सत्यमेव जयते

Report of the Comptroller and Auditor General of India

for the year ended 31 March 2021

भारत के नियंत्रक एवं महालेखापरीक्षक ✦ COMPTROLLER & AUDITOR GENERAL OF INDIA

सत्यमेव जयते

SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Union Government (Commercial)
No. 33 of 2022
(Compliance Audit Observations)

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CONTENTS

PREFACE

1. The accounts of Government Companies set up under the provisions of the Companies Act (including Companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(6) of Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by CAG whose comments supplement the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by CAG.

2. The statutes governing some Corporations and Authorities require their accounts to be audited by CAG. In respect of five such Corporations viz., Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, Food Corporation of India and Damodar Valley Corporation, the relevant statutes designate CAG as their sole auditor. In respect of one Corporation viz., Central Warehousing Corporation, CAG has the right to conduct supplementary and test audit after audit has been conducted by the Chartered Accountants appointed under the statute governing the Corporation.

3. Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by CAG under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. The Audit Report for the year 31 March 2021 contains 26 individual audit observations relating to 23 CPSEs under control of seven Ministries/ Departments. These Ministries/ Departments have been further grouped in the Audit Report under three Clusters namely, Energy, Industry and Infrastructure. There are 15 audit observations under Energy Cluster, 7 under Industry Cluster and 4 under Infrastructure Cluster. Instances mentioned in this Report are among those which came to notice in the course of audit during 2020-21 as well as those which came to notice in earlier years. Results of Audit of transactions subsequent to March 2021 in a few cases have also been mentioned.

5. All references to 'Companies/ Corporations or CPSEs' in this Report may be construed to refer to 'Central Government Companies/ Corporations' unless the context suggests otherwise.

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

EXECUTIVE SUMMARY

I Introduction

1. This Report includes important Audit findings noticed as a result of test check of accounts and records of Central Government Companies and Corporations conducted by the officers of the Comptroller and Auditor General of India under Section 143 (6) of the Companies Act, 2013 or the statutes governing the particular Corporations.

2. The Report contains 26 individual observations relating to 23 Central Public Sector Enterprises (CPSEs) under seven Ministries/ Departments. These Ministries/ Departments have been further grouped in the Audit Report under three clusters namely, Energy, Industry and Infrastructure. There are 15 Audit observations under Energy Cluster, 7 under Industry Cluster and 4 under Infrastructure Cluster. The draft observations were forwarded to the Secretaries of the concerned Ministries/ Departments under whose administrative control the CPSEs are working to give them an opportunity to furnish their replies/ comments in each case within a period of six weeks. Replies to 12 observations were not received even as this Report was being finalised as indicated in para 3 below. Earlier, the draft observations were sent to the Managements of the CPSEs concerned, whose replies have been suitably incorporated in the report.

3. The paragraphs included in this Report relate to the CPSEs under the administrative control of the following Ministries/ Departments of the Government of India:

Sl. No.	Ministry/ Department (CPSEs involved)	Number of paragraphs	Number of paragraphs in respect of which Ministry/ Department's reply was awaited
Energy Cluster			
1.	Coal (NLC India Limited)	2	0
2.	Petroleum and Natural Gas (Chennai Petroleum Corporation Limited, GAIL (India) Limited, HPCL, HPCL Biofuels Limited, IOCL, Oil India Limited, ONGC and OVL)	9	6
3.	Power (Damodar Valley Corporation, Nabinagar Power Generating Company Limited, NHPC Limited and NTPC)	4	1
Industry Cluster			
4.	Finance - Department of Financial Services (General Insurance Corporation of India, National Insurance Corporation Limited, The New India Assurance Company Limited, The Oriental Insurance Company Limited and United India Assurance Company Limited)	4	2

Sl. No.	Ministry/ Department (CPSEs involved)	Number of paragraphs	Number of paragraphs in respect of which Ministry/ Department's reply was awaited
5.	Steel (MSTC Limited and Steel Authority of India Limited)	3	1
Infrastructure Cluster			
6.	Housing and Urban Affairs (Chennai Metro Rail Limited)	1	0
7.	Road Transport and Highways (National Highways Authority of India)	3	2
Total		**26**	**12**

4. Total financial implication of individual Audit observations is ₹4,068.64 crore.

5. Individual Audit observations in this Report are broadly of the following nature:

- Non-compliance with rules, directives, procedure, terms and conditions of the contract etc. involving ₹3,499.17 crore in 11 Audit paragraphs[1].
- Non-safeguarding of financial interest of organisations involving ₹71.09 crore in 5 Audit paragraphs[2].
- Defective/ deficient planning involving ₹296.73 crore in 7 Audit paragraphs[3].
- Inadequate/ deficient monitoring involving ₹201.65 crore in 3 Audit paragraphs[4].

6. The Report contains a Chapter on "Recoveries & corrections/ rectifications" by CPSEs at the instance of Audit. The Chapter contains two paragraphs viz., (a) recoveries/ savings of ₹209.90 crore made by 13 CPSEs at the instance of Audit, and (b) corrections/ rectifications carried out by one CPSE at the instance of Audit.

II Highlights of some of the significant paragraphs included in the Report are given below:

Department of Public Enterprises (DPE) issued (August 2017) guidelines which stated that the perks and allowances admissible to different categories of the Executives under 'Cafeteria Approach' would be subject to a maximum ceiling of 35 *per cent* of the basic pay. Audit observed that NLCIL approved non-monetary perquisite of Concessional Electricity over and above the common allowance of 35 *per cent* of the basic pay to the executives of NLCIL and its subsidiaries in contravention of DPE guidelines and the directions of Ministry of Coal. This resulted in irregular and recurring payment of perks in

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[1] ***Para no. 1.1, 1.2, 2.2, 2.3, 3.1, 3.3, 4.2, 4.3, 4.4, 7.1 and 7.3***
[2] ***Para no. 2.4, 2.8, 4.1, 5.1 and 6.1***
[3] ***Para no. 2.5, 2.6, 2.7, 2.9, 3.4, 5.2, and 7.2***
[4] ***Para no. 2.1, 3.2 and 5.3***

contravention of DPE guidelines to the extent of ₹17.22 crore to the executives of NLCIL and its subsidiaries.

(Para 1.1)

Bharat Petroleum Corporation Limited (Company) had taken a land on lease for establishment of Haldia Coastal Installation for storage and distribution of petroleum products from Syama Prasad Mookerjee Port (Port) for a period of 20 years and the same expired in February 2013. The Port rejected the Company's proposal (January 2013) for renewal of the lease due to non-payment of enhanced lease rent of ₹6.03 crore along with its interest of ₹1.81 crore. The Company took 21 months to convey (November 2017) its acceptance to the Port's offer (March 2016) for renewal of the above lease for 30 years at a payment of upfront premium of ₹36.71 crore. In the meantime, total upfront premium including tax towards renewal of above lease was increased to ₹53.64 crore due to upward revision of Schedule of Rent and introduction of the Goods and Service Tax. Thus, delay in acceptance of offer of the Port for renewal of lease by the Management resulted in in avoidable expenditure of ₹16.93 crore.

(Para 2.1)

Indian Oil Corporation Limited, ONGC Limited, GAIL (India) Limited and ONGC Videsh Limited extended undue benefit of ₹2,609.47 crore to its executives by paying running and maintenance expenses of vehicles over and above the limit prescribed under the guidelines of Department of Public Enterprises.

(Para 2.3)

Government of India notified (12 September 2019) a scheme, wherein the maximum admissible export quantity fixed for each sugar mill was determined and an amount of ₹10,448 per tonne fixed as assistance for expenses on export of sugar. Government of India determined maximum admissible export quantity of HPCL Biofuels Limited sugar mills at 13,266 tonnes. NCDEX e Market Limited was engaged by HPCL Biofuels Limited to carry out the work of vendor empanelment, verification of documents, collection of Earnest Money Deposit, finalisation of tender and online auction. Sri Venkateswara Global Trading Pvt Limited emerged as the H1 bidder and Export Sugar Sale Agreement was executed (30 December 2019).

The exporter lifted 13,266 tonnes of sugar between 1 January 2020 and 3 March 2020 and accordingly HPCL Biofuels Limited realised ₹27.86 crore on account of sugar sale. However, the exporter did not deposit the documents required for the claim of subsidy. Due to non-submission of required export documents by the Exporter, HPCL Biofuels Limited could not claim subsidy of ₹13.86 crore from the Government, under the maximum admissible export quantity scheme. HPCL Biofuels Limited suffered loss of ₹13.76 crore on account of its failure to verify the authenticity of the successful bidder and acceptance of post-dated cheque as Performance Bank Guarantee.

(Para 2.4)

Creation of additional Propylene handling facilities at Visakh Refinery of Hindustan Petroleum Corporation Limited, despite being aware that the only customer - M/s Andhra Petro Chemicals Limited was lifting the product through dedicated pipeline directly from Visakh Refinery, resulted in infructuous expenditure of ₹11.50 crore.

(Para 2.5)

Delay in implementation of Continuous Capacity Control systems in Net Gas Compressors of Continuous Catalytic Regeneration Unit at Visakh Refinery of Hindustan Petroleum Corporation Limited resulted in loss of opportunity to save ₹10.59 crore towards conservation of energy during June 2014 to November 2018.

(Para 2.6)

Indian Oil Corporation Limited (company) acquired two onshore Type-S Exploration Blocks for exploration & production (E&P) in Cambay Basin, Gujarat with 100 *per cent* participating interest & operatorship by ignoring the reservations expressed by in house consultant as well as third party consultant regarding prospectivity of blocks, presence/ absence of basic elements indicating availability of viable reserves of hydrocarbons, especially when the Company was not having any operatorship experience in the E&P activities. Due to non-discovery of hydrocarbon in acquired block, it was decided (August 2015) to relinquish the block which resulted in infructuous expenditure amounting of ₹145 crore (inclusive of liquidated damages amounting to ₹37.32 crore on account of non-completion of Minimum Work Programme and interest of ₹15 lakh on late payment of liquidated damages).

(Para 2.7)

Government of India awarded two NELP blocks, viz., MN-DWN-98/3 and MN-OSN-2000/2 in Mahanadi Basin to ONGC in April 2000 and July 2001 respectively. Audit observed that despite adverse economic viability of the project and failure to carry out the Drill Stem Test required for approval of Declaration of Commerciality as per CCEA approved Testing Requirement Policy, 2015, ONGC incurred avoidable expenditure of ₹23.12 crore on two of its NELP blocks after their relinquishment.

(Para 2.8)

Despite availability of sufficient quantity of condensate and interested bidders, OIL cancelled the tender and eventually, blended the condensate with crude oil. OIL thus lost the opportunity to earn additional revenue as it merely fetched the price of crude oil as a result of blending, which was much lower than the prices of condensate. OIL by accepting the offers of the valid bidders could have fetched an additional revenue of ₹24 crore.

(Para 2.9)

Damodar Valley Corporation (DVC) applied (December 2014) for extension of Mining Lease from 1 January 2016 to District Mining Office, Bokaro. The extension of Mining lease was not granted because DVC did not have valid mining plan. DVC awarded

(September 2016) the work for deployment of heavy earth moving machineries for removal of overburden and transportation of coal from Bermo Mines to M/s BKB Transport Private Limited (contractor) at a cost of ₹14.11 crore. Office of the Deputy Commissioner cum Magistrate, Bokaro made online challans mandatory for dispatch of ores from 1 November 2016. These online challans could not be generated by DVC as it did not have approved mining plan. Hence, DVC had to stop mining work since august 2017 citing non-transportation of coal for want of online challans. The Corporation paid ₹7.78 crore to the contractor for overburden removal. Thus, awarding of a mining contract for Bermo Mines without having a valid mining lease resulted in loss of ₹7.78 crore towards cost of overburden removal along with loss of 59,850.10 metric tonnes of coal valuing ₹17.95 crore.

(Para 3.1)

Nabinagar Power Generating Company Private Limited and Power Grid Corporation of India Limited entered (18 March 2016) into an Implementation Agreement wherein the transmission line was to be commissioned by 30 April 2019. Company however requested (March 2016) Power Grid Corporation of India Limited to commission one transmission line matching with commissioning of the first unit by September 2017. Power Grid Corporation of India Limited completed the transmission line in May 2018 but Nabinagar Power Generating Company could not utilise the line as Unit 1 was not commissioned by then. Consequently, being a generating Company it had to bear the transmission charges as per Implementation Agreement. Nabinagar Power Generating Company incurred avoidable expenditure of ₹85.35 crore on account of payment of idle transmission charges to Power Grid Corporation of India Limited due to its inability to assess the time required for completion of its power generating units and failure to complete the project in synchronisation with the transmission line.

(Para 3.2)

NHPC was selected as an executing agency and a tripartite agreement was entered into (31 August 2004) between National Hydroelectric Power Corporation Limited, Rural Development Department, Government of Bihar and Ministry of Rural Development, Government of India to construct/ upgrade rural roads in Bihar under the PMGSY.

NHPC received fee of ₹127.98 crore during 2008-09 to 2014-15 for the above work. However, Service Tax on the above fee was not deposited by the Company timely on the assumption that services rendered by them as an executing agency for construction and maintenance of road projects in Bihar was free from Service Tax. NHPC suffered loss on account of avoidable payment of interest and penalty of ₹13.09 crore for the period between 2008-09 and 2014-15 due to non-payment of Service Tax within the stipulated time.

(Para 3.3)

Conversion of Naphtha based Rajiv Gandhi Combined Cycle Power Project of NTPC-Kayamkulam to multi-fuel based Plant which can use Natural Gas or Regasified Liquefied

Natural Gas or Naphtha as fuel, without ensuring availability of gas, resulted in infructuous expenditure of ₹17.27 crore.

(Para 3.4)

General Insurance Corporation of India (GIC) has laid down Annual Investment Policies approved by Board, which inter alia included 'stop loss' limits to minimise loss of capital by monitoring the equity portfolio on a continuous basis and to take timely exit decisions. Audit observed that GIC did not exit from scrips even though stop loss limits were triggered, on the ground that the scrips were thinly traded. The equity portfolio of the Company contained 123 scrips with book value of ₹4,541.89 crore which depreciated to ₹1,701.28 crore (depreciation ranging from 20 per cent to 99.87 per cent) as on 31 March 2020. Out of 123 scrips, 20 scrips with a book value of ₹216.28 crore had depreciated by more than 90 per cent of book value as on 31 March 2020. Audit analysed these 20 scrips with respect to stop loss parameters laid down by GIC and stock market data, for the period from 2016-17 to 2020-21. Audit noticed that these scrips were not thinly traded on stock exchanges and GIC could have earned minimum approximate amount ranging from ₹134.89 crore, ₹66.22 crore, ₹28.03 crore, ₹8.49 crore and ₹9.19 crore during the years 2016-17 to 2020-21 respectively, had it offloaded these scrips, even at the least market price, below the average book price. Non-offloading of eroded scrips has resulted in further loss of capital/interest.

(Para 4.1)

Delhi Regional Office-I of National Insurance Company Limited, which is the designated nodal office for the purpose of payment of Goods and Services Tax (GST) on behalf of all the Regional Offices of the Company operational in Delhi, did not reconcile the input service invoices with the GST Portal to ascertain the correct amount of Input Tax Credit which could be availed by it. Further, there was absence of functionality in its IT system for entering the base value of the invoices and the GST component separately, which led to constraint in reconciling the substantial difference between the Input Tax Credit claimed by it (through Form GSTR-3B) and that reflected on the GST Portal (in Form GSTR-2A). Consequently, it could not avail the eligible Input Tax Credit and incurred a loss of ₹97.44 crore during 2017-18 to 2020-21.

(Para 4.2)

Motor Vehicles Act, 1988 provides for mandatory insurance of motor vehicles against third party risks relating to injury, death of third parties or damage to their property. Motor vehicles are also insured against 'Own Damage', which is optional and is given in conjunction with Third Party cover. Commercial vehicles are grouped into various categories, wherein the Public and Private Goods Carrying Vehicles (Type 'A') carry higher amount of Third Party premium than those classified under other categories.

In NIACL, out of 42,333 motor insurance policies (Type 'D') across 10 Operating Offices, a sample of 4,863 policies were selected (11.48 p*er cent*) for audit scrutiny. Audit observed that in 1,433 policies where insurance premium applicable to Type 'D' vehicles was charged; the vehicles were registered as Goods Carrying Vehicles in the Registration Certificates (RC) of the respective vehicles. The incorrect classification of the vehicles at the time of underwriting by NIACL has resulted in short charging of Third Party premium by ₹2.96 crore and Own Damage premium by ₹2.07 crore.

In OICL, there were 23,79,450 policies (14,11,746 Goods Carrying Vehicles) issued during 2016-17 to 2018-19. Audit extracted 10,59,755 policies (5,91,936 Goods Carrying Vehicles) for further analysis and observed that in 5,175 policies (3,400 vehicles) where the premium should have been charged as per the rates of Type 'A' for 'Goods Carrying Vehicles', it was charged as per the rates of Type 'D' - Miscellaneous and Special Type of Vehicles'. Out of the 5,175 policies, 2,577 policies (1,703 vehicles) were issued to a Company (M/s Delhi Baroda Road Carrier Ltd.) operating carrier business and having goods carrier vehicles, for which Third Party premium required to be charged was ₹8.59 crore. Against this, Third Party premium of only ₹1.37 crore was charged resulting in short charging of premium of ₹7.22 crore. In balance 2,598 policies (1,701 vehicles) issued to others, the Third Party premium required to be charged was ₹3.12 crore. Against this, Third Party premium of only ₹1.32 crore was charged resulting in short charging of premium of ₹1.80 crore.

(Para 4.3)

MSTC Limited (Company) entered into a Memorandum of Agreement with Global Coke Limited, (Party), for financing the procurement of hard coking coal under facilitator mode in December 2009. After expiry of the above agreement in December 2011, the Company extended the same from time to time inspite of being aware of the poor financial condition of the party. The Company did not undertake the risk sale of pledged material of the Party to recover its outstanding dues of ₹31.37 crore considering submission of the party to clear its outstanding dues by July 2019. Further, despite favourable arbitration award, the Company did not take action to implement the same. The Party went to the National Company Law Tribunal, Kolkata and the National Company Law Tribunal finally ordered (May 2018) for liquidation of the Party. The Company ultimately received (September 2019) only ₹1.35 crore from the liquidator as proceeds from disposal of pledged material and recognised the outstanding dues of ₹26.87 crore from the Party as bad debts in its books of accounts considering the same as irrecoverable.

(Para 5.1)

Project for installation of 'Hot Metal Desulphurisation Station in Steel Melting Shop-II' at SAIL/Bokaro Steel Plant was approved (July 2008) and was awarded to a consortium of M/s. Tata Projects Limited (Contractor) and M/s Danieli Corus BV in October 2008 at a contract price of ₹51.21 crore and Euro 1,696,979. The project was to be completed by April 2010. SAIL spent ₹53.55 crore on the project till 31 March 2015 (after which only arbitration award payment and some milestone payments were made) and cost increased to ₹67.82 crore till July 2021. The commissioning and Performance Guarantee test of the project could not be done even after the lapse of more than 11 years from the scheduled date of completion mainly due to non-completion of various upstream and downstream facilities which had to be got done by SAIL. SAIL/ Bokaro Steel Plant blocked funds of ₹67.82 crore on account of its deficient project management which led to non-completion of Hot Metal Desulphurisation Station project and consequent loss of interest of ₹33.34 crore (upto December 2021). Additional expenditure of ₹15.21 crore was also incurred on account of prolongation cost paid to the Contractor. Further, the equipment installed 7-8 years back requires refurbishment at an estimated cost of ₹57.75 crore.

(Para 5.2)

Gas holders installed at SAIL/Rourkela Steel Plant during 1960 had outlived their useful life of 18 years and accordingly SAIL Board accorded (October 2006) in-principle approval for installation of a 1,00,000 cubic meters Coke Oven gas holder as replacement. The work order was issued (July 2007) at a cost of ₹99.37 crore and the new gas holder was commissioned (August 2010). It was in operation till 7 November 2012, when an incident occurred due to which the equipment was not in operation.

Coal and Chemicals Department of Rourkela Steel Plant initiated a proposal (January 2015) for repair of the gas holder but no decision was taken by Rourkela Steel Plant on the proposal. A multi-disciplinary committee was constituted (June 2020) which recommended (September 2020) to appoint consultant to explore alternative technologies for modification of gas holder. However, revival of gas holder was not pursued as in view of improved Coke Oven gas position after Modernisation and Expansion of Rourkela Steel Plant, gas holder was no longer needed for Coke Oven gas network. Failure of the Management to assess the need for new Coke Oven gas holder in the light of its upcoming Modernisation and Expansion Programme led to the gas holder installed at a cost of ₹99.37 crore becoming redundant after only 27 months of use and idling for more than nine years.

(Para 5.3)

Government of India, Ministry of Road Transport and Highways authorised (February 1999) National Highways Authority of India for strengthening the existing 2-lane road in Satara-Kagal Section of NH-4 in the State of Maharashtra. Audit observed that NHAI was unable to recover damages of ₹693.24 crore (as calculated by Independent Engineer) imposed on the Concessionaire (Maharashtra State Road Development Corporation Limited) for its failure to undertake repairs and maintenance of highway, due to NHAI's failure to enforce the terms of the Concession Agreement, especially its failure to enter into escrow agreement.

(Para 7.1)

NHAI awarded work of four laning of UP/Haryana Border-Panchkula section of NH-73 under three packages on EPC mode with two toll plazas proposed on the stretch. Scheduled completion date of two stretches (Package-I and II) were in May 2018 and April 2018 whereas one stretch (Package-III) was delayed with scheduled completion date in November 2018. One toll plaza (TP-1) was planned to be constructed on Package-I and another toll plaza (TP-2) on Package-III. NHAI sent proposal to MoRTH for fee notification of TP-1 alongwith TP-2, which was on incomplete stretch, due to which fee notification for TP-1 was delayed. Further, NHAI was having option to construct temporary toll plaza by shifting TP-2 from Package-III to Package-II, however, despite knowing the fact that construction of Package-III was delaying, NHAI failed to take corrective action and since Package-III was constructed with delay of more than 15 months from its scheduled completion date, Package-II remained un-tolled for a period of more than 20 months. This has resulted in loss of revenue amounting to ₹39.92 crore to NHAI/Exchequer.

(Para 7.2)

Failure of National Highways Authority of India/its Special Purpose Vehicle in enforcing contractual provisions to effect recovery of outstanding dues, including penalties, resulted in doubtful recovery of ₹21.35 crore from a Contractor in four Toll Plazas.

(Para 7.3)

ENERGY CLUSTER

CHAPTER I: MINISTRY OF COAL

NLC India Limited

1.1 Payment of allowances in contravention of DPE guidelines

The Board of Directors of NLC India Limited (NLCIL) approved non-monetary perquisite of Concessional Electricity over and above the maximum allowance limit of 35 *per cent* of the basic pay in deviation of Department of Public Enterprises guidelines resulting in irregular payment of ₹17.22 crore to the executives of NLCIL and its two subsidiaries.

Department of Public Enterprises (DPE) issued (August 2017) guidelines on revision of scales of pay of the Board level and below Board level Executives and non-unionised supervisors in Central Public Sector Enterprises (CPSEs) effective from 1 January 2017. As per the guidelines, the perks and allowances would be admissible to different categories of the Executives under 'Cafeteria Approach'[1] subject to a maximum ceiling of 35 *per cent* of the basic pay.

NLC India Limited (NLCIL) submitted (November 2017) a proposal to Ministry of Coal for revision of pay, perks and allowances in respect of Board level and below Board level Executives and non-unionised supervisors[2]. The Ministry of Coal while approving the proposal directed (February 2018) NLCIL to strictly adhere to the ceiling of 35 *per cent* of basic pay for perks and allowances. NLCIL implemented (March 2018) the new pay, perks and allowances with effect from 1 January 2017 including 35 *per cent* of basic pay as common allowance.

Audit observed that Board of Directors[3] of NLCIL approved non-monetary perquisite of Concessional Electricity over and above the common allowance being paid at 35 *per cent* of the basic pay to the executives of NLCIL, and its subsidiaries viz. NLC Tamil Nadu Power Limited (NTPL) and Neyveli Uttar Pradesh Power Limited (NUPPL) in contravention of DPE guidelines (August 2017) effective from 1 January 2017 and directions of Ministry of Coal which is administrative Ministry of NLCIL.

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1 A cafeteria approach is individualised plan allowed by employers to accommodate employees' preferences for benefits.

2 Employees whose terms and conditions of employment are not covered under any labour agreement.

3 Ministry of Coal was represented by an Additional Secretary level officer as part time Government Director on the Board of Directors of the Company from 9 June 2017 to 10 April 2019.

This resulted in irregular payment of perks to the executives of NLCIL and its two subsidiaries in contravention of DPE guidelines to the extent of ₹17.22 crore[4] for the period 2017-18 to 2020-21.

The Management replied (January 2022) that small portion of electricity is provided at reduced rates in order to motivate the employees to work in NLCIL Plants and Mines located in non-urban areas as followed in other CPSEs. It further stated that NLCIL being the power generation company, concessional electricity up to 200 units has been provided as per the industry practice.

The Ministry while endorsing the views of the Management, stated (April 2022) that electricity at concessional rates was provided to Executives to be at par with workmen/ non-executives. The Ministry further added that concessional electricity was also provided by state governments to their residents which benefitted all without any discrimination. Hence, it could not be treated as part of perks and allowances to the employees of CPSEs.

The replies of the Ministry and Management are not acceptable as electricity provided at concessional rates was over and above the maximum perks and allowances ceiling of 35 *per cent* of basic pay. Further, Ministry's reply that the concessional electricity could not be treated as part of perks and allowances is not tenable since NLCIL itself treated concessional electricity as a taxable perquisite for income tax purpose. Ministry's reply that electricity at concessional rate provided to Executives was to be at par with workmen/ non-executives is also not tenable since DPE guidelines are applicable to Board level and below Board level Executives and non-unionised supervisors and not applicable to workmen/ non-executives. Moreover, there are many perks/ allowances given to Executives, which are not given to workmen/ non-executives, hence this argument of parity is not valid.

Thus, NLCIL incurred an irregular payment of allowances of ₹17.22 crore in the form of concessional electricity to the Executives of NLCIL, NTPL and NUPPL in contravention of DPE guidelines which are recurring in nature.

1.2 Payment of Performance Related Pay in contravention of DPE guidelines

The Board of Directors of NLC India Limited approved payment of ₹8.91 crore for Performance Related Pay to its Executives on deputation in subsidiary company in deviation from Department of Public Enterprises guidelines.

Neyveli Uttar Pradesh Power Limited (NUPPL)[5], a subsidiary of NLC India Limited (NLCIL) was incorporated in November 2012 with the objective of setting up of 3 x 660 MW power project at Ghatampur, Uttar Pradesh. Government of India (GoI) accorded approval for the project in July 2016. The project is under construction stage (June 2022) and is expected to commission its first unit by March 2023. As per the Joint Venture

[4] *₹4.11 crore (2017-18); ₹4.49 crore (2018-19); ₹4.98 crore (2019-20); ₹3.64 crore (2020-21) = ₹17.22 crore.*

[5] *A joint venture between NLC India and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited with equity participation in the ratio 51:49 respectively.*

agreement, employees of NLC India Limited, the Holding Company, are deputed to NUPPL on secondment basis[6].

Department of Public Enterprises (DPE), GoI while revising the pay scale of below Board level and Board level Executives as well as non-unionised supervisors in Central Public Sector Enterprises (CPSEs) w.e.f. 1 January 2007 issued directives[7] indicating that Performance Related Pay (PRP) to the Executives of CPSEs should be directly linked to the profit of CPSEs. It was also clarified that the Executives, who were on deputation to other CPSEs, were entitled to draw the PRP applicable to the borrowing CPSEs. The said provision of linking PRP to profit was reiterated by DPE during subsequent pay revision in August 2017. In view of the above, PRP was not applicable to the Executives of NLCIL deputed to NUPPL, as the project was under implementation stage and there was no profit till Financial Year 2021-22.

Audit observed that NUPPL paid ₹8.91crore[8] towards PRP to the Executives of NLCIL on deputation in NUPPL during the period 2014-15 to 2019-20. The above PRP for the deputed Executives was approved by the Board of Directors of NLCIL based on the standalone profit and consolidated profit of NLCIL for the years 2014-15 to 2016-17 and 2017-18 to 2019-2020 respectively. Since NUPPL was under implementation stage (June 2022), payment of PRP to the Executives was not in line with the above directives of DPE.

Thus, NLCIL approved PRP of ₹8.91 crore which was paid by NUPPL to the Executives of NLCIL on deputation in subsidiary company in deviation from DPE guidelines.

The Management stated (September 2021) that the Executives of NLCIL were sent to NUPPL on secondment basis. These Executives continue to be on the rolls of NLCIL and their pay, allowances and other service conditions including administrative control are governed under the rules and regulations of NLCIL. It further stated that as per DPE guidelines, overall profits of a CPSE shall be taken for computation of PRP and NLCIL being a distinct CPSE with its subsidiaries, the consolidated profit was taken into account for payment of PRP. The Ministry while endorsing the views of the Management added (April 2022) that it would be highly difficult to post employees to NUPPL if PRP is not paid on the basis that NUPPL has not booked profits since it has not started its commercial operation.

The reply of the Ministry and the Management is not tenable in view of the fact that NLCIL and NUPPL were separate CPSEs. As per DPE instructions, the PRP payable to the Executives of CPSEs was directly linked to the profits of the CPSE. It was incorrect to pay PRP based on standalone/consolidated profit of NLCIL to Executives of NUPPL as it was yet to commence operations. Further, as per secondment terms of NLCIL employees in

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[6] ***Secondment refers to placement of the services of Executives and other employees for the activities of subsidiary companies/joint venture companies for a specific term, initially three years extendable by two years on each occasion at the discretion of NLCIL.***

[7] ***Vide O.M. No. 2 (70)/08-DPE (WC)-GL-XVI/08 dated 26 November 2008.***

[8] ***2014-15: ₹1.02 crore; 2015-16: ₹1.00 crore; 2016-17: ₹1.71 crore; 2017-18: ₹1.70 crore; 2018-19: ₹1.28 crore; 2019-20: ₹2.20 crore.***

subsidiary companies, the Executives and employees so seconded would be deemed as the Executives and other employees of the subsidiary company. The service conditions of the parent company, except compensation that are directly related to profit or physical target achievement such as PRP, would be applicable to employees transferred on secondment. Hence, payment of PRP to the Executives of NUPPL was not in order.

Thus, incorrect consideration of NLCIL i.e. holding Company's profits for working out the PRP admissibility to the Executives of subsidiary i.e. NUPPL resulted in payment of ₹8.91 crore, in contravention of DPE guidelines during 2014-15 to 2019-20.

