Chapter 2

Planning and Financial Management

Chapter 2: Planning and Financial Management

For efficient and effective transport services and to cope up with the growing demands, it was essential for the Corporation to formulate appropriate long-term/short-term plans to strategise various Operational and Financial requirements. Transport Department, being the administrative department, used to take major decisions on operations, routes, fare fixation & development of depots and operational and procurement decisions were taken by the Corporation. However, Audit noticed absence of a Business Plan or a Perspective Plan in the Corporation. No MoU was signed with GNCTD by the Corporation for fixation of physical and financial targets.

Financial health of the Corporation had deteriorated over the period. The Corporation incurred huge operational and manpower expenditure which was not commensurate with the revenue earned resulting in accumulation of losses, low solvency ratio and negative net worth. The Operating Revenue collection had a decreasing trend due to non-revision of fare and lower commuter base. No major initiatives were taken towards raising the Non-Operational Revenue which was evident from non-recovery of rent of ₹ 225.31 crore on account of transfer of depots for Cluster buses, delayed decisions in awarding contracts for display of advertisements and also failure to utilise the available space at depots for commercial use. The accumulated losses over the years increased from ₹ 25,299.87 crore in 2015-16 to ₹ 60,741.03 crore in 2021-22 despite annual support of Revenue Grants from GNCTD. There was no laid down road map for checking the downward curve of the finances of the Corporation and ensuring its fiscal sustainability.

2.1 Planning

Planning provides directions to an organisation for achieving its objectives by decreasing chances of risk on overlapping and wasteful activities. It further aids in decision making and encourages innovative ideas. The importance of planning for the Corporation which aims to provide transport services to the people of national Capital of Delhi cannot be overstated, considering the magnitude of the task. Although many aspects of the functioning of the Corporation such as route identification, purchase of land, fixing bus fare, etc. rest with the GNCTD, important activities like planning for operations and procurement of buses, manpower utilisation, etc., are the responsibility of the Corporation itself, at times in consultation with the Department. Thus, in order to fulfil the mandated objectives, it is imperative that the Corporation should have a long term as well as short term plans detailing as to how to achieve its objectives within the specified timelines.

2.1.1 Absence of Short-Term and Long-Term Plans

The Corporation has been mandated by the Act, to provide an efficient, adequate and economical road transport service to the people of Delhi. For mandated objective, the Corporation should have prepared Long Term and Short-Term Plans. The Corporation prepares operational plan which involves determination of routes to be operated, number of trips to be scheduled, setting of annual operational targets and preparation of schedule for off-shedding buses at different times of the day etc. However, it has prepared neither any Business Plan containing a formal statement of its goals and determining targets of operational and financial parameters to achieve the goals, nor a Perspective Plan i.e. a blue print regarding the objectives and targets for long term growth during the period of seven years ending March 2022. In the absence of proper planning, the efforts of the Corporation for achieving its mandated objectives were directionless and un-coordinated. Such absence of proper planning may also have contributed to the below-par performance of the Corporation in operational and financial parameters as discussed in the subsequent chapters of the Report.

The Management stated (May 2023) that Route Rationalisation work was done by DIMTS and procurement or hiring of buses was undertaken by the Corporation. The reply does not address the issue regarding absence of Business Plan or Short Term Plan for operational and financial targets and Perspective Plan or Long Term Plan regarding objectives and targets for future growth of the Corporation.

Other shortcomings in Planning are discussed in the following paragraphs.

2.1.2 No MoU signed with GNCTD for fixation of physical and financial targets

To contain the losses of the Corporation, the Planning Department, GNCTD emphasised (May 2010) that the Corporation should sign a Memorandum of Understanding (MoU) with Transport Department for setting targets in respect of various physical and financial parameters to contain its working losses. However, neither the Corporation signed any MoU with the Department nor did the Department pursue the matter. This was especially important as the Corporation was consistently suffering losses over the years. In the absence of targets, GNCTD was deprived of the parameters for evaluation of performance of the Corporation.

The Management accepted (May 2023) the Audit Observation and stated that Corporation is ready to sign MoU with GNCTD as and when Government desires the same. No reply was however received from the Department.

2.1.3 Failure in determining benchmarks and adherence to best practices

One of the important aspects of Planning is to provide the Organisation an opportunity to compare itself with other similar Organisations and incorporate best practices in the Industry in its functioning. However, it was observed that the Corporation did not benchmark its performance with parameters of other State Road Transport Undertakings (SRTUs) to determine areas which call for improvements. It also did not follow the best practices[1] of other SRTUs like Call Centre for obtaining Passenger Feedback in Telangana State Road Transport Corporation; SMS based crew management for city bus operations in Chandigarh Transport Undertaking (CTU); Intelligent Transport System and Smart Phone Application in Bengaluru Metropolitan Transport Corporation (BMTC) and Integrated Intelligent Transport System (IITS) in Navi Mumbai Municipal Transport (NMMT), Navi Mumbai.

The Corporation accepted (May 2023) the Audit Observation.

2.1.4 Lack of efforts in conducting profitability/sustainability study

In order to prepare an effective course of action for increasing profitability/sustainability, availability of information regarding issues affecting these aspects are necessary. However, the Corporation had not conducted any study on profitability/sustainability so as to make necessary improvements in its operations to increase economy and efficiency even though it was incurring continuous losses over the years.

The Corporation accepted (May 2023) the Audit Observation.

2.1.5 Comparative analysis of operation of DTC vis-à-vis DIMTS not made

Since Delhi Integrated Multi-Modal Transit System Ltd. (DIMTS) also operates Cluster buses, operations of which were similar to the Corporation's operation, the Corporation was in a unique position to take advantage of the expertise of DIMTS in improving its Financial and Operational Performances. The performance of DIMTS was much better than that of the Corporation on the basis of certain performance indicators viz. fleet utilisation, vehicle productivity, load factor and reduced breakdown. The Board observed (May 2018), a fall in operational and financial parameters in the year 2016-17 as compared to 2015-16 and directed that steps be taken to increase the operational and financial performance. The Board had also desired that a comparative analysis be made regarding financial and operational performance of the Corporation vis-à-vis DIMTS. However, no comparative analysis was carried out by the Corporation.

The Management stated (May 2023) that the Financial Performance of the Corporation with DIMTS was not comparable due to huge Permanent and Contractual staff and payment of Ground Rent and Property Tax of the Depots which were used by DIMTS as well for its Cluster buses without any cost.

The reply is, however, silent as regards to poor operational performance despite having huge permanent and contractual staff. The fact remains that the Corporation had not even done the comparative analysis of operational

[1] As identified in the Best Practices Manual of State Road Transport Undertakings published by the ASRTU.

performance with DIMTS and lost the opportunity to take advantage of expertise of DIMTS in improving its Operational Performance in the form of better fleet utilisation, vehicle productivity, load factor and the reduced breakdowns.

Recommendation 2.1:

- ***The Corporation should have an MoU with GNCTD for fixing physical and financial targets for the evaluation of its performance by the Department;***
- ***The Department should ensure that Short and Long Term Plans prescribing benchmarks and taking into account the best practices of Industry are formulated to make the operations of the Corporation effective and sustainable.***

2.2 Financial Management

The Corporation is dependent on GNCTD for funding its viability gap through revenue grants as revenue is not sufficient to cover the operational costs. The Corporation avails grants from GNCTD to meet the deficit based on assessment of its estimated revenue and expenditure. The requirement of funds is forwarded by the Corporation to the Department. The Department, based on the Budget Estimates, approves the Grants-in-Aid for meeting the estimated excess expenditure over income of the Corporation and same is included in the GNCTD budget for the next year.

