

## CHAPTER XIII: DEPARTMENT OF SCIENTIFIC AND INDUSTRIAL RESEARCH

### Central Electronics Limited

#### 13.1 Infructuous expenditure of ₹20.21 crore on Integrated Security System at Old Delhi Railway Station

**Central Electronics Limited awarded (February 2008) a contract on nomination basis to M/s Kline Technical Consulting, USA for installing security system to address terrorist threats at Old Delhi Railway Station. The security system was installed in December 2010 without four key equipment valuing ₹1.91 crore which were not delivered by the contractor. CEL did not prepare closure report and the project remained non-operative even after lapse of more than six years. This resulted in infructuous expenditure of ₹20.21 crore.**

The Central Vigilance Commission (CVC) guidelines (July 2007), while referring to Supreme Court of India judgment<sup>1</sup> stated that tendering process or public auction is a basic requirement for award of contract by any Government agency as any other method, especially award of contract on nomination basis would amount to a breach of Article 14 of the Constitution; Right to Equality, which implies right to equality to all interested parties. However, in rare and exceptional cases, for instance during natural calamities and emergencies declared by the Government; where the procurement is possible from a single source only; where the supplier or contractor has exclusive rights in respect of the goods or services and no reasonable alternative or substitute exists, where the auction was held on several dates but there were no bidders or the bids offered were too low, etc., this normal rule may be departed from and such contracts may be awarded through private negotiations. The aforesaid guidelines of CVC had further laid down that mere post facto approval of the Board, rather than the inevitability of the situation, was not sufficient to award the contracts on nomination basis.

Central Electronics Limited (CEL) submitted (March 2007) a proposal to Technology Development Board<sup>2</sup> (TDB) of Government of India for a Security System Project called as “Secure and acquire technology and pilot demonstration for public area security system to address terrorist threats in India”. In January 2008 TDB sanctioned ₹24 crore to CEL for the project. CEL awarded (February 2008) the contract on nomination basis in violation of CVC Guidelines to a vendor namely M/s KTC (Kline Technical Consulting) USA. This vendor was short listed out of five firms which had made a presentation to CEL on the project. The CEL awarded the contract on nomination basis without inviting

<sup>1</sup> *Nagar Nigam, Meerut Vs AI Faheem Meat Export Private Limited [arising out of SLP (Civil) No. 10174 of 2006]*

<sup>2</sup> *The GoI constituted the TDB in September 1996, under the Technology Development Board Act, 1995, as a statutory body, to promote and for commercialisation of indigenous technology and adaptation of imported technology for wider application.*

open competitive bids though several firms were available as is evident from the presentation made by five firms.

The project was initially to be installed at the New Delhi Railway Station, however, later its location was changed to Old Delhi Railway Station platform No 1 (earlier platform No 18) for frisking of passengers of the “Samjhauta Express”. As per the terms of the payment, M/s KTC was to be paid an amount of ₹21.75 crore (₹11.01 crore<sup>1</sup> towards supply of security equipment and ₹10.74 crore towards technology cost, engineering support, training & licensing). The project was scheduled to be completed within 12 months from the date of sanction of assistance by TDB. M/s KTC sub-contracted the work (May 2008), with approval of CEL, relating to supply of equipment to another agency namely M/s Inspek Technology System (ITS), USA.

Audit observed that a Purchase Order (PO) was placed (March 2010) on M/s KTC for supply of 11 items valuing ₹3.86 crore. M/s KTC raised an invoice (September 2010) valuing ₹3.61 crore towards supply of these items. However, State Bank of Mysore Delhi (letter of credit issuing bank) which examined the documents presented to ensure compliance with the terms and conditions stipulated in the letter of credit for delivery of goods, intimated CEL (November 2010) that M/s KTC had not submitted vital documents supporting actual delivery details of the equipment like airway bill, country of origin certificate, insurance policies etc. However, CEL ignored these important facts and went ahead to release payment of ₹3.26 crore to M/s KTC. This payment included four<sup>2</sup> items valuing ₹1.91 crore which were to be delivered directly at Old Delhi Railway Station. However, CEL found (September 2011) that these four items valuing ₹1.91 crore were neither available at the site nor was any documentary evidence available to establish that these four equipment had actually been delivered by M/s KTC at Old Delhi Railway Station. Apparently, Security System Project was installed in December 2010 without availability of four key equipment viz., Forensic inspection system, High volume portal, Mm W Detector and HH Wands (Metal and Gamma) valuing ₹1.91 crore. Audit also noticed that payment of ₹76.72 lakh was made for items supplied from Indian sources which was not warranted; no justification was available for making these payments in foreign exchange. Incidentally no closure report was prepared by CEL for the project for submission to TDB (November 2016).

It was also observed in audit that the maintenance of installed equipment after November 2011, was not carried out resulting in non-functioning of many equipment. Though, many equipment were not available at site and were reported stolen, CEL did not take any action for lodging FIR, and also it did not renew the insurance policy after July 2012. On this project CEL has incurred a total expenditure of ₹20.21 crore till March 2015. Further, CEL awarded (March 2016) work orders of ₹0.60 crore for revival / limited restoration of the Surveillance System at Old Delhi railway Station. However, the system has still (January 2017) not been handed over to railway even after lapse of more than six years of implementation as it is dysfunctional and has resulted in expenditure of ₹20.21 crore becoming infructuous.

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<sup>1</sup> 1USD=₹45 (as per PO No. 33512 dated 8 August 2008, USD 24,46,666 = ₹11.01 crore)

<sup>2</sup> Forensic inspection system, high volume portal, Mm W Detector and HH Wands (Metal and Gamma).

CEL ignored the prescribed guidelines and established system of control in award of contract and its execution wherein, it not only awarded tender to M/s KTC on nomination basis, in violation of CVC guidelines, it also made payments to the firm worth ₹1.91 crore for equipment which were not delivered and had not filed FIR for the stolen equipment .

The Management stated (January 2017) that Board of Directors (BOD) approved (February 2008) memorandum of Understanding (MOU) and agreement with KTC, therefore, requisite approval was taken in advance and no *post facto* approval was required. M/s KTC had not submitted the required documents as per letter of credit and deficiency was pointed out by bank, which were waived off on the recommendations of the then Project-in-charge. In this case charges were proved in departmental enquiry and dues of Project in charge were withheld (October 2016). M/s KTC failed to submit various information/documents. There was no violation of CVC guidelines and CEL had withheld ₹2.39 crore which was sufficient for any recovery from M/s KTC.

The reply of the Management is not acceptable as CEL did not invite open tender for competitive bidding in violation of CVC guideline. Further, the Management accepted that no documentary evidence was available to establish that four key equipment were actually supplied by M/s KTC. Though the management had taken action against the then Project-in-charge by withholding his dues, the project was non-operative and was still not handed over (January 2017) to Railways even after lapse of six years of implementation. This resulted in not only an amount of ₹20.21 crore becoming infructuous including a fraudulent payment of ₹1.91 crore but also in a failure to fulfil the stated objective of technology demonstration at Old Delhi Railway Station to address terrorist threats.

The matter was reported to the Ministry in December 2016; their reply was awaited (January 2017).