Chapter III

Compliance Audit Paragraphs

Chapter-III

Compliance Audit Paragraphs

Important Audit findings emerging from test check of transactions of the State Government Companies and Statutory Corporations are included in this Chapter.

Government companies

City and Industrial Development Corporation of Maharashtra Limited

3.1 *Preparedness of City and Industrial Development Corporation of Maharashtra Limited (CIDCO) for Navi Mumbai International Airport Project*

Introduction

3.1.1 The Navi Mumbai International Airport (NMIA) was conceptualised due to constraints in expansion of the existing Chhatrapati Shivaji International Airport (CSIA) at Mumbai which could handle only 40 Million Passengers Per Annum (MPPA)[1]. City and Industrial Development Corporation of Maharashtra Limited (CIDCO) through Government of Maharashtra (GoM) submitted (September 2000) a revised proposal for development of international airport in Navi Mumbai with two runways after rejection (June 2000) of its earlier proposal with single runway by Ministry of Civil Aviation (MoCA), Government of India (GoI). The MoCA evaluated the revised proposal and concluded (December 2000) that the Navi Mumbai site is operationally suitable for development of second international airport subject to removal of obstructions. CIDCO submitted (September 2001) techno-economic feasibility report for airport at Navi Mumbai. Thereafter, simulation study (August 2006) was conducted through International Civil Aviation Organisation (ICAO) for simultaneous operation of two airports.

The GoI approved (July 2007) setting up a Greenfield Airport through Public Private Partnership (PPP) at Navi Mumbai in accordance with the proposal/ pre-feasibility report submitted (February 2007) by GoM. One of the conditions in the GoI's approval was that MoCA would set up a Committee comprising officials of the State Government, MoCA, CIDCO and Airport Authority of India (AAI) which would oversee the structure and implementation of project including funding proposal, preparation of tender documents, bidding and selection of strategic partner.

CIDCO approved (August 2007) the site for NMIA which was located at Ulwe, Navi Mumbai at a distance of 35 kilometres from the existing airport at Mumbai. The total area of airport project was 2,268 Hectares (Ha) out of which,

[1] Total passengers handled by existing CSIA reached 41.70 MPPA in 2015-16 and 45.20 MPPA in 2016-17

the operational/core airport area was 1,160 Ha. The airport with annual passenger handling capacity of 60 MPPA with two parallel runways was to be developed in four phases at an estimated cost of ₹ 9,970 crore (August 2007). The Phase-I was to be taken up with a single runway during 2008-12 at an estimated cost of ₹ 4,200 crore to cater to passenger load of 10 MPPA and was expected to be operational by 2012-13. The second phase with another runway was to be developed during the period 2015-20. The estimated cost of Phase-I had increased to ₹ 8,801 crore in 2016 as compared to the estimated cost of ₹ 4,424 crore in 2008 due to delay in completion of the various activities by CIDCO as discussed in subsequent paras.

According to GoM Resolution (July 2008) the NMIA project was to be developed by CIDCO through PPP on Design, Build, Finance, Operate and Transfer. Based on the global bidding process for selection of concessionaire, the Letter of Award for the concession for NMIA was issued (October 2017) to a concessionaire[2] which quoted the highest premium of 12.60 *per cent* of gross revenue share annually.

The Concession Agreement had been entered (January 2018) into between CIDCO and the Special Purpose Vehicle (SPV) Company 'Navi Mumbai International Airport Private Limited' formed by the concessionaire wherein CIDCO equity would be 26 *per cent* with equity contribution capped at ₹ 430 crore and balance 74 *per cent* to be contributed by the concessionaire.

Scope and Audit objectives

3.1.2 The audit of the preparedness of CIDCO was taken from July 2007 *i.e.* stage of approval by GoI and till December 2017. This included the planning, obtaining various approvals, land acquisition for the project, pre-development works[3], development works at Rehabilitation & Resettlement (R&R) sites and rehabilitation of the Project Affected Persons (PAPs) besides the selection of concessionaire for facilitating the completion of airport project.

The audit findings were issued to CIDCO and Government in June 2017. The audit findings have been finalised considering the reply (July 2017) of CIDCO. The reply of the Government was awaited (February 2018).

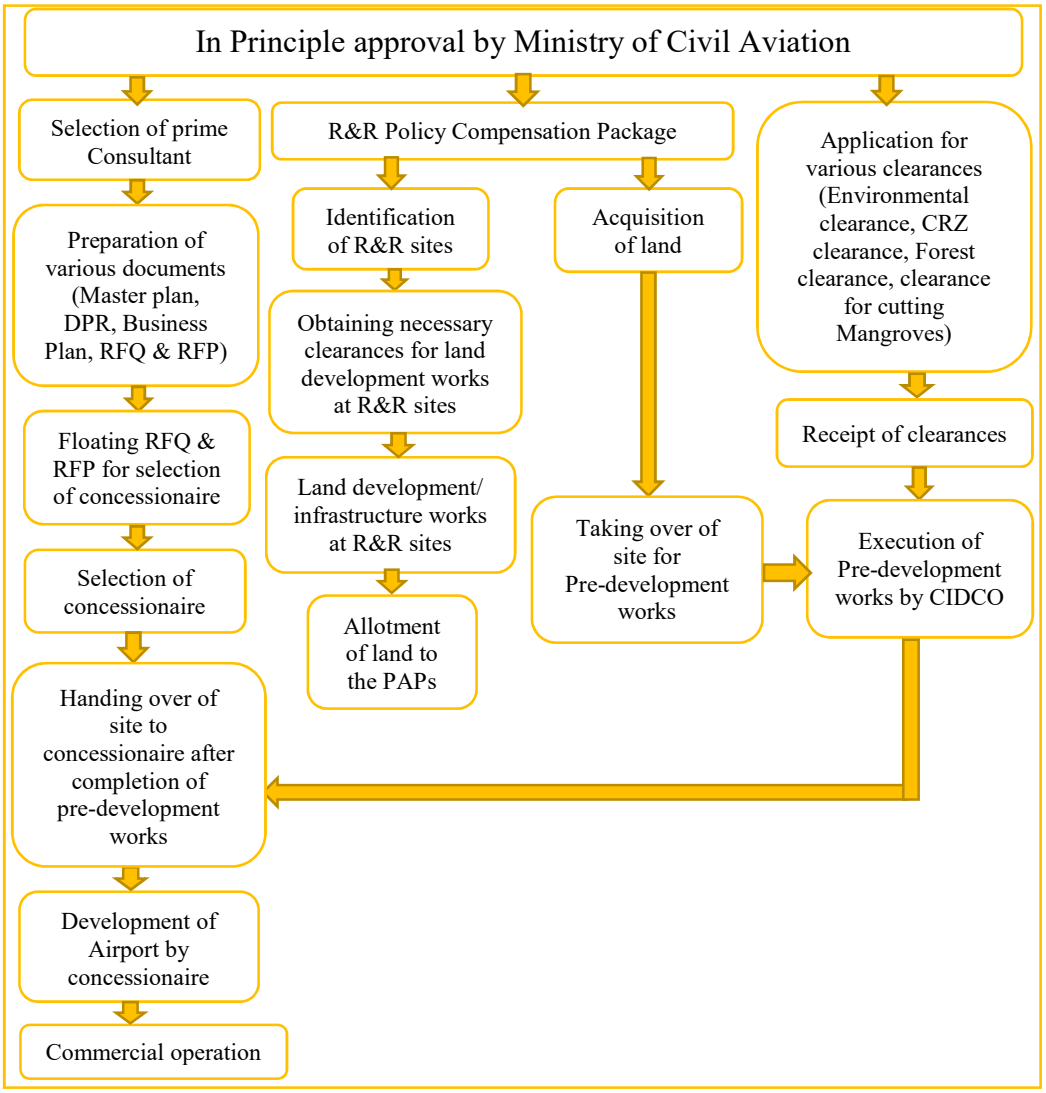
[2] M/s. Mumbai International Airport Private Limited

[3] Cutting of Ulwe hill, land filling and leveling, diversion of Ulwe river, rerouting of Extra High Voltage Transmission (EHVT) lines and construction of bridges for laying of cables for rerouting EHVT lines

Audit findings

Planning

3.1.3 The flow chart of the various activities involved in the NMIA project is shown below:



After receipt of in-principle approval for airport at Navi Mumbai site, the role of CIDCO in the project comprised:

- acquisition of required land for the project,
- obtaining various clearances required for the project,
- development of Rehabilitation and Resettlement (R&R) sites,
- R&R of PAPs,
- carrying out pre-development works at the project site,
- appointment of consultant for preparation of project documents, and
- selection of the concessionaire for development of the airport.

According to the pre-feasibility report prepared by CIDCO and submitted (January 2007) to MoCA, GoI, the actual construction of airport was to commence in October 2008 and Phase-I was to be completed by July 2012 with commencement of operations from November 2012. Subsequent, to 'in-principle approval' (July 2007), CIDCO revised (August 2007) timeline for construction activities to be commenced in October 2009. Further, as per the Business Plan for the project (October 2015), the Phase-I of construction of airport was to be taken up during 2016-18.

It was observed that in the pre-feasibility report submitted (February 2007) to MoCA seeking approval for the project, there was no reference to key activities such as land acquisition, pre-development, obtaining various clearances for the project and rehabilitation of PAPs. Further CIDCO while obtaining (2010) the environmental clearance for Navi Mumbai site stated that the Navi Mumbai site was selected considering availability of land, least expenditure for site development, aeronautical considerations and least displacement of population. Considering the peculiarities of the project site, it was essential to formulate a realistic and detailed comprehensive plan for major activities such as obtaining various clearances for the project, land acquisition, R&R for PAPs and pre-development works at the sites to be completed by CIDCO in order to execute the activities in a time bound manner. Even after a period of more than 10 years from approval for the project, CIDCO could not complete land acquisition, obtain clearances and complete the pre-development works and R&R of the PAPs. Thus, in the absence of time schedule or milestones for completion of each of these activities, the progress could not be evaluated to ensure completion of the project in a time bound manner.

