper fixation of floor price of iron ore fines at Gandhamardan region of OMC

Odisha Mining Corporation Limited (OMC) supplies different minerals like iron ore, chrome ore, bauxite ore, manganese ore, *etc.* to e-auction buyers as per the rates derived through e-auction conducted at regular intervals and to Long-Term Linkage (LTL) buyers through weighted average price⁸⁴ obtained in the e-auction. The floor price for e-auction are fixed by ‘Sales Committee of the OMC Board (SCB)’ based on the market intelligence report, prices of finished products published by Steel Mint website along with the allotment and lifting status of stock of the last e-auction.

As per the e-auction conducted on 21 October 2019 against floor price of ₹1,000 per MT, OMC sold⁸⁵ iron ore fines (IOF) to e-auction buyers at

⁸² Preliminary exploration involves the initial delineation of an identified mineral deposit area of previous stage by furthering the exploration to extend and identify both laterally and vertically down (third dimension) of the ore body.

⁸³ Detailed exploration involves the detailed three dimensional delineation of a known mineral deposit achieved through sampling, such as from outcrops, pits, trenches, boreholes, shafts and tunnels *etc.*

⁸⁴ Weighted average price is calculated by price bids obtained in the e-auction along with quantities as $\{(price1 \times quantity1) + (price2 \times quantity2)\} / (quantity1 + quantity2)$.

⁸⁵ During the period from 23 October 2019 to 20 December 2019

₹1,100 to ₹1,150 per MT and to the LTL buyers at ₹1,109 per MT at its Gandhamardan region. However, for subsequent e-auction (21 December 2019), the SCB decided (17 December 2019) to keep the floor price same as of the last e-auction (21 October 2019) at ₹1,000 per MT of the Gandhamardan region without assigning any specific reason. The SCB did not consider the market intelligence report of Gandhamardan region, however, in the same meeting, SCB considered the market intelligence report for Koira region and enhanced floor price of the IOF from ₹950 to ₹1,100 (16 per cent increase). It is also pertinent to mention that despite this higher floor price at Koira region, the company actually received bid price of ₹1,650/₹1,700 per MT (50 per cent higher than revised floor price). This indicated the rising trend in the market price of IOF.

Audit observed that due to non-consideration of market condition in terms of both demand and price, OMC suffered a loss of ₹2.98 crore as detailed below:

- As per website of Steel Mint there was increasing demand for finished products for the period from October to December 2019. Further, despite increase in the floor price of Koira region, the company failed to increase the floor price of Gandhamardan region.
- In view of higher demand and increase in floor price of Koira region, the floor price of IOF of Gandhamardan region should also have been increased to the minimum price of ₹1,100 per MT which was already discovered through last e-auction (21 October 2019) *i.e.*, ₹1,100 to ₹1,150 per MT. However, OMC sold IOF to e-auction buyers at ₹1,000 to ₹1,050 per MT and at ₹1,028 per MT to LTL buyers at Gandhamardan region during the period from 31 December 2019 to 20 February 2020.

Thus, fixation of floor price at lower rate resulted in loss of revenue of ₹2.98 crore on account of sale of 4,11,323.700 MT at Gandhamardan Block B during the period from 31 December 2019 to 20 February 2020.

Government replied (June 2022) that, the fixation of floor price was independent of e-auction bid value and lifting by LTL and e-auction buyers.

The reply was not acceptable because while increasing the floor price of Koira region considering the increase in demand for finished product, the Committee failed to increase the floor price for Gandhamardan region. It maintained the price at the level of previous auction despite the fact that the company had already fetched bid price in the previous auction which was 10 per cent higher than the floor price. Non consideration of market intelligence report also indicated lapses in fixation of floor price resulted in loss of revenue. Further, it is stated that fixation of lower floor price foreclosed the chances of higher bids by the bidder in the e-auction.

Government further stated that, the price trend of finished products in Steel Mint website during the period from October to December 2019 showed a marginal/negligible variation.

This reply was also not acceptable because as per Steel Mint website the price of finished product had increased from ₹5,100 to ₹5,500 *i.e.*, by eight *per cent* during the period from November to December 2019, which was not negligible.

The Government should advise OMC to duly factorise overall market trend and lifting status for fixation of the floor price.

4.9 Incorrect fixation of floor price of chrome ore

Under realisation of revenue of ₹1.97 crore, due to incorrect fixation of floor price for sale of chrome ore

Chrome ore⁸⁶ is extracted and produced from mines. The produced chrome ore, on the basis of its chromium content, is categorised as ‘graded’ (40 *per cent* or above chromium content) or ‘sub-graded’ (below 40 *per cent* chromium content). ‘Graded’ ore is directly sold in the market through e-auction, while the ‘sub-grade’ ore needs to be enriched in chrome content, through a process termed as ‘beneficiation’. ‘Beneficiation’ is done through a Chrome Ore Beneficiation Plant (COBP), which produces chrome concentrate having a higher percentage or grade of chromium content, equivalent to graded chrome ore. In the process, some waste is generated and there is loss of volume, which is termed as ‘tailing loss’. The recovery rate of concentrate, out of the sub-grade ore, is considered after deducting the tailing loss. Chrome concentrate is sold in the market, for production of High Carbon Ferro Chrome (HCFC) which is utilised by the stainless steel industry.

The Odisha Mining Corporation Limited (OMC) has a COBP, situated within the mining lease area and according to its design, it could produce chrome concentrate with a recovery rate of 87 *per cent* and 13 *per cent* is lost in process. The COBP was closed with effect from 01 April 2017, due to non-compliance with the environment conditions prescribed by the MoEF&CC, Government of India. Sale of sub-grade chrome ore, through national e-auction, was not possible, as there was no provision in the Mining Plan of OMC chromite mines, for direct selling of sub-grade chrome ore. Neither had OMC sought permission for its disposal through direct sale. As a result, there was huge accumulation of sub-grade chrome ore, awaiting beneficiation, in the mining lease area, creating hurdles for mining operations. Accordingly, OMC decided (October 2019) to dispose of the accumulated sub-grade chrome ore, by sale through e-auction, after obtaining permission from the Indian Bureau of Mines and fixed a methodology for fixation of the floor price for e-auction (May 2020).

As per the aforesaid methodology, OMC first collected the market price of HCFC. From the market price, prices were derived for various grades of chrome concentrate. From these prices, the price of sub-grade chrome ore was derived, through backward calculation, after adjusting the cost of

⁸⁶ The important applications of chromium ores are in the manufacture of stainless steel, gray cast iron, iron-free high-temperature alloys and chromium plating for surface protection

beneficiation. This price was designated as the floor price, for e-auction of sub-grade chrome ore. While determining the floor price of sub-grade chrome ore, OMC decided to adopt the average production price of chrome concentrate, from its COBP, during the period 2014-15 to 2016-17, as the COBP had remained non-functional from 01 April 2017 onwards. The average recovery rate was estimated to be 42.30 *per cent*. For the sale of sub-grade chrome ore, through two e-auctions in May 2020 and August 2020, the floor prices were fixed at ₹1,941 per MT and ₹2,181 per MT, respectively. OMC sold a total of 88,338.42 MT of sub-grade chrome ore, through the two e-auctions, at the aforesaid floor prices.

Audit observed that even within the methodology adopted by OMC, the fixation of floor price was incorrect. Although the average recovery rate during 2014-17, worked out by OMC, was 42.30 *per cent*, the same had been taken as 38.76 *per cent*, in the actual computation. As a result, the floor prices were reduced by ₹211 per MT and ₹230 per MT, for the two e-auctions. Fixing of lower floor price attracted lower bids, resulting in under-realisation of sale value, amounting to ₹1.97 crore, for sale of 88,388.42 MT of sub-grade chrome ore (calculation detailed in *Appendix 19*).

Thus, application of incorrect calculation, within the adopted methodology, led to fixation of a reduced floor price for the sub-grade chrome ore and resulted in under-realisation of revenue, amounting to ₹1.97 crore.

Management replied (December 2022) that OMC had not decided the price, but had only set a floor price and the price of the product had been decided by the market, in a competitive and open bidding process, through e-auction. The reply is not acceptable, because sub-grade chrome ore is not a regularly marketed product and fixation of lower floor price implied offering the product at a lower price. As such, the fixation of the floor price should have been done with utmost care, with due reference to the recovery rate of 42.30 *per cent* as decided by OMC. Secondly, the market information that sale had been at the floor price itself, in the first e-auction (May 2020), should have been considered, to effectively set the floor price for the second e-auction, to enhance revenue. However, it was not done.

The draft paragraph was issued to Government on 06 January 2023, followed by reminder on 22 February 2023; reply had not yet been received (as of February 2023).

Odisha State Police Housing and Welfare Corporation Limited

4.10 Avoidable loss of interest

Loss of ₹3.12 crore due to excess payment of GST

The Odisha State Police Housing and Welfare Corporation Limited (OPHWC) executed different building projects of the Home Department and other departments, under the Central as well as the State Government. OPHWC was registered under the Goods and Services Tax (GST) Act, 2017 and was liable to pay GST at the rate of 12 *per cent* for supply of construction services (work

contract services) to different Government agencies and 18 *per cent* GST on services other than construction services *i.e.*, house rent, penalty recovered, sale of tender papers⁸⁷ *etc.*

Scrutiny of records revealed that OPHWC had filed (25 September 2019) one return (GSTR-3B), indicating the summary of GST liabilities (*i.e.*, inward and outward supplies), for the month of March 2019, by declaring GST at 12 *per cent* for the supply of construction services to different Government agencies. However, while filing (2 March 2020) the other return (GSTR-1) for the same month, indicating the details of only outward supplies of goods and services, OPHWC declared the GST rate at 18 *per cent*, instead of the applicable rate of 12 *per cent* for such work. Accordingly, ₹67.88 crore GST was paid, against due of ₹45.33 crore, by utilising the Input Tax Credit (ITC) balance available in the Electronic Credit Ledger⁸⁸. Thus, incorrect adoption of GST rate resulted in excess payment of GST, amounting to ₹22.55 crore, for the month of March, 2019.

Subsequently, OPHWC was not able to file return for March 2020, due to insufficient ITC balance in the credit ledger, as the ITC was used during filing of return for the month of March 2019. OPHWC prematurely encashed fixed deposits, amounting to ₹24.63 crore, for payment of GST liability of ₹24.51 crore.

OPHWC rectified the erroneous filing (4 September 2020) with amendment on GSTR-1 for the month of March 2019 and filed an application (10 September 2020) for refund of excess GST paid of ₹22.55 crore. The same was rejected (10 November 2020) by the adjudicating authority, on the grounds of ineligible claim. OPHWC filed an appeal against this order before the Additional Commissioner, GST (Appeals), Bhubaneswar, and got approval (10 November 2021) for refund of excess GST of ₹22.48 crore, in the form of credit (10 December 2021) in Electronic Credit Ledger (after adjustment of short payment of ₹0.07 crore), which could only be used for adjustment of tax liability in subsequent years.

Audit observed the following:

- As the excess paid GST was refunded in the form of ITC in the EC ledger, that amount was to be utilised for clearance of future GST liability only. OPHWC paid GST of ₹3.90 crore for 2021-22 from the balance available in the EC ledger. The utilisation pattern of ITC indicated that, OPHWC would take another four years to fully utilise the refunded amount. Hence, the excess payment of GST resulted in blockage of funds. This resulted in loss of interest of ₹3.12 crore⁸⁹ (*Appendix 20*), due to premature closure of FDs for excess payment of GST.