2.2.1 Financial Position

The Financial Position and Working results of the Corporation are detailed in **Annexure 2.1** and **2.2**. Further, details of Revenue earned, Expenditure incurred and Loss suffered by the Corporation during the seven years from 2015-16 to 2021-22 are detailed in **Table 2.1**.

Table 2.1: Details of Revenue, Expenditure and Loss of the Corporation

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Operating Revenue	914.72	839.10	810.12	777.57	792.44	454.42	558.78
Non-Operating Revenue	90.27	79.60	79.21	106.71	100.30	55.00	101.59
Revenue Grants from GNCTD	**1174.00**	**1550.00**	**2007.00**	**1825.00**	**2030.00**	**2475.00**	**2320.00**
Capital Grants & other prior period income, etc.	118.86	21.65	62.12	32.69	19.80	9.76	11.00
Total Revenue	**2297.85**	**2490.35**	**2958.45**	**2741.97**	**2942.54**	**2994.18**	**2991.37**
Operating Expenditure	2398.50	2449.87	2770.49	2692.26	2870.38	3104.10	3060.33
Non-Operating Expenditure:							
Interest cost on GNCTD Loan	**3277.14**	**3830.59**	**4487.48**	**5252.03**	**6144.55**	**7176.23**	**8375.92**
Other than interest cost expenditure	33.31	53.51	29.90	78.23	74.66	56.00	53.47

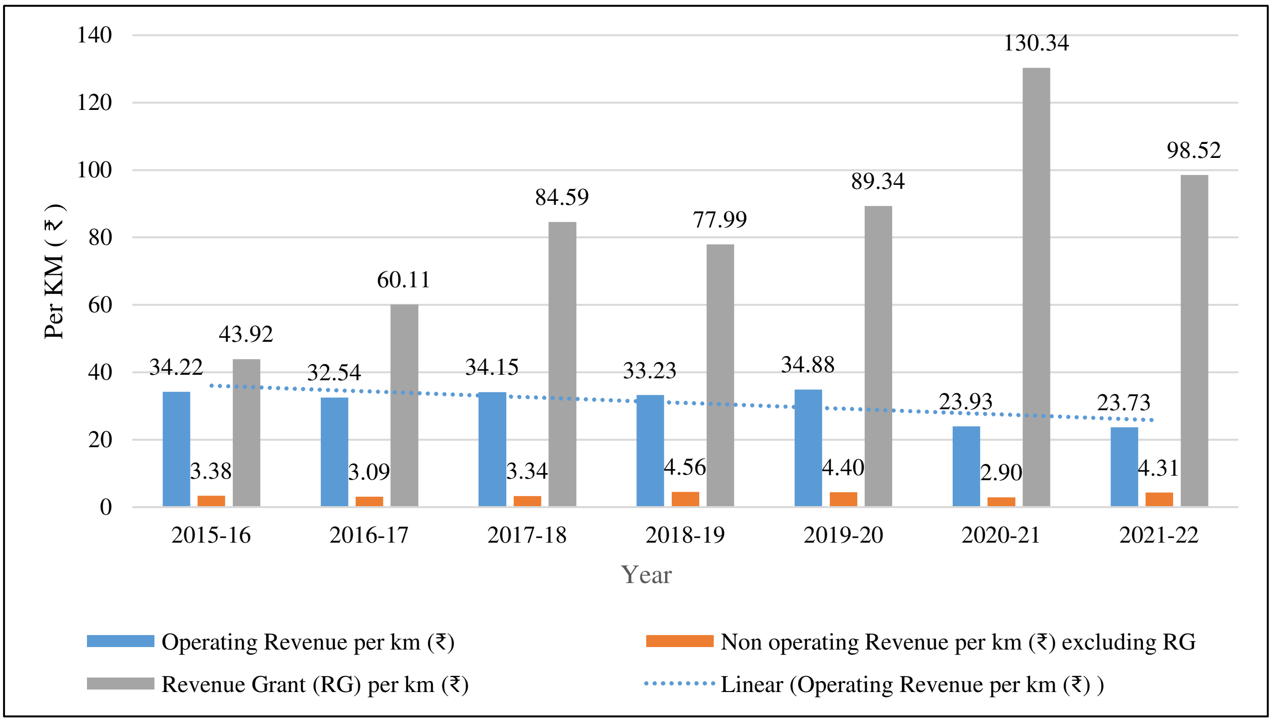
Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total expenditure	**5708.95**	**6333.97**	**7287.87**	**8022.52**	**9089.59**	**10336.33**	**11489.72**
Operating loss for the year (Operating revenue - operating expenditure)	**1483.78**	**1610.77**	**1960.37**	**1914.69**	**2077.94**	**2649.68**	**2501.55**
Total Loss for the year (Total Revenue – Total Expenditure)	**3411.10**	**3843.62**	**4329.42**	**5280.55**	**6147.05**	**7342.15**	**8498.35**

Source: Annual Accounts of DTC

It may be seen from above Table that the Revenue from Operation had declined over the years and during 2020-21 and 2021-22, there was significant reduction in Revenue mainly due to the impact of Covid pandemic. There was an increasing trend of Operating Loss as Operating Expenditure was always at higher side corresponding to Operating Revenue which made the Corporation dependent heavily upon the financial support of GNCTD (Revenue Grant). As can also be seen from the above Table, during the period 2015-22, total operating revenue of ₹ 5147.15 crore was less than total operating expenditure of ₹ 19345.93 crore. However, revenue grant received by the Corporation from GNCTD during the above period was only ₹ 13,381 crore, thereby revenue gap was accumulated to ₹ 817.78 crore[2].

The **Chart 2.1** shows the trend of per km Operating Revenue, Non-Operating Revenue and Revenue Grants received (for meeting the deficit) during the period 2015-16 to 2021-22.