Recommendation No 1: The Ministry may initiate necessary action to recover the ineligible PRP payments made to employees in contravention of Department of Public Enterprises guidelines and responsibility may be fixed for the same.

CHAPTER II: MINISTRY OF PETROLEUM AND NATURAL GAS

Bharat Petroleum Corporation Limited

2.1 Avoidable expenditure of ₹16.93 crore due to delay in renewal of lease

Delay in approval of the proposal for renewal of long term lease of the Haldia Coastal Installation led to an avoidable additional expenditure of ₹16.93 crore.

Bharat Petroleum Corporation Limited (BPCL) had established Haldia Coastal Installation (Installation) for storage and distribution of petroleum products such as Motor Spirit, High Speed Diesel, Superior Kerosene Oil etc, in Haldia, West Bengal. BPCL had taken total land admeasuring 1.76 lakh square metre[1] on lease for the Installation from Syama Prasad Mookerjee Port Trust (Port Trust) for a period of 20 years and the same expired on 17 February 2013.

BPCL paid the basic lease rent but was irregular in payment of the enhanced lease rent, which was increased every year. This resulted in accrual of arrear of lease rent to the tune of ₹6.03 crore along with its interest amounting to ₹1.81 crore. The Port Trust rejected (December 2013) the BPCL's proposal (January 2013) for renewal of the lease due to non-payment of arrears. BPCL cleared dues of ₹6.03 crore towards arrear lease rent of the Installation only in June 2014 after several persuasions[2] by the Port Trust. The request of BPCL for renewal of the lease of the Installation was not accepted by the Port Trust as the dues for interest were not cleared by it. Finally, BPCL paid ₹1.81 crore as interest towards delayed payment of lease rent to the Port Trust in January 2016. As the lease expired in February 2013 and the same was not renewed, the Port Trust allowed the use of the said land by paying the monthly license fees during the interim period.

The Port Trust offered (March 2016) a proposal to BPCL towards renewal of the lease of the Installation land for 30 years at a payment of total upfront premium to the tune of ₹36.71 crore (i.e. ₹32.06 crore as lease rent and ₹4.65 crore as service tax). It was also requested to convey its acceptance to the proposal within seven days. Despite repeated requests of Port Trust, the Company took 21 months (March 2016 to November 2017) to convey (November 2017) its acceptance to the Port Trust's offer for the renewal of lease of the Installation land. In the meantime, the Schedule of Rent for the lease was increased with Goods and Service Tax at the rate of 18 *per cent*. Thus, the total upfront premium towards renewal of lease for 30 years (during the period from 18 February 2013 to 17 February 2043) increased to ₹53.64 crore (i.e. ₹45.46 crore as lease rent and ₹8.18 crore as GST) and BPCL paid (November 2018) the same after adjusting the monthly license fees paid from February 2013 till November 2018.

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[1] 1,74,865 square metre under HAL no. 733 and 720 square metre under HAL no. 1454.

[2] 17 December 2012, 26 March 2013, 9 September 2013, 2 December 2013, 11 December 2013 and 30 January 2014.

In this regard, Audit observed the following:

i. The Management made unnecessary delays in clearing its earlier dues of lease rent and interest there upon. The same was cleared in January 2016 after a lapse of three years.

ii. Even though the Port Trust offered a proposal in March 2016 for 30 years lease of Installation Land at an upfront payment of ₹36.71 crore, BPCL did not take any initiative for early materialization of the same.

iii. The Management did not convey its acceptance of financial terms proposed by the Port Trust for grant of fresh lease even after two reminders from the Port Trust.

iv. BPCL was well aware of the fact that all the lands of the Port Trust were regulated and governed by the Land Policy as formulated by GoI and the Schedule of Rent is revised periodically. Also, rent would increase due to delay in accepting the proposal but it failed to act timely.

Thus, delay in acceptance (November 2017) of offer of the Port Trust for renewal of lease by the Management resulted in increase of the upfront premium for 30 years' lease to ₹53.64 crore due to enhancement of the Schedule of Rent and tax rate. This resulted in avoidable expenditure of ₹16.93 crore[3] (i.e. ₹13.40 crore as lease rent and ₹3.53 crore as GST) by the Management.

The Management stated (December 2021) that the dues towards lease rent of the Installation land was accrued as the Port Trust unilaterally escalated (2009) the rent of the lease by five *per cent* instead of two *per cent*. BPCL continued to pay the rent as per old rates. Further, BPCL did not timely clear the dues towards the interest as there was no penal interest provision in the lease agreement. Efforts were being made for decrease in lease rent and waiver of penal interest with the Port Trust, but the same did not materialise and BPCL had to clear all dues in January 2016. It was also stated that the delay in acceptance of the Port Trust offer was not entirely attributable to the Company as the transaction involved two Government organizations and BPCL had to take all necessary approvals to ensure appropriate governance.

Reply of the Management is not tenable as the annual escalation of rent should be five *per cent* effective from February 2009 as per the revised Schedule of Rent. Hence, delay made by the Management towards clearing of dues towards lease rent was not justified. Further, reply of the Management regarding penal interest is not correct since interest at the rate of 18 *per cent* per annum was applicable as per Lease Agreement[4] for arrears of lease rent. BPCL was also aware of the fact that long term lease from the Port Trust was essential for smooth operation of the Installation. The Port Trust not only allowed extension of time but also requested BPCL many times to convey its acceptance of the proposal for renewal of the lease. However, the Company did not take timely action in this respect and the offer of the Port Trust was accepted after a lapse of 21 months which led to avoidable additional expenditure of ₹16.93 crore. Hence, delay made on the plea of seeking

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[3] ***₹53.64 crore – ₹36.71 crore.***

[4] ***Serial no. 19 of the lessee covenants with trustees of the lease agreement.***

approvals to ensure appropriate governance was not in the financial as well as operational interest of BPCL.

Thus, BPCL had to bear an avoidable additional expenditure of ₹16.93 crore due to delay in approval for renewal of lease of the Installation.

The matter was reported to the Ministry in January 2022; their reply is awaited (August 2022).

Recommendation No 2: The Management may fix responsibility for delay in responding to the offer of Port Trust for renewal of land lease and also take suitable measures to avoid such recurrence in future.

Chennai Petroleum Corporation Limited

2.2 Irregular payment to employees in contravention of DPE guidelines

Irregular payment of ₹9.09 crore was made to employees under long service scheme/ superannuation in contravention of Department of Public Enterprise guidelines and directions of administrative Ministry.

Department of Public Enterprise (DPE) Guidelines (November 1997) prohibits payment of ex-gratia, honorarium, rewards, special incentive etc., to the employees of Public Sector Enterprises unless the amount was authorised under the duly approved incentive scheme by the Administrative Ministry/Department.

Chennai Petroleum Corporation Limited (CPCL), a subsidiary of Indian Oil Corporation Limited (IOCL) was granting Long Service Award/ Superannuation Award for more than four decades to its employees in the form of gold coins depending on the length of service rendered. However, the same was discontinued (February 2015) as per the direction of Ministry of Petroleum and Natural Gas (MoPNG) to all Oil Marketing Companies (OMCs), based on the audit observations by the Comptroller and Auditor General of India through various reports, as it was not consistent with DPE guidelines.

Subsequently, CPCL reviewed (March 2016) the incentive scheme for grant of Long Service/ Superannuation Award retrospectively from February 2015. A modified scheme was approved by the Board of Directors of CPCL (November 2016). As per the modified scheme, the employees would be given a pre-paid card, the value of which depends on the length of service. The amount of award per employee was ₹1,500 for every completed year of service to those who have completed 15/25 years and ₹2,500 to those employees who have completed 30/35 years. In addition, employees who have completed a minimum of 10 years of satisfactory service were also eligible to receive superannuation award @ ₹2,500 for each completed year of service.

Audit observed that CPCL's modified scheme was a replacement of the old scheme of issue of gold coins by a pre-paid card which was implemented without the approval of the Administrative Ministry and was also in contravention of DPE guidelines of November 2017.

Thus, CPCL incurred an expenditure of ₹9.09 crore under the modified scheme for the period 2015-16 to 2021-22 (till January 2022) in contravention of DPE guidelines and directions of the administrative Ministry as detailed in Table 2.1.

Table 2.1: Expenditure under modified scheme in contravention of DPE guidelines

Year	Amount (₹ in crore)
2015-16	0.79
2016-17	0.78
2017-18	0.98
2018-19	1.87
2019-20	1.87
2020-21	1.72
2021-22	1.08
Total	**9.09**

The Management replied (September 2020) that DPE's OM dated 20 November 1997 was not applicable to those employees of CPCL who were drawing salary exceeding ₹3,500 per month. It further stated that there was no correlation between DPE guidelines and long service award of CPCL. Additionally, Long Service Award was paid with the approval of the Board[5] based on Bureau of Public Enterprises (BPE) directions vide letter No. 7(3)/79-BPE (GM-I) dated 14 February1983 and that CPCL had stopped paying Long Service Award in 2015 as per directions of MoPNG with the scheme being restored in November 2016 to recognise and reward employee's loyalty. The Management also contended that MoPNG was also kept informed about the scheme for which no adverse remarks were received from the Ministry. Finally, withdrawal of a customary privilege like Long Service Award would amount to change of service condition of an employee.

The reply is to be viewed against the following facts:

- Subsequent to the DPE guidelines and directions of MoPNG, which is the administrative Ministry, the BPE directions (February 1983) are no longer relevant.

- The DPE guidelines (November 1997) state that no ex-gratia, honorarium, reward etc., would be paid by CPSEs unless the amount was authorised under the duly approved incentive schemes in accordance with the prescribed procedure. The modified scheme was a replacement of gold coins issued in the old scheme by a pre-loaded card which also tantamounts to contravention of DPE guidelines (November 1997).

- MoPNG also directed to discontinue the payment of Long Service Award. Since the scheme was based on length of service rendered, the payment of Long Service/ Superannuation Award was irregular keeping in view the DPE guidelines and the directions of MoPNG.

- Non-receipt of remarks from the Administrative Ministry (MoPNG) cannot be construed as approval for the scheme. CPCL could not get approval of the scheme even

[5] *Ministry of Petroleum and Natural Gas was represented by a Deputy Secretary level officer as part time Government Director during 2016-17.*

though a representative from the Ministry was appointed on the Board of Directors of the Company when the scheme was restored in November 2016. Hence, payment of Long Service Award by CPCL as a goodwill gesture is irregular in nature.

- Reply of the management that withdrawal of a customary privilege like Long Service Award would amount to change of service condition of an employee is not tenable because a customary concession or privilege in form of an incentive scheme for payment of award for rendering long and satisfactory service is not a part of service conditions of the employees of CPCL. Payment of Long Service Award is neither mentioned in the offer of appointment nor is a part of recruitment rules.

Thus, expenditure of ₹9.09 crore incurred by CPCL under the Long Service Award scheme was in contravention of DPE guidelines and directions of the Administrative Ministry.

The matter was reported to the Ministry in February 2022; their reply is awaited (August 2022).

Recommendation No 3: the Ministry may initiate necessary action to recover the irregular payments of Long Service Award/ superannuation Award made to employees in contravention of DPE guidelines and directions of the Ministry & responsibility may be fixed for the same.

Indian Oil Corporation Limited, Oil and Natural Gas Corporation Limited, GAIL (India) Limited & ONGC Videsh Limited

2.3 Undue benefit to the executives in the form of payment of 'running and maintenance' expenses of vehicles

Indian Oil Corporation Limited, Oil and Natural Gas Corporation Limited, GAIL (India) Limited & ONGC Videsh Limited extended undue benefit of ₹2,609.47 crore to its executives by paying 'running and maintenance' of vehicles in violation of Department of Public Enterprises guidelines.

Department of Public Enterprises (DPE) vide its Office Memoranda (OM)[6] dated 26 November 2008 and dated 3 August 2017 approved revision of pay and allowances of Board level and below board level executives as well as non-unionised supervisors in Central Public Sector Enterprises (CPSEs) effective from 1 January 2007 and 1 January 2017 respectively. The said OM *inter-alia* stipulated that CPSEs may follow Cafeteria Approach

[6] *Memorandum No. 2(70)/08 DPE-(WC)-GL-XVI/08 dated 26 November 2008 provides that the Board of Directors will decide on the allowances and perks admissible to the different categories of the executives subject to a maximum ceiling of 50 per cent of the Basic Pay except (i) North-East Allowance limited to 12.5 per cent of Basic Pay, (ii) Allowance for Underground Mines limited to 15 per cent of Basic pay, (iii) Special Allowance upto 10 per cent of Basic Pay for serving in the difficult and far flung areas as approved by concerned Ministries in consultation with the Department of Public Enterprises from time to time, and (iv) Non Practicing Allowance limited to 25 per cent of Basic Pay for Medical Officers.*

allowing executives to choose from perks and allowance subject to maximum ceiling of 50 *per cent* (revised to 35 *per cent*[7]) of the basic pay.

Only four allowances, viz. Location based Compensatory Allowance serving in North East and Ladakh region, Compensatory allowance for serving in island territories of Andaman and Nicobar, Special Allowance for serving in difficult and far flung areas and non-practicing allowance for Medical Officers were kept outside the purview of ceiling of 50 *per cent* (revised to 35 *per cent)* of the Basic Pay.

In this regard, Audit observed that:

A. Indian Oil Corporation Limited (IOCL) had considered fixed amount of ₹800 per month as transport allowance, which was included under the Cafeteria Approach, for payment of perks and allowances. The balance amount pertaining to Conveyance Running and Maintenance Expenses (CRME) for personal vehicles ranging approximately from ₹7,600 to ₹49,300 per month for executive levels was kept outside the Cafeteria Approach.

During the period from April 2009 to October 2021, IOCL paid an amount of ₹1,447.72 crore towards CRME to its executives over and above the transport allowance. The payment of 'running and maintenance' expenses of vehicle over and above 50 *per cent* (revised to 35 *per cent)* ceiling of Cafeteria Approach was in violation of DPE guidelines and resulted in extension of undue benefits to the executives by IOCL.

IOCL stated (July 2022) that it is the responsibility of the Corporation to provide adequate ways and means to employees to travel in connection with business requirements. CRME is more economical and administratively convenient than hiring vehicles for conveyance. Moreover, executives other than key officials could be paid the conveyance reimbursement or conveyance allowance as per DPE O.M. dated 21 January 2013. IOCL further added that 3rd Pay Revision Committee (PRC), in its report, had deliberated on the sectorial/ operational requirement which are unique to each CPSE and required for smooth running of its business. PRC had viewed that compensation/reimbursement towards such work-related/ administrative expenditure may not be treated as perks/allowances of a personal nature. Such administrative expenditure in this case is expenses on conveyance reimbursement to the executives. IOCL citing the Hon'ble Gujarat High Court judgement stated that expenditure incurred on employee's vehicle by employer, either directly or reimbursement for official purposes, cannot be treated as taxable perquisite.

Reply of IOCL is to be viewed in light of the following:

i. DPE had already clarified from time to time[8] that no allowance/ benefit/ perks other than those mentioned in its OM dated 26 November 2008/ 3 August 2017 is admissible outside the ceiling of "Cafeteria Approach".

ii. The employees are paid transport allowance under the Cafeteria Approach. CRME are paid for personal vehicles on the basis of their level in organisation and not on actual

[7] No. W-02/0028/2017-DPE (WC)-GL-XIII/17 dated 3 August 2017.
[8] 8April 2009, June 2011, June 2012 and June 2013.

basis and therefore does not qualify as reimbursement. As such, the payment for CRME falls under the category of allowance rather than reimbursement and should have been included in Cafeteria Approach.

iii. The Company's contention that it is making the payment of CRME purely for operational activities could not be justified as it has also been making additional payment on account of local conveyance charges to its executives for their local movement beyond 15 kms apart from hiring vehicles on annual contract basis for all its departments/ locations for day-to-day activities.

iv. 3rd PRC recommendation (November 2016) that the CPSEs, with the approval of Government, can allow to regulate its work-related / administrative expenditure outside the purview of recommended ceiling on perks & allowances was not accepted (May 2017) by the Government[9]. In case of Numaligarh Refinery Limited where Audit highlighted similar issue. the Ministry of Petroleum and Natural Gas directed (October 2018) that the payment of running and maintenance expenses of vehicles paid to executives, over and above the ceiling of cafeteria is in contravention of the guidelines issued by DPE and any unauthorised allowances paid in this regard may be recovered in line with the above referred guidelines.

v. In light of judgment of Hon'ble Gujarat High Court, as stated above, reimbursement or actual amount incurred by the employer on the vehicle of employee, used for official purposes, can't be treated as taxable perquisite. Besides this, as per income tax rules there is a need to give a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties with its details, for the amount to qualify as reimbursement. The same is not being maintained by the Company as well as there is no instruction from the Company to its executives for maintaining the same.

Thus, the payment of CRME over and above the 50 *per cent* (revised to 35 *per cent*) of basic pay was not in conformity with DPE guidelines and resulted in extending undue benefits of ₹1,447.72 crore to IOCL's executives.

The matter was reported to the Ministry in September 2022; their reply is awaited (October 2022).

B. Oil and Natural Gas Corporation Limited (ONGC) had considered fixed amount of ₹800 per month as transport allowance, which was included under the Cafeteria Approach, for payment of perks and allowances. The balance amount pertaining to Conveyance Maintenance Reimbursement Expenditure (CMRE) for personal vehicles ranging from ₹6,445 to ₹23,315 per month for executive levels was kept outside the Cafeteria Approach.

During the period from 2018-19 to 2020-21, ONGC paid an amount of ₹732.93 crore towards CMRE to its executives. The payment of 'running and maintenance' expenses of

[9] ***Minutes of meeting of Committee of Secretaries held on May12, 2017 circulated vide OM No. 252/2/1/2017 dated May 29, 2017 and OM dated August16, 2017 where in Cabinet decision on implementation of the recommendations of 3rd Pay Revision Committee was circulated.***

vehicle over and above 35 *per cent* ceiling of Cafeteria Approach was in violation of DPE guidelines and resulted in extension of undue benefits to the executives by ONGC.

ONGC stated (January 2022) that it operates on round-the-clock basis in far flung areas and extreme remote areas like North-East. At times, employees are called to duty at odd hours when public conveyance is difficult to get. The job responsibilities of employees involve local movement for promoting business and visiting operational areas. As such reimbursement of CMRE cannot be termed as a part of perks and allowances. An amount which is already spent by the employee towards 'running and maintenance' of vehicle in the previous month, on actual basis subject to level-wise ceiling, is only reimbursed as CMRE. It further stated CMRE is more economical and administratively convenient than hiring vehicles for conveyance. Moreover, executives other than key officials could be paid the conveyance reimbursement or conveyance allowance as per DPE O.M. dated 21 January 2013.

Reply of ONGC is not tenable in view of the following:

i. The executives are paid special allowances in addition to perks and allowances under Cafeteria Approach for serving in North-East States and far flung areas. For conveyance, employees are paid transport allowance under the Cafeteria Approach. The employees are paid CMRE for personal vehicles on the basis of their level in organisation and not on actual basis and therefore does not qualify as reimbursement. As such the payment of CMRE falls under the category of allowance rather than reimbursement and should have been included in Cafeteria Approach.

ii. The contention of ONGC that cost of providing vehicle to an employee is much more than CMRE, seems to presume that all executives, regardless of their level are working in far-flung, remote areas. Thus, the contention is not correct.

iii. Contention of ONGC on admissibility of conveyance allowance based on DPE O.M. dated 21 January 2013 is also not correct as ONGC adopted Cafeteria Approach as per DPE O.M. dated 3 August 2017, which provides 35 *per cent* ceiling limit for perks and allowances.

Thus, the payment of 'running and maintenance' expenses of vechiles over and above the limit prescribed under DPE guidelines resulted in undue benefit of ₹732.93 crore to ONGC's executives.

The matter was reported to the Ministry in February 2022; their reply is awaited (August 2022).

C. GAIL had introduced (24 February 1986) a scheme viz. Conveyance Maintenance Expenses Reimbursement (CMER) for its all employees/ executives to encourage them to own and maintain their conveyance and to use such conveyance on journeys undertaken for official purpose thereby reducing demands on the use of GAIL's vehicles. As per the scheme, employees were entitled for monthly CMER charges (during the period from 1 August 2003 to 1 October 2010) in the range from ₹528 to ₹4,919 and ₹110 to ₹588 per month for four wheelers and two wheelers respectively. Subsequently, Board of Directors

(May 2011) revised (w.e.f. 1 April 2011) the scheme with a ceiling of petrol from 35 litre to 175 litre and 25 litre to 35 litre plus maintenance charges from ₹1,500 to ₹5,000 and ₹650 to ₹800 per month for four wheelers and two wheelers respectively.

Till 31 March 2011, GAIL kept only ₹800 per month as transport allowance and from 01 April 2011 onwards, from ₹800 to ₹2,000 per month (cadre-wise) under the 50 *per cent* ceiling of "Cafeteria Approach" and balance amount pertaining to CMER for personal vehicles for executive level was kept outside the Cafeteria Approach.

During the period from April 2009 to October 2021, GAIL paid an amount of ₹414.66 crore on account of CMER to its executives over and above the transport allowance. The payment of 'running and maintenance' expenses of vehicle over and above 50 *per cent* (revised to 35 *per cent*) ceiling of Cafeteria Approach was in violation of DPE guidelines and resulted in extension of undue benefits to the executives by GAIL.

GAIL stated (December 2021) that CMER amount payable towards running and maintenance has been kept outside the Cafeteria of Perquisites and Allowances as this expenditure is purely operational/ business in nature and paid to those employees who maintain their own mode of conveyance and use such conveyance on journeys undertaken for official purposes; thereby reducing demand on use of GAIL's vehicles and thus promoting speedy and efficient performance of the official duties. GAIL citing the Hon'ble Gujarat High Court judgement stated that expenditure incurred on employee's vehicle by employer, either directly or reimbursement for official purposes, cannot be treated as taxable perquisite.

Reply of GAIL is to be viewed in light of the following:

i. DPE had clarified from time to time[10] that no allowance/ benefit/ perks other than those mentioned in its OM dated 26 November 2008/ 3 August 2017 is admissible outside the ceiling of "Cafeteria Approach".

ii. The employees are paid transport allowance under the Cafeteria Approach. CMER are paid for personal vehicles on the basis of their level in organisation and not on actual basis and therefore does not qualify as reimbursement. As such, the payment of CMER falls under the category of allowance rather than reimbursement and should have been included in the Cafeteria Approach.

iii. GAIL's contention that it is making the payment of CMER purely for operational activities could not be justified as it has also been making additional payment on account of local conveyance charges to its executives/ employees for their local movement beyond eight kms apart from hiring vehicles on annual contract basis for all its departments/ locations for day to day activities.

iv. The Hon'ble Gujarat High Court judgement as stated above is applicable for only reimbursement or actual amount incurred on the vehicle of employee, used for official purposes, and cannot be treated as taxable perquisite. Besides, as per income tax rules

[10] ***April 2009, June 2011, June 2012 and June 2013.***

a certificate to the effect that the expenditure was incurred wholly and exclusively for the performance of official duties, needs to be furnished for reimbursement. The same is not being maintained by the Company.

Thus, payment of 'running and maintenance' expenses of vechiles over and above the limit prescribed under DPE guidelines resulted in undue benefit of ₹414.66 crore to GAIL's executives.

The matter was reported to the Ministry in February 2022; their reply is awaited (August 2022).

D. ONGC Videsh Limited (OVL) had considered fixed amount of only ₹800 per month out of the total Conveyance Maintenance Reimbursement Expenditure (CMRE) as transport allowance, which was included under the Cafeteria Approach, for payment of perks and allowances. The balance amount pertaining to CMRE for personal vehicles ranging from ₹6,445 to ₹23,315 per month for executive levels was kept outside the Cafeteria Approach.

During the period from 2017-18 to 2021-22(October 21), OVL paid an amount of ₹14.16 crore towards CMRE to its executives. The payment of 'running and maintenance' expenses of vehicle over and above 35 *per cent* ceiling of Cafeteria Approach was in violation of DPE guidelines and resulted in extension of undue benefits to the executives by OVL.

OVL stated (August 2022) that it operates on round-the-clock basis as its operations are spread across the globe and needs to be continuously monitored for which employees are required to be available continuously for monitoring and control purpose. An expenditure on account of CMRE is not an allowance but expenditure associated with operational work and paid to those employees who fulfil the requisite eligibility conditions of the scheme and utilise their vehicles in discharge of their official duty and maintain the vehicle in good running condition. It will not be place to mention that cost of providing Company vehicle to an employee is much more than reimbursement of CMRE to him/her. Therefore, it is similar to reimbursing expenses towards travel while on official tour and thus, could not be covered under Cafeteria Approach.

Reply of OVL is to be viewed against the fact that the executives are paid CMRE for personal vehicles on the basis of their level in the organisation and not on actual basis and therefore does not qualify as reimbursement. As such the payment of CMRE falls under the category of allowance rather than reimbursement and should have been included in Cafeteria Approach.

Thus, the payment of 'running and maintenance' expenses of vechiles over and above the limit prescribed under DPE guidelines resulted in undue benefit of ₹14.16 crore to its executives.

The matter was reported to the Ministry in September 2022; their reply is awaited (October 2022).

Thus, payment of 'running and maintenance' expenses of vechiles over and above the limit prescribed under DPE guidelines resulted in undue benefit of ₹2,609.47 crore to the executives of IOCL, ONGC, GAIL and OVL.

Recommendation No 4: The Companies should discontinue reimbursement of 'running and maintenance' expenses of vehicles as it is in violation of the Department of Public Enterprises guidelines.

HPCL Biofuels Limited

2.4 Loss due to non-realisation of export subsidy

HPCL Biofuels Limited failed to realise export incentives due to lack of diligence in verification of authenticity of successful bidder and acceptance of post-dated cheque as Performance Bank Guarantee, resulting in loss of ₹13.76 crore.

HPCL Biofuels Limited (Company), a wholly owned subsidiary of Hindustan Petroleum Corporation Limited operates Integrated Sugar Ethanol Co-generation plants at Sugauli and Lauriya in Bihar. The Company purchases cane and converts it into sugar and ethanol. With a view to facilitate export of sugar and to improve the liquidity position of sugar mills, Government of India (GoI) notified (12 September 2019) a scheme, wherein ₹10,448 per tonne was fixed as assistance for expenses on export of sugar up to the maximum admissible export quantity fixed for each sugar mill.

Pursuant to the above notification, GoI determined (16 September 2019) maximum admissible export quantity of HPCL Biofuels Limited sugar mills at 13,266 tonnes. In order to avail the scheme, HPCL Biofuels Limited engaged NCDEX e Market Limited, to carry out the work of vendor empanelment, verification of documents, collection of Earnest Money Deposit (EMD), finalisation of tender and online auction. Sri Venkateswara Global Trading Pvt Limited (Exporter) emerged as the H1 bidder with bid value of ₹20,000 per tonne in the online auction conducted on 27 December 2019.

Export Sugar Sale Agreement was executed (30 December 2019) between HPCL Biofuels Limited and Venkateswara Global Trading Pvt Limited. The Exporter was to lift 13,266 tonnes of sugar for export at ₹20,000 per tonne, 100 *per cent* of the proceeds were to be deposited in escrow account provided by NCDEX e Market Limited and delivery order was to be generated for the Exporter. EMD of ₹10 lakh deposited by the Exporter at the time of auction was to be treated as security deposit. The Exporter was required to deposit performance bank guarantee of ₹13.86 crore from a nationalised bank or corporate guarantee duly supported with post-dated cheque equal to the subsidy amount. The above terms were fulfilled by Venkateswara Global Trading Pvt. Limited and subsequently 13,266 tonnes of sugar was lifted between 1 January 2020 and 3 March 2020. HPCL Biofuels Limited realised ₹27.86 crore on account of sugar sale.

Besides, the above requirements, the Exporter also had to furnish the documents needed to claim subsidy, within 30 days of issuance of invoice but not later than 90 days after dispatch of the first consignment. However, due to non-submission of required export documents by the Exporter, HPCL Biofuels Limited could not claim subsidy of ₹13.86 crore from the Government, under the maximum admissible export quantity scheme.

In this regard, Audit observed the following:

i. Venkateswara Global Trading Pvt Limited had submitted (December 2019) certificate of incorporation. Examination of the website of Ministry of Corporate Affairs by Audit has revealed that vide its notice dated 29 October 2019, Ministry of Corporate Affairs had struck off (25 October 2019) the name of the company from the Register of Companies, as it had not been carrying on any business or operation for a period of two immediately preceding financial years. Thus, the company was dissolved and was not in existence when the tender process started.

ii. NCDEX e Market Limited is an electronic web based, online commodities spot market and services company and HPCL Biofuels became (2011) a Trading cum Clearing Member of the exchange. HPCL Biofuels transferred the responsibility of vendor empanelment, verification of application of bidders etc. to NCDEX e Market Limited and relied on it for appropriate vendor selection. This may be seen in the light of the fact that Clause 25 of the agreement provided that NCDEX e Market Limited was only an e-commerce service provider and was not a party nor could control transactions between the seller/ buyer and the successful bidder. Clause 27 provided that in no event NCDEX e Market Limited would be liable for any damages, indirect, consequential or incidental or damages for lost profits, loss of revenues etc. Further, Clause 31 of agreement also indemnified NCDEX e Market Limited against all costs, damages, any claims incidental to such sale or delivery. Consequently, though NCDEX e Market Limited failed to ensure the authenticity of its selected bidder, the Company could not take any action against it, as NCDEX e Market Limited was indemnified against all costs and damages as per the terms of agreement. Thus, the Company failed to secure its financial interests in the event of service deficiencies in its mutual agreement with NCDEX e Market Limited.

iii. Further, the Exporter submitted (December 2019) corporate guarantee supported by post-dated cheque of State Bank of India in line with the agreement. However, despite repeated requests, the Exporter did not submit the documents required to claim export subsidy. HPCL Biofuels Limited then presented the cheque for encashment which however, was dishonoured (26 August 2020) by the Bank. Audit observed that Company allowed submission of post-dated cheque as performance bank guarantee though it is an unsecured financial instrument and failed to safeguard the Company's financial interest.

iv. Clause 4 of the GoI notification (12 September 2019) allowed sugar mills to submit their subsidy claims in two tranches, first of which was to be submitted on export of at least 50 *per cent* of the maximum admissible export quantity and the total claim was to be submitted within 90 days from the date of issue of the last bill of lading. Audit noted that 50 *per cent* of sugar was dispatched by 4 February 2020. HPCL Biofuels Limited intimated (18 January 2020) Venkateswara Global Trading Pvt. Limited that it was required to submit documents after 50 *per cent* of sugar was lifted so that subsidy for the same could be claimed. However, subsequently, only after the entire quantity of sugar was dispatched did the Company ask (4 March 2020) the Exporter to submit the requisite documents. Had the Company pursued submission of documents after dispatch of 50 *per cent* of maximum admissible export quantity, it could have stopped the dispatch of balance quantity of sugar.