⁸⁷ As per Ministry of Finance, GoI notification dated 21 September 2017

⁸⁸ All input tax credit accrued for inward supplies made by a taxpayer are accumulated and the amount availed in the Electronic Credit Ledger can be utilised for paying of tax liabilities

⁸⁹ Rate of interest of Fixed Deposits was 5.1 *per cent*

- Further, OPHWC failed to adhere to the timelines and delayed filing of GSTR-3B for the period from 2019-20 and 2020-21 for 164 and 24 days, respectively, for which demand for penalty of ₹2.88 crore, under Section 50(1) of the CGST Act, 2017, was received on 9 February 2022. Despite engagement of a GST consultant for filing of GST returns, OPHWC incurred liability to pay the above penalty, reflecting poor financial management.

Thus, OPHWC had sustained a loss of ₹3.12 crore due to excess payment of GST and potential penalty ₹2.88 crore for delayed filing of GST return during the period 2019-20 and 2020-21.

Management stated (October 2022) that, while filing the GSTR-1 for the month of March 2019 the GST consultant mistakenly considered the GST rate for entire revenue at 18 *per cent*, instead of applicable rate of 12 *per cent* for Government contracts. The additional GST liability of ₹22.55 crore would be adjusted from the ITC of subsequent financial years *i.e.*, from 2019-20. Management also stated that ₹7.70 crore would be adjusted for the year 2022-23, considering the higher projected turnover of ₹535 crore.

The reply of the management was not acceptable, because the turnover of ₹535 crore, for the financial year 2022-23, has been projected without any analysis being furnished to Audit. Further, the average turnover of the corporation, during the last four years, from 2018-19 to 2021-22, was ₹343 crore and OPHWC utilised only ₹3.90 crore from the electronic credit ledger and the balance in the electronic credit ledger was ₹18.65 crore as on March 2022. Thus, financial mismanagement led to loss to OPHWC, which warrants fixation of responsibility for the lapses.

The observation was issued to the Home Department, Government of Odisha, during October 2022 followed by reminder during December 2022. The reply had not yet been received (as of March 2023).

Bhubaneswar Smart City Limited

4.11 Idle expenditure

Procurement of On-Board Bus units for Smart Tracking System without ascertaining technical feasibility resulted in idle expenditure of ₹4.50 crore

Bhubaneswar Smart City Limited (BSCL) selected (December 2017) M/s Honeywell Automation India Limited (HAIL) as their Master System Integrator (MSI) for implementation of Smart Solutions under Smart City project. As per the guidelines issued (January 2019) by Ministry of Housing and Urban Affairs (MoHUA), GoI, in case of smart city projects executed through Government Line Departments/Agencies, the Smart City SPV (*i.e.*, BSCL) should enter into a Tripartite Agreement with the Government Line Department/Agencies and the prospective bidder.

Smart Tracking System was one of the components under this scheme for tracking of buses through On-Board Bus Units (OBUs). The OBUs were to be supplied by the MSI and installed by them in the buses being operated by

Capital Region Urban Transport⁹⁰ (CRUT). Further, The MSI was also required to develop and implement Central Automatic Vehicle Location System (AVLS) for tracking of buses through OBUs. As per the detailed design report of MSI, installation of OBUs required vehicle availability, vehicle wiring changes *etc.*, which were to be provided by BSCL.

Audit observed that BSCL procured (September 2018) 160 OBUs devices valuing ₹7.15 crore for installation in the buses under operation by CRUT. However, at the time of supply of OBUs, CRUT was operating 200 new buses which were already pre-fitted with OBUs supplied by bus manufacturers.

Due to mismatch between the pre-fitted OBUs and AVLS system, the OBUs supplied by MSI could not be installed in these buses. In order to resolve the technical issues, BSCL requested CRUT to consider the replacement of existing OBUs fitted in the buses with the OBUs which were supplied by MSI or to put in parallel to improve the tracking system. However, in the 14th Board Meeting (October 2019) the representatives of bus manufacturers (Tata and Ashok Leyland) had stated that in case of the above proposed action the original equipment manufacturers of the pre-fitted OBUs would make the warranty and insurance of the new buses invalid.

Audit observed that in a meeting (July 2019) with the representatives of CRUT and MSI, BSCL had decided that the OBUs delivered by the MSI would be fitted on new buses to be procured by the CRUT. However despite lapse of more than three years from purchase of OBUs no new buses were procured and no such alternative use was made possible till date.

Audit noticed that there was lack of planning and co-ordination between BSCL and CRUT which resulted in loss of public money as detailed below:

- The availability of buses with CRUT which needed to be fitted with OBUs was not ensured. It was revealed in the 14th Meeting (October 2019) of Board of Directors of BSCL that CRUT had confirmed regarding the readiness and availability of buses for installation of OBUs. However, BSCL failed to take formal communication from CRUT for availability and readiness of buses for installation of OBUs.
- Feasibility for required wiring changes as suggested by MSI was also not undertaken. Consequently, BSCL failed to utilise the assets procured for ₹7.15 crore out of which ₹4.50 crore had already been paid (February 2020). Non-installation of OBUs due to not undertaking required technical study for their utilisation and for not ensuring availability of buses with CRUT resulted in idle expenditure of ₹4.50 crore.
- No agreement, as required in terms of GoI guidelines was signed by BSCL with CRUT for whom the system was procured. Hence, BSCL could not make CRUT responsible for their failure in making buses available.

⁹⁰ A Special Purpose Vehicle (SPV) created by the Housing and Urban Development (H&UD) Department, GoO, for providing public transport services in capital region areas

Government replied (June 2022) that, CRUT had provided only 30 buses in which these OBUs were installed. However, during the course of audit no documentary evidence about installation of OBUs in 30 buses was made available. It could also not be clarified that how the OBUs, which were not technically compatible with the buses and manufacturers had warned that such installation would lead to warranty and insurance of the buses invalid, were installed.

4.12 Wasteful expenditure

Funding of projects without securing financial interest resulted in wasteful expenditure of ₹1.91 crore

Bhubaneswar Smart City Limited (BSCL) was constituted by Government of Odisha (GoO) as Special Purpose Vehicle company for implementation of Smart City projects of Bhubaneswar under Smart City Mission programme. The guidelines issued (January 2019) by MoHUA, GoI, stipulated that in case of such smart city projects executed through Government Line Departments/Agencies, the Smart City SPV (*i.e.*, BSCL) should enter into a Tripartite Agreement with the Government Line Department/Agencies and the prospective bidder for the project.

BSCL decided (November 2017) to introduce Public Bicycle Sharing (PBS) system under smart city project to reduce vehicular emission, management of traffic congestion and to provide last mile connectivity to people. It was envisaged (September 2018) that 2,000 bicycles would be funded by BSCL at the price of ₹25,000 per bicycle⁹¹ to be paid on deployment. In addition to that a sum of ₹5,000 per bicycle would be paid for each of the five years of operation.

Accordingly, offers were invited (12 September 2018) on technical parameters like design, supply, installation and maintenance of bicycles against predefined price. In addition to their offers, the bidders also gave presentation before the evaluation committee which awarded marks on the basis of which three bidders were selected (October 2018) to deploy and operate 2,000 bicycles *viz.*, Hero Youon Private Limited (1,000 nos. bicycles), Dharani Enterprise (500 nos. bicycles) and Yulu Bikes Private Limited (500 nos. bicycles). In view of integration requirement of the project with the overall city transport system, it was decided that the project would be operationalised through Capital Region Urban Transport (CRUT). The project was launched through CRUT on 26 November 2018. As per clause 17.5 of the Service Level Agreement (SLA) signed by CRUT with the Hero Youon Private Limited (HYPL), the agency was responsible for the repair and maintenance of the bicycles. The SLA *inter alia* provides for 100 *per cent* availability of operation fleet, maintenance of workshop and depot *etc.*, by the agency.

⁹¹ Manual bicycles with GPS based tracking system, smart phone application based unlocking system *etc.*

Consequent upon deployment of bicycles, BSCL released (02 March 2019) ₹4.80 crore to CRUT for payment to the agencies. The performance of two agencies *i.e.*, Yulu and Dharani were satisfactory, however performance of HYPL was poor from the beginning of the contract. Subsequently, as per the decision (16 September 2020) of Board of Directors of CRUT, the PBS project was retransferred to BSCL on 06 October 2020. During physical verification (05 November 2020) for transfer of the project, it was observed that out of 1,000 bicycles supplied by HYPL, 303 bicycles (30 *per cent*) were missing and 459 bicycles (46 *per cent*) were in defective condition.

Audit observed that impropriety in the execution of the PBS project resulted in wasteful expenditure of ₹1.91 crore as detailed below:

- HYPL defaulted in the contractual obligations for maintenance of bicycles, non submission of MIS reports *etc.* as per agreement for which penalty of ₹94.66 lakh imposed by CRUT. The same could not be recovered from HYPL till date (May 2022), because as required under the guidelines of MoHUA, tripartite agreements were not entered by BSCL with CRUT and the three bidders. Agreement for execution of PBS project was only signed by the CRUT with the agency, therefore, BSCL could not enforce HYPL for complying with the contractual obligations. Neither did BSCL impress upon CRUT to execute the terms of the agreement with HYPL.
- In compliance with clause 1(jj) of the agreement between CRUT and HYPL, the agency submitted a bank guarantee of ₹25 lakh in form of Performance Security which was valid upto 04 December 2021. Since the performance of the agency was poor and the 303 bicycles valuing ₹75.75 lakh were missing (05 November 2020) and other 459 bicycles valuing ₹1.15 crore were in defective condition requiring maintenance, CRUT should have recovered penalty by encashment of the performance bank guarantee. However, the performance bank guarantee was not invoked despite issue of show cause notice (23 February 2021) to the agency for forfeiture of the bank guarantee for no reasons on record. In absence of the agency, no action was also taken for repair of the damaged bicycles by the company itself.
- As per Clause 20 of the General Conditions of Contract, the agency was required to take insurance of the bicycles at its costs which would cover the damage due to burglary, theft, vandalism *etc.* It was observed that Dharani enterprises and Yulu Bikes had taken insurance for the bicycles. However, no information was furnished by BSCL, whether the insurance was taken by HYPL.

It is thus evident that BSCL did not exercise ordinary prudence while spending the money for the project by excluding itself from the agreement for execution of the project. This resulted in total wasteful expenditure of ₹1.91 crore in respect of missing and defective/damaged bicycles for which the agency was responsible.

The observation was issued to the Government on 27 May 2022. Response of the Government had not yet been received (as of March 2023).

Odisha Industrial Infrastructure Development Corporation

4.13 Undue favour

Loss of ₹1.82 crore due to allotment of land for logistic park at lower rate

The Odisha Industrial Infrastructure Development Corporation (IDCO) was established with the objective of creating infrastructure facilities for setting up industries. Industrial Policy Resolution (IPR) 2015 stipulated that, Government land earmarked for industry under the land bank scheme and other Government land wherever available may be allotted for industrial units including infrastructure projects. As per IPR 2015, infrastructure projects also included storage facilities for use by industrial units and warehouses. IDCO makes allotment of land to industries in Industrial Estates/Industrial Areas (IEs/IAs) and also outside the IEs/IAs *i.e.*, from land bank created for this purpose at strategic locations. The provisions of the Land Regulations, 2016 of IDCO outlined the methodology for fixing land rates for allotment of land to industrial units.

IDCO in its 101st BoD meeting (29 May 2015) approved the land rates for warehousing projects at 1.5 times of the prevailing industrial land rate without differentiating the aforesaid sources of land *i.e.*, inside and outside the IEs/IAs. However, IDCO in its 115th BoD meeting (10 January 2019) differentiated between land inside IEs/IAs by considering logistics related activities like warehousing and cold chain at par with industry and approved the normal land rate for allotment of land to these projects at the industrial rate in any IE/IA.

