



ODISHA STATE CIVIL SUPPLIES CORPORATION LTD.

C/2 NAYAPALLI, BHUBANESWAR-12

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To

The Commissioner-cum-Secretary to Government,
Food Supplies & Consumer Welfare Deptt.,
Bhubaneswar.

Sub: Excessive borrowing from the banks & higher interest burden on such bank loan availed for paddy procurement operation.

Sir,

Odisha State Civil Supplies Corporation has been procuring paddy from the farmers under DCP scheme of Govt. of India from KMS 2003-04. Over the years the procurement of paddy by the state has increased many folds. OSCSC is the major agency procuring more than 95% of the total paddy procured in the state and playing an important role in ensuring minimum support price to the farmers and arresting distress sale of paddy.

Since Govt. of Odisha has not extended any financial support to OSCSC on paddy procurement operation the entire working capital requirement for such operation is being funded through bank finance. Due to increase in procurement of paddy by OSCSC, the dependence on bank finance and bank borrowings have been increasing in last couple of years. The delay in release of subsidy by GOI has further burdened the financial health of the Corporation. OSCSC is to receive Rs.5282.25 Crores towards provisional subsidy upto Qtr ending Dec' 2019 & advance subsidy for quarter ending March'2020, from GOI. It may be highlighted that though as per MOU signed with Govt. of India advance subsidy is supposed to be released in the first month of the quarter, in fact no advance subsidy has been released by GOI in the financial year 2019-20 so far. The delay in release of subsidy by GOI and higher volume of procurement of paddy have consequential effect on the interest burden to Corporation. Since GOI has declined to reimburse the interest for delayed release of subsidy to OSCSC, the higher interest on bank finance remained unrecouped.

P.T.O

In the KMS 2018-19 OSCSC had procured 65.07 LMT of paddy equivalent to 44.16 LMT of CMR though the annual requirement of CMR under NFSA & OWS is around 22 LMT. The surplus CMR thus procured further necessitated higher bank borrowing to meet the working capital requirement on carry over stock. The cumulative effect of above issues is that the bank borrowings of OSCSC as on date has crossed Rs.13,000 Crores as on date as against Rs.7,611 Crores was outstanding loan at the end of the KMS 2017-18. The bank borrowings will increase further as kharif procurement of KMS 2019-20 is in progress, unless the subsidy of Rs.3,716 Crores receivable from GOI is released immediately. Further the interest on such huge bank borrowing availed will remain unrecouped. It is expected that the annual interest burden to OSCSC will be more than Rs.1000 Crores at the present level of the bank borrowing. OSCSC cannot absorb such high interest. There is immediate need of financial support from the state to OSCSC to continue mandate entrusted to OSCSC by the state.

This is submitted for kind information & appropriate direction.

Yours faithfully,

Ami
4.2.20

Managing Director