Thus, due to lack of due diligence in verification of authenticity of successful bidder and acceptance of post-dated cheque as Performance Bank Guarantee, HPCL Biofuels Limited could not realise the export incentives which resulted in loss of ₹13.76 crore.

The Management replied (December 2021) that work was completely outsourced to NCDEX e Market Limited and HPCL Biofuels Limited was nowhere involved in the registration of bidder. Agreement with NCDEX e Market Limited indemnified NCDEX e Market Limited against all costs, damages, and any claims incidental to such sale or delivery, hence no action was taken against NCDEX e Market Limited. The decision to collect the post-dated cheque in lieu of Performance Bank Guarantee was well thought over and was part of their Standard Operating Procedure. It further added that submission of documents after dispatch of 50 *per cent* of maximum admissible export quantity was not mandatory.

The Management has accepted the fact that, it relied on NCDEX e Market Limited for selection of bidder, but the terms of their mutual agreement indemnified NCDEX e Market Limited from all costs and damages even in the event of service deficiencies. Thus, it is clear that, the Company failed to ensure adequate safeguards to secure its financial interests in its mutual agreement with NCDEX e Market Limited. This, however, may be seen in the light of the following:

i. NCDEX e Market Limited had selected the successful bidder as per technical qualification stipulated by HPCL Biofuels Limited. Further, as per clause 8 of the agreement NCDEX e Market Limited was required to communicate the details of successful bidder to the Company. Moreover, Clause 25 clearly stated that NCDEX e Market Limited was only an e-commerce service provider and could not be a party to or control any transactions. Therefore, the agreement was unilaterally favourable for NCDEX e Market Limited and did not exonerate HPCL Biofuels Limited from its liability to perform due diligence in the transaction. HPCL Biofuels Limited had opportunity and purpose to verify the authenticity of the bidder, but they failed to do so and relied solely on NCDEX e Market Limited.

ii. Para 18.1 of the CVC guidelines (15 January 2002), relating to common irregularities/ lapses observed in procurement system states that, in order to safeguard the Government interest, it would be appropriate to take reasonable amount as Performance Bank Guarantee valid up to warranty period for due performance of the contract. Decision of the Company to allow post-dated cheque was not in line with the CVC guidelines.

iii. Though submission of documents after dispatch of 50 *per cent* of maximum admissible export quantity was not mandatory, as the Exporter had agreed (January 2020) to furnish the documents, Company should have actively pursued and enforced the same at that stage, to protect their interests.

Thus, HPCL Biofuels Limited suffered loss of ₹13.76 crore (₹13.86 crore less ₹0.10 crore EMD amount forfeited), on account of its failure to verify the authenticity of the successful bidder and acceptance of post-dated cheque as Performance Bank Guarantee.

The matter was reported to the Ministry in February 2022; their reply is awaited (August 2022).

Recommendation No 5*: *The Management should fix responsibility for failure to verify the authenticity of the successful bidder and acceptance of post-dated cheque as Performance Bank Guarantee. The Management may consider amending the Standard Operating Procedure to insist on Performance Bank Guarantee instead of post-dated cheques to safeguard the financial interests of the Company.

Hindustan Petroleum Corporation Limited

2.5 Infructuous expenditure on creation of Propylene handling facilities

Creation of additional propylene handling facilities, despite being aware that M/s Andhra Petro Chemicals Limited was the only customer for propylene and was lifting the product through dedicated pipeline directly from Visakh Refinery, resulted in infructuous expenditure of ₹11.50 crore.

Hindustan Petroleum Corporation Limited (HPCL) planned (August 2007) to expand its refining capacity at Visakh Refinery to 15 million metric tonnes per annum by 2015 and proposed to shift the marketing storage facilities and rail/ road loading facilities to a new terminal called Visakh New LPG Terminal. M/s TCE Consulting Engineers Limited, engaged by HPCL for establishment of Visakh New LPG Terminal, submitted a Detailed Feasibility Report in December 2008. This report *inter-alia* included LPG facilities also.

The products proposed to be handled at LPG Facility of the Visakh New LPG Terminal were LPG, Auto LPG and propylene. The Detailed Feasibility Report envisaged the load requirement of propylene at 1,000 metric tonnes per month. Accordingly, one mounded storage bullet with 250 metric tonnes capacity was earmarked for storing propylene, which would be received from Visakh Refinery through a dedicated 6-inch cross-country pipeline. Further, one fully automated Tank Truck Gantry bay was also envisaged for despatch of propylene only through tank trucks. All the above facilities were created at a cost of ₹11.50 crore[11] for receipt, storage and handling of propylene at Visakh New LPG Terminal. This terminal was commissioned in April 2012.

[11] ***Includes cost of Tank (₹7.30 crore), Loading Pumps (₹0.36 crore), Associated Facilities such as Product Line, TT Compressor, Eductor, etc. (₹3.84 crore) but excludes cost of Automated Tank Truck Gantry as the Gantry is used even for loading LPG.***

Figure 2.1: Propylene Tank

Figure 2.2: Tank Truck Gantry

In this regard, Audit observed that:

i. M/s Andhra Petro Chemicals Limited was the only customer who was purchasing propylene produced from Visakh Refinery since 1991. Propylene was transferred directly from Visakh Refinery to M/s Andhra Petro Chemicals Limited through a dedicated pipeline, laid in 1993. Despite existence of sufficient infrastructure for handling of propylene at Visakh Refinery, an additional storage facility of 250 metric tonnes to be handled by tank trucks was created by HPCL as proposed by M/s TCE Consulting Engineers Limited in Detailed Feasibility Report.

ii. The facilities created for storage and handling of propylene at Visakh New LPG Terminal remained idle since its commissioning in April 2012 to December 2021 as propylene was not received, stored, or despatched from this Terminal during this period.

iii. Subsequent to the issue being pointed out by Audit (October 2020), the Management of HPCL approved (15 March 2021) to change the usage of these facilities from propylene to LPG and applied to Petroleum and Explosives Safety Organisation for using the created facility meant for propylene for storage of LPG despite having no requirement for additional storage for LPG.

Thus, the propylene handling facilities created, after incurring an expenditure of ₹11.50 crore, remained unutilised for more than nine years and subsequently, approval was taken for their usage as LPG storage facility despite already having sufficient storage facility for LPG.

On being pointed out (October 2020/ August 2021) by Audit, the Ministry/ Management in its reply (February 2022/August 2021) stated that:

i. Old LPG plant had a dedicated tank truck loading bay for propylene tankers to feed existing and prospective industrial customers. As per the resitement plan, all the existing facilities were to be replicated at new location. This facility was set up to utilise spare capacity of 50 metric tonne per day, after meeting requirement of M/s Andhra Petro Chemicals Limited of 100 metric tonne per day. Thereafter, propylene demand of M/s Andhra Petro Chemicals Limited increased to 150 metric tonne per day and their entire demand was met by the refinery through dedicated pipeline. As a result, there was no excess propylene available with the Refinery for Visakh New LPG Terminal rendering non-utilisation of the facility.

ii. Propylene handling facilities were constructed considering future requirements of the product by prospective customers to keep requisite infrastructure ready for any future requirements of propylene. Creation of such an infrastructure at later stage would have been costlier and challenging.

iii. HPCL has received final approval of Petroleum and Explosives Safety Organisation to utilise propylene facility for storage of LPG and has started utilisation of the facilities from December 2021 onwards.

The replies of the Ministry and Management needs to be viewed in light of the following facts:

i. M/s Andhra Petro Chemicals Limited is the only customer for purchase of Propylene and whenever there was shutdown at M/s Andhra Petro Chemicals Limited or it did not procure propylene from Visakh Refinery, Propylene Recovery Unit was put to shut down. Thus, creation of infrastructure to meet expected additional propylene production lacks justification. The Audit contention is further buttressed by the fact that approval has now been obtained for using propylene facility for storage of LPG.

ii. Revamping of existing Propylene Recovery Unit was a part of Visakh Refinery Modernisation Project. However, the Management proposed (September 2019) to the Board of Directors to delete the envisaged revamp of Propylene Recovery Unit (for increasing production capacity to 10,4000 metric tonnes per annum) at a cost of ₹118 crore from the scope of Visakh Refinery Modernisation Project[12], as besides the existing propylene production, no additional demand was expected for propylene. Accordingly, the Board accorded approval for deletion of the revamp proposal of Propylene Recovery Unit.

iii. Refinery and Visakh New LPG Terminal already had LPG storage facility of 9,900 metric tonnes[13]. Against this, monthly handling requirement as projected in Detailed Feasibility Report was 50,300 metric tonnes[14] and average daily volume handled during 2018-19 to 2021-22 never exceeded 2,535 metric tonnes. Therefore, even the existing storage facility for 9,900 metric tonnes of LPG was not fully utilised. Hence, obtaining the approval of Petroleum and Explosives Safety Organisation for conversion of existing propylene storage tank to LPG storage was just an afterthought to utilise the additional infrastructure already created.

Thus, unwarranted creation of propylene handling facilities at an expenditure of ₹11.50 crore despite being aware of the fact that Andhra Petro Chemicals Limited was the

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***12** Visakh Refinery Modernisation Project envisaged to increase the refining capacity of Visakh Refinery to 15 million metric tonnes per annum.*

***13** Five mounded bullets inside the Refinery with capacity of 1,200 metric tonnes each and three mounded bullets at Visakh New LPG Terminal with storage capacity of 1,300 metric tonnes each.*

***14** Approximately 1,677 metric tonnes per day.*

only customer for propylene and was lifting the product through dedicated pipeline directly from Visakh Refinery, resulted in infructuous expenditure of ₹11.50 crore.

2.6 Opportunity foregone to conserve energy

Delay in implementation of Continuous Capacity Control systems in Net Gas Compressors of Continuous Catalytic Regeneration Unit at Visakh Refinery of HPCL resulted in loss of opportunity to save ₹10.59 crore towards conservation of energy.

Visakh Refinery of Hindustan Petroleum Corporation Limited (HPCL) commissioned (August 2009) a Continuous Catalytic Regeneration Unit to convert paraffins[15] and naphthenes[16] in Heavy Naphtha into an aromatic rich reformate[17] and hydrogen products. Process licensor[18] for the unit was M/s UOP. Continuous Catalytic Regeneration unit consists of two[19] reciprocating Net Gas Compressors for Net Gas service and can operate at 25/50/ 70/ 90/ 100 *per cent* loading capacities. However, Net Gas Compressor was normally operated at 70 or 90 *per cent* capacity with spill back control valve[20] in open condition continuously by 20 to 30 *per cent*.

As the compressor power consumption was high, to avail significant energy savings, the spill back flow had to be reduced and the Net Gas Compressor was to be operated at desired capacity. In order to achieve this, Step-less/ Continuous Capacity Control system was to be commissioned on Net Gas Compressors. With Continuous Capacity Control system, Net Gas Compressor can run at the required capacity (from 10 to 100 *per cent*) with no spill back flow based on Net Gas generation from the Continuous Catalytic Regeneration Unit and the compressor load can be reduced by a minimum of 10 *per cent*. As per HPCL estimate, the savings anticipated due to commissioning of Continuous Capacity Control system was ₹3.30 crore *per annum*. The commissioning of Continuous Capacity Control system required the shutdown of Continuous Catalytic Regeneration Unit and hence, was planned to be implemented during the shutdown of the Continuous Catalytic Regeneration Unit.

Accordingly, Visakh Refinery of HPCL initiated (September 2012) a proposal to commission Continuous Capacity Control system on Net Gas Compressor of Continuous Catalytic Regeneration Unit. Budget of ₹9.40 crore required for the scheme was allotted (May 2016) under the budget for the year 2016-17. Visakh Refinery of HPCL placed (August 2016) an order for supply of Continuous Capacity Control system at a basic price

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[15] ***Paraffins are flammable, whitish, translucent, waxy solids consisting of a mixture of saturated hydrocarbons, obtained by distillation from petroleum or shale and used in candles, cosmetics, polishes, and sealing and waterproofing compounds.***

[16] ***Naphthenes, also known as cycloalkanes, are saturated hydrocarbons that have at least one ring of carbon atoms.***

[17] ***Reformate is a high octane liquid product and is premium blending stock for high octane gasoline.***

[18] ***Process Licensor does the Process Designing and also grants a license to use the technology.***

[19] ***74-K-02A and 74-K-02B; one operating and one standby.***

[20] ***Spill Back Control Valve is used for controlling the flow of a reciprocating compressor. In order to regulate the gas flow according to process demands, part of the compressed gas is re-expanded and recycled to the suction side, resulting in significant energy losses.***

of ₹6.18 crore and materials were received in December 2016. Initially, Continuous Capacity Control system on Continuous Catalytic Regeneration Unit was implemented for 74-K-02B compressor during the shutdown of Continuous Catalytic Regeneration Unit in December 2018. Subsequently, Continuous Capacity Control system for 74-K-02A compressor was implemented during the Continuous Catalytic Regeneration Unit revamp in September 2019. Visakh Refinery of HPCL conducted the impact assessment in April 2020 and observed that the actual savings were ₹2.53 crore per annum as against the anticipated savings of ₹3.30 crore per annum.

In this regard, Audit observed that:

i. The licensor M/s UOP had adopted the Continuous Capacity Control technology from 2005 onwards. Considering the complexity of the project, the lead time estimated for implementation of Continuous Capacity Control system was a minimum of two years and it required shutdown of Continuous Catalytic Regeneration Unit. As after commissioning of Continuous Catalytic Regeneration Unit in August 2009, the next planned Turnaround and Inspection[21] shutdown was in April 2014, Visakh Refinery of HPCL should have initiated the proposal for implementation of Continuous Capacity Control system in time to match the planned shutdown in April 2014. However, Visakh Refinery of HPCL initiated the proposal in September 2012 with only 18 months left to the next shutdown. As a result, it could not complete the system during the shutdown in April 2014.

ii. Further, after initiation of proposal in September 2012, time of four years was taken in obtaining internal approval of Competent Authority (May 2016) and placement of order (August 2016) and therefore, Continuous Capacity Control systems could be commissioned in Continuous Catalytic Regeneration Unit only in December 2018/ September2019.

Thus, delay in initiating the proposal coupled with subsequent procedural delays of four years delayed the commissioning of Continuous Catalytic Regeneration systems and HPCL lost an opportunity to save ₹10.59 crore[22] towards conservation of energy during June 2014 to November 2018.

The Ministry (December 2021)/ Management (September 2021/ May 2022) stated that:

i. Though M/s UOP had adopted the Continuous Capacity Control technology from 2005 onwards, the Management was not aware of the same in 2005. Features of any new technology need to be proven before it is adopted by all refineries. This technology was not considered by M/s UOP during design phase of Continuous Catalytic Regeneration Unit and, therefore, the Unit was commissioned in 2009 without this technology. After

[21] ***Turnaround and Inspection is a planned shutdown which takes place once in four years. After 2012, the first available Turnaround and Inspection shutdown was in 2014 and later after four years in 2018. During this shutdown, all the repairs and maintenance jobs in the unit including mechanical, civil, rotary, instrumentation, electrical jobs etc as well as any work of technological improvements are carried out on the various equipment of the Unit.***

[22] ***Continuous Catalytic Regeneration unit after Turnaround and Inspection shutdown commenced operations with effect from 16 May 2014. Hence, the loss was computed from June 2014. Further, the Continuous Catalytic Regeneration system was commissioned in one compressor in December 2018, hence, the loss has been computed up to November 2018.***

commissioning of the Unit and its stabilisation, Visakh Refinery of HPCL observed the potential for conservation of energy by implementing Continuous Capacity Control system and accordingly the proposal to install this system was initiated.

ii. Considering the complexity of the project and involvement of Original Equipment Manufacturer of the Compressor during execution, the estimated lead time for commissioning of Continuous Capacity Control system was a minimum of two years. To meet the timeline of April 2014 for execution of this proposal, the Purchase Requisition should have been submitted by June 2013 itself, which requires completion of the budget approval process at least by May 2013. Generally, the request for budget is submitted only after ensuring that the project is fully developed in all aspects which was achieved in October 2013 in this case. Since the time available for obtaining budget approval, order placement and material availability at site was not adequate to implement the project during April 2014 Turnaround and Inspection shutdown, it was slated for next Turnaround and Inspection in 2018. Accordingly, the pacing of the project was done to meet the target of 2018 Turnaround and Inspection shutdown.

The replies of the Ministry and the Management need to be viewed in light of the following facts:

i. Audit objection is not on non-commissioning of Continuous Capacity Control system along with Continuous Catalytic Regeneration Unit in 2009 but on delay in initiation of the proposal to match the commissioning of Continuous Capacity Control system during shutdown of April 2014. At the time of commissioning of Continuous Catalytic Regeneration Unit in August 2009, Continuous Capacity Control technology was available. HPCL was aware that it required a minimum of two years to implement the Continuous Capacity Control system and it also had sufficient time of more than two years for initiation of the proposal for its installation to be made during shutdown of 2014. Planning the project in this manner was more important because, if the shutdown in April 2014 was missed, next Turnaround and Inspection shutdown was scheduled only after four years, i.e., in 2018. However, HPCL initiated the proposal in September 2012 viz. just 18 months before the next available Turnaround and Inspection shutdown in April 2014.

ii. Further, as the proposal was initiated in September 2012 with less than two years from the next Turnaround and Inspection shutdown planned in April 2014, prudence demanded that HPCL should have tried to expedite the process of the approvals to match with the planned Turnaround and Inspection shutdown in April 2014. As per HPCL's estimate, a period of 10 months was required for installation/commissioning of the system from release of purchase requisition. Thus, a time of eight months was available for obtaining internal approvals. However, instead of expediting the process, Visakh Refinery of HPCL took eight months to initiate proposal for Management approval[23] and 20 months

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[23] ***Project Safety and Engineering Clearance was received in October 2012, proposal for Management approval was initiated in June 2013.***

for allocation of funds[24]. As a result, Visakh Refinery of HPCL missed the opportunity of commissioning of Continuous Capacity Control system in 2014 and had to wait for another four years for commissioning the system.

Thus, delay in initiation of the proposal to take up implementation of Continuous Capacity Control systems during the first Turnaround and Inspection shutdown of April 2014 coupled with lack of effective monitoring to avoid procedural delays led to overall delay in implementation of Continuous Capacity Control systems in Net Gas Compressors of Continuous Catalytic Regeneration Unit. As a result, Visakh Refinery of HPCL lost the opportunity to save ₹10.59 crore towards conservation of energy.

Indian Oil Corporation Limited

2.7 Infructuous expenditure of ₹145 crore due to participation in a low hydrocarbon and risky exploration & production block

Indian Oil Corporation Limited took up exploration & production activities for discovery of hydrocarbons despite absence of basic elements indicating availability of viable reserves besides not having any operatorship experience in exploration & production activities. This resulted in infructuous expenditure of ₹145 crore.

Indian Oil Corporation Limited (IOCL), in 2008, acquired two onshore Type-S Exploration Blocks CB-ONN-2005/7 for exploration & production in Cambay Basin, Gujarat under 7th Round of NELP[25] with 100 *per cent* participating interest & operatorship. Production Sharing Contract (PSC) for the same was signed on 22 December 2008 with the Government of India. As per PSC, the exploration period for the said block was seven years, divided into two phases viz., Phase-I of four years and Phase-II of three years.

In this regard Audit observed that:

i. In order to assess prospectivity and to shortlist the blocks offered under the bidding round, IOCL deputed its in-house part time consultant for the evaluation of preliminary data obtained from Director General of Hydrocarbons' (DGH) website. After necessary evaluation of preliminary data of 57 offered blocks, the part time consultant shortlisted (April 2008) a total of 14 exploration blocks and expressed its concern that all five wells drilled earlier in the block CB-ONN-2005/7 were declared dry. In-house consultant also recommended a detailed techno-economic evaluation/ due-diligence keeping in the mind the fact that in view of the mud logging units and the thin Cambay Shale (Source Rock) developed in the western part of the block and the poor cap rock in the block area, the geological chance of success would only be three *per cent* in the block.

ii. For further evaluation of this block, the Company hired (February 2008) M/s Resource Investment Strategy Consultants (RISC), who, after technical evaluation of

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[24] ***Proposal for allocation of funds was initiated on 8 October 2014 and funds were allocated on 28 May 2016.***

[25] ***New Exploration Licensing Policy.***

the data from each block, expressed (March 2008) the following limitations/ constraints in evaluation:

a) Inadequate log data and supplementary well information for the wells within the permit and absolutely no data from the neighbouring fields.

b) Seismic data limited to only those wells which fall exclusively within the permit.

c) Most of seismic data was of poor quality; a significant proportion had been scanned from paper sections and the introduction of scanning noise limited the amplitude information retained in the data, so it was only possible to tie a small number of wells to the seismic with confidence.

d) Many of the seismic lines were either not migrated or very poorly migrated, making fault & structural interpretations difficult on these lines.

e) The check shots were not available and well tying was unreliable so it was not possible to generate velocity map.

f) Five exploration wells drilled earlier in each of aforementioned blocks to a depth of 1,250 m to 1,500 m did not yield any hydrocarbon.

ii. Despite no previous experience of operating exploration blocks, IOCL overruled all the concerns expressed by its consultants and decided (March 2008) to acquire the blocks as an operator. IOCL considered the absence of any pre-qualifying technical capability criteria in bidding round and bid evaluation criterion for Type-S blocks (area upto 200 km^2) as a unique opportunity and acquired the shortlisted block with 100 *per cent* participating interest.

iii. IOCL had not shared the reservations expressed by both the consultants and the logic behind committing to drill double the number of wells against recommended five wells by the consultant while obtaining the approval from its Board of Directors (BoD). However, the Company drilled only six wells against its commitment of 10 wells based on subsequently acquired 3D seismic data. All of these wells were abandoned due to no discovery of hydrocarbon.

iv. It was seen from the post drilling analysis reports of drilled wells that the reason behind absence of hydrocarbon mainly attributed to source rock, i.e., Cambay Shale being clay stone having limited potential, non-migration of hydrocarbon from the location as well as no development of reservoir in Cambay Shale. It was also recorded that the data for seismic to well tie was limited.

v. Due to non-discovery of hydrocarbon in Phase-I, it was decided (August 2015) not to enter into Phase-II of exploration and relinquish the block resulting into infructuous expenditure amounting of ₹145 crore (inclusive of liquidated damages amounting to ₹37.32 crore on account of non-completion of Minimum Work Programme and interest of ₹0.15 crore on late payment of liquidated damages).

Thus, lack of basic elements for discovery of hydrocarbon like adequate source rock, migration path, reservoir and seal in the block had resulted in non-discovery of any hydrocarbon and consequent infructuous expenditure of ₹145 crore.

The Management, in its reply (February 2021), stated that only technical facts were gathered from the preliminary information, obtained from the DGH, by the in-house or external consultants and there were no concerns expressed. They also stated that 3 *per cent* of Geological Chance of Success was calculated by M/s RISC for one lead and rest four leads/ prospects ranges were from 9 *per cent* to 46 *per cent.*

The reply of the Management is not acceptable as all the technical facts mentioned by the consultants in their reports (March/ April 2008) were sufficient to establish low potential in the projects and were self-explanatory in respect of the associated risk and challenges. The facts and the data gathered provided convincing evidence that reservations and limitations as expressed in the external consultant report, like earlier drilled wells had no sign of any hydrocarbons, poor seismic data quality and inadequacy of log data/ well information etc., were sufficient to question the credibility and viability of the project. Further, these facts were not shared by IOCL with their BoD while taking the decision to quote for these blocks

Ignoring the reservations expressed by in house consultant as well as third party consultant regarding prospectivity of blocks, presence/ absence of basic elements indicating availability of viable reserves of hydrocarbons, especially when IOCL was not having any operatorship experience in the exploration & production activities, has resulted in infructuous expenditure of ₹145 crore.

The matter was reported to the Ministry in April 2022; their reply is awaited (August 2022).

Recommendation No 6*: *The Company may issue instructions to ensure that crucial information relevant for decision making are placed before Board of Directors. The Company may also fix responsibility for the lapses in this case.

Oil and Natural Gas Corporation Limited

2.8 Avoidable expenditure on unviable NELP blocks after their relinquishment

Adverse economic viability of the project and failure of ONGC to carry out the Drill Stem Test required for approval of Declaration of Commerciality as per Testing Requirement Policy, 2015, led to avoidable expenditure of ₹23.12 crore on two of its NELP blocks after their relinquishment.

Government of India awarded two NELP[26] blocks, *viz.,* MN-DWN-98/3 and MN-OSN-2000/2 in Mahanadi Basin to ONGC in April 2000 and July 2001 respectively. ONGC was the operator in MN-DWN-98/3 block with 100 *per cent* Participating Interest. In block MN-OSN-2000/2, ONGC was the operator with 40 *per cent* Participating Interest with other consortium partners, *viz.,* GAIL (India) Limited, Oil India Limited and Indian Oil

[26] ***New Exploration Licensing Policy (NELP) was formulated by GOI during 1997-98 to provide a level playing field to public and private sector companies in exploration and production of hydrocarbons.***

Corporation Limited with Participating Interest of 20 *per cent* each. In MN-DWN-98/3 block, two discoveries of Non-Associated Natural Gas[27] in the wells MDW-4A and MDW-5 was notified in April/ December 2007 respectively. In MN-OSN-2000/2 block, first Non-Associated Natural Gas discovery was made in well MDW-2A in December 2006 and second discovery in well MDW-10 in December 2010. The second discovery was notified in December 2010. Declaration of Commerciality[28] in respect of both the blocks was submitted to Directorate General of Hydrocarbons (DGH) in November/ December 2013; however, in absence of surface flow data, Declaration of Commerciality was not reviewed by DGH. ONGC requested (November 2014) the Ministry of Petroleum & Natural Gas (MoPNG) to allow the company to retain the discovery area of the two blocks till emerging technologies made gas development and production viable at current economic scenario. ONGC also intimated the Ministry that the project was not viable based on the then prevailing technologies and the project would be economically viable only at gas price ranging from around US$11 to 13/MMBtu[29].

With a view to allow contractors to monetise discoveries, the Cabinet Committee on Economic Affairs (CCEA) announced (April 2015) a policy for testing requirement in respect of 12 discoveries, which were not reviewed due to non-availability of Drill Stem Test[30] data and whose timelines for submission of Declaration of Commerciality had expired. Two discoveries of ONGC in MN-DWT-98/3 (MDW-4A and MDW-5) and one discovery in MN-OSN-2000/2 (MDW-10) were covered under the Policy. As per the Policy, there were three options available to the contractors, *viz,*

Option 1: Relinquish the contract area associated with the discoveries,

Option 2: Conduct Drill Stem Test (which was not conducted earlier) and submit revised Declaration of Commerciality within one year from the date of CCEA Policy and proceed ahead with development, failing which the contractor shall relinquish the area encompassing these discoveries and the right to develop these discoveries, and

Option 3: Proceed ahead with development of discoveries without conducting Drill Stem Test and ring fence such discoveries[31].

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27 ***Natural Gas produced either without association of crude oil or in association with such quantities of crude oil which by itself cannot be commercially produced.***

28 ***Written communication based on initial data acquired from the well sent by the contractor to DGH declaring that the discovery made in the contracted area is commercial field.***

29 ***Million British Thermal Unit (unit of heat energy, 1 Btu is equal to 252 calorie).***

30 ***Procedure for isolating and testing the pressure, permeability and productive capacity of a geological formation during the drilling of a well. It is an important measurement of pressure behavior at the drill stem and is a valuable way of obtaining information on the formation fluid and establishing whether a well has a flow potential.***

31 ***A ring fence is a virtual barrier/ legal wall that segregate a portion of Company's assets like discovery, development area/ field/ contract area. This is usually meant to reserve/ restrict money for a specific project to protect the assets from losses which may incur due to operations in other riskier area beyond the ring fence. The revenue and cost associated with the ring fenced discoveries will be accounted separately.***

The policy further stipulated that if the contractors of these discoveries did not opt for any one of the three options within 60 days of the CCEA Policy, then the area encompassing these discoveries shall automatically get relinquished.

ONGC opted (June 2015) for the second option and accordingly, 12 months' extension from 29 April 2015 to 28 April 2016 was granted for submitting revised Declaration of Commerciality subject to conducting Drill Stem Test. The Company submitted revised Declaration of Commerciality to DGH/ MoPNG on 26 April 2016 without carrying out the Drill Stem Test. This was a deviation of CCEA approved option provided in the policy. DGH rejected (December 2016/ March 2017) the revised Declaration of Commerciality submitted by ONGC due to not conducting Drill Stem Test and the two blocks were relinquished effective from 29 April 2016.

In this regard Audit observed that:

i. ONGC submitted revised Declaration of Commerciality to DGH/ MoPNG without carrying out the requisite Drill Stem Test within stipulated time limit of one year from the date of CCEA Policy. As a result, DGH rejected the Declaration of Commerciality and the two blocks stood relinquished from 29 April 2016.

ii. ONGC incurred avoidable expenditure of ₹23.12 crore (₹21.10 crore in 2016-17 and ₹2.02 crore in 2017-18) towards Geological and Geophysical activities, administrative overheads and Petroleum Exploration License expenses even after the relinquishment by DGH effective from April 2016.

The Ministry in its reply (March 2022) stated that:

i. The identified Rig could not be deployed for testing due to the restrictions put at the Integrated Test Range.

ii. The additional time of one month requested by ONGC for carrying out conventional testing was not agreed to by DGH and the DGH requested relinquishment of the blocks.

iii. ONGC again requested (January 2017) for quick approval for Option-2, however, DGH communicated (March 2017) decision to relinquish both the blocks.

iv. ONGC continued to explore the areas in the blocks which have interesting prospective features; which would be helpful in enhancing the knowledge base.

v. The cost incurred were in the nature of manpower costs and overheads, and were incurred with the consent of consortium partners.

vi. Ministry, however, agreed that ONGC failed to adhere to the timeliness and procedures prescribed by GoI as approved by CCEA. Therefore, ONGC is being instructed to formulate Standard Operating Procedures to ensure that such incidents do not recur in future.

While acknowledging the efforts and acceptance of the Ministry and ONGC to formulate Standard Operating Procedures to prevent recurrence of such instances, the reply is not tenable in view of the following:

i. As already stated, the restrictions put by Ministry of Defence at the site were in force only during November-December 2015. The pending tests could have been completed after that.

ii. The response regarding ONGC requesting again to exercise Option-2 in January 2017, was beside the point, as ONGC had exercised this option in June 2015 itself.

iii. While ONGC may have been engaged in interesting exploration elsewhere, what was expected was to undertake and complete the Drill Stem Test, timely – which ONGC was contractually mandated to do, for which as per CCEA approved policy, ONGC had obtained additional period of one year.