Chart 2.1: Revenue Trend

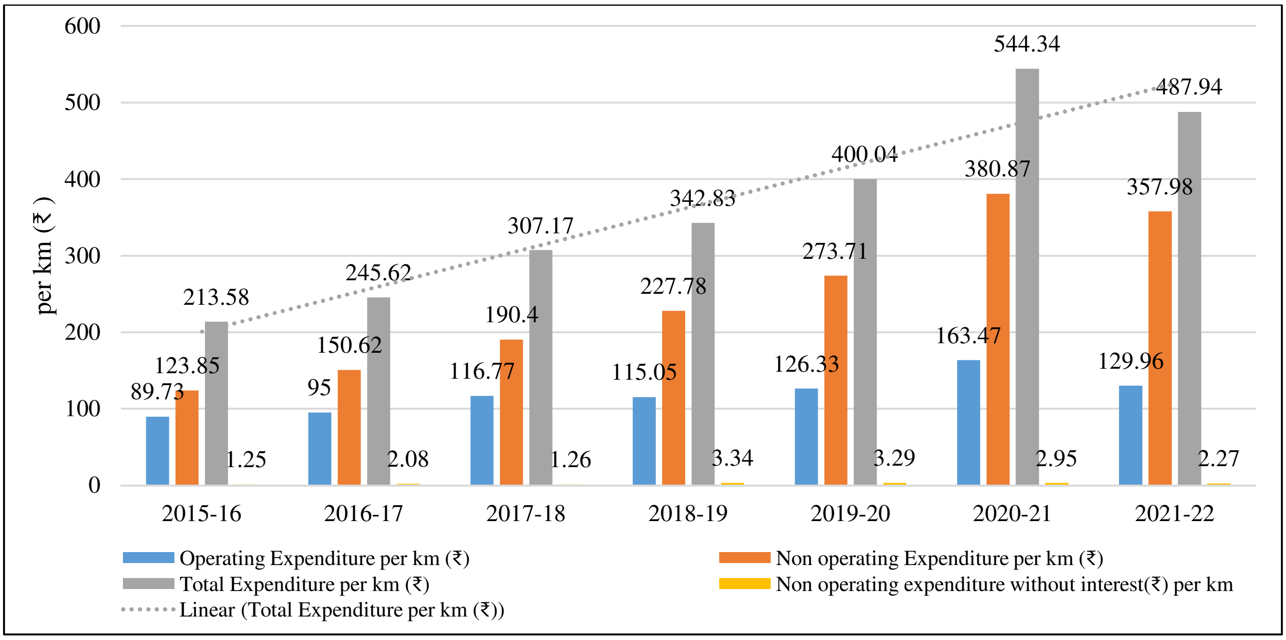


Source: Annual Accounts of DTC

[2] ₹ 19345.93 crore minus (₹ 5147.15 crore plus ₹ 13,381 crore).

Chart No. 2.2 shows per km Operating Expenditure, Non-Operating Expenditure, Total Expenditure and Non-Operating Expenditure (excluding accrued interest) during the period 2015-16 to 2021-22.

Chart 2.2: Expenditure trend



Source: Annual Accounts of DTC

2.2.2 Analysis of Operating and Non-Operating Expenditure

Details of the Operating and Non-Operating Expenditure of the Corporation over the period of Audit are shown in **Table 2.2 (Annexure 2.2)**.

Table 2.2: Elements wise details of the expenditure

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Operating Expenditure							
CNG, Oil & Lubricants & Repair & Maintenance	430.29	398.93	409.43	437.12	455.56	352.33	509.70
AMC Charges -Low Floor Buses	229.29	264.60	280.65	312.41	352.58	356.19	485.34
Employee cost	1487.74	1551.14	1837.76	1695.70	1799.73	2174.25	1845.90
Depreciation	168.64	168.98	168.66	167.55	166.48	149.53	134.25
Other Misc. operating expenses	82.54	66.22	73.99	79.48	96.03	71.80	85.14
Total Operating Expenditure	**2398.50**	**2449.87**	**2770.49**	**2692.26**	**2870.38**	**3104.10**	**3060.33**
Non-operating Expenditure							
Interest on GNCTD loans	3277.14	3830.59	4487.48	5252.03	6144.55	7176.23	8375.92
Others (Interest on equity capital and plan loan reappropriated to capital reserve and other misc.)	33.31	53.51	29.90	78.23	74.66	56.00	53.47
Total Non-operating expenditure	**3310.45**	**3884.10**	**4517.38**	**5330.26**	**6219.21**	**7232.23**	**8429.39**
Total expenditure	**5708.95**	**6333.97**	**7287.87**	**8022.52**	**9089.59**	**10336.33**	**11489.72**

Source: Annual Accounts of the Corporation

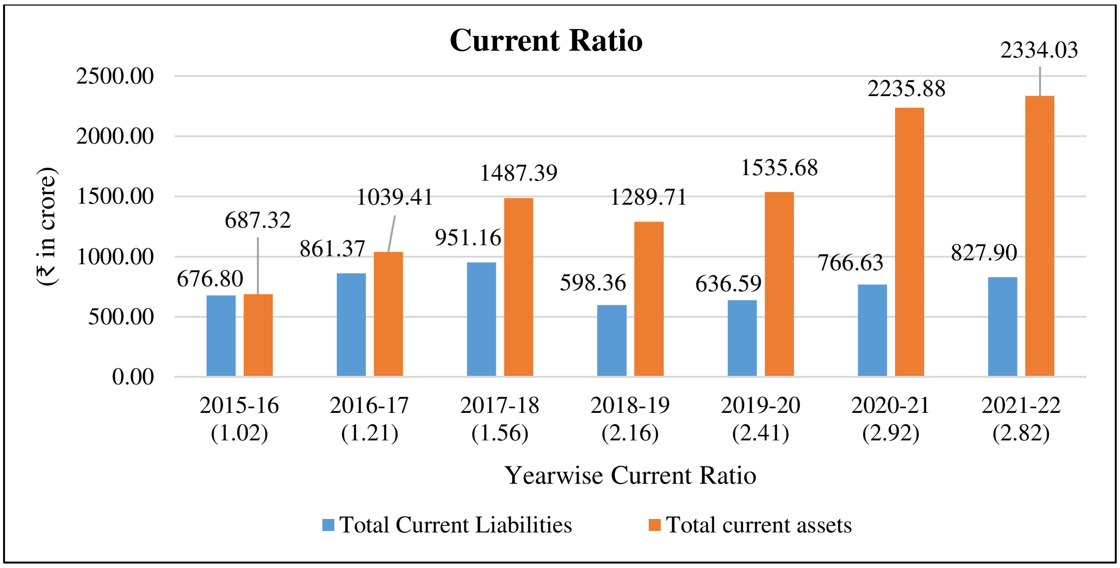
It is evident from the above table that Employee Cost constitutes a major portion of the Operating Expenditure and ranged between 60.32 *per cent* and 70.04 *per cent* of the total Operating Expenditure. Further, there was a sharp rise in Annual Maintenance Contract (AMC) charges of Low Floor Buses which had more than doubled during the period of seven years.

On the other hand, Non-Operational Expenditure mainly comprised of interest on GNCTD Loans. The cumulative interest of ₹ 47,800.43 crore on GNCTD loans as on 31.03.2022 had not been paid since 2011-12 to GNCTD and the same had been booked in Accounts on accrual basis. The Corporation, in this regard, had forwarded a draft Cabinet Note to the Department in December 2016 for conversion of Plan Loans of ₹ 511.30 crore into Equity and conversion of Non Plan Loan of ₹ 11,164.84 crore along with outstanding accrued interest of ₹ 12,499.99 crore up to 31 March 2016 into Grants in Aid. However, it was pending for approval of the Cabinet as of May 2023.

2.2.3 Financial Ratios

Short Term Solvency: Short term solvency of an entity is determined by Current Ratio (Working Capital Ratio) i.e., the extent of Current Assets available to honour the upcoming Short-Term Liabilities. Further whether the Current Assets are in such a form that these can be readily converted into Cash to pay off the Current Liabilities is denoted by Liquidity Ratio. Short term Solvency position of the Corporation can be seen from the **Chart 2.3** and **Annexure 2.1**.

