CHAPTER – III

Department of Science and Technology

3.1 Implementation of Drugs and Pharmaceutical Research Programme

Deficiencies in selection, financial management and monitoring of projects sanctioned by Department of Science and Technology under Drugs and Pharmaceutical Research Programme led to non-realisation of outstanding loans and interest of ₹ 73.68 crore, non-receipt of final project completion reports and consequent lack of information on outcome generated from the projects. The objectives of enhancing capabilities of Indian pharmaceutical industry and promoting them to develop new drugs at lower costs were not achieved.

3.1.1 Introduction

Drugs and Pharmaceutical Research Programme

Department of Science and Technology (DST) started a Drugs and Pharmaceutical Research Programme (DPRP) during 1994-95 as a plan programme to promote collaborative Research and Development (R&D) in the drugs and pharmaceutical sector. The programme aimed at synergising the strengths of publicly funded research institutions and Indian pharmaceutical industry to enable infrastructure and mechanisms for new drug development to enhance the country's self-reliance in drugs and pharmaceuticals. The central focus of research was to develop drugs mainly to fight common diseases like tuberculosis, leprosy, kala-azar, malaria, diarrhoea, dysentery, stress related disorders, thoracic disorders, cholera, etc. particularly prevalent among poorer sections of society with the objective of providing drugs at low cost.

During January 2004, Government of India established Drug Development Promotion Board (DDPB) under the administrative control of DST for supporting R&D projects jointly proposed by industry and academic institutions/ laboratories as well as to extend soft loan for R&D projects initiated by the drug industry.

Project proposals received for funding were scrutinised by DST and outside experts. The proposals along with comments of the experts were placed before an Expert Committee. Based on the recommendation of the Expert Committee, projects were approved for funding. Funding to pharma industries was in the form of a soft loan to the extent of 70 *per cent* of total project cost. The sanctioned loan was to be released in maximum three instalments depending upon the progress of individual projects. Interest of three *per cent* per annum was to be charged on the outstanding amount of loan and became due from the date of release of funds to industrial partner.

During the period from 2004-05 to 2013-14, DST sanctioned 73 projects and disbursed a total amount of ₹ 347.34 crore to 73 firms.

3.1.2 Audit findings

Audit selected 19 projects involving a loan amount of ₹ 95.27 crore, on the basis of their cost and scheduled date of completion, for scrutiny. Out of 19 sampled projects, four projects were terminated/ foreclosed mid-way. In the remaining 15 projects, Audit observed deficiencies in selection of industrial partners, monitoring of project during implementation and after completion, etc. As of 31 March 2014, an amount of ₹ 63.34 crore pertaining to principal amount of loans (₹ 56.42 crore) and interest (₹ 6.92 crore) was due under nine projects. In addition, penal interest amounting to ₹ 10.34 crore was due under 12 projects. Audit observations are discussed in the succeeding paragraphs. The details of all 19 projects are given in ***Appendix XII***.

3.1.2.1 No tangible outcome from projects

DST entered into agreements with industry partners for all 19 projects, spelling out roles and responsibilities of each stakeholder, objectives of the project, duration, deliverables, financial arrangement, monitoring arrangement, etc. As per the agreement, a project would be deemed as completed on acceptance of such recommendation from the Project Monitoring Committee by Secretary, DST. Industrial partner was required to submit six monthly progress reports to DST and provide the Project Monitoring Committee with periodic inputs and information as sought. The industrial partner would have the first right to utilise intellectual property generated from the project and would pay royalty at the rate of 0.5 *per cent* of the net sale value for a period of 10 years. Such royalty due and payable would also be factored in the event of licensing of technologies generated under the project to third parties and any further development of technology by industry partner. Publications in journals in respect of the project would be done only after the Project Monitoring Committee cleared such publications.

Audit observed that DST had no information on the outcome of any of the 19 projects. Project completion reports were not obtained from the industrial partners. As a result there was no record of the extent of achievement of objectives under the projects and development of technologies or intellectual property. There was no follow up action by DST on utilisation of technologies generated under the projects, if any, by the industrial partner.