CIDCO stated (July 2017) that the project was delayed due to delay in obtaining various approvals from the Government agencies and the timelines of land acquisition and R&R were beyond the control of CIDCO due to resistance from PAPs. The reply affirms that CIDCO had not factored in the most important issues affecting pre-development activities and had not worked out a realistic project implementation schedule. These issues are discussed below:

Acquisition of land for the project

3.1.4 Acquisition of land is a key factor for timely completion of any infrastructure project. Therefore, proper assessment of the total land required, conducting a detailed survey of the land to be acquired, identification of persons affected by the project and finalisation of compensation package are critical for timely land acquisition.

The total land required for the entire project was 2,268 Ha of which land required for operational area was 1,160 Ha. Out of the total land required for the project, CIDCO had to acquire 855.79 Ha of land before commencement of the project.

The details of 855.79 Ha of land to be acquired for the project from the private parties/Government Agencies and the actual possession of land as at February 2018 was as given below:

(In Hectare)

From whom to be acquired	Total land to be acquired			Actual land acquired/possessed			Balance land to be acquired/possessed		
	Core area	Non-core area	Total area to be acquired	Core area	Non-core area	Total land in possessed	Core area	Non-core area	Balance land to be acquired/ possessed
Private	307.87	392.00	699.87	239.299	319.024	558.323	68.571	72.976	141.547
Government Agencies	149.54	6.38	155.92	132.940	0	132.940	16.600	6.380	22.980
Total	**457.41**	**398.38**	**855.79**	**372.239**	**319.024**	**691.263**	**85.171**	**79.356**	**164.527**

(Source: Information furnished by CIDCO)

As evident from the table above, out of the total 855.79 Ha of land to be acquired by CIDCO for the project from private/Government agencies, only 691.263 Ha had been acquired/possessed (February 2018). 164.527 Ha of land was yet to be acquired which included 85.171 Ha of the core area of the airport essential to make it operational. Land admeasuring 22.980 Ha held by various Government agencies[4] was remaining to be transferred.

The main reason for delay in acquisition of land was delay in finalisation of compensation package due to demand of PAPs for higher compensation. Audit observed that CIDCO framed (September 2007) compensation package without discussion with the stakeholders. The discussion with the PAPs for compensation package was initiated only in December 2009. The compensation package which could be finalised in November 2013 and notified by Government of Maharashtra in March 2014. Thus, there was delay of almost seven years in finalisation of compensation package resulting in delay in land acquisition process. Though, the compensation package was notified in March 2014, none of the PAPs had been given physical possession of alternate plots (February 2018) due to delay in land development works at the R&R sites.

CIDCO stated that the matter of transfer of Government land had been taken up with the respective authorities for handing over the balance land at the earliest.

As of February 2018, 164.527 Ha out of the 855.79 Ha of the land for the project was yet to be acquired.

Obtaining various clearances

3.1.5 The NMIA required prior clearances from State/Central Government Departments/Agencies[5] as the project falls in Category-A[6] as per Environmental

[4]Customs Department (GoI), Agriculture and Soils Department, Public Works Department (GoM), Panvel Municipal Council, Tata Power Company, Police Department and Rural Development Department

[5]MoEF, Ministry of Defence, Ministry of Home Affairs and Maharashtra Pollution Control Board

[6]Category-A projects/activities require prior Environmental Clearance from the MoEF on the EAC constituted by the GoI. All Airport projects which are for commercial use are included in 7a under Category-A

Impact Assessment (EIA) Notification (2006) and comprises Forest area. Therefore, it was essential to assess and identify the clearances which were required and to submit the application at the earliest to ensure expeditious clearance to commence the project activities.

While the EC and Costal Regulation Zone clearance (CRZ) were received in November 2010, Audit observed that there was delay in submission of applications to Ministry of Environment and Forests (MoEF) for the following key clearances after receipt of 'in Principle approval' for Navi Mumbai site (July 2007) from MoCA for the project/identification of R&R sites as given below:

Sl. No.	Nature of clearance	Date of application	Delay in submission of application from July 2007 (in months)
1	Forest Stage I clearance	22/12/2010	41
2	Coastal Regulation Zone (CRZ) clearance for shifting of EHVT lines	31/05/2016	107
3	CRZ clearance for Vadghar R&R site	30/06/2014	41 (from identification of site in January 2011)
4	Forest clearance for Pushpak Nagar R&R site	28/05/2015	23 (from identification of site in June 2013)

(Source: Information furnished by CIDCO)

It was also observed that while submitting application for Forest Stage I clearances in December 2010, the various certificates/documents[7] required to be submitted along with the application were not submitted.

For Forest Stage II clearance, the compliance could be filed by CIDCO in December 2015 as the State Government transferred the land for Compensatory Afforestation (CA) in October/November 2015. CIDCO applied for resolution of Gram Sabha as per Forest Rights Act (FRA) 2006, in August 2016 which was received in March 2017. The Forest Stage II clearance was obtained only in April 2017, thereby resulting in delay in commencement of pre-development works.

The application for Coastal Regulation Zone (CRZ) clearance for shifting of Extra High Voltage Transmission (EHVT) lines was submitted only in May 2016 after a delay of more than eight years and could be obtained in August 2017. In the case of Vadghar site[8], there was delay of more than three years in submitting (June 2014) the application for CRZ clearance though CIDCO had identified the site in January 2011 itself. The same was received in March 2015.

CIDCO only stated that the compliance process was complex and rigid requiring compliance by other Departments thereby requiring a single window clearance procedure for major infrastructure projects.

[7] Documents/certificates such as the High Court's order for cutting of Mangroves, R&R Policy, Certificate of compensatory and for Forest/Mangroves from Collector, copy of resolution from the Gram Sabha as per the Recognition of FRA, 2006, copy of EIA, Certificate regarding non-existence of forest in the R&R sites

[8] Vadghar site was under the Coastal Regulation Zone

While acknowledging the facts that obtaining clearances for such a project is a complex process, CIDCO should have ensured expeditious submission for various clearances to avoid the delay in commencement of project.

Non-compliance with environment Act/Rules/Notification

3.1.6 The work at project site had to be carried out in compliance with relevant Law/Rules/Notifications pertaining to Environment and Forests.

As per the EC conditions for the project, Biodiversity Mangrove Parks over an area of 615 Ha (including 245 Ha of good quality Mangrove Park in Vaghivli) in the vicinity of the airport site had to be developed and maintained before the airport project was initiated. Audit observed that the development of Mangrove Parks in the specified area as per EC condition had not been completed yet (February 2018).

As per the MoEF Notification (September 2006), land development activities in an area more than 50 Ha required prior EC. Audit observed that the land development and infrastructure works at the three R&R sites at Vahal, Vadghar and Pushpak Nagar were taken up by CIDCO without obtaining prior EC as per MoEF Notification (September 2006). The EC for Pushpak Nagar site was applied for in September 2014 after awarding work in June 2014 and in respect of Vahal and Vadghar sites the application for EC was not submitted (February 2018).

CIDCO applied for Forest clearance at Pushpak Nagar site comprising 22.50 Ha of Forest land only in May 2015 after award of work (June 2014). CIDCO was well aware of the fact that no activity was permissible on that land without Forest clearance as the land had already been transferred by CIDCO to Forest Department in February 2006 as CA land for Hetawane Project.

CIDCO stated that in case of Vadghar 48.06 Ha of land development work was initially awarded in February 2013 which was less than 50 Ha while in case of Vahal the initial site area was 40 Ha which was subsequently increased to 65 Ha. In Pushpak Nagar due to urgency of work, obtaining of EC was included in the work order itself and EC was obtained in November 2015. The reply was not tenable as CIDCO had awarded the work in Vadghar and Vahal site which required EC as the area was more than 50 Ha at both the sites.

Non-completion of pre-development works

3.1.7 Pre-development works had to be completed by CIDCO prior to the selection of concessionaire. CIDCO did not fix timelines for completion of pre-development works. There was no mention of details of pre-development works in the Detailed Project Report (DPR) prepared for the project. As the project area comprised Forest land, Forest Stage-II clearance was mandatory before commencement of pre-development works at the site. The final Forest clearance was received only in April 2017 as discussed in **para 3.1.5** resulting in delay in commencing the pre-development works. Though, CIDCO had awarded land development works valuing ₹ 1,502 crore in September 2016 the

same could not be commenced till April 2017 due to non-receipt of Forest Stage II clearance.

The land development works (cutting of Ulwe hill, Ulwe river diversion and land filling/leveling) amounting to ₹ 2,033.71 crore were awarded during September 2016 to June 2017 and scheduled for completion in April 2019. The financial progress achieved in these works up to February 2018 was 11.42 *per cent*. The work of rerouting of EHVT line and construction of bridges for laying cable had not yet commenced (February 2018) even though the concessionaire had been appointed (October 2017). Non-completion of pre-development works by CIDCO would further delay the commencement of airport development work with consequential increase in costs. CIDCO had not completed land acquisition for the operational area where pre-development works had to be carried out (**refer para 3.1.4)**. It is pertinent to note that expenditure on pre-development works up to ₹ 3,420 crore would be recovered from the concessionaire as interest free soft loan and any further increase in expenditure on pre-development works would have to be borne by CIDCO.

