

# 7 *Contract Management*

## 7.1 Irregular award of contracts

### 7.1.1 Irregular award of contracts under RGGVY (XII Plan)

As per terms and conditions in the Standard Bid Document (SBD) for RGGVY (XII Plan), criteria for technical qualification of bidders were as follows:

- A bidder should have commissioned (i) at least two new PSSs or one new Grid Sub Station (GSS), (ii) erected line length of 11/22/33/66 KV or higher capacity or in combination that must be at least 10 *per cent* of sum of the length of the line of 11 and 33 KV of the particular tender and (iii) have installed at least 200 or 10 *per cent* of number of Distribution Transformers (DTrs) in a particular tender, whichever is less, during the last seven years as on the date of opening of bid.
- In case of Joint Ventures (JV), partners should have technical experience in proportion to their share in the JV.
- Successful execution of completed contracts and number of years of satisfactory operation of installation as on date of tender must be certified by the concerned customers and must accompany copy of letter of award/work order failing which the bidder would not be considered eligible to meet the qualifying criteria.
- The bidder was to submit two copies of 'Integrity Pact' duly signed on each page by the person signing the bid failing which the bid was liable to be rejected.

Audit noticed the following irregularities in evaluation of bids and award of work.

- A JV of M/s Anvil Cable Pvt. Ltd., Kolkata and M/s Shikha Electric Stores with share in the ratio of 80:20 participated in the NIT for Dhanbad, Bokaro and Giridih districts under RGGVY (XII Plan). However, M/s Anvil Cable, the lead partner of the JV (formed in October 2015) did not submit its own performance documents with the bids and submitted performance certificate of the minor partner (M/s Sikha Electrical Stores) only. As such, though the performance of the lead partner could not be evaluated (*Appendix VIII*) in proportion of its share in the JV, the JV was declared technically qualified by JBVNL (December 2015). The work was awarded (February 2016) to M/s Anvil Cable Pvt. Ltd., Kolkata and accordingly, M/s Anvil Cable Pvt. Ltd.,

Kolkata entered (July 2016 and October 2016) into three agreements with JBVNL for work valued ₹ 298.32 crore and was paid ₹ 188.64 crore as of June 2020. Thus, work was awarded to M/s Anvil Cable Pvt. Ltd., Kolkata by the Board of Directors of JBVNL which did not meet the bidding criteria.

The Management/Department stated (May/October 2021) that the bidders or the partners combined in case of JV should meet the technical criteria.

The reply is not acceptable as clause 1.1.1 (Note 1) of NIT stipulates that if the bidder (single/partner of JV) submits technical experience of a Joint Venture in which the bidder was one of the partners, proportionate technical experience would be considered as per its share in the joint venture. Although M/s Anvil cable had not submitted any documents of its experience, work was awarded to M/s Anvil cable in individual capacity which was also utilised in obtaining other contracts as discussed in the succeeding paragraphs.

- M/s Techno Power Enterprises was awarded (February 2016) work under RGGVY (XII Plan) in Gumla and Ramgarh district being the L1 bidder. In support of its performance, M/s Techno Power Enterprises had submitted abstract of two work orders, one for two PSS and another for one GSS. However, these work orders were for up-gradation and modernisation (one out of two PSS and one GSS) instead of commissioning of new PSS or GSS as required under SBD. The bidder had also not submitted the required “Integrity Pact” and complete work order in support of the project. Thus, M/s Techno Power Enterprises was not technically qualified for award of contract as per SBD.

The Management/Department stated (May/October 2021) that M/s Techno Power Enterprises had completed turnkey job relating to supply, erection, commissioning and testing of two number of new PSSs under RGGVY scheme at Ralan Head Quarter and Longsa in Wokha district of Nagaland and thus met the criteria of supply of material, survey, erection, testing and commissioning of two new PSS. Further the bidder had initially submitted integrity pact without signature but had later submitted it on request.

The reply is not acceptable because as per the said work order, M/s Techno Power Enterprises was awarded work for only one new 33/11 KV sub-station-1.6 MVA at Ralan and augmentation of two existing 33/11 KV sub-stations-1.6 MVA at Sanis and Longsa in Wokha. Thus, sub-station at Longsa in Wokha was for augmentation and not a new one. Further, the signed copy of the integrity pact was not furnished by the Management to Audit.