DST accepted (June 2015) that some of the industries had not forwarded the final project completion report. DST further added that the programme had given several products to the country, a few patents had been granted and several leads were in different stages of clinical trials. However, details of such achievements were not provided. Further, DST did not maintain any database regarding technology developed, patented, transferred and commercialised under DPRP. Hence, in the absence of this, any output generated under these projects could not be ascertained in audit.

Thus, even after investing ₹ 95.27 crore (as soft loan) in 19 projects, DST did not record any tangible outcome from the projects. The achievement of objective of the programme to build capabilities, develop drugs and provide the same at low cost was not visible.

3.1.2.2 Sanction of projects to ineligible industry partners

Rule 220 (3) of General Financial Rules stipulates that before considering a loan application from parties other than State Governments and Local Administrations of Union Territories, it should be seen that there is adequate budget provision and grant of the loan would be in accordance with approved Government policy and accepted patterns of assistance. Before approving the loan, the applicant should be asked to furnish (i) the copies of profit and loss (or income and expenditure) accounts and balance sheets for the last three years; (ii) the main sources of income and how the loan was proposed to be repaid within the stipulated period; (iii) details of loan or loans taken from the Central Government or a State Government in the past, indicating amount, purpose, rate of interest, stipulated period of repayment, date of original loan and amount outstanding against the loan(s) on the date of the application and the assets, if any, given as security; (iv) a complete list of all other loans, outstanding on the date of application and the assets given as security against them; (v) the purpose for which the loan is proposed to be utilised and the economics of the scheme.

Rule 220 of General Financial Rules further stipulates that confidential enquiries should be made from the other Departments of the Central Government or State Governments from which the party has taken loans, to judge the performance in regard to the previous loans and Collateral/ security should be obtained from the beneficiary firm against the loan amount to be offered and valuation of the same be got done from the independent authority.

Further, terms and conditions appended to agreement also required that industry partner must have an R&D centre with valid recognition[20] and if not registered, the firm was to get the R&D Centre recognised within 12 months, failing which the firm might be asked to return the loan amount, unless and otherwise the period was extended.

Audit observed that DST sanctioned projects and released loans of ₹ 46.38 crore to eight industry partners, who did not fulfil mandatory requirements as discussed below:

(i) Four firms that were not financially sound, had a small share capital, substantial loan liability, limited fixed assets, large accumulated losses besides minimal working capital, were sanctioned loans as shown in Table 13.

Table 13: Details of financially unsound firms who were sanctioned loans

Sl. No.	Name of firm	Project title	Financial Position of Industrial Partners	Amount of loan (*₹ in crore*) Sanctioned (Released)
1.	Thirteen Herbs and Cure, New Delhi	Development of an indigenous immuno–restorative herbal formulation P–*Jyoti Amritam* for HIV/AIDS	Share Capital : ₹ one lakh Unsecured Loan : ₹ 14 lakh Fixed Assets : ₹ two lakh	1.70 (1.11)
2.	Cellmax Pharma Pvt. Ltd., Aligarh	Development of commercially viable recombinant products and diagnostics kits	• The Industrial Partner was a start-up company, so financial statement of previous year was not available with it at the time of sanctioning of project proposal. • Authorised Share Capital of Industrial Partner was ₹ one lakh only. • No source of revenue generation/ income was available with the company for fulfilment of its commitments under the project.	4.34 (2.00)
3.	Bigtech	Development of a	• Debt of Industry Partner had sharply	1.92

[20] Registered with Department of Scientific and Industrial Research, Ministry of Science and Technology, Government of India.