Chart 2.3: Short Term Solvency Position



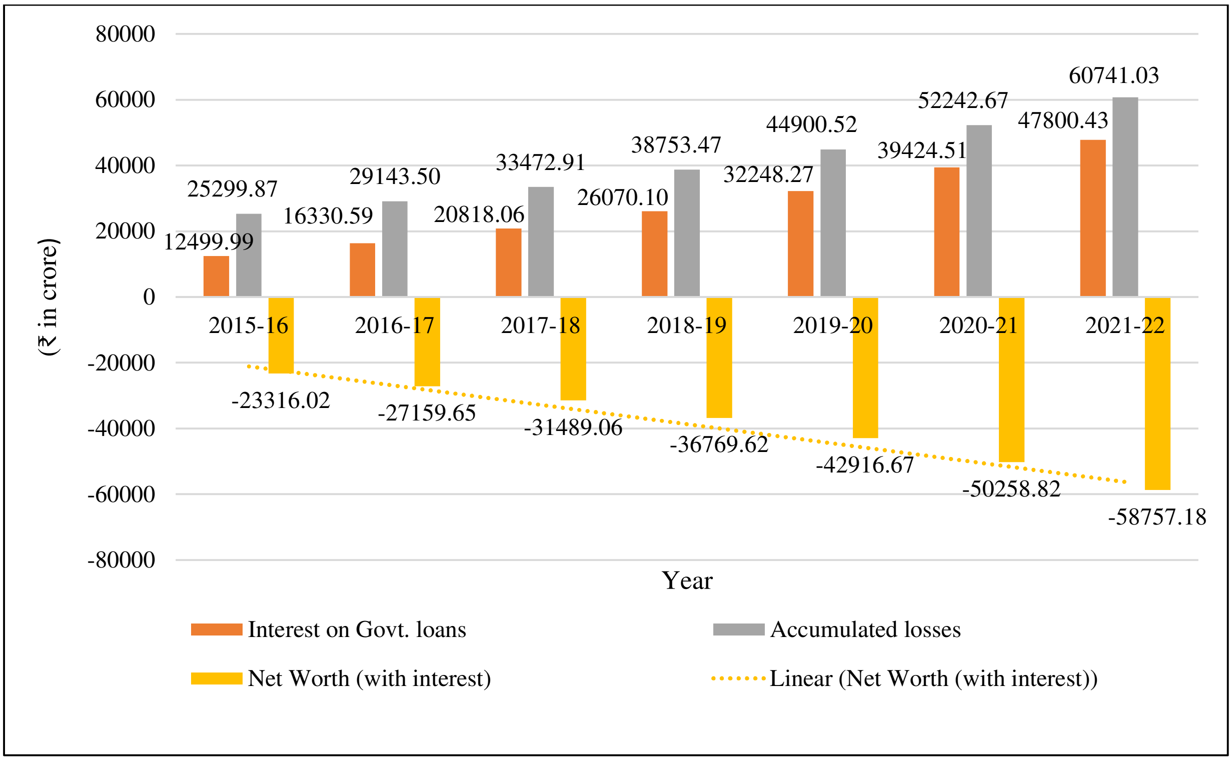
Source: Annual Accounts of DTC

Although, prima-facie, the Current Assets of the Corporation seems to comfortably cover the Short-Term Liabilities (as the Current Ratio has improved to 2.92 in 2020-21), however, Current Assets include Debtors and Advances (54.40 *per cent* in 2021-22) which were blocked up (mainly because of deposit with court and unrealised debtors). Further, 43.36 *per cent* of Debtors were more than three years old and their realisation was doubtful.

The Current Assets also include Bank Deposits which were earmarked against Grants received for Specific Purposes / Earmarked Funds (₹ 347.79 crore i.e., 14.90 *per cent* of total Current Assets). As such, these funds cannot be used for other purposes being earmarked funds. Thus, effective Liquid Assets available to pay off its Short Term Liabilities amounted to ₹ 716.51 crore i.e., 30.70 *per cent* of total Current Assets. The resultant Liquidity Ratio was, thus, reduced to 0.87[3], reflecting unsatisfactory financial position of the Corporation.

Long Term Solvency denotes the financial position of an organisation with regard to sufficiency of its assets to balance its Long Term Liabilities. The Net Worth of an organisation is the value of assets after deducting its liabilities which is an indicator for assessing Long Term Solvency. The Net Worth of the Corporation had completely eroded and was in negative figures during the period 2015-2022 as indicated in **Charts 2.4.1** and **2.4.2**.

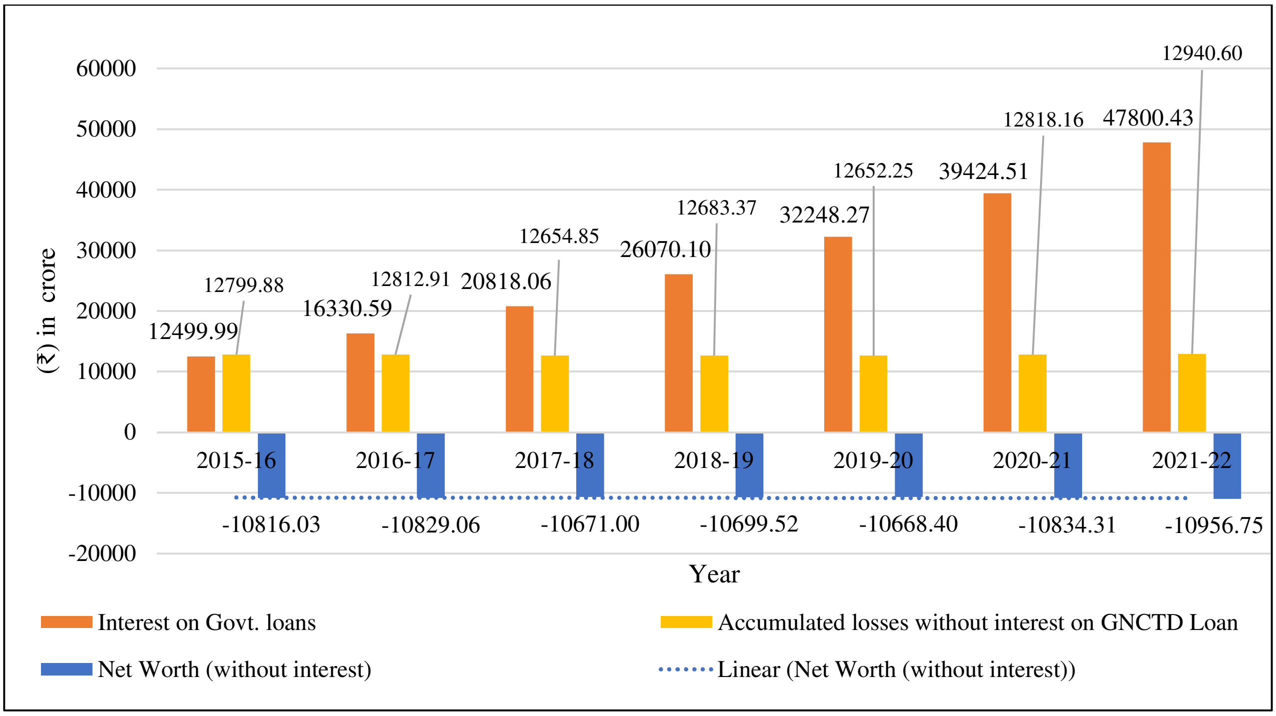
Chart 2.4.1: Long Term Solvency considering accumulated interest on Loans



Source: Annual Accounts of DTC

3 ₹ 2334.03 crore (Total Current Assets) - ₹ 929.71 crore (Debtors) - ₹ 340 crore (Advances) - ₹ 347.81 crore (Earmarked Funds)/ ₹ 827.90 crore (Current Liabilities).