### 7.1.2 Irregular award of contracts under DDUGJY

As per terms and conditions of the Standard Bid Document (SBD) for DDUGJY, criteria for techno-commercial qualification of the bidder were as follows:

- For a particular bid, the bidder must have successfully erected, tested and commissioned sub-station of (33/11 KV or 66/22 KV) and its associated lines (33 KV or 66 KV) in the last seven years and the system so created must be in satisfactory operation for at least one year as on the date of opening of bid.
- The bidder must have completed in a single turnkey contract at least 50 *per cent* of the transformation capacity<sup>108</sup> and 50 *per cent* of the length of lines or in two turnkey contracts at least 40 *per cent* of the transformation capacity and 40 *per cent* of the length of lines in each contracts or in three turnkey contracts at least 30 *per cent* of the transformation capacity and 30 *per cent* of length of lines in each.
- To qualify for more than one project, the technical requirement of a bidder shall be the maximum of the qualification required (QR) for a project.
- The bidder had to meet the minimum commercial criteria in past five years *viz.*, experience in a single completed work costing not less than the 50 *per cent* of the estimated cost of the project or experience in two completed work costing not less than the 40 *per cent* or experience in three completed work costing not less than 30 *per cent* of the estimated cost of the project individually in electrical transmission or sub-transmission & distribution sector.
- If the bidder quotes for more than one project, commercial pre-qualification requirement (PQR) shall be examined on the basis of sum of project-wise requirements of experience of all quoted projects.
- Net worth of the bidder must be positive.
- The bidder was to submit details of litigation or arbitration, if any, over the last five years.
- Bidders who have been blacklisted or debarred in the past three years by any State Government/ Central Government / Government undertaking/ power utilities/ DISCOM in India or by JBVNL and its subsidiary companies, would not be eligible for participating in the bid. In the case of submission of false declaration, the earnest money of the bidder would be forfeited and the bid may be rejected or LoA (work order) may be cancelled.

<sup>108</sup> Sum of KVA ratings of Power transformers proposed in the bid.

- Bid from those bidders who had failed to submit performance security on issue of LoI/LoA for any other contract of the Employer in the past three years was not acceptable.

Audit noticed that NITs for DDUGJY works were floated (August 2016) in 12 packages<sup>109</sup> for supply and erection. JBVNL evaluated the bids separately for each package and PQR was not considered against bids submitted for multiple packages by the same bidder.

- M/s IL&FS Engineering and Construction Company Ltd (IL&FS) participated in the bids of different packages of eight<sup>110</sup> districts in the tender invited in August 2016 and three packages in three districts in tender invited in January 2017. It was noticed that the techno-commercial performance of IL&FS was much lower than required and ranged between three and 96 per cent (*Appendix IX*). Similarly, IL&FS did not meet Techno-commercial parameters for works in West Singhbhum and East Singhbhum districts (*Appendix X*) with capacity ranging between 31 and 73 per cent.

Audit observed that IL&FS was awarded (March and May 2017) works valued at ₹ 625.36 crore in three packages (Sahibganj, West Singhbhum and East Singhbhum) without adhering to the terms and conditions in SBD. Besides, the following irregularities were also noticed:

The Statutory Auditors of IL&FS had given qualified opinion in their standalone Auditors Report and in the Consolidated Financial Statements (CFS) for the year ended 31 March 2016 that IL&FS had invested ₹ 33.19 crore in an overseas subsidiary. As per the Financial Statements of the subsidiary as on 31 March 2016, the net worth of the subsidiary was fully eroded and IL&FS might have potential obligation to share further liabilities which was undeterminable. As such, the net worth of IL&FS was negative (₹ 25.61 crore) as on 31 March 2016 and as such was not qualified for the contract.

Ultimately, IL&FS could not complete the works and JBVNL terminated (January 2019) the above contracts. It was further noticed that after the stay order by National Company Law Tribunal, the advance provided to IL&FS could not be recovered and JBVNL had to bear extra financial burden as discussed in **Paragraph 7.2**.

In reply, Management/Department stated (May/October 2021) that in case of Sahibganj package, qualification criteria of other packages was not considered as NITs viz., 102,103,109 and 111/PR/JBVNL/2016-17 was

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<sup>109</sup> Jamshedpur (102), Ranchi (103), Hazaribagh (104), Giridih (105), Gumla (106), Palamu (107), Dumka (108), Lohardaga (109), Dhanbad (110), Deoghar (111), Garhwa (112), Sahibganj (113)

<sup>110</sup> Jamshedpur (102), Ranchi (103), Giridih (105), Dumka (108), Lohardaga (109), Dhanbad (110), Deoghar (111), Sahibganj (113).

cancelled and for Dumka and Dhanbad Package, bidder was declared non-responsive on evaluation.

It was further stated that in case of East Singhbhum and West Singhbhum, as per NIT clause no. 1.2.1 (iii), in case a bidder is quoting for more than one project, pre-qualification requirement shall be examined on the basis of sum of project-wise requirement of experience of all quoted projects. Management further stated the term “shall be examined” has a broader meaning and aspect and accordingly examination had been done for benefit for JBVNL with consistency on evaluation of projects. In this regard, view from REC had been taken and REC had agreed on JBVNL’s understanding of methodology. Accordingly bid of IL&FS was evaluated and after being found to be L1, the bid capacity and other commercial criteria were evaluated considering cumulative QR. Also if both projects are considered cumulatively, project of ₹ 190.50 crore executed is higher than 50 per cent in case of single turnkey contract. The net worth of the company in each of the last three financial year was also positive.