Sl. No.	Name of firm	Project title	Financial Position of Industrial Partners	Amount of loan (₹ *in crore*) Sanctioned (Released)
	Private Limited, Bengaluru	high yielding recombinant Human Insulin strain and process leading to successful commercialisation	increased from ₹ 63.84 lakh in 2003-04 to ₹ 1.37 crore in 2004-05 and ₹ 3.03 crore in 2005-06, whereas Share Capital had not increased to that extent. As a result, the Debt Equity Ratio of the Industrial Partner, which was 0.88 *per cent* in 2003-04, increased to 1.18 *per cent* and 2.40 *per cent* in the year 2004-05 and 2005-06 respectively, indicating its deteriorating financial position. Further, after taking into account unadjusted miscellaneous expenditure of ₹ 52.16 lakh (2003-04), ₹ 42.48 lakh (2004-05) and ₹ 37.02 lakh (2006-07) this ratio might increase further.	(1.92)
4.	Mediclone Biotech Pvt. Ltd., Chennai	Development and manufacturing of Anti-Rabies Monoclonal Antibody (MAb) cocktail and Immunodiagnostic MAb for Rabies Virus Detection	• Industry Partner had a cumulative loss of ₹ 44.76 lakh as on 31 March 2007. • It had a small Share Capital of ₹ 42.50 lakh[21], besides secured/ unsecured loans of ₹ 14.15 lakh and loan amounting to ₹ 5.91 crore was also raised by Industry Partner from the Government of India during 2006-07. • It had a meagre amount of ₹ 7.56 lakh in hand as working capital.	11.27 (10.22)

(ii) In six cases mentioned in Table 14, industry partners did not have R&D centres or valid recognition from DSIR. Further, these firms failed to set up R&D centres and obtain recognition of the same within 12 months of approval of the project.

[21] Excluding share application money of ₹ 5.06 crore. However, nothing was reported in the Auditor Reports (provided to Audit) about the allotment of share and adjustment of this application money.

Table 14: Details of firms that did not set up R&D centres

Sl.No.	Name of firm	Project title	Date of sanction	Amount of loan (*₹ in crore*) Sanctioned (Released)
1.	Promed Exports Pvt. Ltd, New Delhi	Formulation development, stability studies, pre-clinical and clinical studies of anti-cataract eye drops for applying the technology and innovation in effective prevention and treatment of cataract by bringing the drug to commercialisation stage	March 2005	5.00 (4.00)
2.	Microtest Innovations Pvt. Ltd., Bengaluru	Development of a cost effective viral load assay and its commercial application in monitoring drug efficacy in HIV/AIDS	December 2005	1.18 (1.18)
3.	Chembiotek Research International Private Limited	Discovery and Development of novel inhibitors of Undercaprenyl Pyrophosphate Synthase	May 2007	11.00 (11.00)
4.	Indigene Pharmaceuticals Pvt. Ltd, Hyderabad	Clinical development of prioritised drug candidates through Phase–C to develop and deliver innovative, safe and effective plant derived Natural Molecular Combinations (NMC) based drugs to address the unmet medical and market needs	October 2007	14.95 (14.95)
5.	Cell Max Pharma Pvt. Ltd., Aligarh	Development of commercially viable recombinant product and diagnostics kits	January 2008	4.34 (2.00)
6.	Thirteen Herbs and Cure, New Delhi	Development of an indigenous immuno–restorative herbal formulation *P–Jyoti Amritam* for HIV/AIDS	March 2008	1.70 (1.11)

(iii) Prior to sanctioning loans, DST also did not enquire from other Departments of the Central Government or State Governments to judge performance of the firms with regard to repayment of the previous loans. Thus, DST did not take adequate steps for safeguarding interest of the Government.

Audit observed that these industry partners failed in timely repayment of loan/interest to DST, which is discussed in detail in para 3.1.2.4 (iii).

DST (June 2015) accepted the facts and stated that there was no mechanism in existence in the programme for securing the loan through collateral mortgage, bank guarantee and other related issues. It further assured that in future, priority to only those projects would be given which would have R&D centres recognised by DSIR and be on good financial strength/ turnover.

3.1.2.3 Loan instalment released prior to signing of agreement

As per terms and conditions of the sanction issued for the projects, loan instalment for the first year was to be released only after signing of the agreement. Audit observed that DST violated the provision in nine cases mentioned in Table 15, in which it signed the agreements 28 days to three months after the date of release of first instalment.