Thus, despite adverse economic viability of the project and failure to carry out the Drill Stem Test required for approval of Declaration of Commerciality as per CCEA approved Testing Requirement Policy, 2015, ONGC incurred avoidable expenditure of ₹23.12 crore on two of its NELP blocks after their relinquishment.

Recommendation No 7*: *ONGC may institute a Standard Operating Procedure/ process by which timely adherence to the Government prescribed procedures is ensured, to prevent recurrence of such incidents.

Oil India Limited

2.9 Imprudent decision making in finalisation of tender for sale of condensate resulted in short realisation of revenue

Despite availability of sufficient quantity of condensate, OIL failed to execute any contract for sale of condensate with interested bidders and eventually, blended the same with crude oil and lost the opportunity to earn additional revenue amounting to ₹24 crore.

Oil India Limited (OIL), a national oil company, extracts crude oil and natural gas. It also produces Liquified Petroleum Gas (LPG) by processing natural gas in their LPG plant at Duliajan, Assam. While producing LPG, a by-product called condensate[32] is generated. OIL sells condensate in the domestic market to the manufacturers of chemical products and unsold quantity, if any, is blended with crude oil for supply to the oil refineries. Production of such condensate at Duliajan is around 20,000 MT per annum with maximum monthly production of 2,000 MT. OIL sells the condensate to the interested eligible buyers against open tender under domestic competitive bidding.

Last contract, for sale of condensate, was awarded by OIL in September 2016 for two years. OIL floated a tender again in April 2018 in order to continue the sale condensate. But the same was subsequently cancelled, before bid-opening date, in order to resolve an issue regarding method of fixing base-price.

[32] ***Condensate is a mixture of light liquid hydrocarbons, similar to very light crude oil. It is typically separated out of natural gas stream at the point of production when the temperature and pressure of the gas are dropped to atmospheric condition.***

OIL floated a fresh tender in May 2019 after resolving the issue of fixation of base price. The tender called for the submission of bids for purchase of 300 MT (minimum) to 2,000 MT (maximum) quantity of condensate per month, against which three parties offered their rates. Offer submitted by one party was rejected due to non-submission of bid security. H1 bidder {Alcon Petro Private Limited (APPL)} submitted a bid for purchase of 300 MT of condensate. H2 bidder {M/s. Eastern Chemical Industry (ECI)} submitted a bid for purchase of 550 MT. OIL negotiated with H2 bidder (ECI) for matching their rate quoted by H1 bidder, who agreed to the same (August 2019).

OIL further requested (September 2019) both the parties to increase their monthly lifting quantity. However, in response, M/s. ECI (H2) requested (September 2019) to consider for reducing their lifting quantity to 300 MT per month against their quoted quantity of 550 MT.

Audit observed that despite the fact that the quantity quoted by both the bidders (300 MT and 550 MT) was matching/higher than the minimum quantity (300 MT) specified in the tender, OIL cancelled (February 2020) the tender citing that a meager quantity would not be appropriate considering much higher monthly production of condensate. OIL, citing advice from CVO (November 2019) and Corporate Business Committee (CBC), decided to explore the possibility of selling condensate to PSUs, which also did not materialise (December 2021), despite lapse of considerable time.

Thus, despite availability of sufficient quantity of condensate and interested bidders, OIL cancelled the tender which is not a commercially prudent decision. OIL eventually, blended the same with crude oil and lost the opportunity to earn additional revenue as it merely fetched the price of crude oil as a result of blending, which was much lower than the prices of condensate. OIL by accepting the offers of the valid bidders could have fetched anadditional revenue of ₹24 crore[33] (**Annexure I**) during the period from January 2020 to October 2021.

The Management in its reply (January 2022) stated that:

- M/s. ECI had submitted their bid with a committed quantity of lifting of 550 MT per month. However, after opening of technical bid, M/s. ECI had sought for post tender modification and insisted OIL to reduce their originally quoted lifting quantity from 550 MT to 300 MT. This being a post tender modification to the very basic parameter of their bid, the same could not be accepted.
- The other acceptable bidder against the tender was APPL, who had submitted their offer to lift only 300 MT per month, out of the total available tendered quantity of 2,000 MT per month. Hence, award of contract for a meagre quantity of 300 MT only to a non-PSU was not considered in the backdrop of advice from CVO and CBC.

[33] ***Following the conservative approach, the calculation has been carried out based on the Minimum Guaranteed Upliftment Quantity which is 80 per cent of the contracted quantity (600MT) as per the provisions of NIT which comes to 480 MT.***

- After cancellation of the tender, OIL had taken up the matter with IOCL, NRL and BCPL to create reputed customer base. Subsequently, NRL and IOCL declined to purchase the condensate. Negotiation with BCPL was still under process.

The contentions of the Management are not acceptable in view of the following:

- OIL, itself initiated post tender negotiation with the bidders to increase the monthly lifting quantity from the quoted lifting quantity. In response to such negotiation, ECI requested to reduce the lifting quantity of condensate to 300 MT per month. Thus, the benefit of post tender negotiation made by OIL with ECI who had agreed to match the price of H1 bidder could not be availed as OIL did not accept the offer of ECI in the backdrop of limited customer base and minimum quantity (300 MT) of lifting stipulated in the bid document.
- CBC and CVO did not restrict OIL from selling the condensate to any private party it only suggested exploring the possibility of sale of the condensate to the PSUs so as to create a reputed customer base.
- Despite provision of the tender allowing for minimum quantity of 300 MT per month, OIL did not accept the offers of interested bidders for 300 MT each, citing the reasons of “meager quantity”. Thus, OIL failed to fetch revenue from sale of condensate for at least 600 MT per month.

Thus, OIL failed to finalise any contract with any PSU till date (December 2021). It could have been a commercially prudent decision for OIL to sell at least 600 MT of condensate per month to the interested parties and simultaneously, continue to explore possibility to negotiate with PSUs for disposal of balance condensate of 1,400 MT per month. OIL, eventually, failed to earn additional revenue due to imprudent decision during tendering process.

The matter was reported to the Ministry in January 2022; their reply is awaited (August 2022).

CHAPTER III: MINISTRY OF POWER

Damodar Valley Corporation

3.1 Loss due to non-compliance to statutory requirements

Damodar Valley Corporation (DVC) without having a valid mining lease for Bermo Mines, awarded the work to a contractor for removal of overburden and transportation of coal which resulted in loss of ₹7.78 crore to DVC. Further, non-renewal of mining lease led to coal worth ₹17.95 crore remaining stacked up at stockyard of DVC due to failure of DVC to generate online challans mandatory for dispatch of ores.

Damodar Valley Corporation (DVC) acquired the mining lease of Bermo Mines, Jharkhand (erstwhile Bihar) in January 1951 from Government of India for a period of 35 years for underground coal mining. In January 1986, mining lease of Bermo Mines was renewed till 31 December 2015. As mining lease of Bermo Mines was expiring on 31 December 2015, DVC applied (3 December 2014) for extension of mining lease from 1 January 2016 to District Mining Office, Bokaro. DVC was communicated the same day that the application was not submitted with requisite mandatory documents[1] which may be submitted within 15 days.

Despite knowing the fact that approved Mining Plan was a pre-requisite for renewal of mining lease, DVC initiated necessary action for preparation of Mining Plan only in November 2015, i.e., after 10 months of being informed by the District Mining Office, Bokaro about the essential requirement and just one month before the lapse of the mining lease. However, though DVC did not have a valid mining lease, it awarded (September 2016) the work for deployment of heavy earth moving machineries for removal of overburden and transportation of coal from Bermo Mines to M/s BKB Transport Private Limited (contractor) at a cost of ₹14.11 crore. DVC finally submitted the Mining Plan and other mandatory documents for Bermo Mines to Ministry of Coal, GoI for approval only in April 2017. In the meanwhile, DVC continued mining (till August 2017) even after expiry of mining lease (31 December 2015) and without having valid renewal application filed in the District Mining Office.

Office of the Deputy Commissioner cum Magistrate, Bokaro made online challans mandatory for dispatch of ores from 1 November 2016 on the basis of notice issued (March 2014) by Government of Jharkhand. These online challans could not be generated by DVC as it did not have an approved mining plan. Hence, DVC stopped (August 2017) mining work citing non-transportation of coal for want of online challans. As a result, the contractor could not dispatch 59,850.10 metric tonnes of coal having value of ₹17.95 crore

[1] *Approved Mining Plan, Environment Clearance, Consent to Operate from State Pollution Control Board, Jharkhand, list of technical persons, list of Board of Directors, information of lease hold area in prescribed check list, details of Production and Dispatch figure of last five years and expenditure report on social welfare during lease period of DVC.*

from January 2017 to July 2017, which remained stacked up at stockyard of DVC. Meanwhile, the Corporation paid ₹7.78 crore to the contractor for overburden removal.

Government of India decided (May 2018) not to renew the mining lease in favour of DVC and transfer it to Central Coalfields Limited because of the following reasons:

- The mine was defunct since 2017 due to various technical reasons and lack of expertise in mining, resources and clearances.
- The transfer of Bermo Mines from DVC to Central Coalfields Limited would boost the coal production and leverage economies of scale because Central Coalfields Limited has expertise and sale of coal by Central Coalfields Limited is more than the consumption of DVC.
- Secretary (Power) remarked that under the extant guidelines[2], the mining lease to DVC could not be renewed.

However, it was not handed over to Central Coalfields Limited by DVC till February 2022.

In this connection, Audit observed the following:

- Continued mining by DVC even after expiry of Mining Lease without having valid Mining Lease renewal application in Mining office was in violation of the Mines and Minerals (Development and Regulation) Act.
- DVC was informed by the District Mining Officer, Bokaro in December 2014 itself that Mining plan was a pre-requisite for renewal of lease which was due in January 2016. DVC was also aware that Government of Jharkhand had issued notice (March 2014) that dispatch of ores and minerals would be allowed only after having online transit challans and it would not be in a position to generate online transit challans in the absence of mining lease. Despite this, DVC initiated action for preparation of Mining Plan only in November 2015, i.e. after a delay of almost 20 months. This indicated lack of seriousness on the part of the Management of DVC.
- Despite knowing the problems in renewal of mining lease and obtaining of online transit challans, awarding of contract by DVC to contractor at a cost of ₹14.11 crore for overburden removal and transportation of coal from Bermo Mines was not a judicious decision.
- Further, DVC paid ₹7.78 crore to contractor for overburden removal without having any benefit.

Thus, the loss of ₹7.78 crore towards overburden removal coupled with loss of 59,850.10 metric tonnes of coal valuing ₹17.95 crore lying in stockyard of DVC was because of two reasons i.e., non-renewal of mining lease and consequently not getting online transit

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[2] ***Referring to clause no. 5 of Chapter II of The Coal Mines Act 2015 which states that Central Government may allot Schedule I mines to Power Company. Bermo Mines was not in the list of Schedule I mines and therefore, the same could not be renewed in favour of DVC.***

challans. Both things could not happen because DVC did not have requisite documents like approved Mining Plan, Mine closure plan, environmental clearance etc.

While confirming the facts, the Management/ Ministry stated (December 2021/ April 2022) that as decided in the meeting held in September 2021, Central Coalfields Limited shall be delivering the coal of Bermo Mines as per agreed terms and conditions to DVC's thermal power stations and therefore, expenditure of ₹7.78 crore towards overburden removal will be recovered.

However, in the minutes of meeting (September 2021), it was mentioned that Central Coalfield Limited would ensure firm linkage of 2.5 million metric tonnes per annum of coal to DVC in lieu of handing over of Bermo Mines. But there was no indication about the recovery of ₹7.78 crore towards cost of overburden removal in the minutes of the aforesaid meeting. Therefore, the contention of the Management that the overburden removal cost of ₹7.78 crore was recoverable from Central Coalfields Limited is not in conformity with the minutes of the meeting.

Thus, awarding of a mining contract for Bermo Mines without having a valid mining lease and consequently no possibility of online transit challans resulted in loss of ₹7.78 crore towards cost of overburden removal alongwith loss of 59,850.10 metric tonnes of coal valuing ₹17.95 crore.

Nabinagar Power Generating Company Limited

3.2 Avoidable expenditure of ₹85.35 crore

Nabinagar Power Generating Company Limited incurred avoidable expenditure of ₹85.35 crore on account of payment of idle transmission charges to Power Grid Corporation of India Limited due to inability to assess the time required for completion of its power generating units and failure to complete the project in synchronisation with the transmission line.

NTPC Limited and Bihar State Electricity Board formed a Joint Venture Company namely Nabinagar Power Generating Company Private Limited in September 2008 with both having 50 *per cent* stake. Nabinagar Power Generating Company Private Limited[3] became a wholly owned subsidiary of NTPC in June 2018. It was renamed as Nabinagar Power Generating Company Limited (Company) w.e.f. 17 February 2019. The joint venture was formed to establish, operate and maintain 3x660 MW capacity of coal based thermal power project. Unit 1 was to be commissioned by April 2017 and Units 2 and 3 were to be commissioned at an interval of six months thereafter.

Nabinagar Power Generating Company Private Limited and Power Grid Corporation of India Limited entered (18 March 2016) into an Implementation Agreement wherein the transmission line was to be commissioned by 30 April 2019. The Company, however, requested (March 2016) Power Grid Corporation of India Limited to commission one

[3] ***It was renamed as Nabinagar Power Generating Company Limited w.e.f. 17 February 2019.***

transmission line matching[4] with commissioning of the first unit (scheduled for commissioning on 30 September 2017) by September 2017. As per the Implementation Agreement, in the event of respective units of Generating Station are not commissioned by scheduled commissioning date of the Associated Transmission System as per the agreement (Commissioning schedule of Associated Transmission System was 30 April 2019), the Generating Company shall bear the transmission charges if the transmission system is declared under commercial operation by the Central Electricity Regulatory Commission (CERC) till Generating Station is commissioned.

Power Grid Corporation of India Limited filed a petition before CERC for determination of Transmission Tariff from date of commissioning to 31 March 2019 for the transmission line for period 2014-19 under the CERC (Terms and conditions of Tariff) Regulation, 2014. CERC in its order dated 22 April 2019 stated that since the transmission asset had already come on 12 May 2018, the transmission charges allowed for the instant asset would be borne by Nabinagar Power Generating Company from 12 May 2018 to date of commissioning of the first unit. Thereafter billing, collection and disbursement of the transmission charges would be governed by the provisions of the Regulation 43 of Tariff Regulations, 2014 and recovered as provided in the 2010 Sharing Regulations. Thus, Nabinagar Power Generating Company was to bear the transmission charge till completion of all three units in proportion to the completion of the units i.e., full transmission charge till completion of first unit, two-third transmission charge till completion of second unit and one-third transmission charge till completion of third unit.

In view of the CERC order, Nabinagar Power Generating Company paid full transmission charges to Power Grid Corporation of India Limited from May 2018 to August 2019 (till commissioning of Unit 1 on 6 September 2019), two third of the transmission charges from September 2019 till July 2021 (commissioning of Unit 2 on 23 July 2021) and one third transmission charges from August 2021 till March 2022 (commissioning of the third unit on 6 March 2022). The Company paid ₹106.06 crore as transmission charges to Power Grid Corporation of India Limited till January 2022.

In this regard, Audit observed the following:

- Transmission line was scheduled for commissioning by 30 April 2019. Nabinagar Power Generating Company however requested Power Grid Corporation of India Limited to complete the work earlier by September 2017. Power Grid Corporation of India Limited completed the transmission line in May 2018 but Nabinagar Power Generating Company could not utilise the line as Unit 1 was not commissioned by then. Therefore, being a generating company it had to bear the transmission charges as per Implementation Agreement.

[4] ***Power generating station and transmission lines are required to be completed in a synchronised manner in order to supply power to the beneficiaries. Early completion of transmission line i.e., before completion of the power generating station would result in idling of transmission line for which transmission charges were to be borne by the power company.***

- The Management of the Company should have assessed the likely completion of the facilities realistically before requesting Power Grid Corporation of India Limited for early completion of the transmission line. Wrong assessment and failure to complete the project in synchronisation with the transmission line led to payment of idle transmission charges of ₹85.35 crore[5] to Power Grid Corporation of India Limited.

- Nabinagar Power Generating Company had been periodically intimating about the progress of the project to Power Grid Corporation through Joint Coordination Committee Meetings. However, it was noted that the delay in land acquisition and consequent delay in completion of Unit 1 was not intimated to Power Grid Corporation. It was also noted that even in the meeting held in June 2017, the likely completion date for Unit 1 was stated to be August 2017 (as against the scheduled completion of September 2017). As a result, Power Grid Corporation completed (12 May 2018) the transmission line, though delayed from the requested date (September 2017) but ahead of original scheduled time (April 2019) and Company had to pay idle transmission charges on this account.

Thus, Nabinagar Power Generating Company incurred avoidable expenditure of ₹85.35 crore on account of payment of idle transmission charges to Power Grid Corporation of India Limited due to its inability to assess the time required for completion of its power generating units and failure to complete the project in synchronisation with the transmission line.

The Management replied (January 2022) that (i) they tried hard to complete the unit on time but it was delayed due to reasons beyond control like non-availability of land in plant area, frequent bandhs/ strikes and excessive rains in rainy season and (ii) amount paid to Power Grid Corporation of India Limited is recoverable from the beneficiaries.

The reply of the Management of the Company may be seen in the light of the following:

i. Impact of most of the hurdles cited in the Management's reply was before the date of implementation agreement (March 2016) and thus was known to the Management before requesting Power Grid Corporation of India Limited for early completion of transmission lines. Issues relating to land acquisition affected the project only till March 2016. Frequent bandhs were called by the naxals during 2010-2016. After the implementation agreement executed in March 2016, the progress of the project was affected on account of bandh only for 19 days. Heavy rain affected the progress of project only for two months in September and October 2016.

ii. As per Regulation 6 of CERC Tariff Regulation 2019, where the generating station has not achieved the commercial operation as on the date of commercial operation of the associated transmission system, the generating company shall be liable to pay the transmission charges of the associated transmission system till the generating station or unit

[5] ***Transmission charges paid by the Company was ₹106.06 crore. ₹85.35 crore has been calculated conservatively by deducting ₹20.71 crore towards the transmission charges paid for six months after the commissioning of units 1 and 2, as planned in the Implementation Agreement.***

thereof achieves commercial operation. Therefore, transmission charges paid to Power Grid Corporation of India Limited were not recoverable from the beneficiaries.

Thus, Nabinagar Power Generating Company paid idle transmission charges to Power Grid Corporation of India, due to non-synchronisation of commissioning of power plant with the transmission line.

The matter was reported to the Ministry in February 2022; their reply is awaited (August 2022).

NHPC Limited

3.3 Loss of ₹13.09 crore by NHPC, Muzaffarpur

NHPC Limited suffered loss of ₹13.09 crore due to delay in payment of service tax on fee received for construction of rural roads in Bihar under the Pradhan Mantri Gram Sadak Yojna

Pradhan Mantri Gram Sadak Yojana (PMGSY) is a 100 *per cent* centrally sponsored scheme with the primary objective to provide connectivity, by way of all-weather roads to the unconnected habitations in the rural areas. The Ministry of Rural Development, Government of India and Rural Development Department, Government of Bihar engaged Central Public Works Department, National Buildings Construction Corporation, IRCON International Limited, National Hydroelectric Power Corporation Limited and National Projects Construction Corporation Limited as national executing agencies for the PMGSY work in the state of Bihar.

NHPC was selected as an executing agency and a tripartite agreement was entered into (31 August 2004) between NHPC Limited (NHPC), Rural Development Department, Government of Bihar and Ministry of Rural Development, Government of India to construct/ upgrade rural roads in Bihar under the PMGSY. NHPC was responsible for taking all actions required for as an executing agency for districts under its charge as stipulated in the PMGSY guidelines and was entitled to receive fee @10 *per cent* of the total project cost of awarded works (construction and five years' maintenance) to be borne by the Ministry of Rural Development. The fee was to cover the cost of preparation of Detailed Project Report, all administrative and project management expenses.

As per Clause 10 of the agreement, taxes and duties charged on NHPC and or its contractor in respect of execution of the project and service tax on consultancy fee of NHPC would form the integral part of project cost and would be reimbursed to NHPC by Ministry of Rural Development. However, penalty or rate enhancement because of negligence/ delay, with regard to taxes and duties, on behalf of NHPC or its contractor would not be adjusted towards project cost and were not payable to NHPC.

NHPC received fee of ₹127.98 crore during 2008-09 to 2014-15 for the above work. However, service tax on the above fee was not deposited by the Company timely on the assumption that services rendered by them as an executing agency for construction and maintenance of road projects in Bihar was free from service tax in view of Section 65(25b)[6] and 105(zzzza)[7] of Finance Act, 1994.

Commissioner of Central Excise & Service Tax, Patna issued Demand-cum-Show Cause Notices on the Company for non-payment of service tax. Since the service tax was not deposited within the stipulated time, interest and penalty amounting to ₹13.09 crore was also levied as detailed in Table 3.1.

Table 3.1: Details of Interest and Penalty paid

(Amount: ₹ in crore)

Date of issue of Demand-cum-Show Cause Notices	Period	Total amount	Amount deposited by NHPC	Date of payment	Interest & penalty paid by NHPC
10.10.2013	2008-09 to 2011-12	10.31	18.23	06.08.2014	7.92
18.09.2017	2012-13 to 2014-15	3.84	9.01	06.02.2019	5.17
28.09.2020	April 2015 to June 2017	0.67	Not paid		--
Total		**14.82**	**27.24**		**13.09**

NHPC paid ₹13.09 crore (₹7.92 crore plus ₹5.17 crore) as interest and penalty due to delay in payment of service tax. Ministry of Rural Development paid ₹7.92 crore to NHPC in September 2017 but ₹5.17 crore paid as interest and penalty by NHPC was not refunded by them.

In this regard, Audit observed the following:

i. NHPC provided technical and engineering expertise for the project and Section 65(25b) and 105(zzzza) of Finance Act, 1994 did not exempt the work of consultancy in road construction projects. Therefore, the grounds on which NHPC did not pay service tax was not justified as NHPC did not construct the road itself and rather rendered its services for which it received fee, on which it was liable to pay service tax.

ii. Reimbursement of ₹7.92 crore by Ministry of Rural Development was in contravention of Clause 10 of tripartite agreement. This issue was discussed (14 June 2021) by the Ministry of Rural Development in a meeting held to review the performance of the national executing agencies, and the Ministry decided to recover the over payment (₹7.92 crore) made to NHPC from the amount yet to be released to them.

iii. Further, NHPC did not pay ₹0.67 crore (service tax payable for the period from April 2015 to June 2017) as demanded in September 2020. Possibility of payment of interest and penalty on this amount also cannot be ruled out.

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[6] ***Section 65(25b) of Finance Act 1994 defines 'commercial or industrial construction'.***

[7] ***Section 105(zzzza) of Finance Act 1994 states that taxable service means any service provided or to be provided to any person, by any other person in relation to the execution of a works contract, excluding works contract in respect of roads, airports, railways, transport terminals.***

Thus, non-payment of service tax within the stipulated time resulted in avoidable payment of interest and penalty of ₹13.09 crore for the period between 2008-09 and 2014-15 NHPC Management replied (November 2021) that:

i. NHPC in disagreement with the demand of Service Tax Department filed an appeal (2014) before the Central Excise and Service Tax Appellate Tribunal (CESTAT), Kolkata.

ii. NHPC had to execute the project on turnkey basis and it was not the case to provide advice and consultancy in the area of Civil Engineering. Construction and maintenance of the road for use by general public without any restriction was specifically exempted from service tax vide notification[8] no.25/2012 issued on 20 June 2012.

iii. Receipt of ₹7.92 crore from Ministry of Rural Development in the form of interest and penalty may not be treated as contravention of Clause 10 of the tripartite agreement.

iv. Ministry of Power endorsed (March 2022) the reply of NHPC Management that no information was given to NHPC about the meeting of Ministry of Rural Development held on 14 June 2021 and that unilateral decision without opportunity to NHPC of being heard could not be justified in the interest of natural justice. Also, NHPC had taken legal opinion wherein it was opined that the service provided by NHPC was composite service related to construction of roads and was wholly exempted from service tax.

Reply of the NHPC Management/ Ministry is not acceptable in view of the following:

i. The appeal filed (2014) by NHPC before CESTAT, Kolkata was not listed for hearing even after a lapse of more than seven years from the date of grant of stay order on 5 December 2014. Moreover, while granting the stay, the CESTAT, Kolkata had noted that as the Company had deposited sufficient amount of money, the pre-deposit of the balance amount and its recovery was stayed. Thus, the stay does not indicate that the CESTAT, Kolkata accepted the view of the Management that service tax was not payable. Also, another appeal was filed (2019) by NHPC against the demand for service tax for the period 2012-13 to 2014-15, which was still pending to be heard by the CESTAT, Kolkata. Further, a similar appeal made by M/s IRCON International Limited, who was also an executing agency of PMGSY on similar terms was dismissed (April 2017) by the CESTAT, Kolkata and the demand of service tax was confirmed. Also, National Projects Construction Corporation Limited who had also undertaken identical project of consultancy/management for the construction of rural roads under PMGSY under similar arrangement paid the service tax. Moreover, to avoid payment of interest and penalty, NHPC should have deposited the amount of payable service tax and then raised its protest.

ii. Service Tax notification no.25/2012 was considered by the CESTAT, Kolkata while dismissing the appeal filed by M/s IRCON International Limited, cited in Sl.No. i. above.

[8] ***Serial No. 13 of Notification no.25/2012 dated 20 June 2012 exempts the following service- 'Services provided by way of construction, erection, commissioning, installation, completion, fitting out, repair, maintenance, renovation, or alteration of a road, bridge, tunnel, or terminal for road transportation for use by general public.'***

iii. Clause 10 of the tripartite agreement explicitly stated that penalty because of negligence/ delay, with regard to taxes and duties, on behalf of NHPC would not be adjusted towards project cost and was not payable to NHPC and therefore on the basis of Audit observation, the Ministry has decided to recover the excess amount paid.

iv. The meeting of Ministry of Rural Development held on 14 June 2021 was attended by the representatives from the national executing agencies including NHPC. The minutes of the same were also available with NHPC and therefore it was not a unilateral decision of the Ministry as NHPC was given due opportunity to be heard as a participant in the meeting. Further, legal opinion referred to were taken in September 2007, September 2009 and April 2015, whereas, in a Review meeting for follow-up of PMGSY works (15 June 2015), Joint Secretary (Rural Connectivity), Ministry of Rural Development, had apprised that the services provided by the Agencies under PMGSY were not included in the negative list of the Service Tax Rules and that the proposal of the Ministry of Rural Development for waiver of the service tax for PMGSY Agencies was not agreed to by the Ministry of Finance. Ministry of Rural Development advised the agencies to submit their claims for service tax paid and get it reimbursed from them. Besides, the CESTAT, Kolkata had confirmed (April 2017) the demand of service tax in a similar case with IRCON International Limited. Therefore, there was no ambiguity in the applicability of service tax on the fee paid to the executing agencies.

NHPC suffered loss on account of avoidable payment of interest and penalty of ₹13.09 crore for the period between 2008-09 and 2014-15 due to non-payment of service tax within the stipulated time. Besides, the likelihood of liability for additional interest and penalty on the unpaid amount of ₹0.67 crore for the period April 2015 to June 2017 cannot be ruled out.

NTPC Limited

3.4 Infructuous expenditure on gas conversion

NTPC Limited converted its 'Naphtha' based Rajiv Gandhi Combined Cycle Power Project at Kayamkulam to multi-fuel based Plant to use Natural Gas or Regasified Liquefied Natural Gas or Naphtha as fuel without ensuring availability of gas resulting in infructuous expenditure of ₹17.27 crore.

Rajiv Gandhi Combined Cycle Power Project of NTPC Limited is a Naphtha fired gas/ steam based Power Station (the Station) located at Kayamkulam in the State of Kerala. The Station was commissioned in March 2000 with an installed capacity of 359.58 Mega Watt[9]. Entire power generated by this Station is supplied to the Kerala State Electricity

Board in terms of Power Purchase Agreement entered (January 1995) between Kerala State Electricity Board and NTPC. The initial term of the Power Purchase Agreement was five

[9] *Two Gas Turbines of 116.6 MW each and one Steam Turbine of 126.38 MW. Gas Turbines are naphtha fired and the residual heat generated by the Gas Turbines is used for generation of steam for usage by the Steam Turbine. This process of using the residual heat for usage by the Steam Turbine is called the Combined Cycle.*

years from the commercial operation date and the same was extended further from time to time. In view of high cost of Naphtha, which is the input fuel for this Station, Kerala State Electricity Board was not regularly drawing power from the Station[10]. Irrespective of utilizing power from the Station, availability of the Station was always maintained and as a result, revenue through fixed charges was being obtained from Kerala State Electricity Board.

NTPC and Kerala State Electricity Board entered (February 2013) into a supplementary Power Purchase Agreement for 12 years (remaining life of the Station) effective from 1 March 2013. In the supplementary Power Purchase Agreement, it was mutually agreed that NTPC could go ahead with the proposal of conversion of existing 'Naphtha' fuel firing mode to multi-fuel firing mode (using Naphtha/ Regasified Liquefied Natural Gas/ Natural Gas), for which concurrence of Kerala State Electricity Board was to be obtained. The implementation cost of the proposed conversion was to be capitalised and recovered by way of increased Tariff as per Central Electricity Regulatory Commission norms.

For supply of alternate fuel (Regasified Liquefied Natural Gas/ Natural Gas) to the Station, NTPC was required to enter into Gas Supply Agreement/ Gas Transportation Agreement with the concurrence of Kerala State Electricity Board. In the proposal submitted (March 2013) to its Board of Directors, seeking approval for technology conversion of the Station, NTPC mentioned that signing of Gas Supply Agreement/ Gas Transportation Agreement to match the commissioning schedule of the proposed conversion would be ensured. It was observed that for arranging gas supply to the Station, the Company discussed various options[11] with GAIL Limited, Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited, but none of the options firmed up.

Kerala State Electricity Board, while providing consent to technology conversion of the Station, informed (July 2013) NTPC that it had apprehensions in bearing the additional capital expenditure without ensuring gas availability. Kerala State Electricity Board requested NTPC to finalise Gas Supply Agreement/ Gas Transportation Agreement with its concurrence for ensuring gas availability at site and also made it clear that it would bear the increase in fixed charges due to conversion, once the Station commences its commercial operations.