Audit noticed that IDCO filed (December 2020) a proposal for leasing of non-forest Government land measuring 60.405 acres in village Giringaput under Bhubaneswar Tehsil of Khordha District under the Land Bank Scheme for establishment of industrial and allied activities. The land rate for the said land bank patch was approved in the 119th BoD meeting (22 December 2020) at ₹45.50 lakh per acre for allotment for establishment of industries. Subsequently, IDCO allotted (31 March 2021) 8.00 acres of Government land for setting up a logistic park unit at Giringaput land bank scheme to M/s Maa Mangala Flour Mills Private Limited at industrial rate of ₹45.50 lakh per acre.

Audit observed that since allotment of land to M/s Maa Mangala Flour Mills Private Limited was outside any IE/IA, the price charged should have been fixed at 1.5 times of prevailing industrial land rate in terms of the decision of 101st BoD meeting as stated supra. In violation of the above BoD decision, IDCO allotted the land at the industrial rate of ₹45.50 lakh instead of ₹68.25 lakh per acre (*i.e.*, 1.5 times of industrial rate) as prescribed for the warehousing projects. This had resulted in short recovery of ₹1.82 crore (8.00 acres x ₹22.75 lakh).

Government replied (July 2022) that as there was heavy demand of land nearby Bhubaneswar, IDCO identified this patch of land and subsequently allotted to entrepreneurs pending declaration of the land as IE/IA. The land cost was charged at par with industrial rate according to the decision of BoD, IDCO in their 115th meeting. The reply was not acceptable as BoD in 115th meeting

decided to allot land for warehousing in any IE/IA at industrial land rate and it is not applicable in the instant case as land at Giringaput was outside IE/IA.

4.14 Loss of revenue

Imprudent allotment of land, inadequate monitoring of its utilisation and non-realisation of dues of ₹16.19 crore

In pursuance of its commercial objectives, the Odisha Industrial Infrastructure Development Corporation (IDCO), had been mandated to allot land to industrial units, in its Industrial Estates (IEs), as per Government guidelines and the norms fixed by its Board of Directors (BoD). The Industrial Policy Resolutions of Odisha had also entrusted it with the responsibility of identifying land and allotting the same to industries, for industrial development in the State. It was further noted that:

- (i) As per the decision (May 2012) of the Revenue and Disaster Management Department (R&DM), GoO, IDCO was to go by a realistic assessment of the land requirements for industrial projects to avoid situations wherein agencies succeeded in getting more land than it actually required.
- (ii) Further, as per Section 34 of the OIIDC Act, 1980, the BoD of IDCO, was to carry out six-monthly reviews to ascertain that the plots allotted in the IEs were being utilised for the intended purposes so that any unutilised areas could be allotted to other industries, for industrial development.

Under the Industrial Infrastructure Upgradation Scheme (IIUS) of the GoI, the North Odisha Chamber of Commerce and Industry (NOCCI) formed (January 2010) a special purpose vehicle (SPV) company *i.e.*, M/s NOCCI Balasore Infrastructure Company (NBIC), for providing quality infrastructure, for the plastic, polymer and allied cluster at Balasore. The said scheme stipulated that the State Government would provide necessary assistance to the SPV, for procurement of land. Accordingly, IDCO approved (March 2010) allotment of 25 acres of land to NBIC on a long term payment basis, as per the project report submitted by it.

However, based on the requisition of NBIC, IDCO allotted (1st allotment) land, measuring 32.50 Acres⁹², to NBIC (August 2010 to October 2013), out of its own IEs⁹³, against the project requirement of 25 acres (30 *per cent* excess), without any reasons on record. Subsequently, NBIC requested (January 2014) IDCO to exchange 17.5 acres of land, out of its 1st allotment, as the land was stated to be unsuitable for railway siding. Thereafter, NBIC proposed (July 2014) that IDCO buy a piece of land, available with M/s Balasore Alloys Limited (BAL), for this purpose, against NBIC's firm commitment to pay the price to IDCO. Accordingly, IDCO purchased

⁹² Five acres at Bamapada, on outright purchase basis, and the remaining 27.50 acres (22.50 acre at Somanathpur + 2.50 acres and 2.50 acres at Bamapada), on long-term payback basis, at a fixed amount of annual premium, including interest, payment for ground rent, cess and maintenance charges, for a period of 20 years

⁹³ IDCO acquires land, develops IEs, and allots plots in such IEs, to various industries, for industrial development

(January 2015), 32.51 acres of land, available with M/s BAL, at cost of ₹7.59 crore and allotted (April 2016) the same to NBIC, against its demand of 17.50 acres, without any reasons on record. Thus, in total, IDCO allotted 65.01 acres of land to NBIC, with only 5 acres having been allotted on the usual mode of payment *i.e.*, outright purchase basis, and the remaining 60.01 acres of land, having been allotted on long-term payback basis, with annual payments being made by NBIC for 20 years.

In this regard, Audit observed the following:

- While allotting excess land to NBIC, IDCO had not carried out necessary review of utilisation of land and payment of stipulated dues in time. It was only subsequent to NBIC's request (February 2019) *i.e.*, after six to seven years of allotment, for waiver of land dues, due to uneconomical operations, that IDCO conducted (November 2020) an inspection of the allotted lands. IDCO found that 25.90 acres of allotted land (9.240 acres from 1st allotment and 16.660 acres from the 2nd allotment) was surplus/unutilised and demanded (April/November 2021) surrender of the said surplus/unutilised land. However, only 16.660 acres of land was surrendered (July 2021), from the 2nd allotment. Although NBIC had agreed (October 2021) to surrender the remaining 9.240 acres, the same was not taken back resulting in loss revenue of ₹3.69 crore being the cost of that land.
- In regard to 1st allotment of 32.50 acres, NBIC had paid its dues for 22.50 acres up to 2017-18. The unpaid dues on that account till 2022-23 was ₹2.19 crore. Out of the remaining 10 acres, lease deed for 2.50 acres was not executed and dues of ₹0.53 crore⁹⁴ was not recovered.
- Further, in regard to the 2nd allotment of 32.51 acres (April 2016), after purchase from M/s BAL, IDCO failed to recover the cost of land from NBIC despite their commitment to pay. Although, 16.660 acres were surrendered, the land cost of the remaining 15.850 acres, amounting to ₹9.78 crore⁹⁵, upto FY 2022-23, was not recovered from NBIC.

Thus, lack of commercial prudence, in terms of assessment of requirement of land prior to allotment and lapses in the monitoring of utilisation of allotted land, resulted in undue favour to the agency and non-recovery of dues, amounting to ₹12.50 crore (₹2.19 crore + ₹0.53 crore + ₹9.78 crore), as well as non-realisation of ₹3.69 crore, being the current value of unutilised land, measuring 9.240 acres, under the possession of the agency.

Management stated (March 2023) that, based on the request of NBIC, IDCO had purchased the 32.510 acres of land from M/s BAL and allotted the same to NBIC on long-term payback basis. Further, due to non-completion of their revenue generating projects and non-contribution from major industries, NBIC had been unable to generate the required operational profits due to which, it was not making payment of the IDCO dues.

⁹⁴ Annual instalment of land cost ₹5,02,506 and annual ground rent/cess/annual IMC of ₹24,500, for 10 years, from October 2013 to October 2022

⁹⁵ Including interest on land cost (upto FY 2020-21) and other statutory dues *i.e.*, ground rent, cess and administrative expenses *etc.*

The reply of IDCO was not acceptable, because IDCO had allotted the entire land of 32.51 acres to NBIC, against NBIC's demand of only 17.50 acres, without any realistic assessment of NBIC's requirements, leading to 16.660 acres being surrendered (July 2021), due to non-utilisation. Moreover, despite the firm commitment of NBIC for paying the land cost and other statutory dues, IDCO had failed to recover the same from NBIC, which had resulted in loss of revenue. Further, the reply was silent about the excess allotment of land and non-recovery of outstanding dues against the first allotment of 32.50 acres of land.

The observation was issued to Industries Department on 15 February 2023. However, the response of the department had not yet (as of March 2023) been received.

Bhubaneswar
The 30 April 2024

(VISHWANATH SINGH JADON)
Accountant General (Audit-II), Odisha

Countersigned

New Delhi
The 06 May 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendix-1
(As referred to in Para No. 1.1.3)
(Lists of 82 Government SPSEs and Government Controlled Other SPSEs)

Sl. No.	Sector & Name of the PSU	Name of the Department	Government Company(GC)/ Government Controlled Other Company(GCC)
1	2	3	4
A. Social Sector			
I. Working Government Companies			
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	Agriculture & Farmers' Empowerment	GC
2	The Odisha Agro Industries Corporation Limited	Agriculture & Farmers' Empowerment	GC
3	Odisha State Cashew Development Corporation Limited	Agriculture & Farmers' Empowerment	GC
4	Odisha Forest Development Corporation Limited	Forest & Environment	GC
5	Odisha Lift Irrigation Corporation Limited	Water Resources	GC
6	Odisha State Seeds Corporation Limited	Agriculture & Farmers' Empowerment	GC
7	Odisha Pisciculture Development Corporation Limited	Fisheries & Animal Resources Development	GC
8	The Odisha Small Industries Corporation Limited	Industries	GC
9	Odisha Mineral Bearing Areas Development Corporation Limited	Steel & Mines	GC
10	Water Corporation of Odisha Limited	Water Resources	GC
11	Odisha State Beverages Corporation Limited	Excise	GC
12	Odisha State Civil Supplies Corporation Limited	Food Supplies & Consumer Welfare	GC
13	Odisha State Medical Corporation Limited	Health & Family Welfare	GC
14	Odisha Sports Development and Promotion Company	Sports & Youth Services	GC
15	Brahmani Railways Limited	Industries	GCC
16	Odisha Rail Infrastructure Development Limited	Industries	GC
17	Startup Odisha	Micro, Small & Medium Enterprise	GC
18	World Skill Center	Skill Development & Technical Education	GC
II. Inactive Government Companies			
19	Eastern Aquatic Products Limited (under voluntary liquidation since 22 February 1978)	Agriculture & Farmers' Empowerment	GC
20	Orissa Fisheries Development Corporation Limited	Fisheries & Animal Resources Development	GC
B. Competitive Sector			
I. Working Government Companies			
21	The Industrial Promotion and Investment Corporation of Odisha Limited	Industries	GC
22	The Odisha Film Development Corporation Limited	Industries	GC
23	Odisha Rural Housing and Development Corporation Limited	Housing & Urban Development	GC
24	Paradip Investment Region Development Limited	Industries	GCC
25	The Industrial Development Corporation of Odisha Limited	Industries	GC