The estimated cost of the project for Phase-I with terminal capacity of 10 MPPA and pre-development expenditure was as given below:

(₹ in crore)

Year	2007	2008	2011	2013	2015	2016
Estimated cost of development of Phase-I of airport	4,200	4,424	3,333	3,749	4,133	5,534
Expenditure on pre-development works	Included in above	Included in above	1,917	2,933	3,144	3,267
Total cost of Phase-I	**4,200**	**4,424**	**5,250**	**6,682**	**7,277**	**8,801**

(Source: Information furnished by CIDCO)

Audit observed that the total estimated cost of Phase-I escalated by 99 *per cent* till 2016 compared to the cost in 2008 mainly due to delay in completing pre-development works, completing land acquisition and obtaining various clearances required to commence the works by CIDCO as discussed in **paras 3.1.4** and **3.1.5**. Due to delay in commencing the pre-development works, the estimated pre-development cost of ₹ 3,267crore[9] in 2016 was 59 *per cent* of the estimated cost (₹ 5,534 crore) of development of Phase-I of airport.

CIDCO stated that in a massive infrastructure project the costs involved have to be looked against the huge economic benefits expected from the project. Further, there was a need for a fast track single window clearance at GoI level for such projects. The reply justified the time and cost overrun, however, mega infrastructure project required rigorous and comprehensive planning for each component to ensure timely completion of each activity so as to minimise cost escalation. As evident from the audit findings CIDCO had failed to do this.

[9]Pre-development works comprises land development works awarded amounting to ₹ 2,033.71 crore, estimated cost of shifting of EHVT lines ₹ 1,071 crore, estimated cost of construction of bridge in mangrove area ₹ 135.81 crore, estimated cost of construction of bridge on Ulwe river ₹ 13.39 crore and awarded cost for providing road for rerouting of EHVT line ₹ 13.38 crore

Thus, CIDCO could not complete the pre-developmental works till date (February 2018) as the land development works was scheduled to be completed only by April 2019. The work of rerouting of EHVT line has not yet (February 2018) commenced.

Rehabilitation works

3.1.8 CIDCO had decided in the Draft Rehabilitation Policy framed in September 2007 to allot developed plots to the PAPs in lieu of the land to be acquired. It was, therefore, necessary to identify suitable R&R sites at the earliest to start work at the sites.

CIDCO had initially identified (January 2011) three R&R sites *viz*. Dapoli (55 Ha), Vahal (65 Ha) and Vadghar (76 Ha). Thereafter, two more sites, Pushpak Nagar (165 Ha) in June 2013 and Kundevahal (13 Ha) were identified in April 2015. The Dapoli R&R site and the Pushpak Nagar R&R site were merged to create Pushpak Nagar site of 220 Ha. It was observed that there were delays ranging from three and half years to eight years in identification of the R&R site after project approval due to lack of clarity on compensation package as the same was notified only in March 2014. The details of land development works and infrastructure works at the R&R sites are given below:

Name of the R&R site	When site was identified	Total area in Ha	Area actually developed in Ha	Administrative approval granted in	Work awarded on	Due date of completion	Actual date of completion
Dapoli/ Pushpak Nagar	January 2011/ June 2013	220	155.00	November 2011/ June 2013	February 2013 to January 2017	February 2014 to January 2019	January 2017[10]
Vadghar	January 2011	76	39.28	November 2011	February 2013 to January 2017	February 2014 to January 2018	July 2014[10]
Vahal	January 2011	65	45.00	December 2014	February 2015 to December 2016	February 2016 to December 2017	January 2017[10]
Kundevahal	April 2015	13	-	January 2016	June 2016	June 2017	Work was terminated in June 2017 as the land at the site was not transferred to CIDCO.
Total		**374**	**239.28**				

(Source: Information furnished by CIDCO)

It could be observed from the table above, that due to delay in awarding of works at site after identification of the site only 239.28 Ha of land could be developed (April 2017) against requirement of 374 Ha of land. Audit observed that the protests by PAPs at the R&R sites on account of delay in finalisation of compensation package as per their demands had affected the timely completion of works at sites.

Audit observed that at Vahal site, 12 Ha of land was encroached by container yards and 11.317 Ha of land at site was yet to be acquired resulting in delay in

[10] The land development works partially completed but infrastructure works scheduled to be completed by 2018-19

completing the works. Similarly, at Kundevahal site, the work was awarded without ascertaining whether the site was in possession of CIDCO. The fact that the site at Kundevahal was not in CIDCO's possession was realised two years (June 2017) after the award of work (April 2015). At Pushpak Nagar site 22.5 Ha of land comprised Forest land due to which work could not be carried on that area. Further, CIDCO had to incur additional expenditure of ₹ 14.11 crore on account of reimbursement of royalty charges to contractor for procurement of murum from outside the site as the murum available in Forest land at Pushpak Nagar could not be utilised without Forest clearance. These facts indicated that no survey was done prior to selection of site for R&R. The works at R&R sites were scheduled to be completed only by 2018-19 which ultimately would delay handing over of developed plots to the PAPs.

CIDCO stated that the final R&R policy and land compensation package was finalised in 2014 only. The process of identification of R&R sites commenced after receipt of in principle approval for the project in 2007. The survey of the sites could not be taken up due to stiff opposition of PAPs and higher expectation for compensation packages which were beyond the control of CIDCO. Further, it was decided to procure murum from the contractors as waiting for the Forest clearances would have delayed the work and on receipt of Forest clearance for 22.5 Ha land, the murum would be utilised for development in surrounding airport area.

The reply of CIDCO was not convincing as CIDCO had identified (January 2011) R&R sites after approval of MoCA and draft R&R policy in September 2007. CIDCO should have started the land development works at the already identified sites as it was already decided (September 2007) to go for a land to land compensation policy and only the exact quantum of compensation was to be finalised.

Thus, due to delay in commencing the works at R&R sites, the R&R sites had not been developed till date (February 2018) resulting in delay in allotment of plots to the PAPs.

Appointment of consultants

3.1.9 CIDCO based on tendering process, appointed (March 2008) a Project consultant[11] at a fee of ₹ 13.12 crore. The Consultant's brief included the work of preparation of various documents *viz*. Master Plan of the airport, Request for Qualification (RFQ), DPR, Request for Proposal (RFP) and Business Plan for selection of concessionaire and evaluation and assisting in bidding for selection of concessionaire with scheduled completion within a period of 12 months *i.e.* March 2009. The consultant was paid ₹ 11.46 crore till February 2018. The

[11] M/s. Louis Berger-INCECO-RITES (LBG) consortium

tasks to be completed by the Consultant and the actual completion dates of the tasks and reasons for delay are given below:

Task	Scheduled date of completion	Actual date of completion	Delay in months	Reasons for delay
Master Plan	March 2009	August 2011	28	The Master Plan had to be changed/modified as per the requirements of Environmental Clearance and could only be submitted in August 2011.
RFQ		January 2013	46	The delay in submission of these documents by the consultant was mainly due to lack of local expertise of consultant necessitating appointment of sub-consultant[12] in July 2011 by Consultant. Therefore, preparation of these documents could be taken up only after appointment of sub-consultant resulting in delay in their submission.
DPR		July 2014	64	
RFP		April 2015	73	
Business Plan		October 2015	79	

As stated above, there was inordinate delay in completion of the tasks assigned to the Consultant and the Master Plan was submitted in August 2011. The final DPR was submitted in July 2014. Meanwhile, CIDCO permitted (July 2011) Consultant to appoint a sub-consultant citing non-availability of local knowledge and skills with them and as the draft RFQ document prepared by Consultant were not up to the mark. As per Clause 4.7 of the agreement, the consultants could not sub-contract any part of the services in the area of expertise on the basis of which the consultant was evaluated during selection. It was observed that the MoCA had also advised (September 2007) CIDCO that the scope of work of the Consultant was vast which might result in deviation and delay in implementation of the project. The MoCA further advised (October 2007) CIDCO to appoint separate legal, financial and technical consultant; to restrict the RFP (for appointment of Project consultant) of September 2007; to appoint technical consultant and to limit the consultancy to preparation of the Master Plan.

As per the agreement with consultant, the EIA Study was to be reviewed and incorporated in the Master Plan to be prepared by the consultant. However, CIDCO agreed (March 2015) to pay additional compensation of ₹ 6.48 crore to Consultant citing assistance in acquiring EC, preparation of RFQ and RFP documents and assisting in bidding process. This was not justified as CIDCO had appointed (August 2007) IIT-Bombay to prepare EIA Study Report for obtaining EC from MoEF and the work of preparation of RFQ and RFP along with assisting in bidding process was already included in the original scope of work of Consultant. CIDCO had paid ₹ 6.48 crore up to February 2018 to the consultant.

CIDCO stated that a single technical consultant comprising various key experts/ sub-consultant was beneficial in the interest of the project to avoid duplication as well as co-ordination and responsibility issues among the consultants. It was also stated that the project underwent several modifications during the EAC meetings resulting in modification in the Master Plan, the key financial experts were replaced with highly reputed and experienced personnel in aviation as per Clause 4.3 of contract agreement resulting in appointment of sub-consultant under Consultant. The additional compensation was paid on account of

[12] M/s KPMG

additional work on account of revision of Master Plan, technical support during EC and establishment cost beyond the initial contract period of 12 months.

The reply was not convincing in view of the facts stated above that the consultant had to submit all the documents within scheduled time and not merely the Master Plan. Further, Clause 4.7 did not allow for sub-contracting, the services in an area of expertise for which the consultant firm or member firms were evaluated as part of selection process of the consultant. Besides, as per the agreement, the EIA Study was to be reviewed and incorporated in the Master Plan study by the consultant, therefore, the same was in the original scope of work of the consultant and did not constitute additional work.