Table 15: Cases in which DST signed agreement after release of first instalment of loan

Sl. No.	Name of the Industry partner	Name of the Project	Date of release of first instalment	Date of signing of agreement	Amount of first instalment released (₹ in crore)	Delay in signing agreement after release of first instalment
1.	Bharat Serum and Vaccines Ltd.	Development of a clinically proven and process development of a commercially viable manufacturing process of monoclonal tetanus immunoglobulin (mTIG) expressed in recombinant Chinese Hamster Ovary (CHO) cell line	20 March 2006	08 June 2006	7.07	Two months
2.	Biological E, Hyderabad	Development of a tetravalent dengue vaccine by using a combination of 30 deletion mutant and chemeric constructs of DEN-1, DEN-2, DEN-3 and DEN-4 viruses against dengue virus infection	31 March 2005	05 May 2005	2.75	One month
3.	Cadila Pharmaceuticals Ltd., Ahmedabad	Development of new generation therapeutic and prophylactic Hepatitis B vaccines	20 March 2006	16 May 2006	1.00	One month
4.	Institute of Molecular Medicine, Kolkata	RNAi approach for Gene Silencing of HIV-1 (The SyneRgy project)	31 March 2006	13 June 2006	3.50	Two months
5.	Promed Exports Private Ltd., New Delhi	Formulation development, stability studies, pre-clinical and clinical studies of anti-glaucoma herbal	29 March 2007	26 April 2007	0. 80	Twenty eight days

Sl. No.	Name of the Industry partner	Name of the Project	Date of release of first instalment	Date of signing of agreement	Amount of first instalment released (₹ in crore)	Delay in signing agreement after release of first instalment
		eye drops				
6.	Ranbaxy Laboratories Ltd., Gurgaon	A novel muscarinic receptor antagonist for chronic obstructive pulmonary disease	29 August 2006	30 November 2006	1.95	Three months
7.	Strides Arcolab Limited, (SAL), Bengaluru (Medegene Pharmaceuticals Pvt. Ltd.)	Development of Novel Recombinant Staphylokinase for the treatment of cardiovascular disease' - Strides Arcolab Limited, (SAL), Bengaluru	06 December 2006	March 2007	0.89	Three months
8.	Sudershan Biotech Ltd.(SBL), Hyderabad	Production of para-hydroxyphenyl glycine (PHPG) using Hydantoinase and carbamoylase enzymes cloned E.coli	20 March 2006	12 June 2006	1.18	Two months
9.	ABL Biotechnologies Ltd., Chennai	C-Phycocyanin in COX-2 inhibition and diagnostics	14 February 2006	27 May 2006	2.00	Three months

While accepting (June 2015) the observation, DST stated that a condition was inserted in the sanction/release order that amount released could not be spent till signing of bipartite agreement.

The reply of DST is to be viewed in light of the fact that DST did not have any mechanism to ensure whether this provision was followed by the beneficiary industries and the haste in release of instalment remained unexplained and unfruitful.

3.1.2.4 Improper financial management

(i) Non-maintenance of separate project account

As per the scheme guidelines, industry partners were required to maintain a separate account for the expenditure met from loan granted under the project. Any interest earned by them on the loan amount was to be shown as such and credited into the project account for adjustment against release of subsequent instalments.

Audit observed that while signing the agreements with the industry partners, DST did not include the clause of crediting the interest earned on the loan to the project account for adjustment against release of subsequent instalments. As a result, separate accounts were not maintained in any of the 19 projects scrutinised in audit, due to which interest earned, if any, on release of ₹ 95.27 crore as loans to these firms was left unadjusted.

DST surmised (June 2015) that the industry must be forwarding Utilisation Certificate alongwith Statement of Expenditure based on the separate account maintained for each project.

The reply of DST corroborates audit observation that it did not ensure whether separate accounts had actually been maintained by the industry partners.

(ii) Non-submission of utilisation certificates

In terms of Rule 226[22] of General Financial Rules, DST was required to obtain Utilisation Certificate (UC) in respect of loans utilised by industry partners every year. Audit scrutiny of 19 projects revealed that in six projects, UCs for loans of ₹ 11.09 crore were outstanding since April 2006 for periods from three to nine years. The details are given in ***Appendix XIII***.

DST accepted (June 2015) the audit observation.

