

CHAPTER XXI : MINISTRY OF TRIBAL AFFAIRS

Tribal Cooperative Marketing Development Federation of India Ltd. (TRIFED)

21.1 Loss on acquisition of office premises

Lack of due diligence by the Ministry of Tribal Affairs and failure of TRIFED to act in accordance with the terms of application for office premises, resulted in premature payment of third instalment (₹ 5.20 crore), overall loss of interest (₹ 3.15 crore) and un-necessary payment of cancellation charges (₹ 0.54 crore).

Tribal Cooperative Marketing Development Federation of India Limited (TRIFED) is a Multi-State cooperative society under the administrative control of the Ministry of Tribal Affairs (Ministry). In March 2013, the Ministry sanctioned ₹ 15 crore to TRIFED as one-time grant-in-aid to partially meet the purchase price (₹ 30 crore) of office space at Laxmi Nagar, New Delhi, with the balance to be met by TRIFED's sale of its two flats in Asiad Games Village Complex, New Delhi. When the purchase deal failed to fructify, the Ministry permitted (August 2013) TRIFED to use the amount to purchase alternative premises at Kidwai Nagar, New Delhi for ₹ 53.70 crore¹. Though the Ministry was clear in its own files that TRIFED would have to meet the balance of the purchase price entirely from its own resources, it failed to communicate this fact to TRIFED at that time. By the time the Ministry clarified this on 17 December 2013, TRIFED had applied (November 2013) to NBCC (India) Limited (NBCC) for purchase of premises along with the first instalment of ₹ 5.11 crore. Subsequently, TRIFED deposited ₹ 5.63 crore (December 2013) and ₹ 5.20 crore (January 2014) with NBCC towards the second and third instalments.

When TRIFED approached the Ministry (April and July 2014) for funds to pay further instalments to NBCC, the Ministry directed (August 2014) TRIFED to withdraw from the project. On TRIFED informing (August 2014) NBCC of this fact, NBCC deducted cancellation charges (1 per cent service charges of total sales value) of ₹ 0.54 crore and refunded (May 2015) ₹ 15.40 crore to TRIFED, who repaid ₹ 15.01 crore² (March 2016) to the Ministry.

¹ From NBCC (India) Limited, a Public Sector Undertaking under the Ministry of Urban Development. This amount does not include maintenance charges and service tax.

² Including interest earned by it on the unutilised amount retained by it from time to time.

Audit observed the following:

- The Ministry was aware that TRIFED was almost entirely dependent on grants in aid from the Ministry for even its normal functioning³ and the sale of its two flats in the Asian Games Village⁴ would not be sufficient to pay for the NBCC premises. The Ministry was also clear from the outset that it would not provide any further assistance in addition to the ₹ 15 crore already provided. Despite this, the Ministry accorded in principle approval to the purchase of premises at ₹ 53.70 crore, and compounded the problem by not informing TRIFED on time about the funding limit.
- When applying (November 2013) to NBCC for purchase of premises, TRIFED had agreed that the purchase agreement was only provisional and would become final and binding only after the signing of formal agreement. In the absence of formal agreement, the payment of the third instalment of ₹ 5.20 crore by TRIFED was premature. Further, as per the application, the third instalment was to be paid by the scheduled date or within 30 days of start of excavation whichever was later, meaning thereby that TRIFED was to first receive a demand from NBCC for the third instalment. TRIFED, however, paid the third instalment on 20 January 2014 without a demand from NBCC.
- Besides, ₹ 15 crore remained outside the Consolidated Fund of India for more than three years (March 2013 to March 2016) which carried an interest impact of ₹ 3.15 crore⁵.

TRIFED informed (June 2016) that it had no option but to withdraw from the project as it could not get a suitable price for its flats and the Ministry did not sanction additional funds. The Ministry informed (October 2016) that it had accorded in principle approval in August 2013 on the condition that additional funds would have to be met by TRIFED from its own resources; further, TRIFED failed to sell its two flats.

³ Average annual expenditure of ₹ 35 crore met out of ₹ 32.29 crore grants in aid from Ministry during 2013-14 and 2014-15.

⁴ Value initially estimated at ₹ 9.63 crore totally.

⁵ Worked out at an average borrowing rate of 7 per cent per annum by the Government of India

The replies of TRIFED and the Ministry are not tenable for the reasons already stated. Thus, failure of the Ministry to exercise due diligence while according in-principle approval, and failure of TRIFED to comply with the terms of application for allotment, resulted in loss of ₹ 3.69 crore⁶.

⁶ ₹ 0.54 crore on unnecessary payment of cancellation charges and ₹ 3.15 crore interest on ₹ 15 crore for remaining outside the CFI for more than three years.