Selection of concessionaire for the project

3.1.10 The Navi Mumbai Airport was to be developed through PPP mode for which a concessionaire had to be selected through a global bidding process by issue of RFQ and RFP.

The bidding documents (RFQ & RFP) were to be submitted by the Consultant by March 2009. Audit observed that the draft RFQ was submitted by the consultant only in January 2013 and the same was approved by PMIC/MoCA in November 2013. Thus, there was delay of more than three years by the consultant in submission of the RFQ document. Similarly, the draft RFP was submitted by the consultant in April 2015 and approved by PMIC in October 2015 and by MoCA in January 2016. Thus, there was delay of six years in submission of RFP document by the project consultant.

CIDCO stated that work of drafting RFQ documents was started by the consultant after receipt of EC and the first draft was submitted to PMIC in January 2013. The delay in completion of RFQ process was due to delay in receipt of security clearance. The reply was not convincing as the scope of work of the consultant included preparation of bid documents within 12 months and did not include providing assistance to CIDCO in obtaining EC as a separate consultant *viz*. IIT-Bombay was appointed for the work.

The RFQ was floated in February 2014 and the RFP was issued to qualified bidders in May 2016. The bids were opened in February 2017. Out of the two bids received, the bid of M/s. Mumbai International Airport Limited (MIAL), the existing operator of Mumbai Airport, quoted the highest gross annual revenue share of 12.60 *per cent.* The letter of Award was issued to MIAL in October 2017 and concessionaire agreement entered into in January 2018.

As per the concession agreement, the concessionaire has to achieve Financial Closure (FC) within 180 days from the agreement. Further, the Appointed Date (AD) would be 180 days (*i.e.* by June 2018) from the agreement date subject to conditions precedent being complied with by the concessionaire and CIDCO. The construction work of the airport would begin only from AD and was to be completed within 1,245 days. As the entire land was not yet acquired and the pre-development works have not been completed, execution of concession agreement without completing the land acquisition and pre-development works lacks justification.

Monitoring

3.1.11 A Steering Committee (SC)[13] was set up in July 2007 by MoCA for monitoring of the project. The MoCA constituted (November 2012) a Project Monitoring and Implementation Committee (PMIC)[14] headed by the Chief Secretary (CS), GoM to prepare bid documents, conduct bidding process and to assist in obtaining clearances. A sub-committee of the PMIC was formed in July 2013 headed by the Managing Director of CIDCO for finalising project related documents. The GoM formed (May 2011) a High Level Advisory & Monitoring Committee[15] (HLAMC) to monitor the compliances of the conditions stipulated while granting environment and CRZ clearances by the MoEF.

Audit observed that the SC which was formed to monitor the progress of the project met only eight times and last meeting was held in January 2012. In the absence of meeting of SC at regular interval, monitoring the progress in execution of the project and necessary guidance/directions provided to CIDCO/GoM on various issues concerning the project could not be ensured. The PMIC was also mandated to assist in obtaining various clearances for the project. PMIC met only twice during the calendar years 2014 and 2015 when the bidding of concessionaire had begun and the business plan and project documents were to be finalised. The HLAMC formed to monitor the compliance of the stipulations in the EC met only once (June 2011) though it was required to meet at least once in three months as per EC condition.

CIDCO stated that the MoCA constituted PMIC under chairmanship of State CS and with representatives from MoCA and Airport Authority of India with mandate to prepare all project documents including bid and transaction documents for final approval of Central Government hence the PMIC practically took over the functioning of SC. The meeting of HLAMC would be held soon.

The reply was not in accordance with the order constituting PMIC which clearly stated that the SC will oversee the overall progress of the project. Therefore, holding of SC and PMIC meetings at regular intervals to monitor the progress of the project was very essential.

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[13] Steering Committee comprising Secretaries of Ministry of Civil Aviation, Ministry of Home Affairs, Ministry of Defence, Department of Economic Affairs, Department of Revenue; Secretary, Planning Commission; Director General, India Meteorological Department; Chairman, Airport Authority of India; Director General of Civil Aviation and Joint Secretary, Ministry of Civil Aviation-Convener

[14] PMIC comprised of Chief Secretary, GoM; Principal Secretary-I (Urban Development Department), GoM; Principal Secretary (Finance), GoM; Joint Secretary (Ministry of Civil Aviation), GoI; Chairman, Airport Authority of India and Managing Director, CIDCO

[15] Comprising Principal Secretary (Urban Development Department)-GoM, Principal Secretary (Forests), Secretary (Environment)-GoM, Managing Director (CIDCO), Joint Managing Director (CIDCO), Director (National Environmental Engineering Research Institute), Director General (The Energy and Resources Institute) and Director, Bombay Natural History Society

Conclusion

CIDCO having selected the Navi Mumbai site for development of Greenfield airport project with scheduled commencement of operation in 2012-13 could not complete the various activities such as pre-development works, land acquisition, necessary clearances, development of R&R sites and R&R of 3,000 project affected families even after more than 10 years from the receipt of approval for the project. Non-completion of the required activities by CIDCO has resulted in cost and time overrun on the project.

Haffkine Bio-Pharmaceuticals Corporation Limited

3.2 *Non-compliance with income tax rules and consequent loss*

The Company did not file the Income Tax returns on due dates and had to forgo the set off benefit of carry forward loss which resulted in loss of ₹ 1.21 crore. The Company also did not get the refund of excess tax paid ₹ 43 lakh.

Haffkine Bio-Pharmaceuticals Corporation Limited (Company) is registered under the Companies Act, 1956 and engaged in manufacturing of pharmaceutical products. Section 139(1) of the Income Tax Act, 1961, stipulates that every Company should file a return of its taxable income for the Previous Year (PY) in the relevant Assessment Year (AY), before the prescribed due date, which is 30 September of the AY. Further, as per Section 72 of the Act, if a Company had incurred business loss during the PY relevant to an AY, such assessed business loss can be carried forward for eight consecutive years, for the purpose of set off against business income of these years. However, returns should be filed within due date as prescribed under Section 139(1), failing which, the benefit of carry forward of loss would not be available.

The Company incurred a loss of ₹ 4.72 crore for the AY 2009-10 which could have been carried forward for next eight years. The Company was also entitled for a refund of ₹ 43 lakh, if the Income Tax (IT) return for the AY 2009-10 had been filed on or before due date. The Company, however, did not file its IT return for the AY 2009-10 within the due date *i.e.* 30 September 2009. The Company received (May and December 2011) notices under Section 142(1) from the IT Department for non-filing of the returns for the AY 2009-10 under Section 139(1). The Company, however, did not file the IT return.

Thereafter, the Company filed (October 2013) the IT return for AY 2010-11, wherein it had set off brought forward loss of ₹ 4.72 crore of AY 2009-10. The IT Department allowed (March 2014) the set off claim of carried forward loss of the Company to the extent of ₹ 1.15 crore (being unabsorbed depreciation for the AY 2009-10) and disallowed ₹ 3.57 crore on the ground that the Company had not filed the return of income for AY 2009-10 as required under section 139(1) of the Act *ibid*.

Thus, non-compliance with provisions of IT Act regarding timely filing of returns resulted in disallowance of the Company's claim for setting off the carry

forward loss of ₹ 3.57 crore. Consequently, they had to pay extra tax by ₹ 1.21 crore for the AY 2010-11. Further, the Company did not get the refund of ₹ 43 lakh for the AY 2009-10.

The Company stated (July 2016) that the delay in filing the IT return was due to non-existence of information technology environment and absence of adequate manpower for finalisation of accounts during the period. The Company further stated that they had filed (November 2014) an appeal with the Central Board of Direct Taxes (CBDT) seeking condonation for delay in filing the return for AY 2009-10.

The reply was not tenable as the Company's appeal with CBDT seeking condonation for delay was also rejected in March 2017 stating that it was not a case of genuine hardship and there was no sufficient cause beyond the control of the Company preventing it from filing its return.

The matter was reported to the Government/Management (May 2017); their reply was awaited (February 2018).

Maharashtra State Electricity Distribution Company Limited

3.3 *Billing and collection efficiency of electricity dues of High Tension and subsidised Low Tension consumers*

Introduction

3.3.1 Maharashtra State Electricity Distribution Company Limited (Company) is engaged in distribution of power to the consumers within the State of Maharashtra (except Mumbai and certain Suburban areas). Sections 61 and 62 of the Electricity Act, 2003, empower the Maharashtra Electricity Regulatory Commission (MERC) to determine tariff for retail sale of electricity. MERC issued MERC (Terms and Condition of Tariff) Regulations, 2005, Multi Year Tariff (MYT) Regulations, 2011 and 2015 under which tariff orders for distribution licensees are being issued from time to time and followed by the respective distribution licensees in recovery of the charges for the power distributed by it within its licensed area.

The Government of Maharashtra (GoM), from time to time, declared subsidies to different categories[16] of consumers. The amount of subsidy so declared is reimbursed/adjusted by the Government towards electricity duty and tax on sale of electricity payable by the Company. This is in addition to the cross subsidy[17] to certain categories of consumers which is inbuilt in the tariff orders issued by MERC.