Sl. No.	Sector & Name of the PSU	Name of the Department	Government Company(GC)/ Government Controlled Other Company(GCC)
26	Odisha Construction Corporation Limited	Water Resources	GC
27	Orissa Bridge and Construction Corporation Limited	Works	GC
28	IDCO SEZ Development Limited	Industries	GCC
29	Odisha Electronics Park Limited	Industries	GCC
30	Baitarani West Coal Company Limited	Steel & Mines	GCC
31	IDCOL Ferro Chrome & Alloys Limited (subsidiary of Sl.No.B-25)	Industries	GC
32	IDCOL Kalinga Iron Works Limited (Subsidiary of Sl. No. B-25)	Industries	GC
33	The Mandakini B-Coal Corporation Limited	Steel & Mines	GCC
34	The Odisha Mining Corporation Limited	Steel & Mines	GC
35	Nuagaon Coal Company Limited	Steel & Mines	GCC
36	Paradeep Plastic Park Limited	Industries	GCC
37	Angul Aluminium Park Private Limited	Industries	GCC
38	Odisha Mineral Exploration Corporation Limited	Steel & Mines	GC
39	IDCOL Software Limited (Subsidiary of Sl. No.B- 25)	Industries	GC
40	Lanjigarh Project Area Development Foundation	Steel & Mines	GCC
41	Odisha Tourism Development Corporation Limited	Tourism	GC
42	Shamuka Tourism Development Corporation Limited	Tourism	GCC
43	Inland Waterways Consortium of Odisha Limited	Industries	GCC
44	Kalinga Studios Limited (Subsidiary of Sl. No.B-22)	Industries	GC
45	Odisha State Financial Corporation	Micro, Small & Medium Enterprise	Government Corporation
46	Odisha State Road Transport Corporation	Commerce and Transport	Government Corporation
47	Odisha State Warehousing Corporation	Co-operation	Government Corporation
48	Odisha Hydro Power Corporation Limited	Energy	GC
49	Odisha Power Generation Corporation Limited	Energy	GC
50	Odisha Thermal Power Corporation Limited	Energy	GCC
51	Green Energy Development Corporation of Odisha Limited	Energy	GC
52	GEDCOL SAIL Power Corporation Limited	Energy	GC
53	Odisha Power Transmission Corporation Limited	Energy	GC
54	Odisha Coal and Power Limited	Energy	GC
55	GRIDCO Limited	Energy	GC
II. Inactive Government Companies			
56	ABS Spinning Orissa Limited (Subsidiary of Sl. No.B-25). (Under liquidation)	Industries	GC
57	Gajapati Steel Industries Limited (Company closed since 1969-70, under voluntary liquidation since 01 March 1974)	Industries	GC
58	Hira Steel and Alloys Limited (Subsidiary of Sl. No.B-25). (Under liquidation.)	Industries	GC

Sl. No.	Sector & Name of the PSU	Name of the Department	Government Company(GC)/ Government Controlled Other Company(GCC)
59	IPITRON Times Limited (Under liquidation since 1998)	Industries	GC
60	Konark Detergent and Soaps Limited	Industries	GC
61	Konark Television Limited (Defunct since 1999-2000)	Industries	GC
62	Mayurbhanj Textiles Limited	Handlooms, Textiles & Handicrafts	GC
63	Modern Malleable Casting Company Limited (Closed since 1968. Under voluntary liquidation since 09 March 1976)	Industries	GC
64	New Mayurbhanj Textiles Limited	Handlooms, Textiles & Handicrafts	GC
65	Orissa Boat Builders Limited (under liquidation)	Industries	GC
66	Orissa Electrical Manufacturing Company Limited	Industries	GC
67	Orissa Instruments Company Limited	Industries	GC
68	Orissa Leather Industries Limited	Industries	GC
69	Orissa Textile Mills Limited (Under liquidation since 2001)	Handlooms, Textiles & Handicrafts	GC
70	Orissa State Electronics Development Corporation Limited	Industries	GC
71	Orissa State Handloom Development Corporation Limited (under liquidation)	Handlooms, Textiles & Handicrafts	GC
72	Orissa State Leather Corporation Limited (closed since 18 June 1998)	Industries	GC
73	Orissa State Textile Corporation Limited	Handlooms, Textiles & Handicrafts	GC
74	Orissa Tools and Engineering Company Limited (619-B)	Industries	GC
75	Premier Bolts and Nuts Limited (Under liquidation; assets have been disposed of)	Industries	GC
76	ELCOSMOS Electronics Limited	Industries	GC
77	ELCO Communication and Systems Limited (Under liquidation since 1998)	Industries	GC
78	ELMARC Limited	Industries	GC
79	Orissa State Commercial Transport Corporation Limited	Commerce and Transport	GC
C. Other Sector			
I. Working Government Companies			
80	The Odisha State Police Housing and Welfare Corporation Limited	Home	GC
81	Bhubaneswar Smart City Limited	Industries	GCC
82	Rourkela Smart City Limited	Industries	GCC

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-2
(As referred to in Para No.1.1.3 and 1.7.2)
Details of accounts in arrears or companies under liquidation/defunct
Government Companies and Corporations

Sl. No.	Name of the Sector/SPSE	Year for which Accounts are not received by 30 September 2022
A. Social Sector		
I. Working Government Companies		
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2021-22
2	The Odisha Agro Industries Corporation Limited	2021-22
3	Odisha State Cashew Development Corporation Limited	2020-21 to 2021-22
4	Odisha Forest Development Corporation Limited	2021-22
5	Odisha Lift Irrigation Corporation Limited	2019-20 to 2021-22
6	Odisha State Seeds Corporation Limited	2021-22
7	Odisha Pisciculture Development Corporation Limited	2018-19 to 2021-22
8	The Odisha Small Industries Corporation Limited	2019-20 to 2021-22
9	Odisha State Civil Supplies Corporation Limited	2019-20 to 2021-22
10	Odisha State Medical Corporation Limited	2021-22
11	Odisha Sports Development and Promotion Company	2021-22
12	Odisha Mineral Bearing Areas Development Corporation	2021-22
13	Odisha State Beverages Corporation Limited	2021-22
14	Startup Odisha	2021-22
15	World Skill Center	2021-22
II. Non-working Government Companies		
16	Eastern Aquatic Products Limited	Under voluntary liquidation since 22 February 1978
17	Orissa Fisheries Development Corporation Limited	Defunct
B. Competitive sector		
I. Working Government Companies		
18	The Odisha Film Development Corporation Limited	2019-20 to 2021-22
19	Odisha Rural Housing and Development Corporation Limited	2009-10 to 2021-22
20	The Industrial Development Corporation of Odisha Limited	2021-22
21	Odisha Construction Corporation Limited	2020-21 to 2021-22
22	Orissa Bridge and Construction Corporation Limited	2021-22
23	Odisha Tourism Development Corporation Limited	2021-22
24	Kalinga Studios Limited	2020-21 to 2021-22

Sl. No.	Name of the Sector/SPSE	Year for which Accounts are not received by 30 September 2022
25	The Odisha State Police Housing and Welfare Corporation Limited	2021-22
26	Odisha Hydro Power Corporation Limited	2021-22
27	Green Energy Development Corporation of Odisha Limited	2021-22
II. Statutory Corporation		
28	Odisha State Financial Corporation	2021-22
29	Odisha State Road Transport Corporation	2021-22
30	Odisha State Warehousing Corporation	2019-20 to 2021-22
III. Non-working Government Companies		
31	ABS Spinning Orissa Limited	Under liquidation
32	Gajapati Steel Industries Limited	Company closed since 1969-70, under voluntary liquidation since 01 March 1974
33	Hira Steel and Alloys Limited	Under liquidation
34	IPITRON Times Limited	Under liquidation since 1998
35	Konark Detergent and Soaps Limited	Defunct
36	Konark Television Limited	Under liquidation
37	Mayurbhanj Textiles Limited	Defunct
38	Modern Malleable Casting Company Limited	Closed since 1968. Under voluntary liquidation since 09 March 1976
39	New Mayurbhanj Textiles Limited	Defunct
40	Orissa Boat Builders Limited	Under liquidation
41	Orissa Electrical Manufacturing Company Limited	Under liquidation
42	Orissa Instruments Company Limited	Defunct
43	Orissa Leather Industries Limited	Defunct
44	Orissa Textile Mills Limited	Under liquidation since 2001
45	Orissa State Electronics Development Corporation Limited	Under liquidation
46	Orissa State Handloom Development Corporation Limited	Under liquidation
47	Orissa State Leather Corporation Limited	Defunct
48	Orissa State Textile Corporation Limited	Under liquidation
49	Orissa Tools and Engineering Company Limited (619-B)	Defunct
50	Premier Bolts and Nuts Limited	Under liquidation; assets have been disposed of
51	ELCOSMOS Electronics Limited	Under liquidation
52	ELCO Communication and Systems Limited	Under liquidation since 1998
53	ELMARC Limited	Defunct
54	Orissa State Commercial Transport Corporation Limited	Defunct

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-3
(As referred to in Para No.1.1.3 and 1.7.2)
Details of accounts in arrears
Government Controlled Other Companies

Sl. No.	Name of the SPSEs	Year for which Accounts not received by 30 September 2022
1	Brahmani Railways Limited	2021-22
2	IDCO SEZ Development Limited	2021-22
3	Odisha Electronics Park Limited	2021-22
4	Angul Aluminium Park Private Limited	2021-22
5	The Mandakini B-Coal Corporation Limited	2016-17 to 2021-22
6	Nuagaon Coal Company Limited	2015-16 to 2021-22
7	Paradeep Plastic Park Limited	2021-22
8	Lanjigarh Project Area Development Foundation	2020-21 and 2021-22
9	Inland Waterways Consortium of Odisha Limited	2019-20 to 2021-22
10	Paradip Investment Region Development Limited	2021-22
11	Bhubaneswar Smart City Limited	2021-22
12	Shamuka Tourism Development Corporation Limited	2021-22
13	Odisha Thermal Power Corporation Limited	2021-22

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-4
(As referred to in Para No.1.1.4)
Department-wise percentage of Turnover to GSDP of Odisha

(₹ in crore)

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Energy Department					
	Turnover	9,601.63	9,641.1	9,974.4	12,335.38	15,363.88
	Percentage of Turnover to GSDP of Odisha	2.31	1.98	1.87	2.42	2.41
2	Excise Department					
	Turnover	3,726.7	4,738.36	4,738.36	3,922.33	3922.33
	Percentage of Turnover to GSDP of Odisha	0.90	0.97	0.93	0.73	0.61
3	Steel & Mines Department					
	Turnover	2,853.14	4,052.3	4,093.2	5,587.27	17,036.16
	Percentage of Turnover to GSDP of Odisha	0.69	0.83	0.77	1.10	2.67
4	Water Resources Department					
	Turnover	867.45	763.35	486.6	486.6	595.51
	Percentage of Turnover to GSDP of Odisha	0.21	0.16	0.09	0.10	0.09
5	Home Department					
	Turnover	385.31	376.01	376.01	302.58	336.54
	Percentage of Turnover to GSDP of Odisha	0.09	0.08	0.07	0.06	0.05
6	Industries Department					
	Turnover	233.29	266.78	354.64	166.51	263.88
	Percentage of Turnover to GSDP of Odisha	0.06	0.05	0.07	0.03	0.04
7	Forest & Environment Department					
	Turnover	212.41	212.41	195.72	152.03	140.21
	Percentage of Turnover to GSDP of Odisha	0.05	0.04	0.04	0.03	0.02
8	Agriculture & Farmers' Empowerment Department					
	Turnover	175.83	191.65	181.8	548.02	671.45
	Percentage of Turnover to GSDP of Odisha	0.04	0.04	0.03	0.11	0.11
9	Commerce & Transport Department					
	Turnover	85.85	88.07	98.39	98.39	33.00
	Percentage of Turnover to GSDP of Odisha	0.02	0.02	0.02	0.02	0.01
10	Works Department					
	Turnover	65.01	65.01	96.22	139.83	108.62
	Percentage of Turnover to GSDP of Odisha	0.02	0.01	0.02	0.03	0.02
11	Tourism Department					
	Turnover	25.96	25.96	44.76	37.72	27.21
	Percentage of Turnover to GSDP of Odisha	0.006	0.005	0.008	0.007	0.004
12	Health & Family Welfare Department					
	Turnover	12.26	21.81	21.81	11.93	8.64
	Percentage of Turnover to GSDP of Odisha	0.003	0.004	0.004	0.002	0.001