Chart 2.4.2: Long Term Solvency without Accumulated Interest on Loans



Source: Annual Accounts of the Corporation

It may be seen from above that during all the years under review the Net Worth was negative and increased from (-) ₹ 23,316.02 crore (2015-16) to (-) ₹ 58,757.18 crore (2021-22) due to huge accumulated losses. Thus, as on 31 March 2022, the Corporation was not able to pay off its huge liabilities amounting to ₹ 60,483.69 crore. The erosion in Net Worth was owing to the Corporation's revenues being not sufficient to service its Operational Expenditure which resulted in accumulation of losses to ₹ 60,741.03 crore as of 31 March 2022.

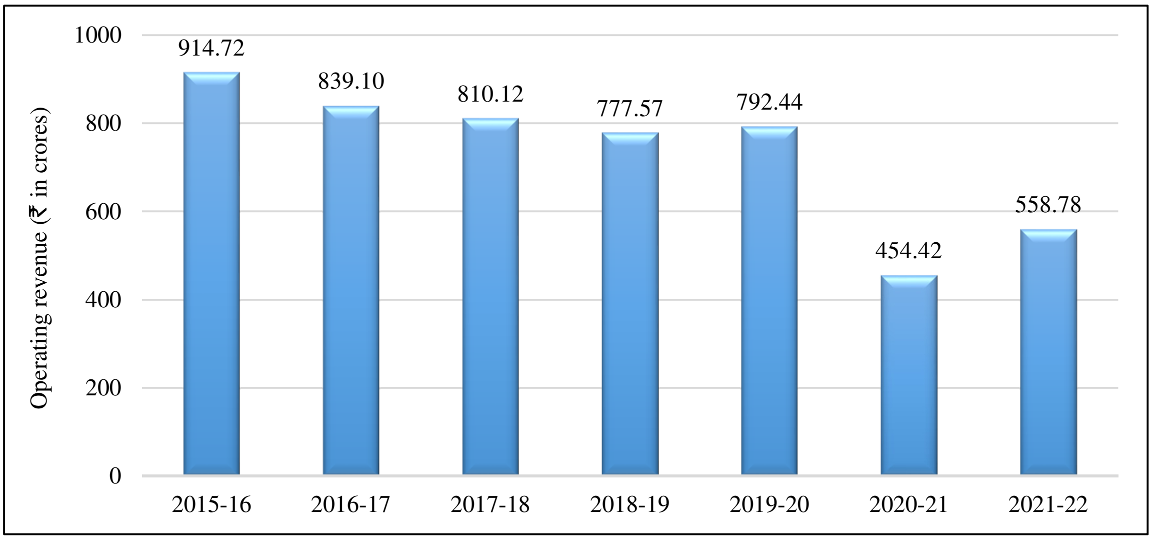
Further, even in case, accumulated accrued interest on GNCTD Loans which was not paid since 2011-12 is excluded from accumulated losses, the net worth remained more or less constant with minor change from (-) ₹ 10,816 crore (2015-16) to (-) ₹ 10,956.75 crore (2021-22) mainly due to old accumulated losses. Moreover, during 2017-20, net worth was even reduced to the range of (-) ₹ 10,671 crore to (-) ₹ 10,668.40 crore and during last two years, negative Net Worth further increased due to low operating revenue impacted by Covid pandemic. Thus, the Corporation was dependent upon the Revenue Grants (₹ 13,381 crore during last seven years) to meet out its deficits to sustain its operations due to persistent Operational Losses during the last seven years.

Thus, overall financial position and working results of the Corporation raise a serious concern about its Long-Term Solvency and Fiscal sustainability due to persistent Operational Losses and old accumulated losses.

2.2.4 Operating Revenue

Operating Revenue is the revenue that an entity generates from its primary business activities. Major sources of Operating Revenue for the Corporation were the sale of tickets, contract services, passes and season tickets, subsidy against concessional passes and reimbursement against free travelling of lady commuters. Operating Revenue had declined over the years as depicted in **Chart 2.5**.

Chart 2.5: Operating Revenue



Source: Annual Accounts of the Corporation

As per Section 22 of the Act, the Corporation shall act on business principles. However, the Corporation does not have the autonomy for fare determination (last fare revision was done in 2009), and as a social obligation, fares were kept at an affordable level which does not help to recover even its variable cost. To compensate the same, GNCTD extends financial support in the form of reimbursement against concessional passes and subsidy against free travels, which was lower than the economic rates, besides Annual Revenue Grant. As may be seen from Chart 2.5, Operating Revenue of the Corporation had decreased throughout the Audit period. The main reasons for decline were attributed to fares not revised by the GNCTD since 2009, Covid-19 effect from March 2020 to March 2022, introduction of more Metro Lines and increase in personal vehicles. Further, number of Buses held had declined (13.40 *per cent*) during 2015-22 from 4,344 buses in 2015-16 to 3,762 buses in 2021-22 resulting in decline in Operated KMs from 2,673.50 lakh KMs in 2015-16 to 2,354.74 lakh KMs in 2021-22. Decline in Operated KMs resulted in decline in Operating Revenue.

Audit further observed that there were some areas where the Corporation lost the opportunity to avail benefits of Government support which consequently led to reduction in Operating Revenue over the years as discussed in subsequent paragraphs.

2.2.4.1 Bus fares not revised since 2009

Section 19 (n) of the Act read with Section 22 envisages that the Corporation may determine the fare structure for carriage of passengers with prior approval of the State Government keeping in view the business principles.

The fare of buses was last revised and made effective from 3 November 2009. Since then, the Corporation had pursued several times with the GNCTD for fare revision during 2010 to 2012, and thereafter in November 2016. However, no revision of fare was done even though major elements of variable cost had increased manifold. The deficit was compensated by Revenue Grant from GNCTD.

The Government of India, Ministry of Finance, Department of Revenue (Tax Research Unit) notified (February 2016) applicability of Service Tax on Air-Conditioned Bus fare w.e.f. 1 June 2016. As a result, Service Tax of 15 *per cent* was applicable on 40 *per cent* of the fare of AC buses, leading to six *per cent* increase in cost of tickets of AC buses. Accordingly, the Corporation made request to the Department in November 2016, for approval of the GNCTD to increase the AC bus fare by six *per cent* to mitigate the Service Tax liability.

The Department taking a view that increasing AC bus fare by six *per cent* would result in irrational fares and cause inconvenience to commuters, suggested (November 2016) revision of the fare structure as given in **Table 2.3**.