(iii) Default in repayment of loans and interest

In terms of clause of 3.2 of the loan agreements, repayment of loans was to be made in 10 annual equal instalments and industry partners were to ensure timely repayment of the loans along with interest as per the schedule notified. Any delay in repayment entailed payment of penal interest at the rate of 12 *per cent* per annum compounded monthly for the period of delay. Further, two successive defaults in repayment of outstanding loans amount would result in recall of total outstanding loan amount immediately. The agreements also stipulated that any dispute could be referred for arbitration by an Arbitral Tribunal.

As of 31 March 2014, an amount of ₹ 63.34 crore pertaining to principal amount of loans and interest was due from nine firms from the period November 2008 to March 2014. Further, the loans were in default for more than two successive times**,** yet DST did not take action to recall the outstanding loans. In addition, penal interest amounting to ₹ 10.34 crore was due from 12 firms, as detailed in Table 16.

[22] A certificate of utilisation of the loan should be furnished in every case of loan released for specific purposes.

Table 16: Default in re-payment of loans

(₹in crore)

Sl. No.	Name of the Industry Partner	Name of the project	Amount outstanding		
			Loan	Interest	Penal interest
1.	ABL Biotechnologies Limited, Chennai	C-Phycocyanin in COX-2 inhibition and diagnostic	4.00	0.63	0.93
2.	Cellmax Pharma Pvt. Ltd., Aligarh	Development of commercially viable recombinant product and diagnostics kits	2.00	0.29	0.22
3.	Chembiotek Research International Private Limited	Discovery and Development of novel inhibitors of Unde-rcaprenyl Pyrophosphate Synthase (UPPs)	11.00	1.33	1.68
4.	Indigene Pharmaceuticals Pvt. Ltd, Hyderabad	Clinical development of prioritized drug candidates through Phase–C. To develop and deliver innovative, safe and effective plant derived Natural Molecular Combinations (NMC) based drugs to address the unmet medical and market needs	14.95	1.94	3.80
5.	Institute of Molecular Medicine, Kolkata	RNAi approach for the Gene silencing of HIV-1 (The SyneRgy Project)	10.00	1.27	1.55
6.	Mediclone Biotech Private limited, Chennai	Development and manufacturing of Anti-Rabies Monoclonal Antibody (MAb) cocktail and Immunodiagnostic MAb for Rabies Virus Detection	10.22	0.87	0.92
7.	Microtest Innovations Pvt. Ltd., Bengaluru	Development of a cost effective viral load assay and its commercial application in monitoring drug efficacy in HIV/AIDS	1.18	0.21	0.30
8.	Sudershan Biotech Ltd., Hyderabad	Production of para-hydroxyphenyl glycine (PHPG) using Hydantoinase and carbamoylase enzymes cloned E.coli	1.96	0.25	0.30
9.	Thirteen Herbs and Cure, New Delhi	Development of an indigenous immuno–restorative herbal formulation P–JyotiAmritam for HIV/AIDS	1.11	0.13	0.17
10.	Bharat Serums and Vaccines Limited, Mumbai	Development of a commercially viable manufacturing process of monoclonal tetanus immunoglobulin (mTIG) expressed in recombinant Chinese Hamster Ovary (CHO) cell line	-	-	0.18
11.	Bigtech Pvt. Ltd.,Bengaluru	Development of a high yielding Recombinant Human Insulin strain & Process lead to commercialization	-	-	0.21
12.	Cadila Pharmaceuticals Ltd., Ahmedabad	Development of Therapeutic Vaccine for Pancreatic Cancer	-	-	0.08
		TOTAL	**56.42**	**6.92**	**10.34**

Audit observed that DST neither computed the amount of penal interest due from these industry partners nor made efforts to recover the outstanding loans from the defaulters, even though the repayments were due for more than five years.

While accepting the facts, DST stated (June 2015) that the process for recovery of outstanding dues had been initiated.

3.1.2.5 Inadequate project monitoring

In terms of Clause 4 of agreements entered with industry partners, a Project Monitoring Committee (PMC) comprising of eminent experts in the area was to be appointed by DST to review and examine the progress of projects in conformance with milestones, targets and objectives as contained in the agreement; and based on the same, to assess and recommend foreclosing or dropping or modification in the components of the project, including additional institutional/ industry partners and revising funding support to the implementing agency. Projects were to be declared as completed only on the recommendation of PMC.