Management/Department reply is not acceptable as it did not prepare PQR considering sum of project-wise requirements of all quoted projects as per SBD clause 1.02.1, decided L1 on the basis of only the price part and thereafter evaluated the techno commercial aspects of the bid in contravention of SBD. Further, REC in its clarification had stated that appropriate action on methodology of evaluation of commercial criteria of a bidder (quoting for more than one project) may be adopted without deviating from requisite criteria as stipulated in bid documents. Moreover, in Sahibganj, IL&FS was required to have 1,471.23 Ckm line and 76.85 MVA transformation capacity in case of single turnkey contract. Against this, IL&FS submitted (February 2014) status of work executed for Power Grid Corporation of India Limited (PGCIL) and claimed to have erected 1,978.38 km lines and 83.50 MVA transformation capacity. However, later on, IL&FS submitted (October 2014) performance certificate issued by PGCIL regarding commissioning and satisfactory operation of only 55 MV transformation capacity. Thus, from the submitted documents, one year successful operation of the claimed 1,978.38 km lines and 83.50 MVA transformation capacity could not be established as required in SBD.

Further, in case of East Singhbhum and West Singhbhum, reply was silent on techno part and experience of ₹ 190.5 crore of IL&FS cannot be considered as the said work was completed in September 2015 while work completed upto March 2015 was to be considered as required in SBD.

The net worth of IL&FS was positive in its standalone financial statements. However, its net worth was negative in its CFS. JBVNL failed to check the financial capabilities of IL&FS along with subsidiaries to establish its

financial soundness. Further, due to financial crunch, IL&FS had also failed to complete the work.

- Audit noticed that after termination (January 2019) of work awarded to M/s IL&FS, NITs were floated (January 2019) for left over work in East Singhbhum, West Singhbhum, Sahibganj and Pakur districts in nine packages. M/s Anvil Cable participated in five NITs<sup>111</sup> valuing ₹ 317.56 crore. The techno-commercial qualifying criteria was ₹ 158.78 crore (50 per cent of ₹ 317.56 crore) in a single completed work, ₹ 127.02 crore (40 per cent of ₹ 317.56 crore) individually in two completed works and ₹ 95.26 crore (30 per cent of ₹ 317.56 crore) individually in three completed works.

Audit observed that M/s Anvil Cable Pvt. Ltd. had submitted experience documents related to two partially completed (January 2018) works valuing ₹ 71.63 crore out of work order of ₹ 120.15 crore and ₹ 58.98 crore out of work order of ₹ 73.30 crore awarded by JBVNL under RGGVY (XII FYP). Further, it was noticed that M/s Anvil Cable had filed (August 2016) a case against JBVNL in Micro, Small and Medium Enterprises (MSME), Ranchi. However, M/s Anvil Cable Pvt Ltd. had provided false affidavit along with the bid claiming non-litigation history. Thus, M/s Anvil Cable Pvt. Ltd. was not techno-commercially qualified. However, JBVNL issued (March 2019) LoI for East Singhbhum (Package-2) valuing ₹ 56.68 crore. It was further seen that M/s Anvil Cable had withdrawn (November 2019) the case against JBVNL after issue (March 2019) of LoI.

Management/Department stated (May/October 2021) that completed work means the executed work against work order and that the Firm had been assessed as having the ability to execute the same quantity of work and, therefore, met the requisite criteria.

Management/Department further stated that the case filed by M/s Anvil Cable Pvt. Ltd in MSEF Council, Ranchi against JBVNL was regarding payments related to the year 2009 and does not fall within the last 5 years as per criteria in SBD. It was also stated that the case has been withdrawn on 18 November 2019 by the Firm.

Reply is not acceptable as the commercial criteria in the SBD clearly stipulated that experience should be in single completed work and the case was withdrawn by the firm only after the bid was decided in its favour.

- M/s Suncity Enterprises was awarded (March 2019) work valuing ₹ 60.71 crore in East Singhbhum district (Package-1) even though the bidder had no experience of completed works as required under SBD. The bidder

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<sup>111</sup> East Singhbhum Pkg-2(NIT-276 of ₹ 63.71 crore), West Singhbhum Pkg-1(NIT-277 of ₹ 63.83 crore), Pkg-2(NIT-278 of ₹ 65.91 crore), Pkg-3(NIT-279 of ₹ 58.33 crore) & Pkg-4(NIT-280 of ₹ 65.78 crore)

had submitted experience documents related to a partially completed (March 2018) work valuing ₹ 37.07 crore, out of work order of ₹ 43.38 crore awarded by JBVNL itself under RAPDRP.