Table 2.3: Proposed revised fare structure

Type of Service	Slab (Distance): Existing Fare	Slab (Distance)/ Proposed Fare
Ordinary Stage Carriage	Up to 4 Kms: ₹ 5/-	Up to 10 Kms: ₹ 10/-
	From 4 to 10 Kms: ₹ 10/-	Above 10 Kms: ₹ 20/-
	Above 10 Kms: ₹ 15/-	
AC-Stage Carriage	Up to 4 Kms: ₹ 10/-	Up to 4 Kms: ₹ 10/-
	From 4 to 8 Kms: ₹ 15/-	From 4 to 12 Kms: ₹ 20/-
	From 8 to 12 Kms: ₹ 20/-	Above 12 Kms: ₹ 30/-
	Above 12 Kms: ₹ 25/-	

However, the Corporation did not accept (December 2016) the proposed fare hike as it wanted other factors such as CNG Cost and CPI Index also to be considered. Revision of the fare structure as per the proposed fare hike would have increased the revenue of the Corporation by about ₹ 170 crore[4] per year, assuming in both cases the ridership remained at present level.

The Corporation thereafter submitted (December 2016) the proposal to the Department that as the fare was not increased since November, 2009, there were other costs also to be considered while deciding the revised fare such as increase in CNG price by 85.83 *per cent* from 2009 to 2016[5]. The Corporation proposed

4 As per the calculation done by the Corporation for the year 2015-16 considering the average sale of 4.50 crore tickets per month for AC and Non-AC buses.

5 ₹ 36.85/kg in July 2016 and ₹ 19.83/Kg in November 2009

to increase the fare of Non-AC buses and AC buses by 65 *per cent* and by 71 *per cent* respectively. However, no decision was conveyed by the Department in this regard although the Corporation took up this matter with the Department several times till December 2022.

Thus, the Corporation was neither able to get approval of the GNCTD for increase in fares nor did it avail benefit of the proposed increase in fares to meet the cost of Service Tax/GST paid of ₹ 56.29 crore[6] (June 2016 to March 2022) on AC buses.

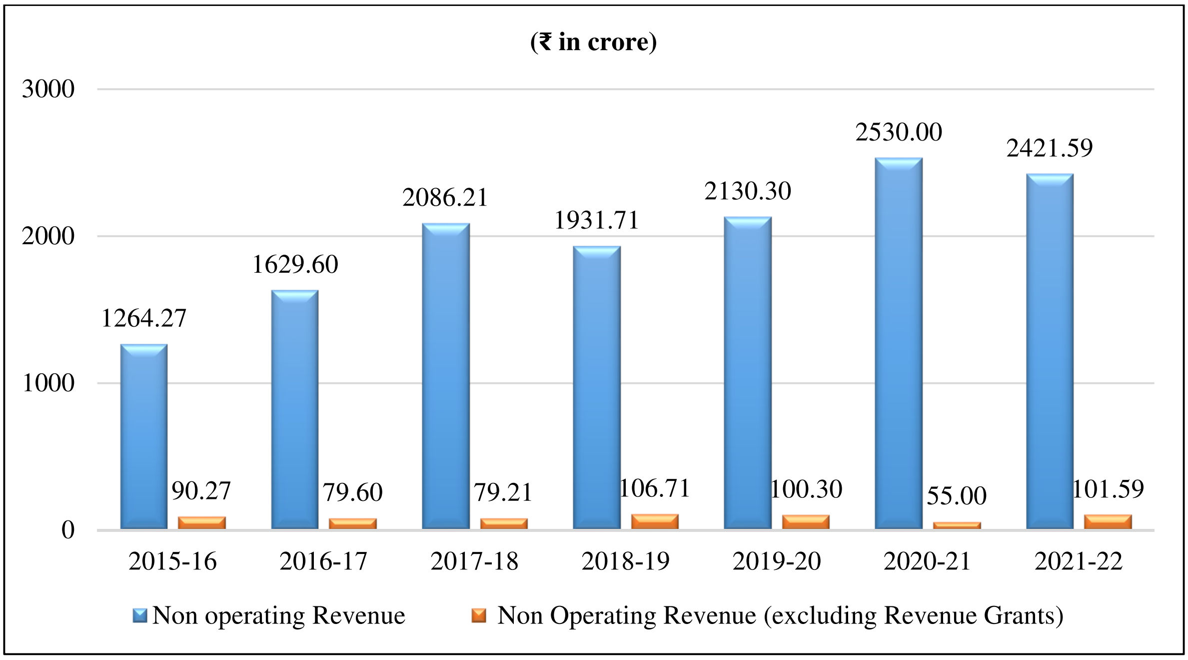
The Management stated (May 2023) that the fare revision is a policy matter of the Department. Unless, the Department approves the same, the Corporation cannot implement the fare revision. Fact remains that the Corporation did not accept the proposed revised fares as suggested by GNCTD and lost the opportunity to avail the benefit of about ₹ 170 crore per year.

2.2.5 Non-Operating Revenue

2.2.5.1 Position of Non-Operating Revenue of the Corporation

The Corporation earned Non-Operating Revenue (other than from operation of buses) mainly from Grants received from GNCTD, Interest income on unutilised Capital/Plan funds, Interest on Short Term Deposits, Income from Advertisement Contracts, Sale of scrap vehicles, Penalties and other miscellaneous Receipts. The details of Non-Operating Revenue earned by the Corporation during 2015-16 to 2021-22 are depicted in **Chart 2.6**.

Chart 2.6: Non-Operating Revenue



Source: Annual Accounts of the Corporation

[6] Calculated by the Corporation on the basis of income from AC buses and the applicable rate of Service Tax/GST

It may be seen from above chart that the Non-Operating Revenue ranged between ₹ 1,264.27 crore and ₹ 2,530.00 crore. It included Revenue Grants received from GNCTD of ₹ 1,174.00 crore (2015-16) and ₹ 2,475.00 crore (2020-21). The Corporation was required to find other sources of Non-traffic Revenue for improving its revenue viz. realisation of rent from assets, advertisement on buses, commercial utilisation of spaces in depots, etc. The shortcomings noticed in recovery of outstanding Non traffic Revenue and augmenting other sources of revenue are discussed in the subsequent paragraphs.

2.2.5.2 Outstanding dues not paid by the Transport Department

(i) The Corporation transferred 3.18 lakh square meters (sqms) of space at twelve Depots and one Bus Terminal to the Department up to March 2022 for Operation/Parking of Cluster Buses. However, neither any Rent Agreement nor any assurance for payment of rent was obtained from the Department.

The Corporation had been regularly raising bills on the Department for Rent, Service Tax and Water Charges for the above space. The outstanding amount had accumulated to ₹ 225.31 crore up to 31 March 2022. However, neither the amount was realized nor of any assurance was obtained from the Department. It is pertinent to mention that Department had realised rent for these spaces from Concessionaires of Cluster buses as per the agreement between Concessionaires and the Department but did not pass on it to the Corporation.

Further, being the owner of the properties, which were used by Cluster buses, the Corporation paid Property Tax and Ground Rent amounting to ₹ 6.26 crore for the period 2015-16 to 2021-22 which also remained unpaid by the Department.

The Management accepted (May 2023) the Audit Observation and stated that matter is being followed up with the Department.

(ii) The Corporation provided 35 to 41 Tavera vehicles to the Department, for deployment in the Enforcement wing at State Transport Authority from January 2010. As of March 2022, amount of ₹ 7.82 crore was recoverable from the Department for hiring out these vehicles. Out of this, the Department had paid ₹ 3.20 crore and ₹ 4.62 crore was outstanding as of December 2022.

The Management accepted (May 2023) the Audit Observation and stated that matter is being followed up with the Department.