[16] Agriculture and Power loom,

[17] The tariff fixation is done by MERC above or below the Average Cost of Supply (ACoS) for all categories of consumers of the Company. Cross subsidy means fixation of tariff below ACoS for subsidised category of consumers through category of consumers whose tariff are above the ACoS

The Company has 44 Operation & Maintenance (O&M) Circle Offices as on 31 March 2017 which were entrusted with the billing of High Tension (HT) and Low Tension (LT) consumers. The category-wise consumers' details and billing efficiency during 2014-15 to 2016-17 is given in the table below:

Category	HT Total	LT-Agriculture (Metered)	LT-Agriculture (Un-metered)	Total (Agriculture)
2014-15				
Meter sale (MUs)	**32,387.57**	13,644.94	0.05	**13,644.99**
Demand (₹ crore)	**24,874.05**	1,339.66	1,080.35	**2,420.01**
Collection (₹ crore)	**24,674.12**	457.05	412.95	**870.00**
Efficiency (*per cent*)	**99.20**	34.12	38.22	**35.95**
2015-16				
Meter sale (MUs)	**30,280.42**	15,399.95	0.09	**15,400.04**
Demand (₹ crore)	**24,548.01**	1,267.65	990.39	**2,258.04**
Collection (₹ crore)	**24,444.88**	216.56	80.97	**297.53**
Efficiency (*per cent*)	**99.58**	17.08	8.18	**13.18**
2016-17				
Meter sale (MUs)	**29,400.10**	15,435.04	0.60	**15,435.64**
Demand (₹ crore)	**24,216.85**	1,543.89	1,380.67	**2,924.56**
Collection (₹ crore)	**24,109.35**	226.05	73.23	**299.28**
Efficiency (*per cent*)	**99.56**	14.64	5.30	**10.23**

(Source: Information furnished by the Company)

The details of billed energy and collection efficiency of the Company for the period 2014-15 to 2016-17 in respect of HT consumers was ranging between 99.20 *per cent* and 99.58 *per cent*. This indicated that there was efficiency in collection of dues from the HT consumers.

Scope and Audit objectives

3.3.2 The Company supplies electricity to 2.20 crore consumers across different categories in Maharashtra consisting of 1.62 crore residential, 0.37 crore agricultural, 0.16 crore commercial, 0.04 crore industrial and 0.01 crore other category of consumers. Audit examined complete data of 31,489 HT and 12,55,027 un-metered Agricultural Consumers (AgC) for the period April 2014 to March 2017 using data analytics tools[18]. Audit also examined the billing data for 21,958 metered AgC of three sub-divisions selected on the basis of highest number of metered AgC.

The audit was conducted with an objective to assess the system of billing and collection of revenue to ensure recovery of dues of the Company as per various orders of MERC.

The audit findings were issued to the Company/GoM in June 2017. Reply of the Company (August 2017) had been considered while finalising the para. Reply of GoM was awaited (February 2018).

[18]KNIME is an open source data analytics, reporting and integration platform. KNIME integrates various components for machine learning and data mining through its modular data pipelining concept. A graphical user interface allows assembly of nodes for data preprocessing (ETL: Extraction, Transformation, Loading) for modeling, data analysis and visualisation

Audit findings

Avoidable load factor incentive when load factor was greater than 100 per cent

3.3.3 The Load Factor (LF) has been defined as consumption during the month in Million Units (MUs)/Maximum Consumption Possible (MCP) during the month in MUs. MCP is the Contract Demand (CD) (kVA) x Actual Power Factor x (Total No. of hours during the month less planned load shedding hours[19]).

As per MERC orders,[20] the LF incentive is given to those consumers having LF exceeding 75 *per cent*. Consumers with LF up to 85 *per cent* will be entitled to a rebate of 0.75 *per cent* on the energy charges for every percentage point increase in LF from 75 to 85 *per cent.* Those consumers having a LF exceeding 85 *per cent* will be entitled to rebate of one *per cent* on the energy charges for every percentage point increase in LF above 85 *per cent*. The total rebate under this head will be subject to a ceiling of 15 *per cent* of the energy charges for all consumers.

Audit observed that the LF of 76 HT-I (industrial) consumers had exceeded the MCP collectively at 108 instances during the period from 2014-15 to FY 2016-17. However, the LF of any consumer could not be higher than 100 *per cent*. The Company had given LF incentive of ₹ 9.69 crore in 108 instances to 76 ineligible consumers having LF greater than 100 *per cent* during the above period as detailed below:

Year	Details of consumers whose LF exceeded 100 *per cent*		
	No. of consumers	Number of instances	LF incentive (₹ in crore)
2014-15	37	52	4.92
2015-16	21	31	1.88
2016-17	18	25	2.89
Total	**76**	**108**	**9.69**

(Source: Billing data furnished by the Company)

The Company stated (August 2017) that the recovery could not be initiated against 12 cases as they had exceeded their contract demand in night zone of billing *i.e.* during 22:00 hrs to 06:00 hrs which was permissible as per the MERC tariff order. For remaining 96 cases, it was stated to be a billing mistake and the LF incentive given to these consumers would be withdrawn. Audit observed that in 11 out of the 12 cases who had exceeded their CD in night zone of billing, the demand recorded exceeded the connected load, which was in contravention to the agreements entered into with the consumers and therefore excess LF incentive was to be recovered.

[19] Interruption/non-supply up to 60 hours in a 30 day month has been built in the scheme

[20] MERC approved Tariff Schedule (in Annexure-II) vide orders dated 16 August 2012 (in Case No.19 of 2012), 26 June 2015 (in Case No.121 of 2014)

Incorrect payment of power factor incentive

3.3.4 Power Factor (PF)[21] is the *ratio* of real power (kW) to apparent power (kVA). The MERC directs consumers to maintain PF at a prescribed level and allows incentive/deducts penalty for maintaining PF above/below the prescribed level.

MERC tariff orders (16 August 2012 and 26 June 2015) directed the Company to allow PF incentive to HT consumers at the rate of one *per cent* of monthly bill excluding taxes and duties for every one *per cent* improvement in PF above 0.95 up to 0.98, five *per cent* for PF 0.99 and seven *per cent* for PF 1. MERC tariff orders also allow Company to charge penalty if PF is below 0.90 and penal charges at the rate of one *per cent* shall be levied for every one *per cent* decrease in PF from 0.90 to 0.81.

As per MERC tariff orders, whenever the average PF measurement was not possible through the installed meters, the average PF during the billed period was to be adopted as total kWh/kVAh (wherein the kVAh was square root of summation of squares of kWh and RkVAh[22]).

Audit observed that the Company did not follow the above method for calculation of average PF. The Company while calculating the average PF did not consider the leading factor of PF and the consumers were allowed incentive/ charged penalty by considering only the lagging factor of PF.

The Company stated (August 2017) that MERC had directed the Company to study selected cases of PF (lead/lag) incentive/penalty along with their voltage profiles. It was also stated that the Company would approach MERC for permission to allow use of leading component in their computation. The reply of the Company was not tenable as formula adopted by the Company for calculation of average PF was in deviation of the formula prescribed by MERC.

Time of Day rebate to ineligible HT residential (HT-VI) consumption

3.3.5 The Time of Day (ToD) tariff is the tariff mechanism adopted by MERC for demand side management. There is a surcharge on the energy charges if the consumption is in the specified peak hours and rebate is allowed in off-peak hours. According, to the MERC tariff orders (16 August 2012 and 26 June 2015) ToD tariffs, in addition to base tariffs, will be applicable to specified HT categories[23].

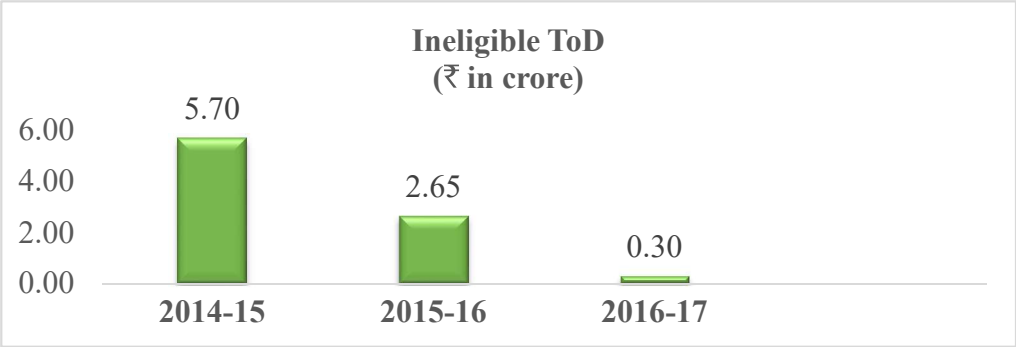
Audit noticed that the ToD tariff was applied on the total consumption which included residential consumption measured through separate sub-meter and the benefit of ToD tariff was passed on to residential consumers also.

[21] Real power is power actually consumed while apparent power is the power injected in the system

[22] Reactive power

[23] HT Industrial and commercial

The rebate allowed on ineligible residential consumption in the HT billing during the period from April 2014 to February 2017 worked out to ₹ 8.65 crore, as depicted in the graph below:



While accepting the audit observation, the Company stated (August 2017) that incorrect methodology was earlier adopted which now had been modified with necessary changes in the billing program. The reply was, however, silent regarding recovery of the excess rebate allowed to ineligible consumers.