Management/Department stated (May/October 2021) that completed work means the executed work against work order and that the Firm had been assessed as having the ability to execute the same quantity of work and, therefore, met the requisite criteria. It was further stated that, had the Technical Evaluation Committee recommendation not been considered, the work would have been awarded to L2 bidder and JBVNL would have had to bear additional financial burden of ₹ 4.42 crore.

Reply is not acceptable as the commercial criteria in the SBD clearly stipulates that experience should be in single completed work.

- M/s Laser Power & Infra (P) Ltd was awarded (September 2017) work (Package-3) valued at ₹ 77.59 crore in Giridih district. Audit noticed that the Firm had submitted a declaration (17 July 2017) that it had not been debarred by any PSU/ Government undertaking/ power utility/ DISCOM as on the date of tender (June 2017). However, it was seen that Dakshin Haryana Bijli Bitran Nigam (DHBVN) had debarred (11 January 2017) the bidder for one year. Based on the action of DHBVN, Uttar Pradesh Power Corporation Limited (UPPCL) had also restricted its business relations with M/s Laser Power & Infra (P) Ltd with immediate effect from 2 June 2017. Thus, work was awarded without verifying the declaration submitted by the Firm.

Management/Department (May/October 2021) stated that during the process of bid, an interim stay order was issued by City Civil Court, Calcutta. However, the reply was silent regarding submission of false affidavit claiming non-litigation history as the TKC had submitted that no litigation or arbitration was pending in any court of law or arbitration authority arising out of any contract over the last five years.

- Audit observed that JBVNL had terminated (04 April 2017) a contract awarded to M/s East India Udyog Limited (EIUL) in JV with M/s Energo Engineering Projects Limited due to non-submission of performance security for a project pertaining to a different scheme<sup>112</sup>. However, JBVNL opened the techno-commercial bid submitted by the Firm on 20 April 2017 and found it responsive. The Firm was awarded work in four packages<sup>113</sup> of three projects<sup>114</sup> in violation of the terms and conditions of SBD.

Management/Department stated (May/October 2021) that the bid was opened as the clause relating to termination of bids in last three years was not part of QR. Further, at the time of phase I of JSBAY and NIT for villages

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<sup>112</sup> RAPDRP

<sup>113</sup> Giridih Package I & IV and Palamu Packages I

<sup>114</sup> Giridih, Godda and Palamu.

left over by IL&FS, termination of contract was part of NIT and accordingly, the bid was not opened.

Reply is not acceptable as clause 23.5 under qualification criteria of SBD clearly stipulated that “the bid from those bidders shall not be accepted who failed to submit Performance Security on issue of Letter of Intent (LoI)/Letter of Award (LoA) for any other contract of the Employer in the past 3 years”.

## **7.2 Time and cost over-run**

Time is the essence of a contract and non-adherence to the time schedule may result in cost over-run. M/s IL&FS was awarded (March and May 2017) works in three packages<sup>115</sup> under DDUGJY to be completed within 24 months from date of issue of LoI. Physical progress of the electrification work was poor and ranged between four and 17 *per cent* (December 2018) as the Firm did not mobilise material and manpower as required despite its commitment during repeated meetings (between July 2018 and December 2018) with CMD and MD of JBVNL. The Secretary, Energy Department-cum-CMD, *Jharkhand Urja Vikas Nigam Limited* (JUVNL)<sup>116</sup> and MD, JBVNL directed (April 2018) M/s IL&FS to improve its performance in expediting material supply and erection activities and issued a warning that the Performance Bank Guarantees (PBGs) would be forfeited within seven days in case of failure. However, neither M/s IL&FS expedited the work nor did JBVNL take any action for default.

The Chief Minister of Jharkhand also reprimanded (July 2018 and August 2018) IL&FS for poor performance and repeated non-compliance of PERT<sup>117</sup> schedule. However, JBVNL took six months to initiate process for termination of the contract and forfeiting BGs and served (December 2018) termination notice to M/s IL&FS, cancelled (January 2019) the LoI and started the process to forfeit the BGs. Forfeiture of the BGs was still pending due to imposition (October 2018) of stay order by the National Company Law Tribunal (NCLT), New Delhi as of October 2020.

It was further seen that till January 2019, IL&FS had completed works worth ₹ 101.96 crore against the awarded cost of ₹ 624.36 crore and sanctioned project cost of ₹ 561.88 crore. After termination (January 2019) of the contract, the residual works were split into nine packages, adding additional work valuing ₹ 135.06 crore which were sanctioned (March 2019) later on by REC to achieve electrification in these districts<sup>118</sup>. NITs<sup>119</sup> were invited (January 2019) for the left over villages after reducing the scope of work to

<sup>115</sup> Sahebganj and Pakur, West Singhbhum and East Singhbhum.