Scrutiny of records revealed that none of the 19 projects were monitored by PMC throughout the project duration as per prescribed frequency. Further, no PMC meetings were held after release of final/ last instalment of loan, in spite of the fact that activities of the projects were still ongoing. Consequently, these projects were not formally declared as closed. DST also failed to assess whether industry partners took any follow up action on the recommendations of PMC and whether activities and objectives undertaken by it during this period were as envisaged. In the absence of such information, it could not be ascertained whether post-project monitoring was done. There was also no record to support that PMC constituted for each project had the approval of competent authority. In three projects, composition of PMC was changed in different meetings of the same project, however, the approval of competent authority to such changes were not on record. The details of these projects are given in ***Appendix XIV***.

DST stated (June 2015) that each project was monitored by a monitoring committee and next instalment of loan was released based on the recommendations of monitoring committee and production of UC. It further stated that some of the projects were monitored after their completion and added that composition of monitoring committee was changed due to various reasons such as non availability of experts.

The reply of DST is not acceptable, as projects were not monitored throughout the project duration as per prescribed frequency and no PMC meetings were held after release of final/ last instalment of loan. Reports of monitoring committee meetings if any held after completion of projects were not found on record. Further, changes in composition of monitoring committees were not ratified by the competent authority viz. Secretary, DST.

3.1.2.6 Irregular revision of repayment schedule of loan

As per terms of reference of PMC constituted for monitoring of projects funded under DPRP, modifications in components of the projects, including revisions in funding and project schedule were to be done on the basis of the recommendations of PMC and with the approval of Secretary, DST. However, Audit observed that in three cases[23] mentioned in Table 17, DST extended the project duration and revised repayment schedule for loan assistance of ₹ 14.01 lakh arbitrarily without the recommendations of Monitoring Committee and concurrence of Secretary, DST which was irregular.

Table 17: Modification of project components without recommendation of PMC

Sl. No.	Name of industry partner	Name of project	Audit comment
1.	Institute of Molecular Medicine, Kolkata	Development of rational and selective synthetic RNA inhibitors for human therapy by gene regulation exploiting the vast potential of RNA interference (RNAi)	Due to under-utilisation of funds by industry partner, Integrated Finance Division of DST recommended that interest accrued on unspent balance of funds be adjusted in the amount of interest/ amortised interest due in various instalments and repayment schedule revised accordingly. Instead of this, DST arbitrarily extended the duration of project by one year thereby giving relaxation of one year to industry partner, due to which first instalment of loan due on 01 April 2009 was extended to 01 April 2010.
2.	Sudershan Biotech Ltd., Hyderabad	Production of para-hydroxyphenyl glycine (PHPG) using Hydantoinase and carbamoylase enzymes cloned E.coli.	Expert Committee in its meeting held in July 2009, while reviewing the progress of project recommended extension of project duration by one year i.e. upto March 2010 on no cost escalation basis. However, the project was arbitrarily foreclosed in March 2009 without complying with the recommendation of Expert Committee.

[23] (i) Development of rational and selective synthetic RNA inhibitors for human therapy by gene regulation exploiting the vast potential of RNA interference (RNAi) to Institute of Molecular Medicine, Kolkata; (ii) Production of para-hydroxyphenyl glycine (PHPG) using Hydantoinase and carbamoylase enzymes cloned E.coli to Sudershan Biotech Ltd., Hyderabad; and (iii) Formulation development, stability studies, pre-clinical and clinical studies of anti-glaucoma herbal eye drops to Promed Exports Private Ltd., New Delhi.

Sl. No.	Name of industry partner	Name of project	Audit comment
3.	Promed Exports Private Ltd., New Delhi	Formulation development, stability studies, pre-clinical and clinical studies of anti-glaucoma herbal eye drops	While reviewing the project in September 2009, PMC found project progress to be satisfactory did not recommend extension beyond project duration of March 2010. However, DST revised the repayment schedule and repayment of loan/ interest was started from 31 March 2011.

DST stated (June 2015) that duration of project sanctioned to Institute of Molecular Medicine, Kolkata was extended as per the suggestions of its Finance Division. The same is not acceptable as no such extension was recommended by PMC.