However, NTPC placed (September 2013) orders for conversion of the Station without firming up Gas Supply Agreement/ Gas Transportation Agreement even though it was aware that the Station would not be commissioned without availability of gas at the Station. The work was completed (March 2016)[12] by incurring expenditure of ₹32.27 crore but the same was not commissioned (March 2022) due to non-availability of gas.

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[10] ***As against the normative Plant Load Factor (PLF) of 85 per cent, actual PLF of the Plant for the years 2011-12, 2012-13 and 2013-14 was 22.37 per cent, 49.16 per cent and 30.74 per cent respectively.***

[11] ***Laying of sub-sea pipelines, laying of underground pipelines, through barges/ inland waterways and floating storage re-gasification unit.***

[12] ***Scheduled date of completion was January 2015.***

Pending completion of the conversion, NTPC claimed (August 2014) the proposed conversion cost (₹30 crore) of the Plant in the petition filed before Central Electricity Regulatory Commission for determination of multi-year tariff for the years 2014-19. The Central Electricity Regulatory Commission, however, disallowed (October 2016) the same on the grounds of absence of Gas Supply Agreement/ Gas Transportation Agreement, want of permission of Government of Kerala for laying underground/ sub-sea pipeline and so many uncertainties involved.

Aggrieved by this, NTPC filed appeal (Appeal No. 40/ 2017) before Appellate Tribunal for Electricity. In its order (5 August 2019), Appellate Tribunal for Electricity noted that while both parties took joint decision to augment the fuel firing system and agreed to explore all possible means for risk mitigation including execution of Gas Supply Agreement/ Gas Transportation Agreement, none of the parties could now absolve from the responsibilities and consequences thereof. Appellate Tribunal for Electricity also noted that pending finalisation/ execution of Gas Supply Agreement/ Gas Transportation Agreement, NTPC went ahead for installation of multi-fuel firing system without applying proper prudence in the matter. Appellate Tribunal for Electricity opined that in such a peculiar situation when the system has been put in place with claimed expenditure but, in turn, has not yielded any benefit to the beneficiary/ Kerala State Electricity Board, burden of such an expenditure should be equally shared by both the parties in the ratio of 50:50. As the order of Appellate Tribunal for Electricity did not involve substantial question of law, NTPC did not challenge the order of Appellate Tribunal for Electricity in the Supreme Court of India. As this order of Appellate Tribunal was pronounced in August 2019, NTPC filed (January 2020) a petition before Central Electricity Regulatory Commission for allowing 50 *per cent* (₹15 crore) of the conversion cost as decided by Appellate Tribunal for Electricity to be recovered in the tariff for the period 1 April 2019 to 31 March 2024 as it could not be recovered during the period 2014-19 as initially claimed before CERC.

In this regard, Audit observed that NTPC did not firm-up any Gas Supply Agreement/ Gas Transportation Agreement to match the commissioning of the conversion schedule, before initiating the work of conversion of the Station and clear the apprehensions of Kerala State Electricity Board. It also overlooked the submission made to its Board to ensure signing of Gas Supply Agreement/ Gas Transportation Agreement to match the commissioning schedule of the proposed conversion. Further, by filing the Petition before Central Electricity Regulatory Commission for tariff based on the Appellate Tribunal for Electricity order, it is clear that the Company had admitted its lapse of going ahead with the Project without ensuring Gas Supply Agreement/ Gas Transportation Agreement. As a result of this imprudent decision, entire expenditure of ₹32.27 crore has become wasteful as the plant is still running on Naphtha and is unable to utilise the multi-fuel facility. Out of this an amount of ₹15 crore has been claimed in the Petition Order by NTPC and the Company has incurred an infructuous expenditure of ₹17.27 crore (₹32.27 crore *less* ₹15 crore). Audit also observed that during this period, Company was borrowing funds at the rate ranging from 7.67 *per cent* to 8.07 *per cent* per annum. Interest cost on amount of ₹32.27 crore for the period from April 2016 to March 2021 works out to ₹11.29 crore[13].

The Ministry endorsed (September 2021) the reply of Management that NTPC had gone ahead for technology conversion after obtaining the consent of Kerala State Electricity Board vide their letter dated 4 July 2013. The sharing of expenditure has been done in compliance to a specific legally binding order passed by Appellate Tribunal for Electricity. NTPC incurred legitimate expenditure in-line with its business requirement but it did not prove successful due to Kerala State Electricity Board backing out. This was normal business expenditure incurred by NTPC towards finding a solution for its Kayamkulam Plant and cannot be construed as infructuous expenditure.

The reply is not acceptable in view of the fact that in the letter of 4 July 2013 as quoted by the Management in above response, Kerala State Electricity Board had also expressed its apprehensions in bearing the additional capital expenditure without ensuring gas availability and requested NTPC to finalise Gas Supply Agreement/ Gas Transportation Agreement with its concurrence for ensuring gas availability at site. Kerala State Electricity Board had also made it clear that it would bear the increase in fixed charges due to conversion once the Station commences its commercial operations. Further, 50 *per cent* of the capital expenditure only could be claimed by NTPC through tariff and the balance expenditure has to be borne by it. Moreover, as the left over life of the Plant is less than four years, with very remote chance for availability of gas, expenditure that NTPC is unable to recover tantamounts to infructuous expenditure only.

Thus, NTPC converted its Power Station from single fuel (Naphtha) firing mode to multi-fuel firing mode (Naphtha/ Natural Gas/ Regasified Liquefied Natural Gas) without ensuring availability of gas. As a result of this, the Station could not operate on gas even after five years of completion of conversion works. This resulted in infructuous expenditure of ₹17.27 crore and a loss of ₹11.29 crore towards interest on borrowed funds.

[13] ***Interest worked out at seven per cent for the period from April 2016 as work of conversion was completed in March 2016.***

INDUSTRY CLUSTER

CHAPTER IV: MINISTRY OF FINANCE
(Department of Financial Services)

General Insurance Corporation of India

4.1 Erosion of investments due to non-adherence to 'stop loss' limits

Inadequate monitoring of equity investments and non-offloading of scrips as per laid down 'Stop loss' limits led to erosion of investments.

Insurance Regulatory and Development Authority of India (IRDAI) (Investment) Regulations, 2000 with subsequent amendments till 2013 and IRDAI (Investment) Regulations, 2016 regulate the pattern of investment portfolio of General Insurance Companies. The IRDAI Investment Regulations stipulated that, every insurer shall draw up an Investment Policy, approved by Board and ensure compliance to issues relating to liquidity, prudential norms, exposure limits, stop loss limits and management of all investment risks.

General Insurance Corporation of India (Company) has drawn up Annual Investment Policies approved by Board, which inter alia included stop loss limits. The rationale for laying down stop loss limits was to minimise the loss of capital by monitoring the equity portfolio on a continuous basis to ensure that Company does not wait till last day for taking decision on exit from the investment. The total value (book value) of investments of the Company as on 31 March 2022 was ₹77,348.78 crore out of which the book value of equity investments was ₹14,123.09 crore (18 *per cent*).

The Annual Investment Policies contained the following provisions relating to stop loss limits as indicated in table 4.1.

Table 4.1: Provisions in Annual Investment Policies

Year	Provisions regarding Stop loss limits
2014-15 and 2015-16	20 *per cent* stop loss in each scrip of equity trading portfolio and a specific review and active decision giving reason to be recorded, for not using stop loss option.
2016-17 and 2017-18	For all fresh purchases during the year, the first stop loss trigger will be at 20 *per cent* and the second stop loss trigger will be at 30 *per cent* from the closing price of the previous day. Sale note to be prepared if stock price has not shown improvement after fourth quarter of purchase.
2018-19 onwards	Review procedure for equity shares stipulated two review triggers viz. at 20 *per cent* and 30 *per cent* fall in Average Purchase Price for all fresh purchases and 20 *per cent* of Average Book Price for companies already existing in the portfolio. Also, preparation of review note in the event of trigger, once a quarter.

Audit examined compliance to the stop loss limits by the Company and observed:

i. Records relating to quarterly review of equity portfolio up to April 2019 was not available and the Company clarified (February 2022) that there were no formal notes of review prior to April 2019. This was in violation of Investment Policies which expressly provided documentation such as active decision giving reason for not using stop loss option/sale note/review note. There were many instances when the stop loss option was not exercised and the position in this regard is discussed under Point iii below.

ii. Quarterly review reports of equity portfolio from July 2019 to October 2021 (10 reports) indicate that the review covered fresh purchases of equity made during the year as well as companies already existing in the portfolio. The latter was divided into two types viz. scrips of companies whose share price has fallen below 20 *per cent* of average book price and companies whose share price was valued at ₹1 per share. The quarterly reviews, however, did not indicate, analysis of movement of shares from the first type (decline to 20 *per cent* of average book price) to second type (book value written down to ₹1). This is relevant as the Company has written down (share value reduced but was above ₹1) and written off (share value brought to ₹1), a total amount of ₹687.24 crore[1] during the period from 2014-15 to 2020-21, which reduced profitability to that extent in the respective years.

iii. As per the quarterly review notes, the fresh purchases did not invite stop loss triggers while the already existing equity portfolio has shown erosion. Particulars regarding the off-loading of eroded scrips (both full and partial exits) by the Company, summarised from the quarterly review reports for the period from July 2019 to October 2021 is given in table 4.2.

Table 4.2: Quarterly review of offloading of eroded scrips

(₹ in crore)

Quarterly Review date	Companies whose share price has fallen below 20 *per cent* of Average Book Price i.e., stop loss limits were triggered					Companies whose share price was valued at ₹1 per share			
	No of Companies	Cumulative average Book Value	Market Value	Companies where scrips were sold		No. of companies	Market Value	Companies where scrips were sold	
				No. of companies	*Percentage of exit*			No. of Companies#	Percentage of exit
22.07.2019	78	743.61	138.50	5*	*6*	187	75.47	9	*5*
14.10.2019	87	811.93	166.29	20	*23*	187	75.47	10	*5*
23.01.2020	93	965.51	153.50	17	*18*	186	58.75	11	*6*
22.04.2020	98	950.31	128.62	13	*13*	186	41.48	11	*6*
24.07.2020	80	760.73	172.78	--	--	193	48.23	18	*9*
16.10.2020	75	740.68	182.67	38	51	190	55.43	22	*12*
11.01.2021	82	638.57	146.58	31	*38*	183	75.95	28	*15*
21.04.2021	81	647.22	161.56	37	46	172	73.66	10	*6*
12.07.2021	51	512.57	153.32	33	65	190	70.14	4	*2*
07.10.2021	49	512.73	163.71	13	*27*	189	52.47	6	*3*

**: Exit during the last three years.*

#: Exits were during the last three years/few years from July 2019 to January 2021. The exits in April 2021, July 2021 and October 2021 were during the year.

[1] ***2014-15: ₹58.81 crore; 2015-16: ₹135.28 crore; 2016-17: ₹55.64 crore; 2017-18: ₹20.32 crore; 2018-19: ₹160.35 crore; 2019-20: ₹222.82 crore and 2020-21: ₹34.02 crore.***

It can be seen from the above Table that except in two quarters, the offloading of shares was less than 50 *per cent* under the first type (share price fall below 20 *per cent* of average book price) and 3 to 15 *per cent* only under the second type (share price reduced to ₹1). This indicates that the Company did not exit from most of the scrips even though stop loss limits were triggered. The reasons cited in the quarterly review reports for the inability to exit/ sell the scrips was that the shares were thinly traded and illiquid as on date, as the market price was very low compared to average book value. However, market data to bring out how the shares were 'thinly traded' was not documented, though SEBI has prescribed guidelines for 'thinly traded' securities[2].

iv. The equity portfolio of the Company contained 123 scrips with book value of ₹4,541.89 crore which depreciated to ₹1,701.28 crore (depreciation ranging from 20 *per cent* to 99.87 *per cent)* as on 31 March 2020. Out of 123 scrips, 20 scrips with a book value of ₹216.28 crore had depreciated by more than 90 *per cent* of book value as on 31 March 2020. Audit analysed these 20 scrips[3] (including three scrips where the share price was valued at nominal amount of ₹1) with respect to stop loss parameters laid down by the Company and stock market (Bombay Stock Exchange/ National Stock Exchange) data, for the period from 2016-17 to 2020-21, with a view to examine whether it was possible for the Company to have offloaded the highly eroded scrips. Audit noticed that these scrips were not thinly traded on stock exchanges and the Company could have earned minimum approximate amount ranging from ₹134.89 crore, ₹66.22 crore, ₹28.03 crore, ₹8.49 crore and ₹9.19 crore during the years 2016-17 to 2020-21 respectively, had it offloaded these scrips, even at the least market price, below the average book price (**Annexure II**).

Non-offloading of eroded scrips has resulted in further loss of capital/ interest. Moreover, had the opportunity of exit been availed by the Company as per the stop loss/ review parameters, the losses could have been curtailed and the amounts realised could have been invested in other profitable equity.

The Management stated (December 2021) that these scrips have been purchased over past several decades and were trading at very low price/ low volumes without giving exit opportunity. The Management added that the Company has a long-term view for all its investment decisions and added that subsequent to the market crash in March 2020 due to the covid pandemic, stock markets have bounced back and the Company was able to exit from 24 scrips in 2020-21 with profitability.

The Management reply is to be viewed against the following:

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[2] ***SEBI guidelines (18 September 2000 and 28 March 2001) for valuation of securities define thinly traded equity as "when trading in an equity and/ or equity related security in a month is both less than ₹5 lakh and the total volume is less than 50,000 shares, the security shall be considered as thinly traded security and valued accordingly. In order to determine whether a security is thinly traded or not, the volumes traded in all recognised stock exchanges in India may be taken into account.***

[3] ***with book value of ₹216.28 crore eroded to ₹9.70 crore as on 31 March 2020.***

- The opportunity of offloading was not effectively exercised by the Company, though stop loss norms were triggered in these cases and the scrips were also sufficiently traded on the stock exchanges, as revealed in the analysis brought out in **Annexure II**. Even with the impact of stock market crash in 2019-20, the Company could have realised ₹8.49 crore and ₹9.19 crore for the years 2019-20 and 2020-21 respectively.

- The 20 scrips reviewed by Audit, did not form part of 24 exits made in 2020-21 by the Company. As regards the argument that the 24 exits were made at a profit, the average book price of these shares was already reduced to nominal amount/₹1, by writing down/ writing off the shares in previous years, adversely impacting the profitability of those years. Hence considering profitability for such offloading may be out of place.

- Regarding the reply that the Company was having long term view for investment decisions, such long term view does not substitute regular monitoring of equity portfolio with a view to exit from scrips with no prospect of recovery/growth at opportune times.

Thus, lack of prudent and timely action by the management to offload the highly eroded equity portfolio of ₹216.28 crore as per the stop loss and review procedure laid down by the Company, has resulted in blocking of funds, further erosion in book value and losing the opportunity of earning a minimum of ₹134.89 crore, ₹66.22 crore, ₹28.03 crore, ₹8.49 crore and ₹9.19 crore during the years 2016-17 to 2020-21 respectively.

The matter was reported to the Ministry in March 2022; their reply is awaited (August 2022).

Recommendation No 8: The Company may undertake a detailed review/analysis of equity portfolio, with specific focus on scrips, where the erosion is more than 20 per cent and also other scrips, in future, as and when the erosion exceeds 20 per cent of average book price, as per stop loss parameters given in Investment Policy of the Company, for arresting the erosion and ensuring capital appreciation/growth and liquidity.

National Insurance Company Limited

4.2 Loss of Input Tax Credit against Goods and Services Tax

Delhi Regional Office-I of National Insurance Company Limited did not reconcile the input service invoices with the Goods and Services Tax (GST) Portal. Consequently, it could not avail the eligible GST Input Tax Credit and incurred a loss of ₹97.44 crore during 2017-18 to 2020-21.

As per Section 16(1) of the Central Goods and Services (GST) Act, 2017 (the Act) every registered taxable person shall, subject to such conditions and restrictions as may be prescribed and in the manner specified in Section 49 of the Act, be entitled to take credit of input tax charged on any supply of goods or services or both to him, which are used or intended to be used in the course or furtherance of his business and said amount shall be credited to the electronic credit ledger[4] of such person. This credit can be utilised for making payment towards GST liability as specified in Section 49(4) of the Act.

Section 16(4) of the Act provides that a registered taxable person shall not be entitled to take Input Tax Credit in respect of any invoice or debit note for supply of goods or services or both, after the due date of furnishing of the return under Section 39 for the month of September following the end of the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier.

The following three returns prescribed under the Act are relevant in the context of availing Input Tax Credit as detailed in table 4.3.

Table 4.3: Types of Return for availing Input Tax Credit

Name of Return	Description of Return
Form GSTR-1	Comprises invoice-wise details of all outward supplies (sales) during a month.
Form GSTR-2A	• Comprises invoice-wise details of all inward supplies (purchases) during a month. • This Form gets auto-populated on the GST portal based on Form GSTR-1 filed by the suppliers. • The Form is generated against the unique GST number of the recipients of sales/ services.
Form GSTR-3B	Monthly summary comprising details of outward supplies, inward supplies (purchases or services availed to generate output services), eligible Input Tax Credit (GST paid on inward supplies) and total payable GST liability net of Input Tax Credit.

It is imperative from the description of the aforesaid returns that when a taxable person files Form GSTR-3B for the payment of GST liability and for availing Input Tax Credit on input services, the credit availed in Form GSTR-3B should have been reconciled with that shown in Form GSTR-2A reflecting the available Input Tax Credit on the services availed by the recipient from its suppliers.

Delhi Regional Office-I of the National Insurance Company Limited (Company) is the designated nodal office for the purpose of payment of GST, filing applicable GST returns, other GST compliances as well as availing of eligible Input Tax Credit on behalf of all the Regional Offices of the Company operational in Delhi including Delhi Regional Office-III, which is itself a nodal office for motor tie-up business (including pan-India tie-up business for Hero Motors).

During the course of audit, it was observed that the Delhi Regional Office-I of the Company could not avail eligible Input Tax Credit of ₹97.44 crore for the last four years ended on 31 March 2021 (**Annexure III**). Audit scrutiny of relevant records and returns as filed by the Regional Office during the period 2017-18 to 2020-21 along with the accounting as well

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[4] ***Electronic Credit Ledger is the Input Tax Credit ledger in electronic form maintained at common GST portal for each registered taxable person.***

as IT systems revealed the following deficiencies and lapses attributable for the aforesaid loss of Input Tax Credit:

i. In respect of Delhi Regional Office-I, review of the claim module in the IT system (viz. Enterprise Architecture Solution for Insurance) relating to cashless settlement of motor claims revealed that it lacked the required fields for punching of invoice details viz. Invoice Number, GST Number, segregation of GST amount and base value of service, etc. Resultantly, the entire input services availed were being booked in the accounts without segregating into base value of service and GST portion. This led to constraint in reconciling the substantial difference in Input Tax Credit as claimed in Form GSTR-3B filed by the nodal office and that shown in Form GSTR-2A as reflected in GST portal. Thus, the eligible Input Tax Credit against GST paid on claim payments under cashless settlements remained unavailed.

ii. Similarly, in respect of the Delhi Regional Office-III, scrutiny of the IT system operational for motor tie-up business viz. Online Claim Module Portal revealed that it lacked the required fields for punching of invoice details viz. Invoice Number, GST Number, segregation of GST amount and base value of service, etc. to ensure that Input Tax Credit is availed on the qualifying input services. However, the required validations were incorporated[5] in the portal between February 2018 and August 2019. Thus, Input Tax Credit on GST paid on claim payments by Delhi Regional Office-III for the period prior to incorporation of required validations remained unavailed.

iii. Monthly Input Tax Credit register with invoice-wise details of the input services availed was not being maintained by the Delhi Regional Offices of the Company, leading to constraint for the nodal office to segregate the invoices eligible for Input Tax Credit. Monthly Input Tax Credit register for the financial years 2017-18 and 2018-19 were given by the IT vendor to the Delhi Regional Office-I in August 2019. Further, monthly Input Tax Credit register for the financial year 2019-20 matching with Form GSTR-3B was furnished in August/ September 2020. Consequently, invoice-wise reconciliation with the Form GSTR-2A as reflected on GST Portal was not possible and the difference between the Input Tax Credit as per Form GSTR-2A and as per Form GSTR-3B persisted over the years. However, Delhi Regional Offices have started maintaining the monthly Input Tax Credit register from the year 2020-21 onwards.

Thus, the Delhi Regional Office-I of the Company could not avail eligible Input Tax Credit of ₹97.44 crore during the period 2017-18 to 2020-21.

While accepting the audit observation, the Management stated (April 2021) that the matter had already been taken up with their Technical and IT departments who had confirmed that the functionality development in respect of cashless motor claims is at advanced stage and shall be implemented shortly and a GST Input Credit Management Policy had also been implemented to take care of relevant corrective course of action in future. It was assured

[5] ***The required validations were incorporated in respect of motor tie-up business of Maruti, Honda and Hero verticals with effect from 14 February 2018, 3 October 2018 and 1 August 2019 respectively.***

that the Company is continuously making efforts to improve the system so that loss on account of GST Input Tax Credit is minimised in future.

The Ministry stated (March 2022) that the functionality of capturing and availing GST was not available in initial years leading to huge mismatch. IT systems of the Company were going through transitional phase and the position has improved over the years. All necessary steps were being taken to further reduce the gap between GSTR-2A and GSTR-3B and achieve maximum availment of Input Tax Credit available in the current year.

Thus, due to systemic deficiencies, Delhi Regional Office-I of the Company, as a nodal office, could avail lesser than the actual available Input Tax Credit as reflected in Form GSTR-2A on the GST Portal resulting into a loss of ₹97.44 crore during the last four years ended on 31 March 2021.

Recommendation No 9: The Company may expedite introducing necessary functionality in the IT system for entering all GST related data so as to minimise the gap between the Input Tax Credit claimed in Form GSTR-3B with that reflected in Form GSTR-2A, thereby achieving maximum availment of Input Tax Credit.

The New India Assurance Company Limited and The Oriental Insurance Company Limited

4.3 Short charging of motor insurance premium

Improper classification of 'Goods Carrying Vehicles' as 'Miscellaneous Vehicles' at the time of underwriting/ issue of motor insurance policy has resulted in collection of motor insurance premium at lower rates, leading to short charging of motor insurance premium by ₹14.05 crore (₹5.03 crore in The New India Assurance Company Limited and ₹9.02 crore in The Oriental Insurance Company Limited).

Motor Vehicles Act[6], 1988 provides for mandatory insurance of motor vehicles against third party risks relating to injury, death of third parties or damage to their property. The rates of premium applicable to Motor Third Party Liability Insurance cover was set by IRDAI[7] through annual notifications. In addition to Third Party insurance, motor vehicles are also insured against 'Own Damage', which is optional and is given in conjunction with Third Party cover. The pricing of coverage for 'Own Damage' was de-tariffed in 2007. India Motor Tariff *vide* Section 4, stipulated the tariff for Commercial Vehicles based on Insured Declared Value of the vehicle (Sum Insured), Zones[8], age of Vehicle and Gross Vehicle Weight/ Licensed Carrying Capacity. Commercial vehicles are classified into Goods Carrying Vehicles (Public/ Private) (Type A), Trailers (Type B), Vehicles used for carrying passengers for Hire or Reward (Type C), Miscellaneous and Special Type of Vehicles (Type D) and others.

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[6] *Vide Sections 145 to 164 under Chapter XI.*

[7] *By virtue of power vested under Section 14(2)(i) of the Insurance Regulatory and Development Authority of India (IRDAI) Act, 1999.*

[8] *Zone A – Chennai, Kolkata, Mumbai, New Delhi, Zone B- All other State Capitals and Zone C- Rest of India.*

Audit examined the charging of motor insurance premium by The New India Assurance Company Limited (NIACL) and The Oriental Insurance Company Limited (OICL). In NIACL, records maintained by 10 Operating Offices under five Regional Offices for a six year period from 2014-15 to 2019-20 were examined while in the case of OICL, data analysis was carried out for the Company as whole by cross examining the insured vehicles' details with VAHAN database[9] for a three year period (2016-17 to 2018-19).

Audit observed the following inadequacies in the charging of motor insurance premium by the two companies:

4.3.1 NIACL

The Motor Third Party premium rates were effective from 1st April every year, for the commercial vehicles grouped into various categories, wherein the Public and Private Goods Carrying Vehicles (Type 'A') carry higher amount of premium than those classified under other categories. Out of 42,333 motor insurance policies (Type 'D') across 10 Operating Offices, a sample of 4,863 policies were selected (11.48 *per cent*) for Audit scrutiny. Audit observed that in 1,433 policies where insurance premium applicable to Type 'D' vehicles was charged; the vehicles were registered as Goods Carrying Vehicles in the Registration Certificates (RC) of the respective vehicles. Since premium of Type 'A' vehicles was more than the premium for Type 'D' vehicles, the incorrect classification of the vehicles at the time of underwriting by NIACL has resulted in short charging of Third Party premium by ₹2.96 crore and Own Damage premium by ₹2.07 crore. Operating Office-wise particulars are given in the table 4.4.

Table 4.4: Statement of short charging of premium

Regional Office	Divisional Office (DO)/ Branch office (BO)/ Regional Office (RO)	Total number of Type 'D' motor policies	No. of policies test checked *(percentage)*	No. of policies where short charging was observed *	Premium short-charged (₹ in crore)		
					Own Damage	Third Party	Total
Mumbai Regional Office II	Bandra DO	1,227	613 (50)	101	0.14	0.30	0.44
	Sakinaka DO	925	462(50)	26	0.044	0.078	0.12
	Borivali DO	562	281(50)	46	0.064	0.15	0.21
	Vile Parle BO	206	105(51)	53	0.06	0.17	0.23
Delhi Regional Office II	Meerut DO II	673	109(16)	109	0.057	0.26	0.32
Delhi Regional Office I	Bombay Life Building DO	52	15(29)	10	0	0.0012	0.0012
	Connaught House DO	380	113(30)	113	0.012	0.22	0.23
	Delhi BO	465	393(85)	393	0.74	1.21	1.95

[9] *'Vahan' is a software used for automation of vehicle registration and to create a state and national level registers of vehicles by Ministry of Road Transport and Highways.*

Regional Office	Divisional Office (DO)/ Branch office (BO)/ Regional Office (RO)	Total number of Type 'D' motor policies	No. of policies test checked *(percentage)*	No. of policies where short charging was observed *	Premium short-charged (₹ in crore)		
					Own Damage	Third Party	Total
Ahmedabad Regional Office	Mehsana DO	1,035	497(48)	163	0.045	0.28	0.33
Chennai Regional Office	Chennai RO	36,808	2,275(06)	419	0.91	0.29	1.20
Total		**42333**	**4863 (11.48)**	**1433**	**2.07**	**2.96**	**5.03**

**Wherever RC was not available on record, vehicle particulars were cross-checked with VAHAN data.*

As per Section 5 and 6 of India Motor Tariff, the insurance companies were required to collect proof of title of vehicle as part of 'proposal form' prior to issue of the policy. However, Audit noticed that NIACL issued/ renewed the motor insurance policies based on the broker's quote. Though RC was collected in some cases, the underwriting was done purely based on the broker's quote.

Thus, lack of proper due diligence during underwriting has resulted in short charging of motor insurance premium by ₹5.03 crore.

NIACL in its reply (March 2022) accepted the short charging of motor premium of ₹2.96 crore, in six operating offices[10] and intimated a recovery of ₹43.20 lakh. In respect of the other four operating offices[11], NIACL stated that copy of RC was not clear/ not available and hence they were not able to verify the cases pointed out by Audit.

Citing absence of RC copies of motor vehicles as a reason for non-verification by four Operating offices is not justifiable considering that RC was required to be collected along with the proposal form, prior to issue of policy. Further, six operating offices accepted the short collection of premium in similar cases.

4.3.2 OICL

There were 23,79,450 policies (14,11,746 Goods Carrying Vehicles) issued during 2016-17 to 2018-19. Against this, 19,50,167 policies (11,59,676 Goods Carrying Vehicles were matching[12] with the VAHAN database (81.96 *per cent* of policies). Out of the matched data, Audit extracted 10,59,755 policies (5,91,936 Goods Carrying Vehicles) for further analysis. It was observed that:

[10] ***Borivali D.O, Vile parle B.O, Mumbai Life building D.O, Connaught House D.O, Delhi B.O and Mehsana D.O.***

[11] ***Bandra D.O, Sakinaka D.O, Meerut D.O II and Chennai R.O.***

[12] ***Data provided by OICL also contained cases of wrong /invalid vehicle numbers, blank fields against vehicle numbers etc., which could not be matched with the data of Ministry of Road Transport and Highways and could not be examined in Audit.***

a) In 5,175 policies (3,400 vehicles) where the premium should have been charged as per the rates of Type 'A' for 'Goods Carrying Vehicles', it was charged as per the rates of Type 'D' 'Miscellaneous and Special Type of Vehicles'.

b) Out of the above mentioned 5,175 policies (3,400 vehicles), 2,577 policies (1,703 vehicles) were issued to a Company (M/s Delhi Baroda Road Carrier Ltd.) operating carrier business and having goods carrier vehicles, for which Third Party premium required to be charged was ₹8.59 crore. Against this, Third Party premium of only ₹1.37 crore was charged resulting in short charging of premium of ₹7.22 crore. Connivance and fraud cannot be ruled out in this case which needs investigation.

c) In balance 2,598 policies (1,701 vehicles) issued to others, the Third Party premium required to be charged was ₹3.12 crore. Against this, Third Party premium of only ₹1.32 crore was charged resulting in short charging of premium of ₹1.80 crore.

OICL in its reply (July 2021) accepted the short collection of ₹7.22 crore in 2,577 motor policies issued to M/s Delhi Baroda Road Carrier Limited. In respect of 2,598 policies issued to others, OICL accepted short collection of ₹2 lakh only in respect of 16 policies. OICL stated that in the case of balance 2,582 policies, the vehicles were either passenger carrying vehicles or miscellaneous type of vehicles and premium have been charged accordingly. OICL further intimated that, they have reiterated the advisory to all its operating offices to adhere to the guidelines for underwriting of vehicles under miscellaneous and special class of vehicles in March 2021.

The reply is to be viewed against the fact that the cases of misclassification of motor vehicles are indicative of absence of effective monitoring and oversight on the part of OICL. Regarding 2,582 policies, though management has stated that these were passenger carrying vehicles, further analysis with reference to backend data of VAHAN revealed that there were at least 236 cases where the vehicles were having 'Goods Permit', indicating that they were indeed Goods Carrying vehicles where Type 'A' premium was applicable. Hence, OICL needs to re-verify the individual cases pointed out by Audit.