13	Sports & Youth Services Department					
	Turnover	20.84	5	0	0	0
	Percentage of Turnover to GSDP of Odisha	0.005	0.001	0.000	0.000	0.000
14	Micro, Small & Medium Enterprise					
	Turnover	3.71	6.68	6.68	1.95	1.50
	Percentage of Turnover to GSDP of Odisha	0.001	0.001	0.001	0.000	0.000

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-5
(As referred to in Para No.1.2.2.2)
SPSE-wise coverage of long term loans with total assets

Sl.No.	Name of SPSE	Long term Loan	Assets	Asset Coverage Ratio
		(₹ in crore)		
Government Companies				
1	The Odisha Agro Industries Corporation Limited(OAIC)	2.82	792.62	28,107.09
2	Odisha State Seeds Corporation Limited(OSSC)	1.98	302.21	15,263.13
3	The Industrial Development Corporation of Odisha Limited (IDCOL)	251.74	344.27	136.76
4	Odisha Mineral Exploration Corporation Limited (OMECL)	13.07	55.36	423.57
5	GRIDCO Limited	5,223.65	5,549.20	106.23
6	Odisha Hydro Power Corporation Limited (OHPC)	926.06	4,294.94	463.79
7	Odisha Power Generation Corporation Limited (OPGC)	6,518.00	11,590.22	177.82
8	Odisha Power Transmission Corporation Limited (OPTCL)	1,740.97	9,321.96	535.45
9	Odisha Coal and Power Limited (OCPL)	1,117.76	2,094.32	187.37
Total		15,796.05	34,345.10	217.43
Statutory Corporations				
10	Odisha State Financial Corporation (OSFC)	106.03	600.18	566.05
11	Odisha State Road Transport Corporation (OSRTC)	1.30	529.68	40,744.62
Total		107.33	1,129.86	1,052.70

Appendix-6
(As referred to in Para No. 1.3.2)
Loss incurred by 11 SPSEs during 2020-21 and 2021-22

(₹ in crore)

Sl. No.	Name of SPSEs	Profit/Loss during 2021-22	Profit/Loss during 2020-21
1	Odisha Mineral Bearing Areas Development Corporation	-1,818.38	-1,818.38
2	Odisha Rail Infrastructure Development Limited	-2.36	0.29
3	IDCOL Ferro Chrome & Alloys Limited	-1.15	-22.76
4	IDCOL Kalinga Iron Works Limited	-37.64	-3.45
5	Odisha Mineral Exploration Corporation Limited	-7.22	-2.31
6	Odisha Tourism Development Corporation Limited	-1.83	3.40
7	GRIDCO Limited	-440.18	-1,382.35
8	Odisha Power Generation Corporation Limited	-102.83	-190.51
9	Odisha State Financial Corporation	-0.92	-2.35
10	Odisha State Road Transport Corporation	-10.59	3.54
11	GEDCOL SAIL Power Corporation Limited	-0.02	0.02
Total		-2,423.12	-3,414.86

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-7
(As referred to in Para No.1.3.3)
List of SPSEs having negative Net Worth as on 31 March 2022

(₹ in crore)

Sl. No.	Name of the Company	Net Worth	Paid-up capital	Net Profit after tax
1	Odisha Forest Development Corporation Limited	-42.63	5.00	20.04
2	The Industrial Development Corporation of Odisha Limited	-1.72	57.12	9.53
3	IDCOL Kalinga Iron Works Limited	-38.28	150.10	-37.64
4	Odisha Mineral Exploration Corporation Limited	-13.05	0.43	-7.22
5	Odisha State Financial Corporation	-48.97	419.54	-0.92
6	GRIDCO Limited	-5,094.96	2,791.22	-440.18
7	IDCOL Ferro Chrome and Alloys Limited	-15.08	18.81	-1.15
8	Kalinga Studios Limited	-1.68	1.75	0.01

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Note: Though 08 SPSEs have negative net worth as on March 2022, 03 SPSEs at Sl. No 1, 2 and 8 have earned profits during the year 2021-22.

Appendix-8
(As referred to in Para No.1.3.4)
Shortfall in dividend by Government Companies

(₹ in crore)

Sl. No.	Name of the Company	State Government equity	Net Profit after tax	Dividend on equity shares	Dividend 30% on State Government equity	Dividend 30% on profit after tax	Minimum Dividend required to be declared	Shortfall
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	1.10	0.03	0.01	0.33	0.01	0.33	0.32
2	The Odisha Agro Industries Corporation Limited	38.44	6.90	1.00	11.53	2.07	11.53	10.53
3	Odisha Forest Development Corporation Limited	5.00	20.04	3.01	1.50	6.01	6.01	3.00
4	Orissa Bridge and Construction Corporation Limited	20.00	5.48	1.64	6.00	1.64	6.00	4.36
5	Odisha Hydro Power Corporation Limited	833.19	180.64	30.00	249.96	54.19	249.96	219.96
6	Odisha State Seeds Corporation Limited	2.11	2.84	0.29	0.63	0.85	0.85	0.56
7	Odisha Mining Corporation Limited	31.45	2,731.72	500.00	9.44	819.52	819.52	319.52

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-9
(As referred to in Para No. 1.4)
Value of Production, Total Assets and Capital Employed of SPSEs

(₹ in crore)

Sl. No.	PSU	2021-22			2020-21			2019-20		
		Value of production	Total Assets	Capital employed	Value of production	Total Assets	Capital employed	Value of production	Total Assets	Capital employed
1	Odisha Hydro Power Corporation Limited	451.41	4,294.94	3,087.01	505.91	4,055.53	2,944.06	470.13	3,873.57	2,805.3
2	Odisha State Cashew Development Corporation Limited	6.8	106.39	48.97	9.06	102.58	48.07	7.71	102.58	48.07
3	The Odisha Agro Industries Corporation Limited	42.60	792.62	113.86	55.18	666.55	112.75	37.1	580.82	85.51
4	Odisha Power Generation Corporation Limited	3,046.66	11,590.22	9,350.91	2,624.15	11,251.47	9,787.21	1,856.83	10,699.68	9,946.28
5	Green Energy Development Corporation of Odisha Limited	4.35	286.05	78.84	6.93	286.05	78.84	7.5	330.32	73.47
6	Odisha State Seeds Corporation Limited	159.79	302.21	14.40	165.35	238.09	19.3	145.27	278.34	11.45
7	The Odisha Mining Corporation Limited	3,073.83	13,186.53	8,808.05	1,216.84	8,139.96	6,576.64	1,148.59	6,961.35	5,992.54
8	The Industrial Development Corporation of Odisha Limited	200.98	344.27	250.02	80.96	356.55	228.89	56.7	334.73	217.62
9	IDCOL Ferro Chrome & Alloys Limited	1.15	70.46	-15.08	0.47	80.55	5.99	0.42	106.91	28.75
10	Kalinga Studios Limited	0	6.05	-1.68	-0.19	6.05	-1.68	0.01	6.05	-1.68
11	Odisha Tourism Development Corporation Limited	7.82	444.15	39.05	8.8	444.15	39.05	7.59	345.39	40.88
12	Odisha Forest Development Corporation Limited	0	904.91	-42.63	45.97	904.91	-42.63	50.24	820.59	-52.14
13	Odisha Coal and Power Limited	464.13	1,288.44	1,689.56	151.11	1,721.44	1,494.75	75.01	1,665.56	1,288.44

Sl. No.	PSU	2021-22			2020-21			2019-20		
		Value of production	Total Assets	Capital employed	Value of production	Total Assets	Capital employed	Value of production	Total Assets	Capital employed
14	Odisha Bridge and Construction Corporation Limited	10.49	903.91	39.39	97.11	903.91	39.39	0	194.77	35.96
15	Odisha Construction Corporation Limited	600	1,549.97	179.88	399.44	1,549.97	179.88	471.62	1,549.97	179.88
Total		8,070.01	36,071.12	23,640.55	5,367.09	30,707.76	21,510.51	4,334.72	27,850.63	20,700.33

(Source: Compiled on the basis of latest finalised accounts of SPSEs and information furnished by SPSEs)

Appendix-10
(As referred to in Para No. 1.4.1)
Return on Capital Employed of SPSEs

(₹ in crore)

Sl. No.	SPSE	2021-22			2020-21			2019-20		
		EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	0.1	2.27	4.41	0.22	2.25	9.78	0.21	2.19	9.59
2	The Odisha Agro Industries Corporation Limited	11.39	113.86	10.00	26.12	112.75	23.17	20.31	85.51	23.75
3	Odisha State Cashew Development Corporation Limited	4.02	48.97	8.21	9.01	48.07	18.74	9.01	48.07	18.74
4	Odisha Forest Development Corporation Limited	28.41	-42.63	-66.64	26.16	-52.14	-50.17	36.74	-58.97	-62.30
5	Odisha State Seeds Corporation Limited	3.18	14.40	22.08	6.13	19.30	31.76	0.52	11.45	4.54
6	The Industrial Promotion and Investment Corporation of Odisha Limited	12.05	125.55	9.60	10.69	115.82	9.23	10.09	112.79	8.95
7	The Industrial Development Corporation of Odisha Limited	21.56	250.02	8.62	19.23	228.89	8.40	9.62	217.62	4.42
8	Odisha Construction Corporation Limited.	76.31	179.88	42.42	77.40	149.39	51.81	77.40	149.39	51.81
9	Orissa Bridge and Construction Corporation Limited	7.61	39.39	19.32	7.53	35.96	20.94	7.94	34.63	22.93
10	The Odisha State Police Housing and Welfare Corporation Limited	28.12	152.32	18.46	26.82	137.65	19.48	26.30	123.62	21.27
11	Odisha Mineral Bearing Areas Development Corporation	-1,818.38	0.01	-1,81,83,800.00	-1,818.38	0.01	-1,81,83,800.00	427.20	427.21	100.00
12	Water Corporation of Odisha Limited	0.02	0.54	3.70	-0.25	0.41	-60.98	-0.25	0.41	-60.98
13	Odisha Rail Infrastructure Development Limited	-2.36	52.38	-4.51	0.51	54.74	0.93	2.35	54.45	4.32
14	IDCOL Ferro Chrome & Alloys Limited	-1.15	-15.08	-7.63	-21.35	5.99	-356.43	-6.97	28.75	-24.24
15	IDCOL Kalinga Iron Works Limited	-37.64	-38.28	-98.33	-3.45	-16.17	-21.34	-4.70	-12.72	-36.95
16	The Odisha Mining Corporation Limited	3,897.66	8,808.05	44.25	2,409.43	6,576.64	36.64	1,137.63	5,992.54	18.98