3.1.3 Conclusion

Drugs and Pharmaceutical Research Programme was implemented with an objective to develop capabilities in the Pharma R&D sector by synergising the strengths of Indian pharma industry and research institutions, so as to develop new drugs at lower costs for poorer sections of society lacking purchasing power. In 19 projects seen in audit, Department of Science and Technology (DST) released soft loan of ₹ 95.27 crore to private firms.

Audit observed that in none of the 19 projects, the outcomes were known to DST, as project completion reports had not been submitted by industry partners. Due financial diligence in selection of projects was not done by DST and loans were released to financially unsound companies which later defaulted in repayment of loans. An amount of ₹ 63.34 crore pertaining to principal amount of loans and interest was due from industrial partners of nine projects as of 31 March 2014. In addition, penal interest amounting to ₹ 10.34 crore was due from industrial partners of 12 projects. In spite of project monitoring mechanism prescribed under the programme, monitoring of projects during implementation and after completion of project duration was lax. As a result, final completion reports were not received in any of the 19 projects, due to which DST had no information on the outcome generated from the projects.

Thus, after investing ₹ 95.27 crore in 19 projects, the purpose of the programme to build capabilities, develop drugs and provide the same at low cost was not noticed.

3.2 Avoidable expenditure due to poor management of land and delayed construction of office complex

Department of Science and Technology delayed executing lease deed in respect of land acquired from NOIDA for 21 years and failed to complete construction of office complex within permissible time period. Consequently, it incurred avoidable expenditure of ₹ 1.81 crore besides recurring liabilities towards penalties till completion of the construction.

Department of Science and Technology (DST) acquired (March 1992) 40 acres[24] of land on lease from New Okhla Industrial Development Authority (NOIDA) against payment of ₹ 13.05 crore for construction of its various offices/Institutes. The work was to be done in three phases viz. construction of National Centre for Medium Range Weather Forecasting (NCMRWF)[25] on 10 acres under Phase-I, construction of Vigyan Prasar[26] on 10 acres under Phase-II and construction of institutes/offices of DST on the remaining 20 acres of land under Phase-III. According to the terms of allotment of land by NOIDA, DST was to commence construction work within six months from the date of possession and complete the same within a period of four years. As of March 2014, DST had completed construction of Phase I only. DST was also required to execute lease deed in respect of the land. However, lease deed for the land was registered in October 2013, after a delay of 21 years.

Audit observed poor management of land and deficient planning of work by DST, which resulted in avoidable expenditure of ₹ 1.81 crore due to delay in registration of lease deed and failure to fulfill construction obligations, as discussed in the succeeding paragraphs.

Delay in registration of lease deed

Although DST acquired the land in March 1992, it entered into a lease agreement with NOIDA only in September 2001 after a delay of nine years. As per the lease agreement, DST and NOIDA were required to sign a final lease deed in terms of the lease agreement and take all steps necessary to register the same within a period of 30 days from receipt of no objection certificate from Income Tax Department. Failure to execute lease deed on time would attract penalty at the rate of 2.5 *per cent* of the cost of land per annum.

Audit observed that after repeated reminders from NOIDA, DST/NCMRWF forwarded (November 2002) the requisite documents to NOIDA for execution of lease deed. However, the deed was not executed due to disagreement between DST and NOIDA regarding amount of outstanding lease rent, which remained under

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[24] Ten acres on Plot A-50 and 30 acres on Plot A-33, Sector 62, NOIDA.

[25] A unit which was formerly under DST and is presently under the Ministry of Earth Sciences.

[26] An autonomous body under DST.

correspondence. Subsequently, DST intimated (March 2005) NOIDA of its decision to deposit one time payment of lease rent upto the period March 2005 and based on the demand given by NOIDA, DST deposited (March 2005) one time payment of lease rent of ₹ 6.04 crore.