Recommendation 2.2:

- ***The Corporation should vigorously pursue the matter with the Department for recovery of old dues.***
- ***The Department should ensure timely payment of dues of the Corporation.***

2.2.5.3 Outstanding amount of ₹ 21.29 crore not recovered from DTIDCL

The GNCTD directed (16 August 2012) to the Corporation that, henceforth, the construction and maintenance of all Bus Queue Shelters (BQSs) in NCT of Delhi shall be carried out by Delhi Transport Infrastructure Development Corporation Limited (DTIDCL). Accordingly, the Corporation transferred 884 BQSs to DTIDCL by 2015-16. However, the order was silent on payment to be made by DTIDCL against the cost of these BQS.

The Corporation had raised (August 2015) a demand of ₹ 21.29 crore against the cost of construction and Project Management Consultancy (PMC) charges of 156 BQSs on DTIDCL which was not paid as of December 2022. However, it was observed that the Corporation raised claim for original cost of construction of BQS instead of depreciated value of ₹ 7.33 crore on the date of transfer. The Corporation instead of escalating the matter with the Department for resolving with DTIDCL keeps on corresponding with DTIDCL without any result.

The Management accepted (May 2023) the Audit Observation and further replied that it had already taken up the matter with DTIDCL and Transport Department.

2.2.5.4 Avoidable expenditure of ₹ 16.51 crore due to not transferring of Arbitration Case to DTIDCL

As per point No. 6 of GNCTD Order dated 16 August 2012 regarding transfer of BQS to DTIDCL, it has been specified that all the Court Cases related to construction and maintenance of BQSs shall be directly dealt with by the DTIDCL.

At the time of transferring the BQSs, a dispute between the Corporation and M/s Green Delhi BQS Limited (Agency) was under Arbitration. M/s Green Delhi was awarded a contract for construction of 248 BQSs on Build, Operate and Transfer basis in 2007. The Contract was later terminated (8 March 2011) by the Corporation citing breach of contract. The Agency went into Arbitration claiming construction cost of BQSs of ₹ 50.26 crore which was responded to by the Corporation by claiming pending License Fee of ₹ 33.75 crore from the Agency. Although, these BQSs were transferred to DTIDCL before 2015-16, but Arbitration Case was not transferred to DTIDCL and the Corporation continued to fight the case on its own. After considering the claims of both parties, the Arbitrator awarded (01 July 2019) a net amount of ₹ 16.51 crore (₹ 50.26 crore less ₹ 33.75 crore) payable to the Agency by the Corporation. Again, instead of transferring this liability to DTIDCL, which was against construction cost of BQSs, the Corporation approached the Hon'ble Delhi High Court against the award. The Corporation also deposited (3 February 2020) the Arbitral Award amount of ₹ 16.51 crore with the Court, which could have been paid by the DTIDCL, had the arbitral case been transferred to it timely. The

Corporation belatedly realised (January 2020) that liability in this case relates to DTIDCL and raised claim for the same. DTIDCL had not paid ₹ 16.51 crore so far (December 2022).

Thus, failure of the Corporation in following the Orders of the Government resulted in avoidable expenditure of ₹ 16.51 crore.

The Management accepted (May 2023) the Audit Observation and further stated that the matter had been taken up with DTIDCL for remitting ₹ 16.51 crore.

Recommendation 2.3: The Corporation should pursue the matter of recovery of dues and Arbitral Award amount with DTIDCL. The Corporation may take steps to transfer the legal case to DTIDCL.

2.2.5.5 Failure to augment Non-Traffic Revenue

Since the Corporation was incurring losses continuously, augmenting revenue from sources other than operations assumes considerable importance. However, Audit observed various instances where the Corporation lost opportunity to earn additional revenue through advertisements, commercial utilisation of spaces at depots, etc., as discussed in the subsequent paragraphs.

i) Contracts for Advertisements on Unipoles not finalised

As per Delhi Outdoor Advertisement Policy 2017, before displaying of any outdoor advertisement in Delhi, permission should be obtained from Municipal Corporation of Delhi. In pursuance of the same, the Corporation had got permission from North and East Delhi Municipal Corporations (NDMC & EDMC). Tenders for advertising on unipoles were floated five times between October 2016 and February 2021 but all these were cancelled due to receipt of only single bid or no bids in NDMC and EDMC areas. In this regard, Committee for revision of Reserve Price constituted (August 2016) observed that Reserve Prices fixed were on higher side. Further, views of the Advertising Agencies sought (October 2018) by the Corporation had, inter-alia, suggested adopting Revenue sharing model. However, the Corporation did not accept these suggestions.

No tenders were floated for South DMC (SDMC) areas as no permission was obtained or MOU was signed. Failure of the Corporation in finalising Advertisement Contracts for Unipoles in NDMC and EDMC resulted in loss of opportunity to earn Revenue.

Further, vigorous efforts at higher level were not made for obtaining permission of SDMC. It was finally obtained after the meeting (February 2019) of MD with Commissioner SDMC and MoU with SDMC was signed in August 2020. As per the MoU, tenders for unipoles in SDMC area were to be floated by SDMC but no tenders were floated by it. Further, tenders were floated for unipoles in other areas, however, no tenders were awarded. Besides, Management did not consider to engage any media consultant for improving revenue generation through advertisement.

The Management stated (May 2023) that tenders were not finalised due to poor response in East and North DMC areas. Further, the SDMC did not permit / allow the Corporation to tender on bus body wraps and on Unipoles despite regular correspondence. Finally, MoU was signed with SDMC on 17 August 2020.

The reply of the Management as regards poor response of bidders is not acceptable as the Corporation did not take any action on revision of Reserve Price to make Tender more attractive. Further, no other way out was explored. As regards obtaining permission from SDMC, it was obtained after considerable delay.

ii) Failure in realising Revenue for advertising through Bus Body Wraps as per Agreement

The Corporation awarded (December 2018) Contract for advertisement through Bus Body Wrap (BBW) on buses of 13 Depots falling in NDMC and EDMC areas for a period of five years and as per agreement the contract price was to enhance 10 *per cent* annually. Further, Contract for advertisement through BBW for 972 AC buses of 21 depots was awarded (January 2021) to M/s Assam Government Marketing Corporation Limited. As per the above Contracts, the billing of Monthly Licence Fee was to be based on 90 *per cent* of the fleet/buses held by the Depots. However, Audit observed that the Corporation, against the receivable amount of ₹ 98.41 lakh, recovered ₹ 73.57 lakh resulting in short realization of the Revenue by ₹ 24.84 lakh during the period from March 2020 to March 2022.

The Management stated (May 2023) that 36 buses were transferred to other Depots, rebate of three months was allowed during Covid period and 234 buses were under contract with other advertisers. The factors outlined in the reply by the Management were considered by Audit while arriving at the short recovery of ₹ 24.84 lakh.

Considering total fleet of AC and Non-AC buses available for BBW in all three areas viz. NDMC, EDMC and SDMC excluding the buses for which contracts for advertisement were entered into, the Corporation also lost the opportunity to earn Revenue of ₹ 40.57 crore[7] from 2015-16 to 2021-22 (till December 2022) on advertisement through BBW due to delay in signing MoU with SDMC and non-execution of contracts in NDMC and EDMC areas.