Excess load consumption over contract demand

3.3.6 After considering the HT consumer's requirement, the Company communicates the sanctioned load (in kW) and an agreement is entered into with the consumers with respect to their CD (in kVA) for supply of electricity. As per MERC tariff orders (16 August 2012 and 26 June 2015), in case a consumer exceeds his CD, he will be billed at the applicable DC rate for the demand actually recorded and also be charged an additional DC (penalty) at the rate of 150 *per cent* of the applicable DC (only for the demand in excess of CD). In case a consumer exceeds his CD on more than three occasions in a calendar year, action to be taken would be governed by the provisions of the MERC Supply Code Regulations (SCR), 2005. The SCR, however, did not specify any punitive action against the consumer. Consequently, HT consumers exceeded their CD on various occasions. Audit observed that during the period January 2014 to December 2016, in 12,452 bills the actual demand exceeded the CD as detailed below:

No. of times actual demand was more than the CD	No. of consumers exceeding CD during		
	2014	2015	2016
13	24	2	13
12	420	414	356
11	172	179	166
10	178	167	151
9	173	180	133
8	174	155	192
7	192	173	181
6	205	226	207
5	265	228	269
4	276	279	323
3	367	392	364
2	486	491	491
1	1,679	863	1,246
Total	**4,611**	**3,749**	**4,092**

(Source: Billing data furnished by the Company)

The actual demand was more than connected load because the consumers had either originally declared lower load or acquired additional equipment without consent and without paying the additional charges as per the conditions of supply.

The Company stated that penalty was levied as per MERC orders in this regard. It further stated that in case a consumer exceeded his CD on more than three occasions in a calendar year, the action was governed by the provisions of the SCR, 2005 which stated that the distribution licensee shall increase or reduce the CD of the consumer upon receipt of an application for the same from the consumer. However, it has not been specified in SCR as to what action was to be initiated by the Company in case of non-receipt of application from the consumer in such cases. The Company further stated (August 2017) that submission would be made to MERC regarding *suo moto* increase in the CD by the Company.

Delay in issue of first bills to HT consumers

3.3.7 The Company after providing connection to the new HT consumer has to issue first energy bill within one month or in the same HT monthly billing cycle to the respective consumers. On scrutiny of data of HT billing consumers for the period 2014-15 to 2016-17, it was observed that there were 614 HT consumers where there were delays in issue of first bill ranging from 41 to 132 days. The delay in issue of first bills resulted in delay in realisation of dues amounting to ₹ 19.56 crore.

Audit also noticed that out of total connections released during the audit period, 15.81 *per cent* of cases were delayed by more than 40 days[24].

Financial year	No. of consumers whose first bill was issued during the year	No. of consumers whose first bill was delayed beyond 40 days	No. of consumers whose first bill was delayed beyond 40 days (in *per cent*)	Amount involved for the consumers whose first bill was delayed beyond 40 days (₹ in crore)
2014-15	1,388	226	16.28	4.83
2015-16	1,270	228	17.95	10.69
2016-17	1,225	160	13.06	4.04
Total	**3,883**	**614**	**15.81**	**19.56**

(Source: Billing data furnished by the Company)

While accepting the audit observation, the Company stated that instructions had been issued for timely issue of first bill to HT consumers.

Delay in issue of first bills of LT agricultural consumers

3.3.8 As per billing schedule, the first bill was to be generated within billing cycle (three months, quarterly) of AgC. Audit examined the billing data for 21,958 metered AgC of three[25] sub-divisions selected on the basis of highest number of metered AgC. Of these, first bills were issued during the audit period in respect of 1,944 AgC. Audit noticed that there was delay in issue of first bill

[24] Considering 10 days for feeding and issuing bills

[25] Dhule, Digras and Mahur

by more than 90 days in 856 cases leading to delay in realisation of total revenue of ₹ 0.43 crore in these three sub-divisions.

The Company attributed the delay to disturbances of online system in remote areas, mismatch of data of meter number and Distribution Transformer Centre (DTC) number and delay in feeding details of new service connection. The reply was not tenable as the Company had constraint on its working capital requirement.

Delay in processing of energy bills

3.3.9 As per billing schedule, the bills were to be generated within five days from reading of meter data of HT consumers. It was observed that in 4,16,936 out of 7,32,036 bills (57 *per cent*), energy bills were issued six to 51 days after the reading date by the Company. Consequently, there was a delay in recovery of revenue and loss of interest of ₹ 41.24 crore as detailed below:

Year	Total No. of bills generated	No. of cases where bills were generated beyond five days	Loss of interest[26] (₹ in crore)
2014-15	2,38,368	1,50,421	14.04
2015-16	2,43,677	1,50,707	15.77
2016-17	2,49,991	1,15,808	11.43
Total	**7,32,036**	**4,16,936**	**41.24**

(Source: Billing data furnished by the Company)

The Company accepted that there was delay due to introduction of new meter reading system and analysing and validating the same.

Excess recording of sale of energy against input of energy in 9,785 feeders

3.3.10 Energy is injected to Distribution Transformer Centre (DTC) from distribution feeders at sub-stations. On scrutiny of feeder-wise data of input energy and sale of energy units for the year 2014-15 to 2016-17 (up to December 2016), it was observed that out of 43,122 feeders, 9,785 feeders (23 *per cent)* were having excess sales of billing units of 124 *per cent* against the input units in last three years.

The Company stated that the excess recording of sale of energy against input of energy was due to incorrect mapping (feeder-DTC-consumer data), faulty meter of feeders, load shifting entry, *etc*. The Company stated that they would be taking action by correcting DTC mapping, entering correct data by field offices and cross checking of feeders to rectify the inaccuracies. The Company should effectively strengthen the system to correctly map input and output of energy recorded.

Billing and collection efficiency

3.3.11 The Collection efficiency of electricity dues for HT consumers *vis-a-vis* the Current Bill Demand (CBD) and Total Billed Demand (TBD) (including arrears and interest on arrears, if any) was analysed for the three years from

[26]Calculated at 9.70 *per cent* per annum for number of days beyond five days from meter reading date

2014-15 to 2016-17. It could be seen that the efficiency, when calculated by considering the CBD and collection during each financial year, was above 99 *per cent*. On the other hand, the efficiency, when calculated by considering the TBD and collection during each financial year, was varying from 70.87 to 74.53 *per cent*. This clearly indicated that the Company was not efficient in recovering arrears from the consumers which in turn has reduced the collection efficiency year by year. The table given below depicts a summary of the billing and collection efficiency of the Company as assessed by Audit.

(₹ in crore)

Year	TBD	CBD	Collection	Efficiency	
(1)	(2)	(3)	(4)	(5)=(4)/(2)	(6)=(4)/(3)
2014-15	33,936.17	24,874.05	24,674.12	72.71	99.20
2015-16	32,796.62	24,548.01	24,444.88	74.53	99.58
2016-17	34,019.12	24,216.85	24,109.35	70.87	99.56

(Source: Billing data and Managing Director's Report of the Company)

Conclusion

The Company paid Load factor incentive of ₹ 9.69 crore to 76 HT consumers whose load factor exceeded more than 100 *per cent*. The Company did not adopt the formula as prescribed by MERC while calculating the PF incentive/penalty to HT consumers. The Company passed on Time of Day rebate to ineligible Residential HT-VI consumers amounting to ₹ 8.65 crore. The collection efficiency of the Company by considering the total billed demand and collection during each financial year was varying from 70.87 to 74.53 *per cent*.

3.4 *Excess payment*

The Company made excess payment of ₹ 5.45 crore towards fixed charges, at higher rates, to the co-generator.

Maharashtra State Electricity Distribution Company Limited (Company) executed (21 June 2013) Energy Purchase Agreement (EPA) with Party[27] for bagasse based co-generation power project (44 MW). The EPA was effective for a period of thirteen years from 1 April 2013 and purchase of electricity from the co-generation project was governed by Maharashtra Electricity Regulatory Commission (MERC) Regulations/tariff orders issued from time to time.

As per clause no. 10.1 of MERC (Terms and Condition for Determination of Renewable Energy Tariff) Regulations, 2010, the tariff for fixed cost component was to be determined on levelised[28] basis considering the year of commissioning of the project. Further, the date of commissioning in relation to a unit meant the date declared by the generating company.

Audit observed that in the invoice from Party, the date of commissioning for this co-generation power project was 22 March 2013 and as per MERC order

[27] Urjankur Shree Tatyasaheb Kore Warana Power Company Limited and Shree Tatyasaheb Kore Warana Sahakari Sakhar Karkhana Limited at Kolhapur

[28] Levellised Tariff is calculated by carrying out levelisation over useful life considering the discount factor equivalent to the weighted average cost of capital, to represent the time value of money

(30 March 2012), the levelised fixed charges for non-fossil based bagasse co-generation power projects for thirteen years was at the rate of ₹ 2.26 per Kwh for the projects commissioned during the year 2012-13. However, the EPA executed by the Company considered ₹ 2.38 per Kwh as tariff for the fixed component which was applicable to 2013-14 considering the Commercial Operation Date[29] (COD) as 03 April 2013. As a result, the Company paid an excess amount of ₹ 5.45 crore to Party towards fixed charges on purchase of 453.87 MUs of energy during the period from April 2013 to December 2016.

The Company stated (December 2017) that the Party had declared the COD as 03 April 2013 and hence the rate for 2013-14 was applied. The reply was not acceptable in view of the MERC regulations which stated that the tariff for fixed cost component was to be determined considering the year of commissioning of the project. Further, the agreement with the Party mentioned that the commissioning date was the date on which the project was ready for generation of electricity before declaration of COD. Thus, 22 March 2013 (2012-13), which was the date of commissioning as observed in the invoice raised by the Party, was to be considered for fixed tariff. The Company therefore made excess payment of ₹ 5.45 crore to the Party due to consideration of higher rates applicable for 2013-14 on basis of COD.

The matter was reported to the Government (June 2017); their reply was awaited (February 2018).

3.5 *Loss due to non-backing down of costly Bagasse based generation units*

The Company purchased costly power from Bagasse based power generators by backing down other economic power producing units.