Sl. No.	SPSE	2021-22			2020-21			2019-20		
		EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)	EBIT	Capital Employed	ROCE (in %)
17	Odisha State Beverages Corporation Limited	33.02	343.94	9.60	33.02	330.64	9.99	46.52	320.11	14.53
18	Odisha Mineral Exploration Corporation Limited	-6.67	0.02	-33,350.00	-2.21	-1.88	-117.55	-1.60	0.43	-372.09
19	IDCOL Software Limited	1.41	4.19	33.65	0.42	3.14	13.38	0.26	2.80	9.29
20	Odisha Tourism Development Corporation Limited	11.88	39.05	30.42	19.68	40.88	48.14	18.09	37.48	48.27
21	Odisha State Medical Corporation Limited	3.43	70.33	4.88	14.28	68.28	20.91	12.95	58.37	22.19
22	Odisha Sports Development and Promotion Company	1.86	22.43	8.29	1.50	20.56	7.30	1.13	19.06	5.93
23	Odisha State Financial Corporation	-0.45	57.06	-0.79	-1.59	50.12	-3.17	5.73	52.01	11.02
24	Odisha State Road Transport Corporation	-10.59	170.4	-6.21	1.97	139.17	1.42	1.97	139.17	1.42
25	GRIDCO Limited	205.49	128.69	159.68	-951.19	-1,176.02	-80.88	216.32	-479.28	-45.13
26	Odisha Hydro Power Corporation Limited	277.95	3,087.01	9.00	317.78	2,944.06	10.79	300.61	2,805.30	10.72
27	Odisha Power Generation Corporation Limited	650.86	9,350.91	6.96	602.02	9,787.21	6.15	272.29	9,946.28	2.74
28	Odisha Power Transmission Corporation Limited	212.24	3,759.64	5.65	-8.82	1,709.62	-0.52	112.11	1,568.78	7.15
29	Green Energy Development Corporation of Odisha Limited	10.52	78.84	13.34	10.52	78.84	13.34	14.66	73.47	19.95
30	Odisha Coal and Power Limited	299.32	1,689.56	17.72	85.46	1,494.75	5.72	-0.34	992.39	-0.03
31	GEDCOL SAIL Power Corporation Limited	-0.02	10.06	-0.20	0.02	0.04	50.00	0.26	10.02	2.59
32	Kalinga Studios Limited	0.01	-1.68	-0.60	-0.24	-0.93	-25.81	0	-0.72	0
Total		3,921.16	28,502.10	13.76	898.44	22,908.04	3.92	2,754.36	22,762.61	12.10

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-11
(As referred to in Para No. 1.4.2)
Return on Equity of SPSEs

(₹ in crore)

Sl. No.	SPSE	2021-22			2020-21			2019-20		
		Equity	Net Profit After Tax and Preference Dividend	ROE (in %)	Equity	Net Profit After Tax and Preference Dividend	ROE (in %)	Equity	Net Profit After Tax and Preference Dividend	ROE (in %)
1	The Agricultural Promotion and Investment Corporation of Odisha Limited	2.27	0.03	1.32	2.25	0.09	4.00	2.19	0.07	3.20
2	The Odisha Agro Industries Corporation Limited	111.04	6.9	6.21	110.14	16.55	15.03	85.51	12.80	14.97
3	Odisha State Cashew Development Corporation Limited	48.97	1.46	2.98	48.07	7.97	16.58	48.07	7.97	16.58
4	Odisha Forest Development Corporation Limited	-42.63	20.04	-47.01	-52.14	10.54	-20.21	-58.97	15.28	-25.91
5	Odisha State Seeds Corporation Limited	12.42	2.84	22.87	3.58	6.02	168.16	-2.44	0.24	-9.84
6	The Industrial Promotion and Investment Corporation of Odisha Limited	125.55	9.73	7.75	115.82	8.56	7.39	112.79	6.19	5.49
7	The Industrial Development Corporation of Odisha Limited	-1.72	9.53	-554.07	-11.61	2.46	-21.19	-13.71	-7.26	-52.95
8	Odisha Construction Corporation Limited.	179.88	49.03	27.26	149.39	50.13	33.56	149.39	50.13	33.56
9	Orissa Bridge and Construction Corporation Limited	39.39	5.48	13.91	35.96	5.43	15.10	34.63	5.73	16.55
10	The Odisha State Police Housing and Welfare Corporation Limited	152.32	20.95	13.75	137.65	20.06	14.57	123.62	17.08	13.82
11	Odisha Mineral Bearing Areas Development Corporation	0.01	-1,818.38	-1,81,83,800.00	0.01	-1,818.38	-1,81,83,800.00	427.21	427.20	100.00

Sl. No.	SPSE	2021-22			2020-21			2019-20		
		Equity	Net Profit After Tax and Preference Dividend	ROE (in %)	Equity	Net Profit After Tax and Preference Dividend	ROE (in %)	Equity	Net Profit After Tax and Preference Dividend	ROE (in %)
12	Water Corporation of Odisha Limited	0.52	0.02	3.85	0.41	-0.25	-60.98	0.41	-0.25	-60.98
13	Odisha Rail Infrastructure Development Limited	52.38	-2.36	-4.51	54.74	0.29	0.53	54.45	1.67	3.07
14	IDCOL Ferro Chrome & Alloys Limited	-15.08	-1.15	-7.63	5.99	-22.76	-379.97	28.75	-8.43	-29.32
15	IDCOL Kalinga Iron Works Limited	-38.28	-37.64	-98.33	-16.17	-3.45	-21.34	-12.72	-4.7	-36.95
16	The Odisha Mining Corporation Limited	8,808.05	2,731.72	31.01	6,576.64	1,586.27	24.12	5,992.54	728.72	12.16
17	Odisha State Beverages Corporation Limited	343.94	20.88	6.07	330.64	20.88	6.32	320.11	29.99	9.37
18	Odisha Mineral Exploration Corporation Limited	-13.05	-7.22	-55.33	-1.88	-2.31	-122.87	0.43	0	0.00
19	IDCOL Software Limited	4.19	1.06	25.30	3.14	0.34	10.83	2.80	0.19	6.79
20	Odisha Tourism Development Corporation Limited	39.05	-1.83	-4.69	40.88	3.40	8.32	37.48	3.47	9.26
21	Odisha State Medical Corporation Limited	70.33	2.09	2.97	68.28	9.78	14.32	58.37	9.10	15.59
22	Odisha Sports Development and Promotion Company	22.43	1.86	8.29	20.56	1.50	7.30	19.06	1.13	5.93
23	Odisha State Financial Corporation	-48.97	-0.92	-1.88	-48.49	-2.35	-4.85	-46.60	5.26	-11.29
24	Odisha State Road Transport Corporation	169.10	-10.59	-6.26	137.87	3.54	2.57	137.87	3.54	2.57
25	GRIDCO Limited	-5,094.96	-440.18	-8.64	-6,869.29	-1,382.35	-20.12	-4,134.80	-281.05	-6.80
26	Odisha Hydro Power Corporation Limited	2,160.95	180.64	8.36	1,987.77	158.06	7.95	1,818.78	144.39	7.94
27	Odisha Power Generation Corporation Limited	2,832.91	-102.83	-3.63	2,731.27	-190.51	-6.98	3,063.45	171.48	5.60
28	Odisha Power Transmission Corporation Limited	2,018.67	61.97	3.07	888.50	-144.37	-16.25	969.70	37.71	3.89

Sl. No.	SPSE	2021-22			2020-21			2019-20		
		Equity	Net Profit After Tax and Preference Dividend	ROE (in %)	Equity	Net Profit After Tax and Preference Dividend	ROE (in %)	Equity	Net Profit After Tax and Preference Dividend	ROE (in %)
29	Green Energy Development Corporation of Odisha Limited	78.84	5.35	6.79	78.84	5.35	6.79	73.47	6.11	8.32
30	Odisha Coal and Power Limited	571.80	158.27	27.68	373.58	-1.46	-0.39	291.03	-2.81	-0.97
31	GEDCOL SAIL Power Corporation Limited	10.06	0.02	0.20	10.07	0.02	0.20	10.02	0.25	2.50
32	Kalinga Studios Limited	-1.68	0.01	-0.60	1.75	-0.24	-13.71	1.75	0	0
Total		12,598.70	866.78	6.88	6,914.22	-1,651.19	-23.88	9,594.64	1,381.20	14.40

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-12
(Referred to in Para No. 1.4.3)
Rate of Real Return in respect of 27 SPSEs

(₹ in crore)

Financial year	Present value of total investment of State Government at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loan given by the State Government during the year	Interest free loan converted into Equity during the year	Grants/subsidies given by State Government for operational and administration expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year	Total investment at the end of the year	Average rate of interest	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year	RORR (in %)
A	B	C	D	E	F	G	H=C+D-E+F-G	I=B+H	J	K=I*(1+J/100)	L=I*J/100	M	N=M*100/K
2002-03	5,936.81	5.45	10.96	0	35.64	0	52.05	5,988.86	10.71	6,630.27	641.41	-43.45	-0.66
2003-04	6,630.27	0	1.21	0	24.98	0	26.19	6,656.46	9.51	7,289.49	633.03	-483.53	-6.63
2004-05	7,289.49	0.76	0	0	12.54	0	13.3	7,302.79	9.51	7,997.28	694.49	664.33	8.31
2005-06	7,997.28	-60	0	0	2.16	0	-57.84	7,939.44	9.92	8,727.03	787.59	797.93	9.14
2006-07	8,727.03	60	0	0	2.98	0	62.98	8,790.01	8.18	9,509.03	719.02	418.63	4.40
2007-08	9,509.03	280.98	0	0	11.05	0	292.03	9,801.06	8.13	10,597.89	796.83	1,264.01	11.93
2008-09	10,597.89	54.23	0	0	11.98	0	66.21	10,664.10	7.44	11,457.51	793.41	1,025.91	8.95
2009-10	11,457.51	11.31	0	0	12	0	23.31	11,480.82	7.63	12,356.81	875.99	2,216.13	17.93
2010-11	12,356.81	72.94	0	0	5.35	0	78.29	12,435.10	7.39	13,354.05	918.95	1,163.48	8.71
2011-12	13,354.05	43	0	0	11.01	0	54.01	13,408.06	6.09	14,224.61	816.55	1,329.85	9.35
2012-13	14,224.61	197.45	0	0	40.23	0	237.68	14,462.29	6.54	15,408.12	945.83	926.56	6.01
2013-14	15,408.12	0	0	0	7.13	0	7.13	15,415.25	6.56	16,426.49	1,011.24	1,904.71	11.60
2014-15	16,426.49	81.99	0	0	272.2	0	354.19	16,780.68	5.9	17,770.74	990.06	1,200.69	6.76
2015-16	17,770.74	366.86	0	766.2	995.36	0	596.02	18,366.76	6.06	19,479.79	1,113.03	1,918.66	9.85
2016-17	19,479.79	294.75	0	0	94.64	0	389.39	19,869.18	7.62	21,383.21	1,514.03	1,529.78	7.15
2017-18	21,383.21	737.74	0	0	774.68	0	1,512.42	22,895.63	7.58	24,631.12	1,735.49	-336.13	-1.36
2018-19	24,631.12	164.94	0	0	192.68	0	357.62	24,988.74	7.74	26,922.87	1,934.13	842.1	3.13
2019-20	26,922.87	475.17	0	0	134.34	0	609.51	27,532.38	7.09	29,484.43	1,952.05	1,347.47	4.57
2020-21	29,484.43	112.15	0	0	80.1	0	192.25	29,676.68	7.04	31,765.92	2,089.24	-1,652.76	-5.20
2021-22	31,765.92	3,521.42	0	0	247.86	0	3,769.28	35,535.20	7.09	38,054.65	2,519.45	711.22	1.87

(Sources: Compiled on the basis of latest finalised accounts of SPSEs and information provided by the SPSEs)

Appendix-13
(Referred to in Para No. 1.9.1.2)
List of SPSEs where Comment by CAG issued

Sl. No.	Name of the Company	Government Company(GC)/ Government Controlled Other Company(GCC)
1	GRIDCO Limited	GC
2	Industrial Development Corporation of Odisha Limited	GC
3	Industrial Promotion and Investment Corporation of Odisha Limited	GC
4	Odisha Hydro Power Corporation Limited	GC
5	Odisha Forest Development Corporation Limited	GC
6	Odisha Power Transmission Corporation Limited	GC
7	Odisha State Warehousing Corporation	GC
8	Odisha State Beverages Corporation Limited	GC
9	Odisha State Medical Corporation Limited	GC
10	Odisha State Civil Supplies Corporation Limited	GC
11	Odisha Pisciculture Development Corporation Limited	GC
12	Odisha Agro Industries Corporation Limited	GC
13	Odisha Construction Corporation Limited	GC
14	Odisha Lift Irrigation Corporation Limited	GC
15	Odisha State Road Transport Corporation	GC
16	Bhubaneswar Smart City Limited	GCC
17	Rourkela Smart City Limited	GCC
18	Odisha Bridge and Construction Corporation Limited	GC
19	Water Corporation of Odisha Limited	GC
20	Odisha Film Development Corporation Limited	GC
21	Odisha Mining Corporation Limited	GC