<sup>116</sup> Holding Company of JBVNL

<sup>117</sup> Programme Evaluation Review Technique

<sup>118</sup> East Singhbhum, West Singhbhum, Sahibganj and Pakur

<sup>119</sup> NIT No.275/PR/JBVNL/18-19 to NIT No.283/PR/JBVNL/18-19 (total 09 no.)

the residual sanctioned amount only i.e., ₹ 459.92 crore<sup>120</sup> based on SOR of 2014-15 with a completion period of nine months. Further, REC sanctioned (March 2019) ₹ 135.06 crore<sup>121</sup> for the additional work only. The works were to be re-appropriated within the sanctioned cost and residual works were to be taken-up under different State schemes. Audit observed that value of sanctioned cost of residual work stood at ₹ 833.98 crore based on SOR of 2018-19.

However, due to fund constraints, JBVNL awarded work worth ₹ 459.92 crore only by limiting the scope of work and decided to complete the residual work of ₹ 374.06 crore<sup>122</sup> (*Appendix XI*) under other scheme (s) in future.

Further, due to delay in completion of the works, the intended beneficiaries of the schemes were facing severe problems due to non-availability of electricity. The delay was despite the issue being regularly highlighted by Deputy Commissioner's offices of the respective districts, Hon'ble Chief Minister of Jharkhand and Deputy General Manager (DGM) of respective ESCs of JBVNL. As a result, Government of Jharkhand (GoJ) also failed to meet its commitment to provide 24x7 power supply to all electricity consumers and electricity access to all unconnected households in the State by 2019.

The Management/Department while accepting (May/October 2021) that work amounting to ₹ 374.06 crore would be taken up under other schemes due to non-availability of funds under DDUGJY, stated that IL&FS shall be liable to pay the excess amount over the contract price incurred in completion of the project and all the claims of the agency, lying either at headquarter level or at the field level, shall be held up to compensate for loss/liability against the additional cost to be incurred for completion of balance work. It was further stated that all aspects would be considered in light of NIT norms and final settlement would be made between JBVNL and IL&FS.

The reply is not acceptable as the net worth of the IL&FS subsidiary was fully eroded and thus, recovery from the Firm on account of excess amount incurred on completion of the contract appears to be remote.

The Energy Department, GoJ needs to examine the issue of delayed termination of the contract and non-encashment of BG in time despite directions of Hon'ble Chief Minister and CMD/JUVNL.

<sup>120</sup> ₹ 459.92 cr (East Singhbhum-₹ 134.93 cr + West Singhbhum – ₹ 174.79 cr +Sahibganj/Pakur – ₹ 150.20 cr)

<sup>121</sup> West Singhbhum (₹ 79.06 crore), Sahebganj (₹ 41.13 crore) and Pakur (₹ 14.87 crore)

<sup>122</sup> ₹ 833.98 crore - ₹ 459.92 crore

### **7.3 Irregularities in award of work in SAUBHAGYA**

As per the guidelines of SAUBHAGYA, works can be executed on turnkey basis or departmentally. Vendors/agencies were to be selected through e-tendering. Further, as per delegation of financial power (DoFP) issued by JBVNL on 7 July 2014, the Deputy General Manager (DGM) of an Electrical Supply Circle (ESC) has full powers to award a technically sanctioned work at approved schedule of rates (SOR) without calling for tender. If SOR does not exist, the DGM has power to award a work costing up to ₹ 50,000 without tender limited to a maximum of ₹ 11 lakh per annum. Further, as per DoFP of September 2018, work up to ₹ 50 lakh can be awarded on SOR to an empanelled vendor selected by DGMs through open tender. It is further stipulated that the work should not be split up to bring it within the delegated financial power of the officer.

During scrutiny, the following irregularities were noticed:

- GoI sanctioned district-wise projects under SAUBHAGYA. Under the Scheme, works were to be awarded either afresh on turnkey basis or through amendment in the existing contract to include electric connections to households.

In the seven test-checked districts, Audit noticed that GoI had approved the project costs (ranging between ₹ 17.22 crore and ₹ 54.40 crore) and JBVNL had issued 126 work orders valued at ₹ 45.16 crore for execution of the projects. Of these, 33 work orders valuing ₹ 26.23 crore were awarded to those TKCs who were already awarded the works of RGGVY (XII FYP) and DDUGJY. The remaining 93 work orders valued at ₹ 18.93 crore were issued to empanelled vendors by DGM's of ESCs on written request of the vendors. However, it was noticed that these vendors were not empaneled through open tender as required under DoFP. It was further seen that the DGMs had awarded 54 works by splitting the project cost and 18 works beyond their financial powers of ₹ 50 lakh (*Appendix XII*).