Thus, lack of proper due diligence and underwriting practices led to short charging of motor insurance premium resulting in loss of ₹14.05 crore (₹5.03 crore in NIACL and ₹9.02 crore in OICL).

The matter was reported to the Ministry in April 2022; their reply is awaited (August 2022).

Recommendation No. 10: NIACL and OICL may verify the cases of short collection of motor insurance premium in those cases not accepted by them. Both the companies may strengthen internal controls and fix responsibility on officials concerned to ensure that such cases do not recur.

Recommendation No. 11: In the case of NIACL, the short charging of premium was noticed during test check of motor insurance policies. NIACL may undertake detailed checking of motor insurance policies to identify and act upon other similar cases.

United India Insurance Company Limited

4.4 Avoidable loss due to failure to exit from equity shares as per Investment Policy

United India Insurance Company Limited failed to exit from actively traded equity shares as specified in its Investment Policy which resulted in loss of opportunity to reduce investment loss to the extent of ₹7.53 crore.

Annual Investment Policy 2015-16 of United India Insurance Company Limited (UIIC) laid down exit policy for equity shares. The policy prescribed an exit strategy, which stipulated that actively traded shares shall be analysed individually considering various factors such as prospect of recovery, financial parameters which are usually considered at the time of sale etc., and management should take all steps to realise maximum possible value at right time.

UIIC invested (May 2010) ₹38.68 crore in 37,91,842 equity shares of Jaypee Infratech Ltd. (JIL) @ ₹102 per share through initial public offer. Subsequently, UIIC purchased (May 2013) additional 5,71,000 equity shares @ ₹35.05 per share. Thus, UIIC made a total investment of ₹40.68 crore in 43,62,842 equity shares of JIL at average cost price of ₹93.24 per share.

In this connection, Audit noted that

i. Profit and share price of JIL started declining from 2011-12 i.e., from the second year since the initial public offer. Share price of JIL was never at par with initial cost price of ₹102 per share incurred (May 2010) by UIIC.

ii. JIL had been incurring losses and there was negative cash flow from investing and finance activities resulting in earnings per share becoming negative from 2015-16 onwards.

iii. The Statutory Auditor in his report (2015-16) opined that JIL had defaulted in re-payment of principal and interest to banks and financial institutions to an extent of ₹300 crore and ₹193 crore respectively. The default in payments increased steadily and stood at ₹5,091.18 crore[13] (March 2019). Subsequently, JIL's equity capital also completely eroded (March 2020).

iv. JIL had been undergoing (March 2022) Corporate Insolvency Resolution Process under the provisions of the Insolvency and Bankruptcy Code, 2016 pursuant to the directive of National Company Law Tribunal in August 2017.

v. UIIC had written down (January 2020) the value of JIL's equity shares to ₹0.52 crore[14] in their books of accounts. Thus, UIIC accounted a loss of ₹40.16 crore in its financial statements for the year 2019-20.

Audit observed that UIIC did not dispose of the shares of JIL to reduce its loss in the investment even after disclosure in JIL Annual Report 2016-17 (November 2017) about initiation of Corporate Insolvency Resolution Process in JIL during August 2017. UIIC

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[13] ***Principal – ₹1,318.95 crore; Interest – ₹3,772.23 crore.***

[14] ***₹1.20/share as on 30.09.2019 X 43,62,842.***

could have saved its loss by ₹7.53 crore[15] by disposing JIL's shares in December 2017 itself taking into account average share price for the month.

Thus, UIIC failed to exit from the investment in view of continuously deteriorating financial performance of JIL and reduce its investment loss in JIL's equity shares by ₹7.53 crore despite having laid down Annual Investment Policy with exit strategy option.

The Management replied (February 2022) that the exit strategy is not applicable to cases where, intrinsic value[16] is higher than market value. As the intrinsic value of equity shares of JIL as on 30 September 2017 was higher than the market price, exit from the stock was not considered. Ministry while endorsing (June 2022) the views of the Management added that there was no continuous decline in the share price of the Company over any two consecutive quarters.

The Ministry/ Management's reply is not tenable as it was not prudent to suffer loss considering intrinsic value as a decisive factor instead of considering other important factors i.e., continuously deteriorating financial performance, decline in the profitability followed by continuous loss, negative earnings per share and falling market price of JIL's share to exit from the investment in actively traded shares of JIL. Further, on the basis of average quarterly price there was a continuous decline in JIL's share price from September 2017.

Thus, failure of UIIC to exercise due diligence in timely disposing the equity shares of JIL resulted in loss of opportunity to reduce the investment loss by ₹7.53 crore.

Recommendation No 12: Company may review its Exit Policy for inclusion of the consistent negative Earning Per Share as one of the factors to be reckoned for considering exit option from equity shares.

[15] ***₹18.47 (Average BSE price of December 2017) – ₹1.20 (share price used to write down investment on 30.09.2019) = ₹17.27 X 43,62,842 shares.***

[16] ***As per UIIC Investment Department, intrinsic value in the market parlance refers to the true worth/ value of the asset and under Asset Based Valuation approach it is derived by deducting sum of company's liabilities from its assets.***

CHAPTER V: MINISTRY OF STEEL

MSTC Limited

5.1 Imprudent financing resulting in loss of ₹26.87 crore

MSTC Limited continued financing of Global Coke Limited, in spite of its repeated unsatisfactory lifting pattern of material, irregular payment of outstanding dues and poor financial parameters. MSTC Limited also failed to take appropriate steps to recover dues through risk sale of pledged material, invocation of Corporate Gaurantees and implementation of favourable arbitration award which resulted in loss of ₹26.87 crore.

MSTC Limited (Company) entered (December 2009) into a Memorandum of Agreement with Global Coke Limited, (Party), for financing the procurement of hard coking coal under facilitator mode[1]. As per the Memorandum of Agreement, the Company, at the request of the Party, would open a Letter of Credit on the seller for the value of coal to be procured by the Party. Although the ownership of the material lies with the Party, the material so procured would remain pledged with the Company. The Party would be allowed to lift the material on cash and carry basis. The Company has a rating system for new and existing customers based on the risk management policy approved in January 2013, which states that customer securing less than 25 points will not be selected. As per the agreement, the Company would secure corporate guarantee, personal guarantee, security deposit and insurance for pledged material against theft, burglary etc., in which beneficiary will be MSTC for safeguarding its financial interests.

The above Memorandum of Agreement expired in December 2011, and it was extended by the Company up to 31 March 2013 to liquidate the pledged material. Despite little improvement in the liquidation of the pledged material, the Company decided (July 2013) to renew the same for further period of one year with effect from 1 April 2013 and the credit exposure limit was also enhanced (May 2013) from ₹40 crore to ₹60 crore. Such renewal was done despite being aware of the fact that the Party had poor financial parameters[2] and downgraded credit rating (April 2012) by Credit Rating Information Services of India Limited. Thereafter, the Company again financed the Party in December 2014 and January 2015 by extending the Memorandum of Agreement up to March 2015. The Party, however, went to the Board for Industrial and Financial Reconstruction in May 2015.

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[1] ***In 'Facilitator' mode where ultimate buyers have contract of supplies from Suppliers directly, MSTC only provides financial facilities by opening of Letter of Credit on behalf of buyers for making payment to suppliers.***

[2] ***The poor financial parameters of the Party were indicated by critical ratios like liquidity ratio, declining Profit Before Depreciation &Tax, declining Profit Before Tax, high Debt Equity Ratio and low current ratio being unfavorable.***

The Company decided (June 2015) to go for risk sale of the pledged material of the Party to recover its outstanding dues of ₹31.37 crore as the Party was irregular in making payment, lifting of material and the Party went to Board for Industrial and Financial Reconstruction. However, the Company did not proceed with the risk sale since the Party requested (July 2015) the Company to withhold the risk sale citing their plan to increase production alongwith a proposal to clear its outstanding dues by July 2019. The Party also expressed its inability to make any lump sum payment to liquidate their stock position citing denial of their claim of losses by insurance company and failure of Corporate Debt Restructuring process.

Further, as a precautionary measure, the Company invoked (August 2015) arbitration proceedings against the Party for recovery of its outstanding dues alongwith impleading in the Board for Industrial and Financial Reconstruction to seek permission for risk sale of pledged material. The Arbitrator awarded (November 2017) the case in favour of the Company and directed the Party to pay ₹28.72 crore[3] including interests and cost. But the Party *suo motto* approached (May 2018) the National Company Law Tribunal, Kolkata under Section[4] 10 of the Insolvency and Bankruptcy Code and the National Company Law Tribunal finally ordered (May 2018) for liquidation of the Party. The Company ultimately received (September 2019) only ₹1.35 crore from the liquidator as proceeds from disposal of pledged material against its total claim of ₹35.80 crore[5]. The Company recognised the outstanding dues of ₹26.87 crore from the Party as bad debts in its books of accounts which was written off in the financial year 2019-20 considering the same as un-recoverable.

In this connection, Audit observed that the following actions of the Company were not in its financial interest:

- Extension of existing Memorandum of Agreement despite knowing the Party's poor financial condition. The Company was also aware of downgrading of credit rating of the Party by Credit Rating Information Services of India Limited indicating poor solvency. Further, credit point secured by the Party (21 points) was less than the norm (25 points) fixed by the Company for extending Letter of Credit to customer.

- Non-implementation of risk sale notice (June 2015) on request of the Party despite knowing that the Party's financial condition was not sound and it had gone to the Board for Industrial and Financial Reconstruction in May 2015.

- Invoking of arbitration proceedings against the Party after one month of non-implementation of risk sale resulted in grant of additional time to the Party and consequent respite from immediate action.

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[3] ***Interest @9 per cent per annum from 2 January 2016 till the date of award and for the period thereafter till actual recovery @15 per cent per annum with cost assessed at ₹6.60 lakh.***

[4] ***Under Section 10 of IBC, 2016 a Corporate Insolvency Resolution Process is initiated by a Corporate Applicant alleging its own inability to pay debts.***

[5] ***Claim to Liquidator was based on the Arbitration award i.e., ₹28.72 crore alongwith applicable interest.***

- No endeavour by the Company to implement the Arbitrator's award (November 2017) wherein it was directed that the Party should pay ₹28.72 crore alongwith interest and cost. This inaction of the Company gave time to the Party to approach the National Company Law Tribunal (May 2018).
- The Company did not invoke Corporate Guarantees to the tune of ₹66.34 crore obtained from the Party on time to recover the outstanding dues and finally, the same could not be affected since the Party moved the National Company Law Tribunal.

Thus, the decision of the Company to enhance the credit exposure limit of the Party as well as finance its procurement of imported coal in spite of being aware of the poor financial condition of the Party was not prudent and realistic. The Company also did not take appropriate steps to recover dues from the Party through risk sale of pledged material, invocation of Corporate Guarantees and implementation of favourable arbitration award, which ultimately led to loss of ₹26.87 crore.

While accepting the fact, the Management/Ministry stated (January 2022/June 2022) that the procurement was continued with higher Security Deposit (i.e., from 15 to 20 *per cent*) and mark-up with a view to gradually reduce the exposure. Further, the agreement was required to be revalidated as there was pledged stock lying at the premises of the Party.

The above contention of the Management/ Ministry was not acceptable as the decision of the Management to continue financing the Party with higher Security Deposit and mark-up was not prudent in view of unsatisfactory lifting of material and irregular payment of outstanding dues coupled with poor financial parameters. Inspite of that, the Company revalidated the agreement from time to time and continued financing the Party instead of initiating risk sale of the pledged material to recover outstanding dues to safeguard its financial and commercial interest. Moreover, the reply was silent on the issue of delay in implementing the arbitration award that ultimately allowed the Party enough time and scope to go to National Company Law Tribunal on its own.

Thus, due to not taking appropriate steps to recover dues from the Party through risk sale of pledged material, invocation of Corporate Guarantees and implementation of favourable arbitration award, the Company incurred loss of ₹26.87 crore.

Recommendation No 13*: *Audit recommends that the Company should analyse lapses (viz. non-implementation of risk sale decision and Arbitration award and non-invoking of corporate guarantee on time), which occurred in the business with the Party and fix responsibility on the officials concerned.

Steel Authority of India Limited

5.2 Loss on account of deficiencies in project management

Deficient project management led to non-completion of Hot Metal Desulphurisation Station project at SAIL/ Bokaro Steel Plant resulting in blocking of fund of ₹67.82 crore with consequent loss of interest of ₹33.34 crore and additional expenditure of ₹15.21 crore paid to the contractor.

A project for installation of 'Hot Metal Desulphurisation Station in Steel Melting Shop-II' at Steel Authority of India Limited (SAIL)/ Bokaro Steel Plant was approved (July 2008) as a part of Modernisation and Expansion Plan of SAIL. The objective of the project was to reduce sulphur content from iron, which is considered undesirable in steel as it impairs the plastic properties of steel. The work of Hot Metal Desulphurisation Station was awarded to a consortium of M/s. Tata Projects Limited (Contractor) and M/s Danieli Corus BV in October 2008 at a contract price of ₹51.21 crore and Euro 1,696,979. The project was to be completed by April 2010. SAIL spent ₹53.55 crore on the project till 31 March 2015 (after which only arbitration award payment and some milestone payments were made) and cost increased to ₹67.82 crore till July 2021.

In this regard, Audit observed that:

i) Supply of material and erection of equipment for the Hot Metal Desulphurisation Station project was completed in October 2012 (with a delay of 31 months, scheduled date of completion being March 2010) and September 2014 (with a delay of 54 months, scheduled date of completion being September 2014) respectively. Preliminary Acceptance Test was conducted between 30 April 2015 and 1 May 2015 (with a delay of 60 months, scheduled date for trial runs and commissioning being April 2010). Preliminary Acceptance Certificate was however issued on 26 February 2016 effective from 31 December 2015. The commissioning and Performance Guarantee test of the project could not yet be done even after the lapse of more than 11 years from the scheduled date of completion. Main reason for delay in commissioning and Performance Guarantee test was non-completion of various upstream and downstream facilities such as, civil and structural work, cranes and associated equipment with electrical, mechanical, refractory work, utilities, duct work for flue gas etc., which had to be got done by SAIL. The Management granted 16 extensions (up to 31 December 2018) to the Contractor which pushed the completion date of the project from 16 April 2010 to 31 December 2018.

ii) Due to delay in completion of the contract, for reasons not attributable to the Contractor, the Contractor submitted claims (30 March 2016) towards prolongation of time, price variation and variation in contract. As Bokaro Steel Plant did not respond to repeated requests of Contractor to clear the outstanding amounts and settle the claim, Contractor invoked conciliation (May 2016) and thereafter invoked arbitration on 5 August 2016 to settle the dispute. The claim of Contractor inter-alia included grant of extension of time of 2545 days i.e., till February 2017 (for the delay events up to 30 October 2016) and ₹20.23 crore towards prolongation cost along with interest, price variation beyond contract period and price for additional works. The Arbitrator decided (10 September 2018) that out of the total delay of 2,545 days claimed by the Contractor, delay of 1,869 days (30 June 2009 to 12 August 2014) was solely on account of Bokaro Steel Plant. While dismissing all counter claims and requests made by SAIL, the Contractor was awarded ₹11.23 crore plus interest as prolongation cost along with ₹1.68 crore plus interest towards the cost of extra work carried out in the contract. Bokaro Steel Plant paid (9 March 2019) ₹15.21 crore[6] to the Contractor as full and final settlement.

iii) Further, due to prolonged installation and non-operation of the units, the equipment supplied and erected by the Contractor require repair/refurbishment to make them operational. As per clause 30.2 of Conditions of contract, the defect liability period was 12 months from the date of commissioning or 18 months from the Preliminary Acceptance, whichever was earlier. The defect liability period expired on 30 June 2017 considering the date of Preliminary Acceptance. Contractor intimated (July 2017) that guarantee/ warranty of the equipment expired and furnished quotation of ₹16 crore for refurbishment/repair work. Bokaro Steel Plant, however, decided (May 2019) to carry out the refurbishment work in-house considering the estimate to be on the higher side. The consortium subsequently, submitted (December 2021) price bid of ₹57.75 crore for replacement and refurbishment of equipment. The refurbishment job was yet to be carried out and the project on which the SAIL spent ₹67.82 crore was incomplete.

Audit observed that due to delay in providing civil front[7] to the Contractor by SAIL, delay in completion of associated upstream and downstream packages, the project got badly delayed. Due to prolonged time and non-operation of the units, equipment supplied and installed 7 to 11 years ago need to be refurbished to make the Plant operational.

Thus, deficient project management led to non-completion of Hot Metal Desulphurisation Station project at SAIL/ Bokaro Steel Plant resulting in blocking of fund of ₹67.82 crore. Further, the cost of refurbishment of equipment is estimated to be ₹57.75 crore.

The Management replied (January 2022) that (i) contracts for all the packages linked with Hot Metal Desulphurisation Station facilities were awarded with matching completion date. However, with passage of time, mismatch started occurring in actual execution of work amongst the associated packages of the project, and (ii) the consortium after technical study and evaluation of installed equipment and structures found that several equipment needed replacement and refurbishment. Ministry while accepting (June 2022) the fact that overall project management needed to improve at Bokaro Steel Plant added that a Committee of Executive Directors had also compiled a list of suggestions for improving project management which was currently under implementation.

Reply of the Management/ Ministry is not acceptable as delay in associated packages was mainly due to delay in providing front by the Management. Management should have planned the project activities to arrest the mismatches amongst the associated packages of

[6] ***Prolongation cost of ₹11.23 crore + ₹2 crore pre & post award interest; cost of extra work ₹1.68 crore + ₹0.30 crore pre and post award interest.***

[7] ***Site for the project.***

the project. Due to delays in commissioning of the project, equipment installed 7 to 8 years back need refurbishment and replacement.

Thus, SAIL/ Bokaro Steel Plant blocked funds of ₹67.82 crore on account of its deficient project management which led to non-completion of Hot Metal Desulphurisation Station project and consequent loss of interest of ₹33.34 crore[8] (upto December 2021). Additional expenditure of ₹15.21 crore was also incurred on account of prolongation cost paid to the Contractor. Further, the equipment installed 7-8 years back requires refurbishment at an estimated cost of ₹57.75 crore (85.15 *per cent* of the cost initially incurred on setting up the equipment). The objective of the project to reduce Sulphur content from iron, considered as undesirable in steel, also remain unachieved.

Recommendation No 14: Management may consider fixing responsibility for delays at each stage of the project and ensure better planning of projects to prevent mismatches amongst associated packages of projects.

5.3 Loss due to idling of Gas holder installed at Rourkela Steel Plant

Failure of Rourkela Steel Plant to assess the need for new Coke Oven gas holder, in the light of its upcoming Modernisation and Expansion Programme, led to the gas holder installed at a cost of ₹99.37 crore becoming redundant after only 27 months of use and idling for more than nine years.

The existing Gas holders[9] installed at SAIL/ Rourkela Steel Plant during 1960 had outlived their useful life of 18 years. SAIL Board accorded (October 2006) in-principle approval for installation of a 1,00,000 cubic meters Coke Oven gas holder as replacement for the existing gas holder of same capacity to maintain adequate pressure in the gas grid, to store surplus gas production and utilise the same as per requirement. SAIL Board accorded final approval for above project in July 2007 at an indicative cost of ₹110.55 crore.

Rourkela Steel Plant issued work order (July 2007) for construction of a 1,00,000 cubic meters MAN (Oil) Type Coke Oven Gas holder to a consortium of MB Engineering Services Ltd., Clayton Walker Gas holder Division, UK and M/s MICCO, Kolkata at a cost of ₹99.37 crore.

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[8] ***Calculated on the basis of interest paid on Cash Credit Rate of SBI***

[9] ***Gas holders store and maintain consistent supply of Coke Oven gas to all consuming units of a steel plant and also take care of fluctuation in Coke Oven gas generation/distribution/consumption.***

Figure 5.1: Coke Oven Gas Holder

The gas holder was commissioned in August 2010 and was in operation till 7 November 2012. An incident[10] occurred on 7 November 2012 due to which the equipment was not in operation since then. Coal and Chemicals Department of Rourkela Steel Plant initiated a proposal (January 2015) for repair of the gas holder but no decision was taken by Rourkela Steel Plant on the proposal. A multi-disciplinary committee was constituted (June 2020), after more than seven years, to suggest action plan for the gas holder. The committee recommended (September 2020) to appoint consultant to explore alternative technologies for modification of gas holder. However, revival of gas holder was not pursued by the Rourkela Steel Plant, as in view of improved Coke Oven gas position after Modernisation and Expansion of Rourkela Steel Plant, gas holder was no longer needed for Coke Oven gas network.

In this regard, Audit observed the following:

i. When the proposal for installation of 1,00,000 cubic meters Coke Oven Gas Holder was submitted for in-principle approval, the Board was informed (October 2006) that post Modernisation and Expansion Plan, Coke Oven gas production was envisaged to increase from 62,000 Newton cubic meter per hour to 78,000 Newton cubic meter per hour. It was in the light of this requirement that, the Board granted in-principle approval (October 2006) for a new gas holder with capacity of 1,00,000 cubic meters for adequate storage capacity.

ii. Gas holder is required to maintain adequate pressure in gas grid. It provides a buffer to manage temporary variation in generation and consumption. In case the gas generation improves, the stability of gas supply also improves and in such a scenario a gas holder is not necessary to manage temporary variations.

iii. Stage-I approval of Modernisation and Expansion Plan of Rourkela Steel Plant (May 2007) envisaged Coke Oven Battery 6 with 57 ovens and the draft technical specifications were issued in July 2007 around the same time as the approval of the gas holder. After modernisation, the capacity of Rourkela Steel plant would have increased to

[10] ***The incident caused damage to the piston of the Coke Oven gas holder.***

produce over 90,000 Newton cubic meter[11] per hour Coke Oven gas, which was in excess of the envisaged requirement of 78,000 Newton cubic meter per hour. Due to such improved consistent supply of gas, the gas holder would become redundant. It is also noted that the average actual production of Coke Oven gas post modernisation has been over 88,000 Newton cubic meter per hour.

iv. Necessity of the gas holder after completion of the Modernisation and Expansion Plan and improved Coke Oven gas position was not analysed properly by Management before award of work for installation of the gas holder in July 2007. After the gas holder was damaged in November 2012, Management tried to find out the cause of the incident and constituted different committees between 2013-20 for its revival. The gas holder has now become redundant as Rourkela Steel Plant did not take any action on the recommendation of the multi-disciplinary committee, to explore alternative technologies for modification of gas holder. The gas holder has since remained idle and was not repaired and brought back into operation.

v. SAIL Management has made provision for the value of the asset in its financial statements for the year ended March 2022.

Thus, failure of the Management to assess the need for new Coke Oven gas holder, in the light of its upcoming Modernisation and Expansion Programme, led to the gas holder installed at a cost of ₹99.37 crore becoming redundant. The expenditure on gas holder was infructuous as the gas holder was idling for more than nine years post an incident that occurred in 2012, just after 27 months of its use and Management took no action to revive it.

The Management replied (February 2022) that:

i. In Stage-I approval of the Modernisation and Expansion of Rourkela Steel Plant in May 2007, only the outline of major plants was covered, and detailed technical specification and other technological aspects were prepared subsequently. Operational data and likely positive effect of the gas generated from modernised unit on the stability of old gas network was not known at the time of placement of order of gas holder.

ii. Because of improved gas generation, the necessity of gas holder was not felt. The revival, running and maintenance of gas holder required substantial expenditure.

iii. Thus, changing operational circumstances over the period has resulted into gas holder becoming redundant.

The Management has accepted the fact that the new gas holder constructed at a cost of ₹99.37 crore had become redundant only after 27 months of use. Further, reply of the Management may be seen in the light of the fact that

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[11] ***The Coke Oven Battery 6 after modernisation was capable to generate 29,546 Newton cubic meter per hour Coke Oven gas. This, when added with the existing Coke Oven gas production (of 62,000 Newton cubic meter per hour) would lead to production of over 90,000 Newton cubic meter per hour Coke Oven gas.***

i. Composite Project Feasibility Report was prepared (October 2006) in which Coke Oven Battery 6 was envisaged with 40 ovens. Stage-I approval of Modernisation and Expansion Plan of Rourkela Steel Plant (May 2007) envisaged Coke Oven Battery 6 with 57 ovens. The draft technical specification was issued in July 2007 and as per the envisaged parameters of the Coke Oven Battery 6, the hourly Coke Oven Gas generation would be 29,546 Newton cubic meter per hour. Total production of Coke Oven gas would be more than 90,000 Newton cubic meter per hour which was in excess of envisaged Coke Oven gas production post modernisation (78,000 Newton cubic meter per hour). Therefore, Management cannot take a position that these details were not available with it at the time of placement of order of gas holder. The Management however did not consider this before placement of order for gas holder in July 2007.

ii. The reply validates the audit observation on improper assessment about the necessity of the equipment.

iii. The changing operational circumstances cited by Management, is the increase in Coke Oven gas production due to setting up of Coke Oven Battery 6. As the envisaged parameters of Coke Oven Battery 6 were known to Management while placing the order for the gas holder, it should have critically examined the need for a new Gas holder.

Since the time period when the order for the new gas holder was placed and the decision regarding new Coke Oven Battery 6 with 57 ovens was envisaged under Modernisation and Expansion Programme, coincided with each other, the inability of Management to assess the improvement in gas generation with the operation of the new Coke Oven Battery 6 and the fact that a new gas holder would no longer be needed, is inexplicable. Thus, failure of the Management to assess the need for new Coke Oven gas holder, in the light of adequate availability of Coke Oven gas thereby eliminating the need for gas holder, due to its upcoming Modernisation and Expansion Programme led to the gas holder installed at a cost of ₹99.37 crore becoming redundant after only 27 months of use and idling for more than nine years.

The matter was reported to the Ministry in March 2022; their reply is awaited (August 2022).

Recommendation No 15: The Management may ensure that the necessity of any new equipment be analysed in detail in the light of any other upcoming addition, modification or replacement projects in near future.

INFRASTRUCTURE CLUSTER

CHAPTER VI: MINISTRY OF HOUSING AND URBAN AFFAIRS

Chennai Metro Rail Limited

6.1 Avoidable payment of compensation charges

Chennai Metro Rail Limited made avoidable payment of ₹7.34 crore by way of compensation charges levied by Tamil Nadu Generation and Distribution Corporation Limited due to delay in installing the equipment to maintain the harmonics within the prescribed limit.

The Central Electricity Authority (CEA) (Technical Standards for Connectivity to the Grid) Regulations, 2007 envisaged that the total harmonics distortion[1] for current drawn from the transmission system at the connection point shall not exceed eight *per cent*. Tamil Nadu Electricity Supply Code prescribed by Tamil Nadu Electricity Regulatory Commission (TNERC) stipulated additional charges for harmonics dumping. Where any equipment installed by a consumer generates harmonics, the consumer shall provide adequate harmonic suppression units to avoid dumping of harmonics into Licensee's distribution system. Where the consumer fails to provide such units, he shall be liable to pay compensation at such rates as TNERC may declare from time to time.

Chennai Metro Rail Limited (CMRL), being High Tension (HT III) Power consumer had obtained two service connections at Koyambedu Receiving Sub-Station and Alandur Receiving Sub-Station in July 2013 and September 2015 respectively. Both the sub-stations were required to maintain harmonics level within eight *per cent* as stipulated by TNERC/ CEA. However, in the tests conducted to measure harmonics at Koyambedu Receiving Sub-Station in February 2017 and Alandur Receiving Sub-Station in January 2018 by Tamil Nadu Generation and Distribution Corporation (TANGEDCO), it was observed that the actual harmonics level was 27.97 *per cent* and 14.10 *per cent* respectively, exceeding the prescribed limit of eight *per cent* at the sub-stations. Hence, TANGEDCO levied compensation charges amounting to ₹24.39 crore[2] for not maintaining the harmonics level within the prescribed limit of eight *per cent* at Koyambedu Receiving Sub-Station and Alandur Receiving Sub-Station from May 2017 to September[3] 2020 and from April 2018 to April 2021 respectively and the same was paid by CMRL. Subsequently, CMRL installed Dynamic Power Compensation System at Koyambedu Receiving Sub-Station and Alandur Receiving Sub-Station at total cost of ₹5.20 crore (excluding taxes) in February 2021 and April 2021 respectively to maintain the harmonics within the prescribed limit.

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[1] ***Harmonic distortions are common voltage and current variations due to changes in frequencies within the electrical distribution system. A measure of distortion of the voltage or current wave form (which shall ideally be sinusoidal) and is the square root of the sum of squares of all voltage or current harmonics expressed as a percentage of the magnitude of the fundamental.***

[2] ***Koyambedu Receiving Sub-Station ₹10.91 crore and Alandur Receiving Sub-Station ₹13.48 crore.***

[3] ***A test was conducted by TANGEDCO in October 2020 at Koyambedu Receiving Sub-Station and harmonics recorded was within the prescribed limit hence no compensation charges were levied after September 2020.***

Audit observed (April 2021) that failure of CMRL to timely install Dynamic Power Compensation System after the harmonics tests conducted by TANGEDCO resulted in payment of avoidable compensation charges.

Thus, delay in installation of Dynamic Power Compensation System resulted in non-compliance of statutory requirement as well as payment of avoidable compensation charges to TANGEDCO.

The Management replied (June 2021) that as the load in the system was dynamic in nature during the commissioning phase, designing of proper Reactive Power Compensation Unit to maintain the harmonics was not feasible and hence the compensation system was designed after the commissioning of final stage of Phase I in February 2019. Ministry while endorsing the views of the Management stated (January 2022) that the load pattern and parameters like harmonics were monitored and analysed for a period of six months after the commissioning of Phase-I to work out the optimum capacity of the required system. Letter of Award was issued on 9 March 2020 for provision of Dynamic Power Compensation System. During March 2020, the COVID-19 lockdown led to "force majeure" situation and the commissioning of the Dynamic Power Compensation System got delayed.

The reply of the Management and Ministry is to be viewed against the fact that the majority part of Phase-I section (34.51 km) was commissioned in May 2018 and last and final stretch of Phase-I section i.e., from Accountant General-Directorate of Medical Services (AG-DMS) to Washermenpet (9.95 km) was commissioned in February 2019. As 77.62 *per cent* of the total length was commissioned in May 2018, CMRL should have initiated the installation process of Dynamic Power Compensation System immediately after commissioning of majority of the Phase-I section to complete the same by November/ December 2019 (considering six months for study as per Ministry's reply and 12 months' execution period for provision of Dynamic Power Compensation System). Instead, installation process was delayed, and Dynamic Power Compensation System was installed after two years of the commissioning of Phase-I.

Thus, delay in taking required corrective action of installation of Dynamic Power Compensation System resulted in non-compliance of statutory requirement as well as payment of avoidable compensation charges of ₹7.34 crore[4] to TANGEDCO.