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-14
(Referred to in Para No.1.11)
Details of Companies where there was non-compliance with Accounting Standards/Ind AS
as reported by the Statutory Auditors

Sl. No.	Name of the Company	Government Company(GC) or Government Controlled Other Company (GCC)	Number of Accounting Standard (AS)/ IND AS
1	The Odisha Small Industries Corporation Limited	GC	AS-20, AS-15, AS-17, AS-19
2	Odisha State Seeds Corporation Limited	GC	AS-2, AS-3, AS-15
3	GRIDCO Limited	GC	Ind AS 109
4	Odisha Bridge and Construction Corporation Limited	GC	AS-02 & AS-15
5	Baitarani West Coal Company Limited	GC	AS-33
6	Odisha State Civil Supplies Corporation Limited	GC	AS-1,2,3,4,5,6,9,10,12, 22, 28 & 29
7	The Agricultural Promotion and Investment Corporation of Odisha Limited	GC	AS-12
8	Industrial Development Corporation of Odisha Limited	GC	AS-9, AS-28
9	Odisha Construction Corporation Limited	GC	AS-1, AS-17, AS-22
10	The Odisha Agro Industries Corporation Limited	GC	AS-17, AS-5
11	IDCOL Kalinga Iron Works Limited	GC	AS-28

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-15
(Referred to in Para No. 1.12)
List of SPSEs where Management Letters issued by CAG

Sl. No.	Name of the Company
1	Odisha Agro Industries Corporation Limited
2	Odisha Bridge and Construction Corporation Limited
3	Odisha Hydro Power Corporation Limited
4	GRIDCO Limited
5	Odisha Mineral Exploration Corporation Limited
6	Agricultural Promotion and Investment Corporation of Odisha Limited
7	Odisha State Beverages Corporation Limited
8	IDCOL Kalinga Iron works Limited
9	Brahmani Railways Limited
10	Industrial Promotion and Investment Corporation of Odisha Limited
11	Paradeep Plastic Park Limited
12	Kalinga Studios Limited
13	Odisha Electronics Park Limited
14	IDCO SEZ Development Limited
15	Odisha State Civil Supplies Corporation Limited
16	Odisha Pisciculture Development Corporation Limited
17	Odisha Sports Development and Promotion Company
18	Odisha Construction Corporation Limited
19	Baitarani West Coal Corporation Limited
20	Odisha Power Transmission Corporation Limited
21	Odisha Hydro Power Corporation Limited
22	Odisha Film Development Corporation Limited
23	Odisha Tourism Development Corporation Limited
24	Shamuka Tourism Development Corporation Limited
25	Odisha State Police Housing and Welfare Corporation Limited
26	Odisha State Seeds Corporation Limited

(Source: Compiled on the basis of latest finalised accounts of SPSEs)

Appendix-16
(Referred to in Para No. 2.5.3)
Financial performance of GRIDCO Limited for the five year ending 31
March 2022

(₹ in crore)

Particular/year	2017-18	2018-19	2019-20	2020-21	2021-22
Income	7,851.22	7,975.00	7,581.45	8,604.66	10,165.41
Expenditure	8,048.72	8,256.04	8,933.59	10,117.49	10,661.80
Profit/(Loss)	(197.50)	(281.05)	(1,352.14)	(1,382.35)	(440.18)
Percentage of income to expenditure	97.55%	96.60%	84.86%	85.05%	95.34%
Accumulated loss up to the year	(4,430.46)	(4,711.51)	(6,063.65)	(7,446.00)	(7,886.18)
Share Capital	576.71	576.71	576.71	576.71	2,791.22
Net worth (Share capital + Accumulated profit(Loss))	(3,853.75)	(4,134.80)	(5,486.94)	(6,869.29)	(5,094.96)

(Source: Information provided by GRIDCO Limited)

Appendix-17
(Referred to in Para No. 2.6.5)
Financial position and working results of

Industrial Development Corporation of Odisha Limited (IDCOL)
Balance Sheet

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Equity and Liabilities					
Share Capital	57.12	57.12	57.12	57.12	107.12
Reserves and Surpluses	(63.57)	(70.83)	(68.37)	(58.84)	(623.38)
Non- current Liabilities	269.51	262.42	277.17	316.25	920.55
Current Liabilities	84.17	86.02	90.63	106.60	30.56
Total	347.23	334.73	356.55	421.13	434.85
Assets					
Property, Plant and Equipments	30.54	42.99	39.96	20.00	18.45
Non- current investments	173.64	173.76	173.76	170.73	170.79
Other Non-current Assets	104.58	69.29	82.36	78.77	102.68
Current Assets	38.47	48.69	60.47	151.63	142.93
Total	347.23	334.73	356.55	421.13	434.85

(Source: Annual Accounts and Annual Reports of IDCOL)

Statement of Profit and Loss

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Income					
Revenue from Operations	41.16	80.00	82.49	119.20	204.57
Other Income	0.41	0.96	0.38	3.32	4.65
Total Income	41.57	80.96	82.87	122.52	209.22
Expenditure					
Cost of Materials Consumed	-	--	7.30	-	-
Changes in inventories of Finished Goods	-	--	(8.69)	(6.49)	(1.71)
Employee Benefit Expenses	8.95	7.05	18.43	22.62	16.17
Finance Cost	9.41	17.16	16.92	14.12	13.22
Depreciation & Amortisation	1.61	3.39	3.39	20.42	2.97
Other Expenses	5.27	10.43	36.27	44.40	116.84
Total Expenses	25.24	38.03	73.62	95.07	147.49
Profit/ Loss before exceptional items	16.33	42.93	9.25	27.45	61.73
Less: Exceptional items	105.54	50.47	6.95	20.00	625.13
Profit / (Loss) before Tax	(89.21)	(7.54)	2.30	7.45	(563.40)
Less: Tax Expenses	0.33	(0.29)	(0.16)	(2.08)	1.14
Profit / (Loss) after Tax	(89.54)	(7.25)	2.46	9.53	(564.54)

(Source: Annual Accounts and Annual Reports of IDCOL)

IDCOL Ferrochrome and Alloys Limited (IFCAL)
Balance Sheet

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Equity and Liabilities					
Share Capital	18.81	18.81	18.81	18.81	18.81
Reserves and Surpluses	21.37	20.70	(2.07)	(31.94)	(33.89)
Non- current Liabilities	24.72	23.67	23.36	34.76	52.21
Current Liabilities	42.01	44.98	40.45	33.35	33.32
Total	106.91	108.16	80.55	54.98	70.45
Assets					
Property Plants and Equipments	15.96	14.54	13.01	12.65	11.90
Non- current investments	0.00	0.00	0.00	0.00	0.00
Non-current Assets	9.56	9.93	10.09	10.01	10.26
Current Assets	81.39	83.69	57.45	32.32	48.29
Total	106.91	108.16	80.55	54.98	70.45

(Source: Annual Accounts and Annual Reports of IFCAL)

Statement of Profit and Loss

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Income					
Revenue from Operations	142.81	81.86	42.55	47.45	108.37
Other Income	2.24	3.42	1.46	1.21	2.51
Total Income	145.05	85.28	44.01	48.66	110.88
Expenditure					
Cost of Materials Consumed	58.79	48.08	27.94	17.33	60.81
Changes in inventories of Finished Goods	(0.65)	(9.73)	(6.87)	15.98	(7.00)
Employee Benefit Expenses	16.98	13.11	14.15	21.25	13.10
Finance Cost	1.42	1.46	1.41	0.96	0.77
Depreciation & Amortisation	1.23	1.42	1.54	0.07	0.69
Other Expenses	72.11	39.37	28.13	17.40	43.33
Total Expenses	149.88	93.71	66.30	72.99	111.70
Profit/ Loss before exceptional items	(4.83)	(8.43)	(22.29)	(24.33)	(0.82)
Less: Exceptional items	0	0	0.47	0.02	0.33
Profit / (Loss) after Tax	(4.83)	(8.43)	(22.76)	(24.35)	(1.15)

(Source: Annual Accounts and Annual Reports of IFCAL)

IDCOL Kalinga Iron Works Limited (IKIWL)
Balance Sheet

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Equity and Liabilities					
Share Capital	150.10	150.10	150.10	150.10	150.10
Reserves and Surpluses	(158.12)	(162.82)	(166.27)	(150.74)	(188.38)
Non-current Liabilities	0.62	0.62	14.19	16.46	15.88
Current Liabilities	147.06	121.99	76.62	54.45	57.89
Total	139.66	109.89	74.64	70.27	35.49
Assets					
Property Plants and Equipments	44.29	41.26	37.68	33.63	22.31
Non-current Investments	0.00	0.00	0.00	0.00	0.00
Non-current Assets	9.15	9.02	8.22	8.73	0.00
Current Assets	86.22	59.61	28.74	27.91	13.18
Total	139.66	109.89	74.64	70.27	35.49

(Source: Annual Accounts and Annual Reports of IKIWL)

Statement of Profit and Loss

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Income					
Revenue from Operations	81.34	128.78	17.51	4.50	-
Other Income	3.26	4.97	4.97	4.63	0.59
Total Income	84.60	133.75	22.48	9.13	0.59
Expenditure					
Changes in inventories of Finished Goods	(2.03)	(10.05)	18.33	1.62	1.58
Employee Benefit Expenses	5.41	6.46	3.88	6.84	6.07
Finance Cost					
Depreciation and Amortisation	3.16	3.02	3.03	3.90	2.08
Other Expenses	84.76	139.56	1.00	1.25	1.76
Total Expenses	91.30	138.99	26.24	13.61	11.49
Profit/ Loss before exceptional items	(6.70)	(5.24)	(3.76)	(4.48)	(10.90)
Less: Exceptional items	7.65	(0.54)	(0.31)	(20.00)	26.74
Profit / (Loss) after Tax	(14.35)	(4.70)	(3.45)	15.52	(37.64)

(Source: Annual Accounts and Annual Reports of IKIWL)

Appendix-18
(Referred to in Para No. 2.7.4)
Financial position and working results of ORHDC for the five year
ending 31 March 2022

Working Results

(₹ in crore)

Particulars/ Financial Year	2017-18 (Provisional)	2018-19 (Provisional)	2019-20 (Provisional)	2020-21 (Provisional)	2021-22 (Provisional)
Interest from housing loan	0.71	0.73	0.55	0.23	N.A.
Other income	0.02	0.03	0.04	0.04	N.A.
Total Revenue	0.73	0.76	0.59	0.27	N.A.
Employee benefit expenses	1.05	1.28	1.20	1.18	N.A.
Finance cost	38.29	38.29	38.29	38.29	N.A.
Other expenses	0.21	0.22	0.20	0.18	N.A.
Total Expenses	39.55	39.79	39.69	39.65	N.A.
Loss for the year	(38.82)	(39.03)	(39.10)	(39.38)	N.A.