- SAUBHAGYA works were awarded at rates ranging between ₹ 2,024 and ₹ 3,000 per connection in the seven test-checked districts. Audit noticed that reasonability of the rate was analysed through a committee, as required, only in two districts where the rate of ₹ 2,540 to ₹ 2,987 per connection was approved. Audit did not find any analysis to assess reasonability of rates in the remaining five districts<sup>123</sup> where higher rates ranging between ₹ 2,900 and ₹ 2,999 per connection were approved.
- Instead of executing agreements within 10 to 30 days of issue of work order, agreements for 64 work orders<sup>124</sup> valuing ₹ 20.31 crore were executed

<sup>123</sup> Giridih, Ranchi, Pakur, Palamu and Dumka

<sup>124</sup> Dhanbad,(12), Deoghar (4), Giridih (4), Pakur (1), Palamu (1), Dumka (3) and Ranchi (39)

with a delay of more than 10 days and up to nine months which delayed completion of the works.

- Though forty three work orders were issued between October 2018 and December 2019, works were being executed without executing any agreement and thus without ensuring legal or technical surety i.e., performance security, penal clause, satisfactory work etc., as required under a contract.
- As per work order, security deposit of five *per cent* of the awarded cost was to be deposited with the agreement and five *per cent* was to be recovered from running account (RA) bills. It was noticed that 15 vendors in three districts<sup>125</sup> executed agreements for ₹ 4.48 crore by depositing only two *per cent* of the security deposit which led to short deposit of ₹ 134.47 lakh. Agreements for ₹ 2.23 crore with 18 vendors in four districts<sup>126</sup> were executed without any security deposit (₹ 15.65 lakh) on the request of vendors citing their poor financial position subject to adjustment of required security from RA bills. In Giridih district, ₹ 1.32 crore was paid (March 2020) through RA bills against two work orders without deducting security of ₹ 13.20 lakh (10 *per cent*). Thus, vendors were extended undue financial benefit through non/ short deduction of security deposit of ₹ 147.67 lakh. Besides, security deposit of ₹ 35.52 lakh submitted by a vendor (The East India Udyog Limited) in the form of Bank Guarantee against eight works orders which had lapsed on 29 February 2020 and were not got renewed as of March 2020 by DGM Giridih.
- ESC, Giridih awarded<sup>127</sup> (November and December 2018) work valued at ₹ 7.35 crore to a TKC (The East India Udyog Limited) for providing 36,064 connections of DDUGJY under SAUBHAGYA. Audit noticed that a contract of the same TKC in JV with M/s Energo Engineering Projects Limited under RAPDRP was terminated (04 April 2017) for non-mobilisation of material and delay in completion of the project and ultimately the TKC was blacklisted (November 2018) by JBVNL. Further, on the ground of termination of the work order, the bids submitted for work under JSBAY Phase I and Phase II by the TKC (the East India Udyog Limited) was not opened<sup>128</sup> (December 2018 and March 2019) by JBVNL. Thus, the Firm was awarded work under SAUBHAGYA by the DGM though it was not found fit for work besides being blacklisted by JBVNL.

The Management/Department stated (May/October 2021) that sub-division wise work order had been issued. In some cases, more than one work order has been issued to the same agency within the jurisdiction of the same sub-

<sup>125</sup> Deoghar (4), Palamu (10) and Dumka (1)

<sup>126</sup> Giridih (2), Deoghar (1), Dhanbad (11), Dumka (3) and Pakur (1)

<sup>127</sup> November 2018 and December 2018

<sup>128</sup> September 2017 and June 2018

division. Further, in cases where agreements were executed without taking security deposits, amount have been recovered from agencies from the first running bill. It was also stated that though extension of time for execution of agreement had been given to some vendors on request, work was started on time and delay in agreement did not affect the execution of work and there is no financial loss as all materials including labour charge was to be borne by the vendor.

Reply is not acceptable as DGM has split the work sub-division wise to bring it under delegation of financial power violating DoFP. Management has not submitted either documentary evidence or furnished specific reply for not deducting security deposit. Further, reply was silent on allotment of work without empanelment of vendor, without ascertaining reasonability of rates, without executing agreement and awarding work to a black listed TKC.

#### **7.4 Jharkhand Sampurna Bijli Achhadan Yojana (JSBAY)**

GoJ sanctioned (March 2017) JSBAY at a project cost of ₹ 5,127.56 crore. The Scheme aimed to provide electricity to unelectrified 12,762 *tolas*, electricity connections to 5,08,605 households<sup>129</sup> and 1,32,772 agriculture connections. However, after launching (October 2017) of SAUBHAGYA, where last mile connectivity was to be ensured in saturation mode, the scope of JSBAY was redefined (April 2018) with projects worth ₹ 2,664.54 crore for rural electrification and other projects worth ₹ 2,463.02 crore for urban electrification and other infrastructure. The rural electrification projects included construction/augmentation of PSSs, 33 and 11 KV lines, feeder and DTr metering, meters to unmetered consumers and agriculture connections.

In JSBAY phase I (JSBAY I), rural electrification projects were divided into six packages<sup>130</sup> at an estimated cost of ₹ 978.57 crore for which NITs were floated in September 2017. In JSBAY phase II (JSBAY II), NITs for ₹ 1,106.36 crore were floated (June 2018) in seven packages<sup>131</sup>. Irregularities noticed in award of works under JSBAY projects are discussed in the succeeding paragraphs.