The Company executed Energy Purchase Agreement (EPA) with thirteen Bagasse[30] based co-generation power producers (Kolhapur Circle) for a period of 13 years. The Generators are entitled for reimbursement of fixed cost as decided at the time of agreement and variable cost as decided by Maharashtra Electricity Regulatory Commission (MERC) from time to time. As per Clause 11.1 and 11.2 of MERC (Terms and conditions of determination of renewable energy tariff) Regulation, 2010, the biomass power generating plants and co-generation plants should be subjected to Merit Order Despatch (MOD) principles[31] and Scheduling and Despatch Code (SDC) as specified under the State Grid Code (SGC). The EPA with the generators also reiterated that co-generation plant should be subjected to MOD principles and to SDC as specified under the SGC. Accordingly, when the variable cost of Bagasse Based Generators (BBG) exceeds the variable cost of other producers, BBG should be subjected to MOD and their units should be backed down.

[29] Commercial Operation Date means the date on which generation facility starts delivering power to MSEDCL

[30] Bagasse is the combustible organic matter left after the extraction of the usable products of sugarcane

[31] MOD principle is a matter of judgement to be exercised from time to time so as to procure power from the cheapest sources

On scrutiny of records of energy purchased from BBG[32] and backing down of electricity as per instructions given by the State Load Despatch Centre (SLDC), Audit observed that the bagasse units were never backed down and the Company continued to purchase power from BBG even when energy at cheaper rate was available from other producers who had backed down their generation units.

Test check of the purchase of power from BBG during the period April to December 2016 in which the Company purchased 569.50 MUs from them, it was noticed that though the power was available at lower variable rates, the Company purchased costly power from BBG at ₹ 4.27 per unit as the units producing cheaper energy had been backed down. Audit therefore considered MOD data of variable charges and backing down data of SLDC for 15th of every month during the period April 2016 to December 2016 and observed that this had resulted in excess expenditure of ₹ 3.79 crore[33] for these nine days on the purchase of costly power from BBG, while cheaper alternate sources were backed down. Further, the BBG were never subjected to MOD and were not backed down.

The Company continued to purchase power from BBG even when energy at cheaper rate was available from other producers who had backed down their generation units.

The Company stated (December 2017) that the bagasse based co-generation plants were not subjected to MOD principles in view of SGC of 2008 which stated that all renewable energy generators were not to be considered for MOD. The reply was not tenable as later in 2010, the MERC (Terms and conditions of determination of renewable energy tariff) Regulation, 2010 (Clause 11.1 and 11.2) had mentioned Bagasse based co-generation power shall be subjected to MOD principles and scheduling and dispatch code. Therefore the Company should have provided details of bagasse based co-generation plants to SLDC and avoided purchase of costly power from Bagasse based power generators.

The matter was reported to the Government (July 2017); their reply was awaited (February 2018).

Maharashtra State Electricity Transmission Company Limited

3.6 *Extra expenditure*

Injudicious decision of the Company to convert 25 MVA Power Transformers to 50 MVA resulted in extra expenditure of ₹ 3.12 crore as compared to the cost of new 50 MVA transformer.

Maharashtra State Electricity Transmission Company Limited (Company) allocated (October 2015) the work of conversion of existing 25 MVA 220/33 KV Power Transformer (PT) to 50 MVA 132/33 KV PT to M/s Mahati Industries Private Limited (MIPL) at scheduled rates. Accordingly, the Circle

[32] Thirteen BBG

[33] Worked out on the basis of the MOD data of variable charges and backing down data of SLDC for 15th of every month during April to December 2016

office, Amravati conducted (February 2016) Joint Inspection with MIPL to finalise the estimate of quantities required for conversion of old PT. After considering the available materials from the old PT which could be used, the quantities required for conversion were finalised and work order was issued (March 2016) for ₹ 2.71 crore with completion period of 150 days. Inspection of converted PT was made in August 2016 and interim payment of ₹ 1.83 crore was released (September 2016). The completed PT was commissioned in March 2017.

As per PT standardisation Manual published (January 2014) by Indian Electrical and Electronics Manufacturing Association (IEEMA), if the estimated repair cost of a PT was more than 60-65 *per cent* of cost of new PT, scrapping of the transformer was to be considered. It was also stated in the manual that higher energy efficiency of new PT should be considered while taking decision of repair of an old transformer.

Audit observed that a detailed evaluation/feasibility analysis was not done before issuing the work order for conversion of PT considering the cost of repairs/conversion *vis-a-vis* cost of new PT. The total cost in the instant case for conversion of old 25 MVA PT to 50 MVA worked out to ₹ 3.49 crore[34]. It is pertinent to note that the Company had in 2016 purchased new 50 MVA PTs at a price of ₹ 2.06 crore each. Further, the Company could have availed a guarantee period of 60 months on purchase of new 50 MVA PT as against 24 months on converted PT.

Similarly, in another case in Akola Circle, we observed that 25 MVA 132/66 KV PT was converted (November 2016) to 50 MVA 132/33 KV PT by M/s MIPL. The total cost of conversion in this case worked out to ₹ 2.98 crore[35].

From the above, it was evident that the purchase of new 50 MVA PT would not only have been an economical option but also benefitted the Company by way of longer guarantee period, better operational efficiency and including longer life. Thus, the Circle offices did not exercise due diligence before opting for conversion of PT. This injudicious decision led to extra expenditure of ₹ 1.89 crore[36] in the first case and ₹ 1.23 crore[37] in the second case in conversion of 25 MVA PT to 50 MVA as compared to the cost of new 50 MVA transformer besides forgoing other benefits of longer guarantee period and better operational efficiency.

The Company stated (August 2017) that as the PT was urgently required and alternate arrangement by way of procurement through e-tendering would have

[34]Cost as per work order ₹ 2.71 crore + taxes ₹ 0.18 crore + cost of old material used ₹ 0.46 crore + cost of transportation ₹ 0.32 crore + cost of Oil ₹ 0.18 crore - discount received ₹ 0.29 crore - PVC ₹ 0.07 crore = ₹ 3.49 crore

[35]Cost as per work order ₹ 2.35 crore + taxes ₹ 0.18 crore + cost of old material used ₹ 0.31 crore + cost of transportation ₹ nil + cost of Oil ₹ 0.14 crore = ₹ 2.98 crore

[36]Cost of conversion ₹ 3.49 crore - Cost of new 50 MVA PT ₹ 2.06 crore including taxes + cost of old material used ₹ 0.46 crore = ₹ 1.89 crore

[37]Cost of conversion ₹ 2.98 crore - Cost of new 50 MVA PT ₹ 2.06 crore including taxes + cost of old material used ₹ 0.31 crore = ₹ 1.23 crore

taken longer time, the decision of converting 25 MVA to 50 MVA PT was taken. The reply was not tenable as the work order for conversion of old PT at Amravati was issued in March 2016 and the converted PT was commissioned only in March 2017 (after 12 months). On the other hand, the Company took 10 months from the date of inviting tenders for purchase of new PT (February 2016) to the date of placement of purchase order (December 2016). The Company has also stated that it had now (July 2017) laid down a frame work to take judicious decisions in these matters and the corporate office would review all the proposals of overhauling/repairs considering the above aspect as well as IEEMA standardisation manual. The reply was also endorsed by the Government (September 2017).

3.7 *Delay in execution of work and blocking of fund*

The Company did not execute the work for which material costing ₹ 14.50 crore was procured during January to March 2014 resulting in loss of interest of ₹ 4.93 crore.

The Company ordered (October 2013) 652 kms of conductor (0.4 ACSR zebra conductor) for replacement of the EHV lines in Ratnagiri Division under Life Extension (LE) Scheme at a cost of ₹ 14.50 crore which was delivered during January to March 2014 at Karad store of the Company.

We observed that:

- The Company purchased 652 kms of conductor worth ₹ 14.50 crore which was delivered during January to March 2014. The Company had not commenced the execution of the above work, although more than three years have lapsed since procurement of material.

- The Company during March 2014 to April 2017 utilised 328 kms (only seven kms in March 2014 and 321 kms from March 2016 to April 2017) of conductor valued at ₹ 7.29 crore by diverting the material for other works under other Divisions. As on 31 March 2017, the balance material (324 km) valued at ₹ 7.21 crore was lying idle with the Company. This has resulted in blocking up of funds of ₹ 7.21 crore and consequential loss of interest of ₹ 4.93 crore[38].

The Company accepted (August 2017) that there was delay in execution of the project on account of various factors such as poor response from contractors, increase in labour cost, hilly and heavy rainfall areas and the work was to be executed on real time network ensuring security of the grid. It further stated that it had taken steps to utilise the balance conductor by March 2018. The Government endorsed (September 2017) the reply of the Company.

The facts remained that the Company was yet (January 2018) to take up the project for which material costing ₹ 14.50 crore was procured during January to March 2014 resulting in loss of interest of ₹ 4.93 crore.

[38] Calculated at four year weighted average interest rate for loans of 11.66 *per cent* per annum up to March 2017 on the unutilised material

3.8 *Non-recovery of Service Tax*

The Company did not recover the Service Tax of ₹ 29.26 lakh on supervision charges from two parties and deposited it from its own funds.

As per Section 66 B of the Finance Act, 1994, Service Tax (ST) shall be levied on the value of all services, other than those services specified in the negative list, provided or agreed to be provided in the taxable territory by one person to another. The negative list of services on which ST is not payable is provided under Section 66 D of the Act. The Company recovers supervision charges from various parties. These supervision charges recovered by the Company attracted ST as it was not included in the negative list provided under Section 66 D.