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[4] ***Koyambedu Receiving Sub-Station ₹1.83 crore (December 2019 to September 2020) and Alandur Receiving Sub-Station ₹5.51 crore (December 2019 to April 2021).***

CHAPTER VII: MINISTRY OF ROAD TRANSPORT AND HIGHWAYS

National Highways Authority of India

7.1 Inability of NHAI to recover damages of ₹693.24 crore from the concessionaire

NHAI was unable to recover damages of ₹693.24 crore imposed on the Concessionaire for its failure to undertake repairs and maintenance of project highway, due to NHAI not entering into escrow agreement.

Government of India (GoI)'s Ministry of Road Transport and Highways (MoRTH) authorised (February 1999) National Highways Authority of India (NHAI) for strengthening the existing 2-lane road in Satara-Kagal Section[1] of NH-4 in the State of Maharashtra. The project comes under the administrative control of NHAI's Regional Office Mumbai. The project is monitored (from 5 May 2017) by NHAI's Project Implementation Unit Kolhapur.

NHAI entered into a Memorandum of Agreement with Maharashtra State Road Development Corporation Limited (MSRDC)[2] on 15 March 2001 for design, engineering, maintenance and toll collection of the Satara-Kagal Section highway on BOT[3]-basis. MSRDC submitted (November 2001) a proposal for the project containing *inter alia* the means of financing, sharing of revenue, contributions of the parties etc. NHAI accepted the proposal with MSRDC as the Concessionaire for the project to be run on BOT-basis. For setting out the mutual terms, NHAI and MSRDC entered into (4 January 2002) a Concession Agreement.

The agreed concession-period for the project was 20 years from the Appointed Date[4]. The parties to the Concession Agreement fixed 3 May 2002 as the Appointed Date. The concession period ended on 24 June 2022.

The Provisional Commercial Operation Date (PCOD)[5] for the project was declared in two stages. After Completion Certificate is issued, MSRDC could start toll-collection from the road-users. The First and second PCODs were 22 May 2005 and 24 May 2006, respectively.

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1 The Satara-kagal stretch of NH4 from km.592.240 to km.725.000 is a stretch of 132.760 km. as per DPR and passes through three districts namely Sangli, Kolhapur & Satara.

2 Public sector undertaking owned by the State of Maharashtra.

3 Build Operate and Transfer.

4 Appointed date is defined as the date on which financial close is achieved in accordance with clause 22 of the Concession Agreement and concession period starts from such appointed date.

5 Independent Consultant issues a provisional certificate for PCOD on the request of Concessionaire, if the tests are successful in respect of any stretch as referred to in Clause 16.3 of the Concession Agreement and such stretch can be legally, safely and reliably placed in commercial operation though certain works are not yet complete. The remaining works would be included in a 'punch list', which the Concessionaire would have to complete within 120 days from the date of issue of such provisional certificate.

In this regard, Audit observed the following:

i. Clause 25 of the Concession Agreement related to escrow account, provided that MSRDC should open and establish an escrow bank account. All funds raised by MSRDC for construction of the project were to be deposited to that escrow bank account. All tolls collected by MSRDC during operation of the project were also to be deposited to the escrow account[6]. Fees, if any, collected by NHAI on the project and all related disbursements were also to be made into/ from the escrow bank account. Moreover, MSRDC was to give irrevocable instructions to the Escrow Bank through an escrow agreement entered into as per the provisions of Concession Agreement.

ii. The parties to the escrow agreement should be MSRDC, lenders, escrow bankers and NHAI. One of the disbursements allowable from the escrow bank account was 'payments and damages due and payable by Concessionaire to NHAI'.

iii. Project Implementation Unit Kolhapur stated that there was an escrow account[7] maintained by MSRDC, but NHAI was not a party to the escrow agreement from the beginning of the project. This proved that a regular escrow agreement as per the Concession Agreement was not entered into by and among MSRDC, lenders/ escrow agent (escrow bank) and NHAI. The escrow bank would be a trustee to the money deposited by MSRDC and NHAI. In the absence of an escrow agreement, NHAI did not have any control over the funds coming into the bank account of MSRDC into which it deposited the tolls collected from the project.

iv. As per Clause 18.12 and 18.13 of the Concession Agreement, if the Concessionaire does not maintain and/ or repair the project highway and has failed to commence remedial work within 30 days of receipt of NHAI's notice, NHAI could undertake the repairs and maintenance at the risk and cost of the Concessionaire. If NHAI does not exercise this option, it shall recover damages from the Concessionaire for its default.

v. The Independent Engineer for the project reported that MSRDC had failed[8] to maintain the project highway in accordance with the terms of the Concession Agreement and proposed damages to be recovered from MSRDC. The damages calculated by the Independent Engineer kept increasing with passage of time wherever continuing non-compliances were reported and as on 31 August 2021 the damages were ₹693.24 crore. Though NHAI imposed damages on MSRDC, as a valid escrow agreement did not exist, NHAI was unable to recover any damages from MSRDC.

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[6] ***In this project, NHAI interests would have been protected had escrow agreement been entered into- NHAI was entitled to receive surplus from the Concessionaire and was also entitled to recover damages imposed on the Concessionaire according to the provisions of the Concession Agreement.***

[7] ***Concession Agreement defines escrow bank account as an account which the Concessionaire should open and maintain with a Bank in which all inflows and outflows of cash on account of capital and revenue receipts and expenditures should be credited and debited, as the case may be, in accordance with the provisions of the Concession Agreement.***

[8] ***From 2012 onwards, Independent Engineer (IE) reported damages for deficiencies & non-compliance of O&M requirements to carry out Second Periodic Renewal of the project highway.***

Thus, NHAI's failure to enforce the terms of the Concession Agreement, especially its failure to enter into escrow agreement, resulted in its inability to recover damages proposed by Independent Engineer.

MoRTH in its reply (June 2022) stated the following:

i. Though the BOT Concession Agreement requires that disputes were to be resolved through the mechanism set out in the agreement, NHAI was exploring possibility of recovering the same through Conciliation[9] even after the termination of the Concession Agreement as Clause 32.8 of the Concession Agreement states that rights and obligations of either Party would survive the termination of the Agreement.

ii. The Draft of Escrow Agreement was included in Schedule Q of the Signed Concession Agreement. Also, MSRDC or the banker did not raise any dispute regarding non-existence of escrow agreement.

iii. According to the order of priority, recovery of damages levied by NHAI had much lower priority. MSRDC reported to NHAI that the project was making losses and was not generating surplus to be shared with NHAI. NHAI had directed MSRDC, while providing extension (April 2022) of 53 days, for various factors like Covid, flood, demonetisation etc., to deposit toll collected during the extended period in separate Bank Account of NHAI.

Reply of MoRTH is not acceptable in view of the following:

i. NHAI had only sent letters to MSRDC demanding the dues. In the absence of escrow agreement, NHAI could not recover the damages it imposed on MSRDC, which was as proposed by the Independent Engineer. If the Concessionaire felt that the Independent Engineer was not discharging its duties in fair manner, it could have requested (clause 20.6) NHAI for termination of Independent Engineer. MSRDC did not do so. MSRDC also continued to reimburse[10] NHAI the IE's fees that NHAI was paying.

ii. In the absence of a legally binding escrow agreement, and due to ending of the concession period in June 2022, NHAI does not have any legal ground to recover its dues. As such, recoverability of NHAI's dues appears to be doubtful.

iii. The reply that draft of Escrow Agreement was part of Concession Agreement, and MSRDC or the banker did not raise any dispute regarding non-existence of escrow agreement are not acceptable to Audit. Without a signed escrow agreement, Escrow Banker was not contractually bound to entertain NHAI's request for recovery from escrow bank account. Also, in this case, it was only NHAI and not MSRDC or the banker, which suffered loss due to absence of escrow agreement.

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[9] ***NHAI issued (June 2017) Policy Guidelines which encouraged alternate dispute redressal mechanism than through legal/ arbitration route. The parties have formed a Conciliation Committee in June 2022.***

[10] ***NHAI paid Independent Engineer's fees till May 2021, of which MSRDC reimbursed fees till January 2021. NHAI's Regional Officer Mumbai approved (November 2021) Extension of Time of Independent Engineer till December 2021. The Independent Engineer still (June 2022) continued its services.***

iv. Damages levied by NHAI having lower priority in withdrawals from escrow bank account, is not relevant in this case as NHAI did not enter into an escrow agreement.

While extending the concession period by 53 days (till 24 June 2022), NHAI directed (April 2022) MSRDC to deposit the toll collected in the extended period to a separate Bank Account of NHAI. MSRDC, however, did not deposit the toll collected of ₹40.81 crore in the extended period to Bank Account of NHAI. This further proved NHAI's weak standing in this matter.

Thus, absence of Escrow Agreement and failure to enforce terms of Concession Agreement resulted in non-recovery of ₹693.24 crore by NHAI due to its inability to recover the dues from Concessionaire.

7.2 Loss of toll revenue

Delay in processing proposal for fee notification for the toll plazas and inadequate synchronisation in ensuring timely completion of packages of highway stretches by NHAI resulted in loss of ₹39.92 crore to exchequer.

National Highways Authority of India (NHAI) awarded the work of four laning of UP/Haryana Border-Panchkula section of NH-73 to two contractors[11], under three packages on Engineering, Procurement and Construction (EPC) mode and two Toll Plazas were proposed on this stretch is given in table 7.1:

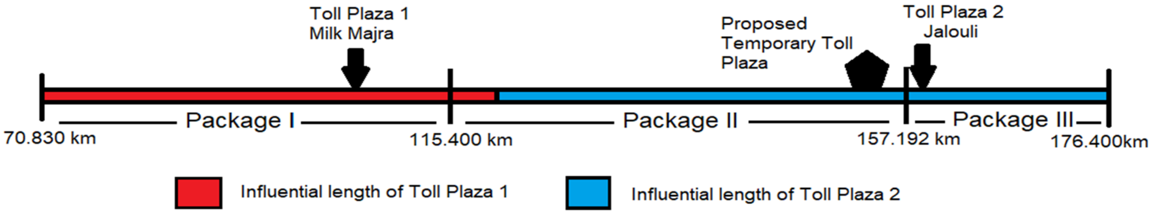
Table 7.1: Summary of construction of section on NH-73 and toll plazas

<table>
<tr><th>Name of the Package</th><th>Chainage</th><th>Date of Start</th><th>Schedule date of completion</th><th>Toll collection at Toll Plaza (TP)</th><th>Length of Toll road</th></tr>
<tr><td>Package I</td><td>km 70.830 to km 115.400 (44.570 kms)</td><td>18.11.2015</td><td>17.05.2018</td><td rowspan="2">Toll Plaza - 1 Milk Majra (at 98.750 km)</td><td rowspan="2">Total 48.192 kms (i.e., from km 70.830 to km 119.022) (44.570 kms of Package I and 3.622 kms of package II)</td></tr>
<tr><td rowspan="2">Package II</td><td rowspan="2">km 115.400 to km 157.192 (41.792 kms)</td><td rowspan="2">18.10.2015</td><td rowspan="2">17.04.2018</td></tr>
<tr><td rowspan="2">Toll Plaza - 2 Jaloli (at 158.579 km)</td><td rowspan="2">Total 57.378 kms (i.e., from km 119.022 to km 176.400) (38.170 kms of package II and 19.208 kms of package III)</td></tr>
<tr><td>Package III</td><td>km 157.192 to km 176.400 (19.208 kms)</td><td>05.11.2016</td><td>04.11.2018</td></tr>
</table>

Diagrammatic presentation of the project and the toll plazas is as under:

[11] *M/s Sadbhav Engineering Ltd (Date of Agreement: June 2015) and M/s Gawar Construction Limited (Date of Agreement: August 2016).*

Figure 7.1: Diagrammatic presentation of the project and the toll plazas



During the meeting (7 April 2015) of Expenditure Finance Committee (EFC), held under the Chairmanship of Secretary (Road Transport & Highways), the location of Toll Plaza-2 was discussed. As the location of Toll Plaza-2 was proposed in Package III, Secretary (Road Transport &Highways) directed to explore the possibility of shifting the toll plaza from Package-III to Package-II, since Package-III had been deferred for the time being for want of wildlife clearance.

In response, NHAI stated that the bidding process of Package-III was to start shortly and a condition regarding completion of construction of toll plaza and highway stretch adjoining Package-II within one year, under Package-III could be included in the bid documents. Further, in order to avoid loss of revenue in the event of any delay in bidding process of Package-III, NHAI proposed to construct a temporary toll plaza at km 150.000 i.e., within the stretch of Package-II. This was to be taken up only in the event of delay in construction of package-III Toll Plaza and was to be completed simultaneously with Package-II. The proposal of NHAI was approved by EFC in the meeting.

On completion of Package-I & II, Authority Engineer (AE) recommended for issue of Provisional Completion Certificate (PCC) on 13 June 2018 and 28 May 2018 respectively. However, the Completion Certificate (CC) were issued (effective from back dates) to the contractor on 19 October 2018 (w.e.f. 15 July 2018) and 11 September 2018 (w.e.f. 10 June 2018), in respect of Package-I and II respectively.

As regards package-III, the project inordinately got delayed due to land issues and the PCC was issued on 3 March 2020 (w.e.f. 26 February 2020) and CC was issued on 31 July 2020 (w.e.f. 30 June 2020) with a delay of more than 15 months from schedule completion date to issue of PCC.

In the meantime, the draft fee notification for both Toll Plazas i.e., complete length of Package-I, II and III, was forwarded by NHAI to Ministry of Road Transport and Highways (MoRTH) on 25 May 2018 for approval. The draft fee notification was forwarded after the scheduled completion date of Package I and II. MoRTH sought status of both the Toll Plazas after 80 days i.e., on 13 August 2018. NHAI responded (30 August 2018) that the Package-I and II were completed whereas the progress of package III stood at 70 *per cent*. As package-III was not complete, MoRTH approved (18 September 2018) the toll notification for Toll Plaza-1 and directed to submit draft fee notification for Toll Plaza-2 after completion of work.

The Gazette Notification for toll collection at Toll Plaza-1 was issued on 26 October 2018 and toll collection commenced w.e.f. 30 October 2018. The Gazette Notification for toll collection at Toll Plaza-2 was issued on 18 October 2019 and toll collection commenced w.e.f. 4 March 2020 after issue of PCC for Package-III on 3 March 2020.

In this regard, Audit observed that:

i. NHAI delayed in sending the proposal for draft Fee Notification (25 May 2018) as the same was sent after the scheduled completion date of Package I and II i.e., 17 May 2018 and 17 April 2018 respectively. Further, the decision of sending proposal of draft Fee Notification for both toll plazas was imprudent as Package III (which was covered under Toll Plaza-2) was only 70 *per cent* completed. This resulted in unwarranted correspondence and delays in processing Fee notification even for Toll Plaza-1, which covered already completed stretches of Package I and II.

NHAI also delayed issuing Completion Certificate by approximately four months and issued it with back dates, thus violating its own circular which restricted back dating of Completion Certificate.

Thus, NHAI's imprudent decision of sending draft fee notification for Toll Plaza-2 on incomplete stretch (Package-III) along with the Toll Plaza-1 and delays on the part of NHAI and Ministry for processing the proposal for draft Fee Notification resulted in non-tolling of the stretch under Toll Plaza-1 upto 29 October 2018, despite being complete and caused loss of toll revenue of ₹7.20 crore[12] which could have been collected, had the tolling commenced within 45 days of the actual date of completion of packages.

ii. Audit further observed that the length of stretch covered under Toll Plaza-2 is 57.378 kms, which includes 38.170 kms of package-II (67 *per cent)* and 19.208 kms of package-III (33 *per cent*). However, there was a difference of more than six months between the scheduled completion dates of Package-II & Package-III i.e., 17 April 2018 and 4 November 2018 respectively. Even if both the packages were completed on time, i.e., as per their respective scheduled date of completion, 91 *per cent* length of package-II (i.e 67 *per cent* of the length of Toll Plaza-2), would have remained un-tolled for a period of more than six months.

Further, contrary to EFC's directions/approval, neither construction of temporary toll plaza on Package-II was undertaken nor the stipulation for early completion of construction of toll plaza and highway stretch of Package-III adjoining package-II, was added in the bid documents of Package-III.

This was also in non-compliance of directions (10 November 2014) of Secretary, MoRTH and NHAI circular (14 November 2014) which stipulated those temporary arrangements could be made to toll the stretches where construction had completed. Since Package-III was completed with a substantial delay of more than 15 months from scheduled completed date, 91 *per cent* length of Package-II (i.e., 38.17 kms out of 41.792 kms) remained

[12] ***₹0.118 crore per day (Actual collection for TP1) X 61 days (delayed period/days from 29 August 2018 to 29 October 2018.).***

un-tolled for a total period of more than 20 months after its completion date. This shows infirmities in planning process of NHAI.

Thus, NHAI failed to judiciously plan and synchronise the construction of two adjoining stretches of Package-II and III despite being aware of the fact that failure to do so would lead to loss of toll revenue due to non-tolling of completed stretch. This, ultimately, resulted in loss of revenue amounting to ₹32.72 crore[13] to NHAI/Exchequer due to non-collection of toll on the completed stretch of Package-II.

The Management in its reply (21 May 2021) stated that:

- As per National Highways Fee (Determination of Rates and Collection) Rules, 2008, any other Toll Plaza on the same section of National Highways and in the same direction shall not be established within a distance of 60 kms. The Management also stated that tolling section under Toll Plaza-2 from km 119.022 to km 157.192 cannot be diverted for commercial use at Toll Plaza-1 as in that case the tolling at Toll Plaza-1 would have been for 87 kms and for Toll Plaza-2, it would have left only 19 kms, which would have been against the provisions of Fee Rules.
- Also, the Management while accepting the fact that there was delay in issue of PCC/ CC and issue of fee notification, just furnished chronology of events for issue of PCC/CC and fee notification.

Reply of the management is not tenable as NHAI failed to initiate action on the approved proposal of temporary Toll Plaza on the completed stretch of Package-II, despite the fact that there were existing instances of temporary Toll Plazas[14]. It also failed to comply directions of EFC (April 2015) for inclusion of stipulation of temporary Toll Plaza in Package-II stretch or early completion of highway stretch of Package-III, adjoining Package-II, in the bid-documents of Package-III.

Further, as regards National Highways Fee (Determination of Rates and Collection) Rules, 2008, management has quoted only a part of the same. As per the rules, where the executing authority deems necessary, it may for reasons to be recorded in writing, establish or allow the concessionaire to establish another Toll Plaza within a distance of 60 km. Even the present toll plazas (Toll Plaza-1 and Toll Plaza-2) are established at a distance of 59.829 kms i.e., less than 60 kms and approval for the same was obtained from Chairman, NHAI. A test check of already established Toll Plazas revealed that Toll Plazas are being established within a distance of 60 kms (even within a distance of 18 kms[15]) and also NHAI has been carrying out tolling for effective length as small as 16 kms[16].

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[13] ***{₹32.46 crore (Annual Potential collection of TP2) X 38.17 km / 57.378 km} X 553 days (delayed period/days from 29 August 2018 to 3 March 2020) / 365 days.***

[14] ***Allonia toll plaza on NH-7 in Madhya Pradesh & Harsa Mansar toll plaza on NH-1A (New NH-44) in Punjab.***

[15] ***Distance between Kirasave Toll Plaza (at Km 119.100) and Karbylu (Bellur Cross) Toll Plaza (at km 101.250) on NH 75 is 17.950 Kms.***

[16] ***Tollable length of Hoskote Toll Plaza on NH-75 is 16.124 Km.***

Thus, imprudent planning, avoidable delays and non-consideration of complete length of package-II of NH for tolling by NHAI resulted in loss to NHAI/Exchequer of ₹39.92 crore.

The matter was reported to the Ministry in January 2022; their reply is awaited (August 2022).

7.3 Doubtful recovery of toll charges due to non-enforcement of contractual provisions

National Highways Authority of India/ its Special Purpose Vehicle failed to enforce contractual provisions to effect recovery of outstanding dues including penalties. This resulted in doubtful recovery of ₹21.35 crore. The Authority also awarded User Fee Collection Agency contract to a Contractor who was already defaulting in making timely payments in other toll plazas.

National Highways Authority of India (NHAI) is authorised under the National Highways Authority of India Act, 1988 to collect User Fees on behalf of Central Government for services or benefits[17] rendered under Section 7 of National Highways Act, 1956. NHAI is also empowered to enter into contracts with any person for the purpose of collection of User Fee under the provisions of the National Highways Fee (Determination of Rates and Collection) Rules 2008. Some Special Purpose Vehicles are also formed by NHAI in collaboration with other Companies.

Audit came across four cases where NHAI/its Special Purpose Vehicle awarded User Fee Collection Agency contracts to one contractor M/s Md. Usman and failed to enforce contractual provisions leading to a doubtful recovery of ₹21.35 crore as discussed below:

7.3.1 Contracts awarded by NHAI

NHAI awarded the following User Fee Collection Agency contracts, through competitive bidding, in respect of Laxmipuram, Unguturu and Bellupada Toll Plazas under Project Implementation Units of Visakhapatnam and Rajahmundry to M/s Md. Usman (Contractor) as detailed in Table 7.2 below:

Table 7.2: Detail of User Fee Collection Agency contracts

Name of the Toll Plaza (Name of Project Implementation Unit)	Date of Notice Inviting Tender	Date of Contract	Date of handing over of Toll Plaza and Contract Period	Terms of remittance to be made by the Contractor to NHAI
Laxmipuram (Visakhapatnam)	24.03.2017	09.05.2017	13.05.2017 (1 year viz. up to 13.05.2018)	Weekly remittance of ₹88.73 lakh
Unguturu (Rajahmundry)	10.08.2017	16.09.2017	17.09.2017 (1 year viz. upto 17.09.2018)	Weekly remittance of ₹84.88 lakh
Bellupada (Visakhapatnam)	02.02.2018	22.02.2018	23.02.2018 (3 months viz. up to 23.05.2018)	Daily remittance of ₹11.32 lakh

The Contractor was required to make weekly/ daily remittances as given in the above Table. In case of delay in remittance of the agreed amount beyond the fixed day, NHAI was to levy penalty at the rate of 0.2 *per cent* per day for initial one-month delay and 0.5 *per cent*

[17] ***This includes use of ferries, permanent bridges, temporary bridges and tunnels etc. on National Highways.***

per day for further delay beyond one month. Further, such penalty could be recovered from the Performance Guarantee, which was to be replenished by the Contractor within 10 days from the date of such recovery, failing which the contract was liable to be terminated. The Contractor deposited Cash Performance Securities of ₹8.96 crore[18] and furnished Bank Guarantees for ₹7.37 crore[19] in total in respect of all the three Toll Plazas.

Since beginning of all the three contracts, delays were observed in making weekly/ daily remittances by the Contractor and these delays ranged[20] from one to 57 days. NHAI noticed that:

- The accumulated dues were exceeding[21] the Performance Security (Cash Performance Security and Bank Guarantee) in case of Laxmipuram Toll Plaza and Bellupada Toll Plaza (2 May 2018).
- In case of Unguturu Toll Plaza, by 30 July 2018, NHAI was yet to recover an amount of ₹7.77 lakh from the Contractor after it had encashed the Cash Performance Security and invoked the Bank Guarantee.

Recovery of penalty as per contractual provisions mentioned above worked out to around 170 *per cent* per annum. Subsequently, the Executive Committee of NHAI decided[22] to levy compound interest on the dues from User Fee Collection Agencies beyond the period stipulated in the contract at the rate of 12 *per cent* per annum to be compounded annually.

Audit observed that:

i. Despite there being provision for levy of penalty for delayed remittances, such penalties were not levied and recovered timely. As stated above, the Contracts provided for recovery of dues from the Performance Guarantee, which was then to be replenished by the Contractor within 10 days from the date of such recovery failing which the Contract was liable to be terminated.

ii. NHAI did not exercise the unconditional right of adjusting the available Performance Securities and seeking its replenishment or terminating the contract as provided in the Contract. Instead, NHAI allowed the Contractor to continue to collect the toll fee up to 31 May 2018 beyond the expiry of respective contracts on 13 May 2018 (Laxmipuram Toll Plaza) and 23 May 2018 (Bellupada Toll Plaza). In case of Unguturu Toll Plaza, though NHAI encashed the Cash Performance Security and invoked the Bank Gaurantee of the contractor in July 2018, it did not seek its replenishment or terminate the contract. Instead, NHAI allowed the Contractor to continue collection of toll for another month viz. until 29 August 2018, without any security. It is pertinent to mention here that

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[18] ***Cash Performance Security - Laxmipuram Toll Plaza - ₹3.68 crore; Unguturu Toll Plaza - ₹3.69 crore; and Bellupada Toll Plaza - ₹1.59 crore.***

[19] ***Bank Guarantee - Laxmipuram Toll Plaza- ₹3.68 crore; Unguturu Toll Plaza - ₹3.69 crore; and Bellupada Toll Plaza - Nil.***

[20] ***In Case of Laxmipuram Toll Plaza – 1 to 57 days, Bellupada Toll Plaza – 1 to 44 days, Unguturu Toll Plaza – 1 to 31 days.***

[21] ***Project Implementing Unit, Visakhapatnam informed Regional Office of NHAI on 2 May 2018 that as against outstanding dues of ₹8.97 crore, available Performance security was only ₹8.95 crore, showing a shortfall of ₹0.02 crore. By 6 May 2018, this amount of shortfall had increased to ₹1.20 crore.***

[22] ***395th Meeting of the Executive Committee held on 9 July 2019.***

Contractor did not deposit a single Rupee with NHAI for the period from 6 to 29 August 2018 and the shortfall in remittance for this period was ₹3.08 crore.

iii. Had NHAI exercised its right of adjusting available Performance Securities immediately on noticing that outstanding dues were exceeding available Performance Securities and terminated the contract in case of non-replenishment of the Securities as per contractual provisions, these non-realisations could have been avoided.

iv. There is no proper system to evaluate the performance of the bidder in his previous assignments during the selection process of the User Fee Collection Agency. This is clear from the fact that though the Contractor was in continuous default in timely deposit of the remittances in case of Laxmipuram and Unguturu Toll Plazas, contracts for which were awarded in May 2017 and September 2017 respectively, the Contractor was awarded another fresh User Fee Collection Agency contract for Bellupada Toll Plaza on 15 February 2018.

v. As a result of above deficiencies, against the toll remittances and penal interest amounting to ₹111.67 crore which was due from the Contractor in respect of the three contracts for the period from 13 May 2017 to 31 March 2022, an amount of only ₹80.73 crore was remitted by the Contractor. Further, NHAI adjusted the Cash Performance Securities (₹8.96 crore[23]) and encashed the Bank Guarantees (₹7.37 crore[24]) available with it. An amount of ₹1.83 crore[25] was also transferred from NHAI Headquarters and other Project Implementation Units by recovering from deposits made by the Contractor in respect of other toll plazas operated by him and was adjusted against the dues. Thus, in total an amount of ₹98.89 crore was realised from the Contractor but there remained short realisation of ₹12.78 crore as of 31 March 2022 as given in table 7.3:

Table 7.3: Detail of User Fee Collection Agency contracts

(₹ in crore)

Toll Plaza (TP)	Total dues for the entire contract period		Total amount realised**		Outstanding Dues		Total O/s
	Principal	Penal Interest (upto 31 March 2022)	Principal	Penal Interest	Principal	Penal Interest	
Laxmipuram TP	49.86	1.71	47.26	0.23	2.60	1.48	**4.08**
Unguturu TP	44.80	1.00	43.18	0.70	1.62	0.30	**1.92**
Bellupada TP	11.51	2.79	7.25	0.27	4.26	2.52	**6.78**
Total	**106.17**	**5.50**	**97.69**	**1.20**	**8.48**	**4.30**	**12.78**

*** This includes amount of remittances from the contractor (₹80.73 crore), Cash Performance Security (₹8.96 crore), Bank Guarantee ((₹7.37 crore) and amount adjusted as received from other Project Implementation Units (₹1.83 crore).*

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23 ***Cash Performance Security was adjusted on 23 July 2018 for ₹3.69 crore in case of Unguturu Toll Plaza and on 5 November 2018 for ₹5.27 crore (₹3.68 crore in case of Laxmipuram Toll Plaza and ₹1.59 crore in case of Bellupada Toll Plaza).***

24 ***Bank Guarantee was invoked on 23 May 2018 for ₹3.68 crore in case of Laxmipuram Toll Plaza and on 30 July 2018 for ₹3.69 crore in case of Unguturu Toll Plaza.***

25 ***₹1.62 crore was transferred to Project Implementation Unit, Rajahmundry from NHAI Headquarters and Project Implementation Unit Visakhapatnam on 4 September 2019 from the funds lying with them belonging to M/s Md. Usman relating to other Toll Plazas where he was the User Fee Collection Agency. Subsequently, ₹0.21 crore was transferred from Project Implementation Unit, Katni to Project Implementation Unit, Rajahmundry during 2019-20.***

Hence, non-enforcement of contractual provisions, awarding of a fresh contract (Bellupada Toll Plaza) to the defaulting Contractor and subsequent continuance of the Contractor without adequate security (Unguturu Toll Plaza) resulted in short realisation of ₹12.78 crore.

NHAI replied that (August 2021) that as and when the Contractor failed to remit the weekly remittances, several notices were issued to the Contractor for depositing the due amounts along with interest. Police Authorities under Project Implementation Unit, Visakhapatnam refused to register First Information Reports (FIRs) in respect of Laxmipuram Toll Plaza and Bellupada Toll Plaza, as the cases were civil in nature. Based on the FIR lodged (March 2019) in Chebrole Police Station for Unguturu Toll Plaza, Police have filed a criminal case in the High Court of Andhra Pradesh and the same is pending. It was also stated that since the Contractor had not responded to NHAI's proposal for signing the Settlement cum Closeout Agreement, NHAI was initiating action to either club the other cases of Laxmipuram Toll Plaza and Bellupada Toll Plaza or file separate court cases to ensure recoveries through legal process.

The Ministry of Road Transport and Highways, while, endorsing the reply of NHAI, stated (November 2021) that it was decided to file the recovery suit against the Contractor, for recovery of the outstanding amount. Accordingly, Project Implementation Unit Visakhapatnam had requested (3 November 2021) the Legal Counsel to take follow up action for filing the recovery suit. Regarding continuation of the Contractor beyond contract period in case of Laxmipuram and Unguturu Toll Plazas, the Ministry stated that after adjustment of Performance Security (Cash and Bank guarantee) fresh bids were invited for replacement of the Agency. During the period of bidding process/engagement of new agency, the contract of the existing Contractor had to be extended as per clause 2 (ii) of the Contract Agreement.