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<sup>129</sup> APL family: 3,06,614 and BPL family: 2,01,991.

<sup>130</sup> Package I (Ranchi, Khunti, Gumla, Simdega & Lohardaga), Package II (East Singhbhum, West Singhbhum & Saraikela-Kharsawan), Package III (Dumka, Jamtara, Sahibganj, Pakur, Deoghar & Godda), Package IV (Koderma & Giridih), Package V (Dhanbad, Bokaro, Hazaribag, Chatra & Ramgarh) and Package VI (Palamu, Latehar & Garhwa)

<sup>131</sup> Package I (Dhanbad, Bokaro, Hazaribagh, Chatra and Ramgarh), Package II (Koderma and Giridih), Package III (Dumka, Jamtara, Sahibganj and Pakur), Package IV (Ranchi, Khunti, Gumla, Simdega and Lohardaga), Package V (East Singhbhum, West Singhbhum and Saraikela-Kharsawan), Package VI (Palamu, Latehar & Garhwa) and Package VII (Deoghar and Godda)

### 7.4.1 Irregularity in award of work under JSBAY

As per clause 1.1 (technical qualification) of NIT for JSBAY I, the bidder must have successfully erected, tested & commissioned PSSs and transmission lines/feeders of 33 or 66 KV and 11 or 22 KV class in the last seven years as on the date of opening of the bid with cumulative transformation and line length capacity equal to at least 50 *per cent* of bid capacity in case of PSS (sum of MVA of Power Transformers) and HT line (11 KV and more) length respectively and at least 30 *per cent* of the transformation capacity and HT line length as given in the bid in a single Turnkey Contract.

Audit observed the following irregularities in award of contracts under JSBAY-I:

Bid for Package III<sup>132</sup> with estimated cost of ₹ 147.75 crore for construction of 33/11 KV PSSs, 33 KV lines and 11 KV lines was invited with bid opening date on 30 November 2017. A pre bid meeting was convened in view of clause 6.4 of the NIT which stated that the bidder's designated representative(s) may attend a pre-bid meeting with the purpose to clarify any issue regarding the bidding documents in general and technical specifications in particular.

The pre bid meeting was attended by 14 bidders on 10 October 2017 in which five bidders requested (09 October and 10 October 2017) to alter the experience criteria by allowing experience of erection of LT lines and DTrs. JBVNL accepted their proposal and issued (24 October 2017) addendum allowing experience of erection of LT lines and DTrs in commutative capacity. It was noticed that this change was also allowed (02 November 2017) on request (30 October 2017) of M/s Jackson Limited in a single turnkey contract by issuing another addendum in violation of clause 6.4 of the NIT. The same was accorded post facto approval by MD, JBVNL on 17 November 2017 and considered for pre-qualification though the scope of work did not include execution of these items (i.e., erection of LT lines and DTrs).

The original technical experience required for the work was 52.50 MVA of transformation capacity and laying of 853.83 KM of HT lines (being 50 *per cent* of bid capacity) along with transformation capacity of 31.5 MVA and HT line length capacity of 512.30 CKm (being 30 *per cent* of bid capacity) in a single turnkey contract. M/s Jackson, though not qualified originally, was declared L1 by considering experience of erection of LT lines and DTrs also and work valuing ₹ 145.28 crore was awarded (July 2018) to them.

<sup>132</sup> Dumka, Jamtara, Sahibganj, Pakur, Deoghar and Godda districts

Thus, work was awarded to an unqualified contractor by modifying the bid condition although three out of 11 bidders were eligible as per the original conditions of the NIT.

Management/Department stated (May/October 2021) that evaluation was done as per the NIT and subsequent corrigendum on the basis of pre-bid meeting. Further, NIT clause 7.1 (Volume-I, Section-II) states that “ at any time prior to the deadline for submission of bids, the employer may, for any reason, whether at its own initiative or in response to a clarification requested by a prospective bidder, modify the bidding documents by amendment”

Reply is not acceptable as experience of erection of LT lines and DTrs, not in the scope of work of the NIT, was allowed.

- Similarly, JBVNL again floated (December 2018) NIT for JSBAY-I package II<sup>133</sup> with the relaxed bid condition of technical experience as was approved in package III.

As per original condition of bid, the technical experience required was transformation capacity of 36.36 MVA of power transformer and 399 KM of HT lines in a single turnkey contract. Against this, M/s Step Industries submitted experience for transformation capacity of 77.14 MVA of DTrs and 752.54 KM of LT lines. As such the bidder had no experience of installation of power transformer and HT lines. M/s Step Industries was declared L1 and work valuing ₹ 132.34 crore was awarded (March 2019). Thus, tender was decided in favour of a contractor having no experience in erection of HT lines and PTrs though one bidder out of nine bidders was qualified as per original terms and conditions.