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[7] The potential loss of revenue was worked out by Audit based on rates at which the contract was awarded for Depots in SDMC area, which was later cancelled as permission could not be obtained.

iii) Failure to finalise proposal for installation of LED screens in Buses

The Corporation planned to install LED screens in buses to tap advertisement Revenue through it. However, proposal for installation of LED screens in Buses did not materialise due to indecision on the part of the Corporation which deprived the Corporation of additional Non-Operational Revenue.

The Management in its reply (May 2023) has not addressed this issue.

iv) Failure to augment Revenue through Commercial use of Depots, etc.

The Report of the C&AG of India for the year ending March 2015 highlighted failure of the Corporation in exploring various options for commercial use of Depots. The Corporation stated in the Action Taken Note that the work of development of Multilevel Parking at Depots/Terminals, etc., was assigned to Public Works Department (PWD) in September 2015. However, no significant progress was observed in exploring options for Commercial use of Depots as discussed below:

- The Corporation approved (January 2013) a proposal for engaging Delhi Tourism and Transportation Development Corporation Limited (DTTDC), to construct Multilevel Parking, Budget Hotel, etc. in six Depots/Terminals and an MoU was signed with DTTDC (September 2013). However, no substantial progress was made by DTTDC in accordance with the MoU. Later, the Corporation assigned the same work to PWD, however, it also could not start the work due to issues related to conversion of Leasehold land to Freehold land with DDA, etc. (2017). The Corporation subsequently engaged National Building Construction Corporation (NBCC) and MoU was signed (27 October 2020) for development of land parcels of the Corporation. However, as of December 2022, no significant progress was made.

  The Management stated (May 2023) that NBCC was engaged for the project of redevelopment of land parcel for Commercial use.

  Fact remains that considerable time was taken in engaging the Construction Agency since 2013 and work was still at initial stage as of May 2023.

- Similarly, Government approved (April 2010) redevelopment of Office Complex of the Indraprastha (IP) Depot and construction of a Multi storied Complex at IP Depot/HQ by Delhi State Industrial and Infrastructure Development Corporation Limited (DSIIDC) in order to generate Revenue through Rent on extra developed area. The proposal was approved (December 2011) by the Board and funds for the project were to be arranged by DSIIDC by leasing out the developed space to the Corporation and Government Departments. However, work on the project was not started. Land and Development Office (L&DO), Ministry of Urban and Housing Affairs, GoI, before giving NOC for the project, issued (November 2016) a demand notice amounting to ₹ 1.41 crore towards damage charges for the unauthorized construction done by the Corporation during the period from 16 January 1992 to 14 January 2015. The Corporation paid (November 2017) damage charges of ₹ 1.41 crore to L&DO.

Later, in December 2020, DSIIDC submitted a draft MoU for redevelopment of Office Complexes and Parking Areas as per Master Plan of Delhi (MPD) 2021 from its own funds, with DSIIDC and the Corporation sharing developed area in 40:60 ratio. However, the draft MoU was not signed as of May 2023.

The Management stated (May 2023) that the MoU to be signed between DTC and DSIIDC had been at final stage for re-development of Office Complex at I.P. Depot.

However, fact remains that the Corporation delayed the starting of the Project despite approval (December 2011) by the Board for construction of a Multi-storied Complex at IP Depot to earn additional Revenue. No progress had been made as of May 2023.

These projects would have benefited the Corporation by (i) generation of additional Revenue (ii) increase in bus parking space through Multi-level Bus Parking and (iii) modernisation of the Corporation Depots/Terminals. Failure of the Corporation in utilising available land for Commercial use deprived it of the possible additional Revenue.

Recommendation 2.4:

The Corporation should:

- ***maximise its potential to generate Revenue through Unipoles, Bus Body Wrap Contract and installation of LED in buses by adopting proactive approach at the highest level and minimise the delay in finalization of Tenders;***
- ***make all out efforts to complete pending projects so that its Revenue could be augmented by Commercial use of land; and***
- ***also consider appointing an expert/consultant for exploring new avenues of Advertisement Revenue.***

2.3 Other Financial matters

2.3.1 Delay in depositing PF contribution

Corporation has formed Employees Provident Fund Trust (Trust) under Employees Provident Fund Act, 1952 (EPF Act). As per section 7Q of the EPF Act, the Provident Fund contribution deducted from the salary of Employee along with Employer's contribution is to be deposited with the Trust by 15^{th} of the next month and failure to pay the dues within due date attracts payment of Interest at the rate of 12 *per cent* per annum.

Audit observed that there were considerable delays in depositing the PF contribution of Employees and its own contribution with Trust ranging from 1 day to 37 days during the period 2015-16 to 2021-22 for which the Corporation made itself liable for payment of Interest amounting to ₹ 1.79 crore. As against an amount of ₹ 1.79 crore, the Corporation had paid ₹ 25.95 lakh as Interest till December 2022 and ₹ 1.27 crore remained outstanding.

The Management accepted (May 2023) the Audit Observation and stated that delay was mainly due to shortage of funds as Grants-in-Aid from the Department was not received and it further assured for corrective action by timely deposit of the Statutory Dues.

Recommendation 2.5: The Corporation should timely deposit the Statutory Dues in order to avoid any subsequent extra Interest burden/Penalty.

2.3.2 Levy of Interest and Penalty of ₹ 63.10 crore due to availing of ineligible Input Tax Credit (ITC) for Goods and Services Tax (GST)

The Corporation received (July 2021) a summon from the Director General of GST Intelligence, Chandigarh to appear in a hearing regarding availing of ITC by it on exempted services, i.e., earning from Non-AC buses and common services such as hiring charges of staff cars, purchase of batteries, tyres and tubes, repair, etc.

The Corporation had availed of ITC amounting to ₹ 224.34 crore during 2017-18 to 2021-22 on earnings of AC/Non-AC/Hiring of buses and common services against eligibility for ₹ 39.41 crore. Out of the total ineligible ITC claimed/availed of ₹ 184.93 crore, claims of ₹ 132.33 crore were withdrawn (₹ 55 crore on September 2021, ₹ 24.73 crore in October 2021 and ₹ 52.60 crore in August 2022) and ₹ 38.47 crore was paid in April 2022. In May 2022, GST Department directed the Corporation to pay the balance ITC availed of ₹ 14.13 crore and also levied Interest and Penalty of ₹ 82.18 crore (Interest of ₹ 56.56 crore and Penalty of ₹ 25.62 crore) for wrongly availing of ineligible ITC. Thus, availing ineligible ITC by the Corporation resulted in avoidable liability of Interest and Penalty amounting to ₹ 82.18 crore which was not paid so far (December 2022) and matter was pending with the GST Department.

The Management stated (May 2023) that the GST department has forwarded (March 2023) the revised demand of ₹ 37.48 crore against Interest calculated on the reversal amount of GST and the GST payment on the other commodities. However, on cross checking, the final Interest worked out to ₹ 32.22 crore by the Corporation and the same was paid to GST Department on 15 May 2023. It further stated (August 2024) that an amount of ₹ 4.20 crore was also paid to GST Department after re-examination of the balance ITC of ₹ 14.13 crore.

The fact remains that, considering the revised demand of interest of ₹ 37.48 crore forwarded by GST Department and payment of ₹ 32.22 crore there against, the Corporation was liable to pay ₹ 30.88 crore (penalty: ₹ 25.62 crore and balance interest of ₹ 5.26 crore) to GST Department.