Audit further observed that even after making one time payment of lease rent, DST did not execute the lease deed as NOIDA still demanded penalty at the rate of ₹ 32.63 lakh[27] per annum for non-execution of lease deed. In addition, DST had delayed in payment of one time lease rent by seven days, for which NOIDA also demanded penalty of approximately ₹ 90 lakh. DST continued to correspond with NOIDA for waiver of the penalty and it was finally able to obtain (September 2013) waiver of payment of penalty from NOIDA for the period 1992 upto 2010. However, NOIDA levied (September 2013) penalty of ₹ 1.03 crore for delay in execution of lease deed for the period from August 2010 to October 2013. Accordingly, DST deposited the same and executed (October 2013) the lease deed with NOIDA.

Since the land was leased to DST under known terms and conditions, the onus of registration of lease deed rested solely on DST. However, failure to do so in time resulted in avoidable expenditure of ₹ 1.03 crore.

Delay in construction of office complex

According to the terms and conditions of allotment of land, DST was required to obtain prior sanction of NOIDA to the building plan, commence the construction work within six months from the date of possession of the plot, put the same in operation within four years from the date of possession i.e. by March 1996 and obtain the completion certificate from NOIDA, failing which it was liable to pay a penalty of four *per cent* of the cost of the land per annum for delay in construction of the building. NOIDA granted time extension upto 2001 to DST for completing the construction work.

Construction of NCMRWF was entrusted (1998) to National Industrial Development Corporation (NIDC) a public sector undertaking under the Ministry of Heavy Industry (MOHI). However, when construction of the building was in progress, NIDC was wound up (May 2002) by MOHI due to administrative and financial reasons as a result of which it abandoned the work. Subsequently, the residual work was awarded to MECON Limited, a public sector undertaking under the Ministry of Steel, which completed the same in March 2004.

Audit observed that while constructing the building of NCMRWF, DST failed to submit drawing and floor plans for the approval of NOIDA, due to which it made payment of ₹ 25.80 lakh (July 2008) as regularisation charges. Audit further

[27] 2.5 *per cent* of ₹ 13.05 crore

observed that out of 40 acres of land acquired, DST had completed construction of only Phase I on 10 acres of land. Construction on the remaining 30 acres of land had not commenced, thereby rendering DST liable to penalty of ₹ 52.20 lakh[28] per annum after March 2001.

DST continued to request NOIDA periodically for granting extension of time and waiving penalty for delay in construction. Though DST had earlier submitted (2007-2008) drawings and plan for construction of Phase II to NOIDA, it was unable to obtain approval of the same, pending resolution of the matter of waiver of penalty for delay in executing the lease deed. Subsequently, NOIDA granted extension upto December 2013; however, DST was unable to commence construction work as it entrusted the work of implementing Phase II of the construction to Vigyan Prasar only in April 2014. Thereafter DST requested (April 2014) NOIDA for further extension of time up to December 2014 but NOIDA insisted (June 2014) on payment of extension fees of ₹ 52.20 lakh from December 2013 to December 2014 before taking a decision on the matter. DST deposited (July 2014) extension fees of ₹ 52.20 lakh with NOIDA.

Thus, poor management of land, deficient planning and non-fulfillment of construction obligations resulted in avoidable expenditure of ₹ 1.81 crore. Besides, recurring liabilities on account of payment of penalty, if demanded by NOIDA, will have to be discharged by DST till completion of the construction.

DST stated (February 2015) that due to concerted efforts of the Department lease rent to the tune of ₹ 12.30 crore was waived and Department was liable to pay only ₹ 1.03 crore, which resulted in savings of ₹ 11 crore. As regards delay in construction, DST stated that NBCC[29] had been considered for submission of preliminary estimates for construction of office complex.

The reply of DST may be viewed in the light of the fact that the Department had obtained waiver of penalties levied on it from time to time upto 2010 for its failure to execute lease deed and complete construction on time. The fact remained that DST had to pay penalty of ₹ 1.81 crore towards non-execution of lease deed on time, extension of time for construction and regularisation of the building constructed without approved plans. Further, as work was yet to be awarded as of February 2015, concerns of Audit on recurring liabilities which may have to be incurred on account of non-adherence to time schedules remain pertinent.

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[28] Four *per cent* of ₹ 13.05 crore

[29] National Buildings Construction Corporation Ltd., a public sector undertaking under the Ministry of Urban Development