The replies are not acceptable in view of the following facts –

i. Though the Contractor was irregular in payment of remittances from the beginning and did not remit the daily/ weekly remittances due from 2 May 2018 (Laxmipuram Toll Plaza), 17 April 2018 (Bellupada Toll Plaza) and 20 March 2018 (Unguturu Toll Plaza) onwards, NHAI neither terminated the contracts nor encashed the Cash Performance Securities and the Bank Guarantees before the shortfall in remittances including penal interest exceeded the total securities furnished by the Contractor. Instead, the Contractor was allowed to operate the toll plazas beyond the stipulated contractual period in case of Laxmipuram and Bellupada Toll Plazas. In case of Unguturu Toll Plaza also, the Contractor was allowed to continue collecting toll for 30 days without providing any Performance Security.

ii. Further, even though the Police authorities refused to register FIR on the grounds that the case was civil in nature and the Legal Counsel of NHAI also opined the same as early as in June 2019, Recovery suit was filed in case of Laxmipuram and Bellupada Toll Plazas belatedly in March 2022 and the suit was under verification at District Court, Visakhapatnam (March 2022).

iii. Clause 2 (ii) of the respective contracts with the Contractor, relating to Lakshmipuram and Bellupada Toll Plazas, provide for the right of NHAI to increase the contract period at the same remittance and terms and conditions under the contract. The same is the 'right' of NHAI and not an 'obligation'. Further, as per Para 35 (3) and (4) of the respective contracts, NHAI was entitled to terminate the contract for breach/non-observance of any of the terms and conditions or any type of non-compliances under provisions of the Contract. As such, since the Contractor had defaulted in remitting the dues within stipulated periods, NHAI should have invoked Clause 35 (3) and (4) and terminated the Contract rather than extending the Contract in terms of Clause 2 (ii). Further, it was the responsibility of NHAI to initiate fresh bids on time so that existing contractor could be replaced after expiry of contract period.

7.3.2. Contract awarded by NHAI on behalf of a Special Purpose Vehicle

Tuticorin Port Road Company Limited (TPRCL/Company), a Special Purpose Vehicle company was formed (January 2004) by National Highways Authority of India (NHAI) and V.O. Chidambaranar Port Authority (erstwhile V.O. Chidambaranar Port Trust) to undertake the design, engineering, financing, procurement, construction, operation and maintenance of four lane upgraded road connectivity to V.O. Chidambaranar Port Authority on Tirunelveli–Tuticorin section of National Highway-138 (NH-138, erstwhile NH-7A) in the State of Tamil Nadu. A Concessionaire Agreement was signed (February 2004) between NHAI and TPRCL for construction, maintenance and operation of the port connectivity road on Build, Operate and Transfer basis (BOT).

Audit noted that NHAI entered (October 2017) into an agreement on behalf of TPRCL with a Contractor (Md. Usman) through competitive bidding for collection of user fee for Vagaikulam Toll Plaza between Tirunelveli–Tuticorin section of the National Highway for one year (from 24 October 2017 to 23 October 2018). As per the terms of the contract, the Contractor was required to remit an amount of ₹45,60,297 per week (every Tuesday) which was subsequently revised to ₹48,39,387 per week w.e.f. 1 April 2018, due to hike in toll rates. The Contractor also provided (October 2017) Performance Security of ₹3,96,32,000 in the form of a security deposit and Bank Guarantee of ₹1,98,16,000 each (i.e. equal to one month’s agreed remittance). The contract envisaged that delay in remittance of instalment would attract penalty at the rate of 0.2 *per cent* per day for initial one month and at 0.5 *per cent* per day for subsequent delay. NHAI had the unconditional right to terminate the contract in case of failure to pay instalments by the Contractor. The penalty so levied could be recovered from the Performance Security which was to be replenished by the contractor within 10 days from the date of such recovery failing which the contract was liable to be terminated (Clause 19). NHAI also reserved the right to conduct checks at any time to ensure prompt collection of user fee (Clause 24).

However, it was noted that the Contractor remitted the agreed amount to TPRCL within the due date only for the first week and all subsequent payments were delayed. Moreover, weekly user fee remittance for the month of June 2018 and onwards was not paid by the

Contractor[26]. Hence, NHAI adjusted (25 September 2018) the Performance Security amount of ₹3,96,32,000 against the unpaid weekly remittances upto first week of August 2018 from the Contractor. Thereafter, NHAI terminated (6 October 2018) the contract. Thus, weekly remittances amounting to ₹3.99 crore[27] for the weekly periods (from 6 August 2018 to 6 October 2018) remained outstanding without any Performance Security. Subsequently, NHAI also lodged (March 2019) a complaint with the Superintendent of Police, Tuticorin against the Contractor. The total pending dues on account of outstanding remittances (₹3.99 crore) and adjusted penalty/penal interest (₹4.58 crore as per details given below) amounting to ₹8.57 crore (April 2022) were recoverable from the Contractor.

Table 7.4: Detail of adjusted penalty/penal interest

Details of Penalty/Interest and other adjustments	Amount in ₹
Penalty upto 9.10.2018 (including previous penalty of ₹41,89,387)	3,05,52,059
Interest @ 12% from October 2018 to April 2022	1,67,16,992
Less: Adjustment of Performance security amount (Shenbagampettai Toll Plaza) vide RO Madurai letter no. NHAI/14011/18/2018/RO Madurai/486 Dt. 26.02.2019	(9,99,238)
Less: TDS- Contractors and TDS-GST on force majeure claims vide JV No.27 dt. 31.03.2021	(4,34,186)
	4,58,35,627

Audit observed that the Contractor made delayed remittances from November 2017 onwards and made payments for the contract period upto first week of June 2018 only. However, TPRCL Management along with NHAI failed to initiate timely action to adjust and/or recover the outstanding dues and terminate the contract as per the contract terms to avoid financial losses. Since the amount of outstanding dues (weekly remittances and penalty) exceeded the Performance Security (i.e. ₹3.96 crore) in first week of July 2018, the contract should have been terminated in July 2018 itself rather than waiting till October 2018. Non-termination of the contract permitted the Contractor to collect the user fee almost for the entire contract period without paying the user fee remittances (₹3.99 crore) to the Company which also did not have any Performance Security after 25 September 2018. TPRCL was not receiving remittances on time hence TPRCL should have urged NHAI to take prompt action at an earlier stage.

Thus, TPRCL failure to take prompt action through NHAI to adjust and/or recover the outstanding dues and terminate the contract timely resulted in doubtful recovery of dues of ₹8.57 crore from the Contractor.

TPRCL management replied (December 2021) that NHAI had taken various efforts to collect the outstanding dues from the Contractor and an FIR had been registered with District Crime Branch-Thoothukudi.

The reply is not tenable as:

[26] ***Except a single payment of ₹15,00,000 on 3 October 2018.***

[27] ***Principal: ₹3,91,13,473 and Tax Collected at Source: ₹8,43,479.***

i. Though the Contractor was delaying remittances right from the beginning of the contract, NHAI did not invoke contractual clauses to terminate the contract. Clause 29 of the agreement also stated that any breach of the terms and conditions contained in the agreement which may or may not cause any financial loss to NHAI would attract immediate termination of the contract. Though the Contractor failed to make remittances for the contract period from June 2018, TPRCL/ NHAI allowed the Contractor to collect the user fee of ₹6.97 crore upto September 2018 and did not invoke this clause in spite of delayed/non-payment of the remittances by the Contractor since inception of the contract period.

ii. The legal opinion obtained (January 2019) by NHAI also insisted to refer the matter to an Arbitrator as provided in clause 27 of the contract. Further, it was advised in the legal opinion that any complaint to the police against the Contractor would not help NHAI to realise the dues and it would prolong for years. Despite this, NHAI filed a complaint with the Superintendent of Police in March 2019, instead of referring the matter to an Arbitrator.

Thus, non-enforcement of contractual provisions, non-evaluation of performance of contractor in previous assignments and delays in pursuance for remittances of dues resulted in doubtful recovery of ₹21.35 crore (₹12.78 crore in contracts awarded by NHAI and ₹8.57 crore in contract awarded by its Special Purpose Vehicle). It also resulted in extending an undue benefit to a defaulting Contractor by permitting him to continue beyond contract period without furnishing Performance Security.

The matter was reported (January 2022) to the Ministry; their reply is awaited (August 2022).

Recommendation No. 16: NHAI may ensure strict enforcement of contractual provisions to ensure recovery of toll dues as well as penalties from contractors. In case of non-recovery, legal action should be initiated in a timely manner. Responsibility may also be fixed against the erring officials of NHAI for lapses in the matter.

Recommendation No. 17: An appropriate monitoring mechanism may also be instituted to assess and record the performance of User Fee Collection Agencies in a centralised database which may be accessible to all Project Implementation Units/ Regional offices of NHAI as well as Special Purpose Vehicles formed by NHAI so that defaulters in any region/unit are blacklisted and not given contracts elsewhere.

CHAPTER VIII: RECOVERIES AND CORRECTIONS/ RECTIFICATIONS BY CPSEs AT THE INSTANCE OF AUDIT

Airports Authority of India, Air India Limited, APITCO Limited, Coal India Limited, Damodar Valley Corporation, Heavy Engineering Corporation Limited, National Highways Authority of India, National Small Industries Corporation, North Eastern Electric Power Corporation Limited, Oil and Natural Gas Corporation Limited, Power Grid Corporation of India Limited, SBI Cards Payments and Services Limited, Steel Authority of India Limited

8.1 Recoveries at the instance of Audit

In 19 cases pertaining to 13 CPSEs, audit pointed out that an amount of ₹357.54 crore was due for recovery. Management of CPSEs had recovered/ saved an amount of ₹209.90 crore as detailed in ***Annexure-IV***.

Eastern Coalfields Limited

8.2 Corrections/ rectifications at the instance of Audit

During test check, cases relating to violation of rules/ regulations and deficiencies in the system were observed and brought to the notice of Management. Details of the case where corrective action was taken, or changes were made by Management in their rules at the instance of audit are given in ***Annexure-V***.

CHAPTER IX

Follow-up on Audit Reports (Commercial)

Audit Reports of the CAG represent the culmination of the process of scrutiny of accounts and records maintained in various offices and departments of PSUs. It is, therefore, necessary that appropriate and timely response is elicited from the executive on the audit findings included in the Audit Reports.

The Lok Sabha Secretariat requested (July 1985) all the Ministries to furnish notes (duly vetted by Audit) indicating remedial/corrective action taken by them on various paragraphs/appraisals contained in the Audit Reports (Commercial) of the CAG as laid on the table of both the Houses of Parliament. Such notes were required to be submitted even in respect of paragraphs/appraisals which were not selected by the Committee on Public Sector Undertakings (COPU) for detailed examination. The COPU in its Second Report (1998-99-Twelfth Lok Sabha), while reiterating the above instructions, recommended:

- Setting up of a monitoring cell in each Ministry for monitoring the submission of Action Taken Notes (ATNs) in respect of Audit Reports (Commercial) on individual Public Sector Undertakings (PSUs);
- Setting up of a monitoring cell in Department of Public Enterprises (DPE) for monitoring the submission of ATNs in respect of Reports containing paras relating to a number of PSUs under different Ministries; and
- Submission to the Committee, within six months from the date of presentation of the relevant Audit Reports, the follow up ATNs duly vetted by Audit in respect of all Reports of the CAG presented to Parliament.

While reviewing the follow up by the Government on the above recommendations, the COPU in its First Report (1999-2000-Thirteenth Lok Sabha) reiterated its earlier recommendations that the DPE should set up a separate monitoring cell in the DPE itself to monitor the follow-up action taken by various Ministries/Departments on the observations contained in the Audit Reports (Commercial) on individual undertakings. Accordingly, a monitoring cell is functioning in the DPE since August 2000 to monitor the follow up on submission of ATNs by the concerned administrative Ministries/Departments. Monitoring cells have also been set up within the concerned Ministries for submission of ATNs on various Reports (Commercial) of the CAG.

A review in Audit revealed that despite reminders, the remedial/corrective ATNs on 41 transaction audit/compliance audit paragraphs contained in the last five years' Audit Reports (Commercial), an entire Standalone Compliance Audit Report and a Performance Audit Report relating to the PSUs under the administrative control of various Ministries, as detailed in ***Annexure VI***, were not received by Audit for vetting.

New Delhi
Dated: 05 December 2022

(R. G. Viswanathan)
Deputy Comptroller and Auditor General
(Commercial) and Chairman, Audit Board

Countersigned

New Delhi
Dated: 06 December 2022

(Girish Chandra Murmu)
Comptroller and Auditor General of India

ANNEXURES

Annexure-I

(Referred to in Para 2.10)

Statement showing loss of revenue of ₹24 crore due to cancellation of tender for sale of condensate produced at LPG plant at Duliajan, Assam

Month & Year	Production of condensate	Contract Quantity	Minimum Guaranteed Upliftment Quantity (80 % of Contract Quantity)	Net realisation from crude oil per MT	Average Price of Condensate per MT PLATTS Rate	Realisation Price of Condensate (H1 price which was 18.51% higher than PLATTS Rate)	Differential revenue per MT	Loss of Revenue
	(in MT)	(in MT)	(in MT)	(in ₹)	(in ₹)	(in ₹)	(in ₹)	(in ₹)
Col.1	Col.2	Col.3	Col.4	Col.5	Col.6	Col.7	Col.8 = Col.7 - Col.5	Col.9 = Col.4 X Col.8
Jan-20	1,518	600	480	22,197.05	39,124.02	46,365.88	24,168.83	1,16,01,036.53
Feb-20	1,366	600	480	19,635.79	33,669.42	39,901.63	20,265.84	97,27,603.03
Mar-20	1,449	600	480	12,610.42	20,699.35	24,530.80	11,920.38	57,21,782.25
Apr-20	1,413	600	480	8,275.24	11,881.51	14,080.78	5,805.54	27,86,658.00
May-20	1,726	600	480	10,552.40	17,910.52	21,225.76	10,673.36	51,23,211.48
Jun-20	1,654	600	480	14,374.25	26,563.01	31,479.82	17,105.57	82,10,675.11
Jul-20	1,865	600	480	15,427.17	29,357.34	34,791.38	19,364.21	92,94,822.54
Aug-20	1,849	600	480	15,840.84	28,781.25	34,108.66	18,267.82	87,68,553.30
Sep-20	1,656	600	480	14,112.78	28,429.18	33,691.42	19,578.64	93,97,747.78
Oct-20	1,767	600	480	14,090.37	27,509.86	32,601.94	18,511.57	88,85,551.24
Nov-20	1,450	600	480	15,221.27	27,045.27	32,051.35	16,830.08	80,78,438.15
Dec-20	1,667	600	480	17,198.60	31,519.83	37,354.15	20,155.55	96,74,664.26
Jan-21	1,653	600	480	18,886.71	36,568.49	43,337.32	24,450.61	1,17,36,291.60
Feb-21	1,429	600	480	20,909.14	40,400.15	47,878.22	26,969.08	1,29,45,157.33

Month & Year	Production of condensate	Contract Quantity	Minimum Guaranteed Upliftment Quantity (80 % of Contract Quantity)	Net realisation from crude oil per MT	Average Price of Condensate per MT PLATTS Rate	Realisation Price of Condensate (H1 price which was 18.51% higher than PLATTS Rate)	Differential revenue per MT	Loss of Revenue
	(in MT)	**(in MT)**	**(in MT)**	**(in ₹)**	**(in ₹)**	**(in ₹)**	**(in ₹)**	**(in ₹)**
Mar-21	1,666	600	480	22,548.76	42,466.42	50,326.95	27,778.19	1,33,33,533.28
Apr-21	1,593	600	480	22,444.95	41,620.45	49,324.40	26,879.45	1,29,02,133.74
May-21	1,928	600	480	23,073.63	42,007.70	49,783.33	26,709.70	1,28,20,653.73
Jun-21	1,240	600	480	24,930.84	46,672.51	55,311.59	30,380.75	1,45,82,760.77
Jul-21	596	596	476.8	25,610.62	50,618.70	59,988.22	34,377.60	1,63,91,240.33
Aug-21	2,058	600	480	24,000.30	47,438.13	56,218.93	32,218.63	1,54,64,941.37
Sep-21	1,958	600	480	27,071.68	49,648.93	58,838.95	31,767.27	1,52,48,288.13
Oct-21	1,902	600	480	29,533.10	55,364.00	65,611.88	36,078.78	1,73,17,812.67
Total								24,00,13,556.64
								24.00 crore

Annexure II

(Referred to in Para 4.1)
Summary of Audit Analysis of 20 Scrips

Sr. No.	Name of the Scrip/Year of first purchase	Opening balance (No of Shares) – Shares offloaded	2016-17		2017-18			2018-19			2019-20		2020-21	
			No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)
1	Ballarpur Industries Limited (Bilt Ltd **2005-06**	12000000 -300000	110367622/ 12.87	15.06	1964870	169779525/ 11.30	11.00	0	107177593/ 2.87	2.8	120467951/ 0.31	0.30	516948071/ 0.32	0.31
2	Himachal Futuristic Communications Limited (HFCL) **2005-06**	521000	236481851/ 11.09	0.58	0	577690024/ 11.85	0.62	0	260595595/ 17.20	0.90	107189157/ 8.15	0.42	237547380/ 8.65	0.45
3	Pentamedia Graphics Limited **2005-06**	195800	29154948 / 0.55	0.011	0	14661139/ 0.48	0.009	0	15205560/ 0.25	0.005	10692845/ 0.21	0.004	21468177/ 0.24	0.005
4	Jaiprakash Associates Ltd(JPASSOCIATE) **2005-06**	775000	1580813826/ 5.30	0.41	0	2404203391/ 9.15	0.71	0	1471587570/ 4.72	0.37	362042708/ 1.06	0.08	1124716616/ 1.05	0.08

Sr. No.	Name of the Scrip/Year of first purchase	Opening balance (No of Shares) – Shares offloaded	2016-17		2017-18			2018-19			2019-20		2020-21	
			No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)
5	Reliance Infrastructure Limited **2005-06**	1917750-817750	94558801/ 426.45	46.91	700000	89836082/ 390.60	15.62	0	163422790/ 99.10	4.0	393991576/ 8.65	0.35	119024883/ 10.60	0.42
6	Bajaj Hindustan Sugar Limited -BAJAJHIND 2006-07	275907	204878143/ 12.90	0.36	0	290229668 / 8.55	0.24	0	181165340/ 5.65	0.2	68356872/ 2.34	0.06	244323610/ 2.76	0.08
7	Patel Engineering Ltd (PATELENG) **2018-19 (second purchase)**	225010#		0.00			0.00	0		0.0	11033825/ 8.10	0.18	17149193/ 8.95	0.20
8	Global Offshore Services Limited (GLOBOFFS) **2006-07**	755325	11883812/ 42.00	3.17	0	6483560/ 20.60	1.56	0	1729276/ 9.21	0.7	1977003/ 2.60	0.20	1217413/ 2.60	0.20
9	Karuturi Global Limited (KGL) **2007-08**	1500000	122504559/ 1.13	0.17	0	247941377 / 1.02	0.15	0	166075793/ 1.18	0.2	68014381/ 0.19	0.03	94446697/ 0.19	0.03

Sr. No.	Name of the Scrip/Year of first purchase	Opening balance (No of Shares) – Shares offloaded	2016-17		2017-18			2018-19			2019-20		2020-21	
			No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)
10	Future Markets Networks Limited (FMNL) **Received through corporate action in 2010-11**	31184	4247263/ 17.60	0.05	0	5849788/ 63.65	0.20	0	5489846/ 33.30	0.1	1149417/ 8.55	0.03	4169115/ 8.72	0.03
11	Goenka Diamond Jewels Limited (GOENKA) **2013-14**	5993904	8827145/ 0.63	0.38	0	28612070/ 0.24	0.14	0	5887717/ 0.26	0.2	3961115/ 0.21	0.13	35503731/ 0.22	0.13
12	Flexituff Ventures International Limited (FLEXITUFF) **2013-14**	800000	3642034/ 171.20	13.70	0	2071598/ 51.30	4.10	0	545204/ 27.40	2.2	619789/ 3.09	0.25	606077/ 4.45	0.36
13	Arvind International Limited (ARVIND)- **Second purchase in 2017-18**	400000*	0	0.00			0.00	0	64383093/ 72.80	2.91	81694031/ 19.00	0.76	162984556/ 19.50	0.78

Sr. No.	Name of the Scrip/Year of first purchase	Opening balance (No of Shares) – Shares offloaded	2016-17		2017-18			2018-19			2019-20		2020-21	
			No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)
14	Kirloskar Electrical Company Limited (KECL)- **Received through corporate action in 2008-09**	5488	35440521/ 32.10	0.02	0	26315482/ 27.80	0.02	0	5271978/ 13.00	0.01	2417411/ 6.70	0.004	5575011/ 8.05	0.004
15	Pioneer Embroideries (PIONEEREMB) **2006-07**	500000	6282294/ 38.70	1.94	0	4828832/ 28.50	1.43	0	1726915/ 17.75	0.9	765640/ 14.65	0.73	1477659/ 15.30	0.77
16	Indian Bank	57500$		0.00			0.00	0		0.0		0.00	60991492/ 42.65	0.25
17	Jai Corp Ltd (JAICORPLTD)	100000	72939354/ 52.30	0.52	0	156300852 / 68.05	0.68	0	89169494/ 85.50	0.9	58058201/ 42.65	0.43	41781718/ 46.90	0.47
18	GSS Infotech Ltd (GSS)	393992	1303210/ 20.05	0.79	0	31633496/ 19.00	0.75	0	29203753/ 51.30	2.0	5877436/ 19.00	0.75	7431283/ 19.00	0.75
19	The Byke Hospitality Limited (BYKE)	1800000-550000	14182742/ 151.10	18.89	822496	10257675/ 150.25	6.42	51532	4639057/ 25.20	0.9	1961389/ 7.65	0.29	4304283/ 8.60	0.32

Sr. No.	Name of the Scrip/Year of first purchase	Opening balance (No of Shares) – Shares offloaded	2016-17		2017-18			2018-19			2019-20		2020-21	
			No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares, if any, offloaded by the Company	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)	No of shares traded during the year on BSE/ Low Price during the year (BSE)	Least amount that could have been realised (₹ in crore)
20	Tata Motors (DVR) (TATAMTR DVR)	1233907	56785465/ 258.85	31.94	0	48478165/ 183.00	22.58	0	64806480/ 72.05	8.9	139562685/ 28.35	3.50	154473892/ 28.85	3.56
				134.89			**66.22**			**28.03**		**8.49**		**9.19**

*- Opening Balance in 2018-19
#- Opening Balance in 2019-20
$- Opening Balance in 2020-21
For other scrips, Opening Balance is in 2016-17
Least amount that could have been realised (₹ in crore) = [Opening balance (No of Shares) – Shares offloaded] * Low Price during the year (BSE)

Annexure III
(Referred to in Para 4.2)
Statement showing loss of Input Tax Credit during 2017-18 to 2020-21

(₹ in crore)

Year	Input Tax Credit available as per Form GSTR-2A	Input Tax Credit availed through Form GSTR-3B	Loss of Input Tax Credit
(1)	(2)	(3)	(4) = (2) – (3)
2017-18	154.47	106.27	48.20
2018-19	200.29	156.35	43.94
2019-20	224.87	207.40	17.47
2020-21	101.72	91.82	9.90
Total	**681.35**	**561.84**	**119.51**
Less: Input tax credit on account of difference between invoices raised by the supplier and settled for a lesser amount			16.45
Less: Blocked credit as per Section 17(5) of the Central GST Act			5.62
Net loss of Input Tax Credit			**97.44**

Notes:

(1) As informed by the Management (April 2021), there were instances where the claim amount settled by NIC was lesser than the amount of bills raised by the suppliers. In such cases, the Company cannot claim the Input Tax Credit available in the auto-populated Form GSTR-2A to that extent. The Input Tax Credit which was thus not eligible for being availed amounted to ₹16.45 crore.

(2) The Management informed (November 2021) that as per Section 17(5) of the Central GST Act, 2017, certain inputs are specifically denied from being availed by the Company. These are known as blocked credits. The amount of such credit in comparison to the actual credit availed by the Company is very nominal (less than one *per cent*). Accordingly, on a conservative basis, the blocked credit has been calculated as one *per cent* of the Input Tax Credit availed by the Company through Form GSTR-3B (i.e. ₹561.84 crore) which worked out to ₹5.62 crore.

Annexure-IV
(Referred to in para 8.1)
Recoveries at the instance of Audit

(Amount in ₹ lakh)

Name of Ministry/ Department	Name of the CPSE	Audit observations in brief	Amount of recovery pointed out by Audit	Amount recovered/saved by the Management
Civil Aviation	Airports Authority of India	Non-recovery of staff cost in respect of manpower support provided to Airports Economic Regulatory Authority	641.00	250.00
Civil Aviation	Airports Authority of India	Overpayment of employers' share of provident fund to contractor	6.22	6.09
Civil Aviation	Air India Limited	Accepting interest claim on delayed payment raised by DIAL without verification	18,300.00	5,500.00
Coal	Coal India Limited	Non recovery of differential amount of Basic Custom Duty from the supplier	6,793.00	6,793.00
Department of Financial Services	APITCO Limited	Grant of facility of official car for transiting to and fro residence as well as Conveyance Allowance to ineligible official	0.00	2.78
Department of Financial Services	SBI Cards Payments and Services Limited	Non-recovery of excess amount paid to vendor due to incorrect mapping of minimum wages	110.00	62.17
Heavy Industries	Heavy Engineering Corporation Limited	Non-realisation of Security Deposit and Earnest Money Deposit despite lapse of considerable period of time due to non-persuasion of HEC management with various business entity	271.00	49.08

Petroleum & Natural Gas	Oil and Natural Gas Corporation Limited	Irregular payment of House Rent Allowance to employees	15.00	3.00
Power	Damodar Valley Corporation	Excess deduction by bank on account of bank guarantee charges	393.00	334.00
Power	North Eastern Electric Power Corporation Limited	Non-recovery of liquidated damages from the contractor on account of delay in commissioning of Agartala Gas Turbine Plant -Combined Cycle extension Project	1,600.00	1,401.30
Power	Power Grid Corporation of India Limited	Non-recovery of damages from the supplier for supplying defective conductors	3,126.00	4,520.00
Power	Power Grid Corporation of India Limited	Non-recovery from supplier on account of short supply of material	161.00	102.00
Power	Power Grid Corporation of India Limited	Shortage of material in stores of 400 KV DC Lower Subansiri-Biswanath Chariyali Transmission Lines (I & II) project	2,297.00	1,737.00
Micro, Small and Medium Enterprises	National Small Industries Corporation	Recovery of inadmissible transport allowance allowed to employees	1.25	1.09
Road Transport & Highways	National Highways Authority of India	Non-collection of cess from concessionaire as per the provisions of the Building and Other Construction Workers' Welfare Cess Act, 1996	25.90	25.90
Road Transport & Highways	National Highways Authority of India	Non recovery of damages for delay in taking up of relaying work by Concessionaire	1,942.00	132.00

Steel	Steel Authority of India Limited	Under recovery of liquidated damages due to incorrect calculation	7.17	7.17
Steel	Steel Authority of India Limited	Excess payment of plot rent	7.74	6.56
Steel	Steel Authority of India Limited	Non-recovery of penalty as per contractual terms	56.83	56.83
		Total	**35,754.11 lakh**	**20,989.97 lakh**
		Say	**357.54 crore**	**209.90 crore**

Annexure-V
(Referred to in para 8.2)
Corrections/ Rectifications at the instance of Audit

Name of Ministry/ Department	Name of the CPSE	Audit observations/ suggestions in brief	Action taken by the Management
Coal	Eastern Coalfields Limited	Adoption of incorrect method for arriving at grade slippage/ gain for coal quality variance	Coal India Limited, the parent Company of Eastern Coalfields Limited formulated (March 2021) a uniform accounting policy/ methodology of coal quality variance to be followed by all its subsidiaries.

Annexure-VI

(Referred to in Chapter IX)

Statement showing the details of Audit Reports (Commercial) for last five years upto 2021 for which first Action Taken Notes were pending

Report number and year of Report	Name of Report	Para No.
Ministry of Civil Aviation		
13 of 2019	Compliance Audit	Para 1.1
13 of 2019	Compliance Audit	Para 1.2
13 of 2019	Compliance Audit	Para 1.3
13 of 2019	Compliance Audit	Para 1.4
18 of 2020	Compliance Audit	Para 2.1
14 of 2021	Compliance Audit	Para 9.1
14 of 2021	Compliance Audit	Para 9.2
14 of 2021	Compliance Audit	Para 9.3
Ministry of Coal		
14 of 2021	Compliance Audit	Para 1.1
14 of 2021	Compliance Audit	Para 1.2
14 of 2021	Compliance Audit	Para 1.3
14 of 2021	Compliance Audit	Para 1.4
Ministry of Finance (Department of Financial Services)		
9 of 2017	Compliance Audit	Para 7.1
13 of 2019	Compliance Audit	Para 3.1
13 of 2019	Compliance Audit	Para 3.3
14 of 2021	Compliance Audit	Para 4.1
14 of 2021	Compliance Audit	Para 4.2
14 of 2021	Compliance Audit	Para 4.3
14 of 2021	Compliance Audit	Para 4.4
14 of 2021	Compliance Audit	Para 4.5
14 of 2021	Compliance Audit	Para 4.6
Ministry of Housing & Urban Affairs		
11 of 2021	Performance Audit	Entire Report
Ministry of Mines		
18 of 2020	Compliance Audit	Para 8.1
14 of 2021	Compliance Audit	Para 6.1
14 of 2021	Compliance Audit	Para 6.2
Ministry of Petroleum and Natural Gas		
18 of 2020	Compliance Audit	Para 9.1
18 of 2020	Compliance Audit	Para 9.2
14 of 2021	Compliance Audit	Para 2.1
14 of 2021	Compliance Audit	Para 2.2

Report number and year of Report	Name of Report	Para No.
14 of 2021	Compliance Audit	Para 2.4
14 of 2021	Compliance Audit	Para 2.5
14 of 2021	Compliance Audit	Para 2.8
14 of 2021	Compliance Audit	Para 2.9
14 of 2021	Compliance Audit	Para 2.10
19 of 2021	Standalone Compliance Audit	Entire Report
Ministry of Power		
14 of 2021	Compliance Audit	Para 3.1
Ministry of Steel		
13 of 2019	Compliance Audit	Para 10.5
13 of 2019	Compliance Audit	Para 10.6
14 of 2021	Compliance Audit	Para 7.1
14 of 2021	Compliance Audit	Para 7.6
14 of 2021	Compliance Audit	Para 7.7
Ministry of Textiles		
14 of 2021	Compliance Audit	Para 8.1
14 of 2021	Compliance Audit	Para 8.2