It was observed that during the period 2010-11 to 2014-15, the Company collected supervision charges on works executed by Renewable Energy project developers towards evacuation arrangement under supervision of the Company from seven parties without levying ST. When the matter was raised by audit, the Company directed (February 2015) its field offices to take necessary steps to deposit ST on the supervision charges collected by them. Accordingly, field offices deposited an amount of ₹ 138.65 lakh towards ST from its own funds. Thereafter, Company raised demands on the seven parties from whom the Company had recovered supervision charges. However, in response to the demand notices, two parties have deposited (September 2016/June 2017) ₹ 15.45 lakh.

The Company stated (September 2017) that it has recovered/adjusted an amount of ₹ 93.94 lakh of ST from five parties from the amount of supervision charges of cancelled/partially cancelled other projects of these parties which was already paid to the Company.

The non-compliance of the provision of the Finance Act, 1994, resulted in non-recovery of ST of ₹ 29.26 lakh from two parties.

The matter was reported to the Government (June 2017); their reply was awaited (February 2018).

Shivshahi Punarvasan Prakalp Limited

3.9 *Irregularities in slum rehabilitation management*

The Company went ahead with the rehabilitation of slum dwellers without proper mechanism for implementation. Though, the Company allotted 1,128 flats to a society for allotment to slum dwellers, the intended objective of vacating the encroached land could not be achieved and the slum dwellers were still occupying the land even after allotment of flats.

Shivshahi Punarvasan Prakalp Limited (Company) is engaged in rehabilitation of slum dwellers and Project Affected People (PAP) under Slum Rehabilitation (SR) Scheme. The Government of Maharashtra (GoM) decided (October 2006)

to clear the land[39] at Sion-Chunabhatti encroached by slum dwellers by allotting flats constructed by Company under SR Scheme at Turbhe-Mandale, Mankurd on recovery of ₹ 2 lakh per flat.

In the meeting held (4 June 2008) under the Chairmanship of then Chief Minister, it was decided that the Company should hand over the flats to the Mahatma Jyotiba Phule Co-operative Housing Society (MJPCHS), a society formed by the slum dwellers instead of to the slum dwellers directly. Responsibility for handing over the flats to the slum dwellers was to be vested in the MJPCHS. It was also decided that the MJPCHS should get the slum dwellers vacated on allotment of flats and hand over the vacant land to Municipal Corporation. A bio-metric survey of the slum dwellers was also to be carried out by the MJPCHS and records were to be handed over to the Company. Accordingly, the Company handed over (July-September 2011) 1,128 flats to the MJPCHS without entering into any agreement with MJPCHS. The Society however, had not so far (January 2018) handed back the encroached area.

Audit observed that the Company before implementation of the scheme did not examine adequacy of the available units for allotment to all the slum dwellers of the area. Further, the manner in which the slum dwellers would be shifted and the area vacated by the slum dwellers secured was also not planned. In the case of SR Scheme, where the alternate accommodation was to be provided free of cost, eligibility for allotment was required to be verified and certified by Slum Rehabilitation Authority (SRA)/Competent Authority. The flats at Turbhe-Mandale, were allotted by recovering ₹ 2 lakh per flat and, therefore, the GoM dispensed with the requirement of verifying the slum dwellers who were to be allotted flats. The GoM/Company, however, did not design any mechanism to ensure that the flats were allotted only to the eligible beneficiaries. Further, there was no mechanism to repossess the flats allotted by MJPCHS in case the terms and conditions were violated by MJPCHS.

The Company (July 2017/September 2017) stated that they had acted as per the directions of the GoM and necessary actions within the limits of the policy decision taken at GoM level. It was also stated that the Chief Executive Officer, SRA was conducting an inquiry regarding allotments of flats to MJPCHS and its findings were awaited (January 2018).

The reply itself confirmed that there was no monitoring mechanism to ensure that allotment would be made only to the eligible slum dwellers and once the flats were allotted, the slum dwellers would vacate the area occupied by them. The credentials and capabilities of MJPCHS were not assessed before handing over the flats. As a result, the intended objective of rehabilitating the slum dwellers of the said land and getting the encroached land evicted could not be achieved.

The matter was reported to the Government (May 2017); their reply was awaited (February 2018).

[39] City Survey No. 126/2, 126/4 and 126/8 (part), at Chembur, Taluka Kurla (Chembur Division) at Sion-Chunabhatti

Statutory Corporations

Maharashtra Industrial Development Corporation

3.10 *Undue benefit to the plot holder*

The Corporation granted undue benefit to the plot holder by reducing the additional premium resulting in a loss of revenue of ₹ 6.48 crore.

The Corporation allotted (September 2006) a plot[40] at Pimpri Industrial area to Dr. D.Y. Patil Pratishthan, Pimpri, Pune (allottee) at a lease premium of ₹ 3.70 crore (at the rate of ₹ 4,740 per square metre) for educational purpose. As per the lease agreement (March 2007) the construction should be commenced within two years from the date of possession (21 December 2006) and it should be completed in three years (by 20 December 2009). Failing this, the Corporation had the right and power to resume possession of the land and everything thereon. The Corporation took no action to check if work had been completed as scheduled.

The Corporation, on the request of the allottee had given permission (March 2011) for an additional floor space index (FSI) in terms of the Clause No.18.4.1(d) in Development Control Regulations, 2009, as the land was allotted for educational purpose. The above permission was given despite the fact that the allottee had failed to adhere to the time schedule for completion of building construction.

In March 2014, after a lapse of more than four years from the scheduled date of completion, the Corporation issued show cause notice for non-completion of construction. The allottee responded by requesting the Regional Office (RO) for extension (18 March 2014) of three months from March 2014 for completion. The allottee simultaneously requested (2 June 2014) the then Chairman of the Corporation, for extension of time schedule by two months from June 2014. The Chairman approved six months' extension.

The RO informed (13 August 2014) the allottee that the request for grant of extension of time up to 31 December 2014 was considered subject to payment of ₹ 7.37 crore as non-refundable additional premium for non-completion of construction. The allottee requested (19 August 2014 and 29 October 2014) for waiver of the additional premium and stating that educational activities had commenced in the building prior to December 2009. The Corporation accepting this levied extension charges only for the period from 21 December 2009 to 22 March 2011 and *post facto* extension of time was granted (December 2014) for above period by charging ₹ 0.89 crore as additional premium.

Audit observed that the actual date of the Building Completion Certificate (BCC) was 31 December 2014. The Corporation however levied the charges for extension of date of BCC only up to 22 March 2011 which was the date of granting additional FSI.

[40] Plot No.BG-P-192 admeasuring 7,809 square metre

The Corporation had raised demand notice for payment of additional premium of ₹ 7.37 crore (August 2014) being fully aware that the construction of the building was not complete even at that time. Further, at the time of granting additional FSI in March 2011, the Corporation had mentioned that only the RCC work was completed and the photographs attached showed that the work was in progress. It is pertinent to note that the RO (August 2014) had stated that it was not possible that the construction could have been completed by December 2009 and therefore request of the allottee for waiver of charges would result in loss of revenue to the Corporation. However, the Corporation accepted the allottee's claim that educational activity had commenced in December 2009. Thus, the Corporation had granted undue benefit to the allottee which resulted in loss of revenue to the Corporation of ₹ 6.48 crore[41].

The Corporation stated (September 2017) that the Board of Directors had accepted (September 2014) the request of the party and accordingly the Chief Executive Officer had decided to levy extension charges of ₹ 88.76 lakh for the period from 21 December 2009 to 22 March 2011 as the allottee had commenced educational activity. The reply was contrary to the facts as there was non-completion of the construction in December 2009 as per their own reports and also the Corporation in August 2014 had raised the demand notice for ₹ 7.37 crore which was later in December 2014 revised to ₹ 0.89 crore.

The matter was reported to the Government (June 2017); their reply was awaited (February 2018).

Maharashtra State Warehousing Corporation

3.11 *Short levy of Stamp Duty*

Non-compliance with the provisions of the Maharashtra Stamp Act resulted in short levy of Stamp Duty of ₹ 38.11 lakh and consequent loss to the State exchequer.

As per the Maharashtra Stamp (Amendment) Act, 2006[42] (Act) the Stamp Duty (SD) to be levied on the agreements for works contracts up to ₹ 10 lakh was ₹ 100. Further, the SD to be levied for agreements for works contracts exceeding ₹ 10 lakh was ₹ 100 *plus* ₹ 100 for every ₹ one lakh in excess of ₹ 10 lakh or part thereof, subject to maximum of ₹ five lakh. The Act was amended (April 2015) and the SD to be levied was ₹ 500 for agreements up to ₹ 10 lakh and for agreements exceeding ₹ 10 lakh was ₹ 500 *plus* 0.1 *per cent* of the amount above ₹ 10 lakh subject to maximum of ₹ 25 lakh.

Audit observed that Maharashtra State Warehousing Corporation (Corporation) had awarded 229 works valuing ₹ 10.89 lakh to ₹ 2.34 crore respectively during the period 2012-17 and executed agreement with contractors on Stamp Paper valuing ₹ 100 for all works contract. Thus, Corporation had not followed the provisions of the Act which resulted in short levy of SD of ₹ 38.11 lakh.

[41] ₹ 7.37 crore - ₹ 0.89 crore

[42] Erstwhile Bombay Stamp Act, 1958

The Corporation accepted (August 2017) the audit observation and stated that they had initiated action for recovering the differential amount from the contractors and due care would be taken in future to follow the amended rules.

The matter was reported to the Government (July 2017); their reply was awaited (February 2018).

MUMBAI **(S. K. JAIPURIYAR)**
The 18 May 2018 **Principal Accountant General (Audit)-III, Maharashtra**

Countersigned

NEW DELHI **(RAJIV MEHRISHI)**
The 22 May 2018 **Comptroller and Auditor General of India**