

Chapter 6 - The e-Auction Platform

6.1 Introduction

The methodology and modalities of the e-auction process has been elaborated in Chapter 2 of this Report. Nominated Authority (NA) engaged (11 December 2014) MSTC Limited (MSTC) as the e-auction service provider. Accordingly, a memorandum of understanding (MoU) was signed on 23 December 2014 between NA and MSTC and the same was to remain valid for the period till the 204 coal blocks were allocated through e-auction and allotment.

As per the agreement, the following responsibilities were assigned to MSTC:

- online registration of prospective bidders;
- arranging publicity of e-auction through website;
- draw up the calendar and duration for e-auctions in consultation with NA;
- display the floor price in the e-auction catalog for the information of the prospective bidders;
- to conduct e-auction in a fair, smooth and transparent manner;
- on completion of e-auction, to make available system generated bid sheet to NA.

The auction was to be carried out online on the platform for e-auction provided by MSTC on its website.

6.2 Design of e-Auction Platform

MSTC was a mini ratna category-I public sector undertaking (PSU) under the administrative control of the Ministry of Steel, Government of India (GoI). The company worked mainly in two wings, viz. – i) trading and ii) e-commerce through their own e-auction portal. As per the MoU, it designed a sub-domain under its main e-commerce website for conducting the e-auction of the coal mines.

All intending bidders were required to register themselves with the said website free of cost. The registration process involved accepting certain general and specific terms and conditions and filling up the online form after submission of certain documents like company permanent account number (PAN), ID of contact person, digital signature certificate (DSC) of that contact person, letter of authorisation etc. A bidder had to make the registration only once and could participate in the bidding for multiple coal mines with the same registration.

NA had provided various documents for uploading in the e-auction portal of the company. Among those documents, some were categorised as ‘public documents’ viz. Standard Tender Document (STD), standard Coal Mine Development and Production Agreement (CMDPA), standard vesting orders, mine summary, consumption norms etc. which were freely available and others were categorised as ‘paid documents’ viz. – tender document for individual mine, mine dossier, etc. which were available on payment of ₹ five lakh per coal mine. MSTC collected the fees of ₹ five lakh through its online payment system from the intending bidders on behalf of NA and provided access to such bidders for downloading the paid documents from the MSTC website. Bidders were allowed to submit bids for only such coal mines for which the fee was paid by them. Apart from such documents, the company also uploaded the schedule of bidding (for Stage I and Stage II), bidder's guide and corrigendum, etc.

6.3 IT System Infrastructure

MSTC e-auction platform for all types of e-auction activities, including e-auction of coal mine, was a client-server based system which helps in marketing, sales and related decision support system. The operating system was IBM AIX with IBM DB2 as the relational database management system (RDBMS). The platform was developed in-house and was considered as mission-critical as it directly put an impact on the primary function of the organisation. Ministry informed that a third party security audit of MSTC’s e-auction portal was conducted, all vulnerabilities were rectified and the company also obtained certification.

6.4 Audit Findings

6.4.1 Inadequate Audit Trail

The system as developed by the company did not capture the logout details of the bidders from the system during e-auction. As such, the audit trail of the complete activities of the bidders could not be traced. The company should have designed their system to capture the bidder logging out activities.

While accepting the facts, MSTC stated (September 2015) that their system did not capture logout details of the bidders from the system and they agreed to capture logout details of bidders in future auctions. This was also accepted by MOC in the Exit Conference.

Complete audit trail was not captured by the e-auction platform provided by MSTC.

6.4.2 System Customisation

Linking of Specified End-Use Plant (SEUP) with Registration Ids

Creation of registration ids for the bidders through which a bidder would access the e-auction platform and participate in the e-auction process was an important step in the whole process. Audit noticed that 245 registration ids were created in the system for the initial two tranches of the e-auction process.

Audit scrutiny of registration data revealed that the registration ids were allotted to the companies participating in the e-auction process without linking the SEUP in respect of which bids would be placed, whereas, bidding was to be made for SEUP/s and only one bid could be submitted for one coal mine for a SEUP. Audit further observed that:

- Out of 245 registration ids, 34 registration ids were allotted to 11 entities who submitted same tax identification number (TIN) for their respective registration. TIN is a state-specific registration number for the purpose of assessing central sales tax (CST), value-added tax (VAT), etc. Out of the above cases, companies like – Bharat Aluminium Company Limited (BALCO), Jindal Steel and Power Limited (JSPL), Ultratech Cement Limited (UCL), etc. created multiple ids with same TIN but submitted SEUPs, which were outside the State of their registered TIN.
- Out of three registration ids created by a company, it used two registration ids (i.e. 64845 and 65340), with same TIN of the State of Delhi and submitted bids for the same SEUP of Chhattisgarh for five different coal mines. Further, bids were submitted for different coal mines for same SEUP with different registration ids, as depicted in the table below:

Table 7 : Different Registration IDs for Same SEUPs

Coal mine	Registration ID	SEUP
Belgaon	64845	810 MW (4x67.5MW 4x135) Korba, Chhattisgarh
Chotia; Gare Palma IV/5; Gare Palma IV/4; and Gare Palma IV/7	65340	810 MW (4x67.5MW 4x135) Korba, Chhattisgarh

As the e-auction platform was an automated platform, linking SEUPs with registration ids at the registration stage itself would have reduced the vulnerability of the system from element of human error, which was not the case as that linking was not provided resulting in making the system vulnerable.

MSTC and Ministry of Coal (MOC) in their replies (October 2015 and March 2016) stated that system for bidder registration did not require a bidder to identify and map the end use plant (EUP) against a specific registration id for registration purpose. There was no bar on a company creating more than one ID to make bids. The tender document prescribed for a unique EUP for placing bids which was verified at the time of the technical scrutiny. No provision of the Act, Rules or the tender document has been violated, nor has multiple IDs affected the fairness and transparency when the same was anyway permitted and widely known and no principle of auction has been compromised. There was no case of multiple bids being placed from a single EUP in contravention of the tender conditions.

MOC's reply needs to be viewed in light of the fact that in the e-auction process, bidding was to be made for SEUP/s and only one bid could be submitted for one coal mine for a SEUP. So the automated system (i.e. the e-auction Platform of the MSTC) should be designed in a manner where the registration (which was unique) was linked and mapped to the SEUP also. This would also have resulted in a validation check in the system itself. Further, the fact whether a single company had submitted two bids in an auction with same SEUP, was only being checked manually at the time of 'Technical Evaluation' by the technical committee, which made the system vulnerable to human error.

The registration process and the registration number issued were not linked with the SEUP, even though the bidding was to be made for SEUP/s and only one bid could be submitted for one SEUP for one coal mine.