Financial Positions

(₹ in crore)

Particulars/ Financial Year	2017-18 (Provisional)	2018-19 (Provisional)	2019-20 (Provisional)	2020-21 (Provisional)	2021-22 (Provisional)
Equity and liabilities					
Share capital	48.16	48.16	48.16	48.16	N.A.
Accumulated loss	(426.23)	(465.27)	(504.38)	(543.76)	N.A.
Special Reserves	2.18	2.18	2.18	2.18	N.A.
Long term borrowings	813.64	851.93	890.23	928.52	N.A.
Other current liabilities	11.67	11.68	11.69	11.69	N.A.
Short term provisions	22.97	22.97	22.97	22.97	N.A.
Total equity and liabilities	472.39	471.65	470.85	469.76	N.A.
Assets					
Tangible assets	0.28	0.26	0.24	0.23	N.A.
Non-current investments	1.18	1.18	1.18	1.18	N.A.
Housing Loans and advance to building centre	464.14	462.80	462.18	461.31	N.A.
Cash and bank balance	1.60	2.21	2.05	1.84	N.A.
Short term loans and advance	5.19	5.20	5.20	5.20	N.A.
Total Assets	472.39	471.65	470.85	469.76	N.A.

(Source: Information provided by ORHDC)

Appendix-19

(Referred to in Para No. 4.9)

Calculation of loss of revenue, due to wrong fixation of floor price, for the sale of chrome ore, by the Odisha Mining Corporation

Comparative calculation of floor price of May 2020 e-auction					
Grade of chrome (Percentage)	Floor price of chrome concentrate/MT (₹)	Calculation by OMC		Calculation by Audit	
		Percentage of recovery/100	Total (₹)	Percentage of recovery/100	Total (₹)
<i>i</i>	<i>ii</i>	<i>iii</i>	<i>iv = (ii x iii)</i>	<i>v</i>	<i>vi = (ii x v)</i>
50-52	7,371	0.1890	1,393.12	0.1890	1,393.12
48-50	6,804	0.0876	596.03	0.0876	596.03
46-48	6,521	0.0662	431.69	0.0662	431.69
38-40 & 42-44	5,954	0.0448	266.74	0.0802	477.51
Total		0.3876	2,687.58	0.4230	2,898.35
Conversion cost	1,766	0.4230	747.02	0.4230	747.02
Floor price per MT of sub-grade chrome ore			1940.56		2151.33
Difference per MT (₹)		<i>vii = (vi - iv)</i>			210.77
I. Quantity sold (MT)		<i>viii</i>			31,468.29
A. Loss of revenue (₹)		<i>ix = (vii x viii)</i>			66,32,571
Comparative calculation of floor price of August 2020 e-auction					
Grade of chrome (Percentage)	Floor price of chrome concentrate/MT (₹)	Calculation by OMC		Calculation by Audit	
		Percentage of recovery/100	Total (₹)	Percentage of recovery/100	Total (₹)
<i>i</i>	<i>ii</i>	<i>iii</i>	<i>iv = (ii x iii)</i>	<i>v</i>	<i>vi = (ii x v)</i>
50-52	8,029	0.1890	1,517.48	0.1890	1,517.48
48-50	7,412	0.0876	649.29	0.0876	649.29
46-48	7,103	0.0662	470.22	0.0662	470.22
38-40 & 42-44	6,485	0.0448	290.53	0.0802	520.10
Total		0.3876	2,927.52	0.4230	3,157.09
Conversion cost	1,766	0.4230	747.02	0.4230	747.02
Floor price per MT of sub-grade chrome ore			2,180.50		2,410.07
Difference per MT (₹)		<i>vii = (vi - iv)</i>			229.57
II. Quantity sold (MT)		<i>viii</i>			56,870.13
B. Loss of revenue (₹)		<i>ix = (vii x viii)</i>			1,30,55,676
Calculation of total loss of revenue from May 2020 and August 2020 e-auctions					
Total quantity		(I + II)			88,338.42
Total loss of revenue		(A + B)			1,96,88,247

Appendix-20
(Refer Paragraph No. 4.10)
Interest loss due to premature closure of Fixed Deposits

Opening Balance (Principal in ₹)	Yearly adjustment from GST Ledger	Balance principal after yearly adjustment	From Date	To Date	Days	Interest (Amount in ₹)
(1)	(2)	(3)= (1)-(2)	(4)	(5)	(6)= (5)-(4)	(8)= (3)*(6)*5.1%/365
22,48,47,218 ⁹⁶	0	22,48,47,218	04.12.2020	31.03.2021	118	37,07,207
22,48,47,218	3,90,00,000 ⁹⁷	18,58,47,218	01.04.2021	31.03.2022	365	94,78,208
18,58,47,218	3,90,00,000 ⁹⁸	14,68,47,218	01.04.2022	31.03.2023	365	74,89,208
14,68,47,218	3,90,00,000	10,78,47,218	01.04.2023	31.03.2024	365	55,00,208
10,78,47,218	3,90,00,000	6,88,47,218	01.04.2024	31.03.2025	365	35,11,208
6,88,47,218	3,90,00,000	2,98,47,218	01.04.2025	31.03.2026	365	15,22,208
2,98,47,218	3,90,00,000	-91,52,782	01.04.2026	31.03.2027	365	0
Total						3,12,08,247

⁹⁶ Refund of excess GST amount of ₹22,48,47,218

⁹⁷ GST return for the month of March 2022 adjusted ₹3.90 crore of ITC

⁹⁸ The GST liability of OPHWC is assumed as ₹3.90 crore for remaining periods

Glossary of Abbreviations

Glossary of Abbreviations

Sl. No.	Abbreviations	Description
1.	A&OE	Administrative and Office Expenditure
2.	ABD	Area Based Development
3.	AFD	French Development Agency
4.	AG	Accountant General
5.	ARR	Annual Revenue Requirement
6.	AVLS	Automatic Vehicle Location System
7.	BEL	M/s Bharat Electronics Limited
8.	BMC	Bhubaneswar Municipal Corporation
9.	BPL	Below Poverty Line
10.	BQSs	Bus Queue Shelters
11.	BSCL	Bhubaneswar Smart City Limited
12.	BUKC	Bhubaneswar Urban Knowledge Center
13.	C&AG	Comptroller and Auditor General
14.	CAGR	Compounded Annual Growth Rate
15.	CCD	Cabinet Sub-Committee on Disinvestment
16.	CEO	Chief Executive Officer
17.	CITIIS	City Investments to Innovate, Integrate and Sustain
18.	CLHS	Credit Linked Rural Housing Scheme
19.	COBP	Chrome Ore Beneficiation Plant
20.	CoPU	Committee on Public Undertakings
21.	CRUT	Capital Region Urban Transport
22.	CSS	Centrally Sponsored Scheme
23.	DISCOMs	Distribution Companies
24.	DoE	Department of Energy
25.	DPC	Duties, Powers and Conditions of Service
26.	DPR	Detailed Project Report
27.	DPS	Delayed Payment Surcharge
28.	EBIT	Earnings before interest and taxes
29.	ED	Electricity Duty
30.	EGIS	M/s Egis India Consulting Engineers Private Limited
31.	EPS	Electric Power Survey
32.	EWS	Economically Weaker Section
33.	FDP	Forest Diversion Plan
34.	FY	Financial Year
35.	GFC	Good-for-Construction
36.	GG	Government Guarantee
37.	GMIS	Geospatial Management Information System
38.	GoI	Government of India
39.	GoO	Government of Odisha
40.	GRIDCO	GRIDCO Limited
41.	GSDP	Gross State Domestic Product
42.	GSPCL	GEDCOL SAIL Power Corporation Limited
43.	GST	Goods and Services Tax
44.	H&UD	Housing and Urban Development Department
45.	HAIL	M/s Honeywell Automation India Limited
46.	HCFC	High Carbon Ferro Chrome
47.	HLLAC	High Level Land Allotment Committee
48.	HR	Human Resources

Sl. No.	Abbreviations	Description
49.	HYPL	Hero Youon Private Limited
50.	IAs	Industrial Areas
51.	IBM	Indian Bureau of Mines
52.	ICCC	Integrated Command and Control Centre
53.	ICR	Interest Coverage Ratio
54.	IDCG	Inter Department Core Group
55.	IDCO	Odisha Industrial Infrastructure Development Corporation
56.	IDCOL	Industrial Development Corporation of Odisha Limited
57.	IEs	Industrial Estates
58.	IFCAL	IDCOL Ferro Chrome and Alloys Limited
59.	IKIWL	IDCOL Kalinga Iron Works Limited
60.	IPRs	Industrial Policy Resolutions
61.	ITC	Input Tax Credit
62.	JV	Joint Venture
63.	KBUNL	M/s. Kanti Bijli Utpadan Nigam Limited
64.	KIOCL	Kudremukh Iron Ore Company Limited
65.	LTL	Long Term Linkage
66.	MCDR	Mineral Conservation Development Rules
67.	MD	Managing Director
68.	MECL	M/s Mineral Exploration Corporation Limited
69.	ML	Mining Lease
70.	MLCP	Multi Level Car Parking
71.	MoHUA	Ministry of Housing and Urban Affairs
72.	MoU	Memorandum of Understanding
73.	MSI	Master System Integrator
74.	MSME	Micro Small and Medium Enterprises
75.	MT	Metric Ton
76.	NBIC	M/s NOCCI Balasore Infrastructure Company
77.	NEP	National Electricity Policy
78.	NESCO	North Eastern Electricity Supply Company of Odisha
79.	NPV	Net Present Value
80.	NTP	National Tariff Policy
81.	O&M	Operation and Maintenance
82.	OBUs	On-Board Bus Units
83.	OERC	Odisha Electricity Regulatory Commission
84.	OFDC	Odisha Forest Development Corporation
85.	OHPC	Odisha Hydro Power Corporation Limited
86.	OMC	Odisha Mining Corporation Limited
87.	OPHWC	Odisha State Police Housing and Welfare Corporation Limited
88.	OPTCL	Odisha Power Transmission Corporation Limited
89.	ORHDC	Odisha Rural Housing and Development Corporation Limited
90.	OSRTC	Odisha State Road Transport Corporation
91.	OTS	One Time Settlement
92.	PBS	Public Bicycle Sharing
93.	PCERC	Public & Co-operative Enterprise Restructuring Committee
94.	PGCs	Power Generating Companies
95.	PIC	Project Implementation Committee
96.	PMAY	Prime Minister Awas Yojana
97.	PMC	Project Management Consultant
98.	PPAs	Power Purchase Agreements
99.	PPPs	Public-Private Partnerships

Sl. No.	Abbreviations	Description
100.	PSAs	Power Sale Agreements
101.	PSUs	Public Sector Undertakings
102.	PV	Present Value
103.	RCP	Rate Contract Price
104.	RECs	Renewable Energy Certificates
105.	RFP	Request for Proposal
106.	RHEP	Rengali Hydro Electric Project
107.	RIL	Reliance Infrastructure Limited
108.	RMC	Rourkela Municipal Corporation
109.	ROCE	Return on Capital Employed
110.	ROE	Return on Equity
111.	ROR	Rate of Return
112.	RORR	Return of Real Return
113.	ROW	Right of Way
114.	RSCL	Rourkela Smart City Limited
115.	SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest
116.	SCAF	Smart City Advisory Forum
117.	SCB	Sales Committee of the OMC Board
118.	SCM	Smart Cities Mission
119.	SCP	Smart City Proposal
120.	SEC	Social Equity Centre
121.	SLA	Service Level Agreement
122.	SOP	Standard Operating Procedure
123.	SOUTHCO	Southern Electricity Supply Company of Odisha
124.	SPSEs	State Public Sector Enterprises
125.	SPVs	Special Purpose Vehicles
126.	TCPL	Toshali Cement Private Limited
127.	TOR	Terms of Reference
128.	TPCL	Tata Power Company Limited
129.	UC	Utilisation Certificate
130.	UPSYCL	Uttar Pradesh State Yarn Company Limited
131.	WESCO	Western Electricity Supply Company of Odisha
132.	WP	Working Plan
133.	WPI	Wholesale Price Index
134.	WS	Working Scheme

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