Management/Department replied (May/October 2021) that this NIT was retendered as per guidelines of JSBAY Phase-I with consideration of DTR and LT lines in qualifying requirement as incorporated earlier. The firms had submitted experience certificate with requisite qualification as required which was as per NIT and there was no violation of NIT clause.

Reply is not acceptable as work was for erection of HT lines but experience of LT lines and DTrs in single turnkey contracts which was not in the scope of work was allowed.

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<sup>133</sup> East Singhbhum, West Singhbhum and Saraikela-Kharsawan districts

### 7.4.2 Irregularity in award of work of metering of unmetered connections under JSBAY

Audit noticed the following irregularities in award of metering works under JSBAY:

- Like in the SAUBHAGYA scheme, the DGMs empanelled vendors and awarded works under JSBAY on the basis of willingness submitted by them instead of selection through open tender in violation of DoFP.
- Multiple work orders were issued by splitting the work in violation of DoFP. A total of 162 work orders<sup>134</sup> valuing ₹ 43.43 crore (*Appendix XIII*) were issued, out of which, 73 work orders valuing ₹ 24.95 crore were split up to bring it within the DoFP of DGM of ESCs (₹ 50 lakh). Further, 10 work orders valuing ₹ 10.54 crore were beyond the DoFP of DGMs.
- Audit noticed that 162 work orders valuing ₹ 43.43 crore were issued under JSBAY for metering. Of this, in 92 work orders<sup>135</sup>, agreements were executed with a delay<sup>136</sup> of two to 137 days instead of within 10 to 30 days of issue of work order as required. Further, agreements were not executed in respect of 80 work orders valuing ₹ 70.04 crore. However, the concerned DGMs did not cancel the work orders as required and vendors were allowed to continue the work without ensuring proper legal or technical surety i.e., performance security, penal clause, satisfactory work etc., as required for a contract. Further, in Palamu district, five vendors were executing metering work without any work order and work done by them were found reflected in the progress report of the ESC.
- Twenty-five agreements were executed without obtaining security deposit of ₹ 23.30 lakh (being five *per cent* of the contract value) whereas 29 agreements<sup>137</sup> were executed only with two *per cent* (₹ 14.38 lakh) of security deposit against the required five *per cent* (₹ 35.95 lakh). As such, 54 agreements were executed with non/short security deposit of ₹ 39.11 lakh and resulted in undue financial aid to the contractors.
- ESC Deoghar issued (between May 2019 and September 2019) 32,900 single phase meters, procured at the rate ₹ 905 per meter to 12 vendors. There was no provision of additional security in lieu of meters supplied to vendors even though 14,550 meters were issued to six vendors who had deposited security deposit of only two *per cent* and 18,350 meters were issued to remaining six vendors who had neither deposited security deposit

<sup>134</sup> Dhanbad (35), Deoghar (45), Giridih (10), Pakur (4), Palamu (6), Dumka (6) and Ranchi (56) valuing ₹ 8.29 crore, ₹ 18.22 crore, ₹ 7.78 crore, ₹ 1.04 crore, ₹ 0.01 crore ₹ 1.92 crore and Ranchi ₹ 5.83 crore respectively.

<sup>135</sup> Dhanbad (25), Deoghar (15), Giridih (3), Dumka (6) and Ranchi (43)

<sup>136</sup> Dhanbad- 2 to 4 days; Deoghar-11 to 110 days; Giridih- 137 days; Ranchi- 74-124 days and Dumka- 2 to 48 days.

<sup>137</sup> Deoghar(15), Dumka (6) and Ranchi (8)

nor had converted unmetered/ defective connections into metered connections by installing the issued meters as of December 2019.

In reply, Management/Department stated (May/October 2021) that sub-division wise work order has been issued. In some case, more than one work order has been issued to same agency within the jurisdiction of same sub-division. Further, where agreement were made without taking security deposits, the amount have been recovered from agencies from their first running bill.

Reply is not acceptable as DGM had split the work sub-division wise to bring it under delegation of financial power violating DoFP. Management/Department have also not submitted any documentary evidence in support of deduction of security deposit. Further, the reply was silent on allotment of work without empanelment of vendor, non-agreement of work and allowing contractors to work without issue of work order in Palamu district.

Failure of Technical Evaluation Committee, Special Purchase Committee and BoD of JBVNL to abide by the terms and conditions of tenders needs to be examined and responsibility fixed on erring officials.

Further, JBVNL should examine the cases of violation of DoFP by DGMs of ESCs and fix responsibility.

*To sum up, eighteen packages were awarded to six agencies to carry out rural electrification works even though none of the agencies met the required technical criteria to qualify for the bids. Further, in 304 test-checked cases, there were instances of non-deduction of royalty, delays in execution of agreements, empanelment of vendors without calling open tenders and violation of Delegation of Financial Powers (DoFP) in awarding contracts/works.*