CHAPTER – IV

ECONOMIC SECTOR (PUBLIC SECTOR ENTERPRISES)

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ECONOMIC SECTOR (PUBLIC SECTOR ENTERPRISES)

4.1 Functioning of Public Sector Enterprises

4.1.1 Introduction

The State Public Sector Enterprises (SPSEs) consist of the State Government Companies and Statutory Corporations. The SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and the State economy. As of 31 March 2021 and 31 March 2022, there were six SPSEs (all Government companies) in Mizoram as detailed in **Table-4.1**:

Table-4.1: Total number of SPSEs as on 31 March 2021 & 2022

Type of SPSEs	Working SPSEs		Non-working SPSEs		Total	
	As of 31 March 2021	As of 31 March 2022	As of 31 March 2021	As of 31 March 2022	As of 31 March 2021	As of 31 March 2022
Government Companies[50]	5	5	1[51]	1	6	6
Total	**5**	**5**	**1**	**1**	**6**	**6**

None of these companies were listed on the stock exchange, which means that the shares of the SPSEs cannot be traded in the stock exchange. A Special Purpose Vehicle namely, Aizawl Smart City Limited (ASCL) was established[52] (November 2017) by the State Government and incorporated under the Companies Act, 2013 (March 2018). Accounts for the years 2018-19 and 2019-20 were submitted by ASCL in July 2021.

4.1.2 Investment in SPSEs

4.1.2.1 State Government's investment in SPSEs

The State's investment in its SPSEs was by way of share capital/ loans and special financial support by way of grants.

As of 31 March 2021 and 31 March 2022, the investment by the Government of Mizoram (GoM) (capital and long-term loans) in six SPSEs was ₹ 62.92 crore[53] each as detailed in **Table-4.2**.

[50] Government Companies include other companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013

[51] Pursuant to the decision taken by the Government of Mizoram to close the Company *viz*., Zoram Electronics Development Corporation Limited (ZENICS), all the assets of the Company had been transferred to Mizoram e-Governance Society (MSeGS) during 2015-16. However, the process of liquidation has not been initiated till date, therefore, necessary action needs to be taken by the Government

[52] Notification No.B.11030/114 (SPV.Est)/2017-UD&PA(SC) dated 9th November 2017.

[53] The figures of investment are provisional and as provided by the SPSEs, as none of the six SPSEs had finalised their accounts for 2020-21 & 2021-22 as of September 2021 & 2022 respectively

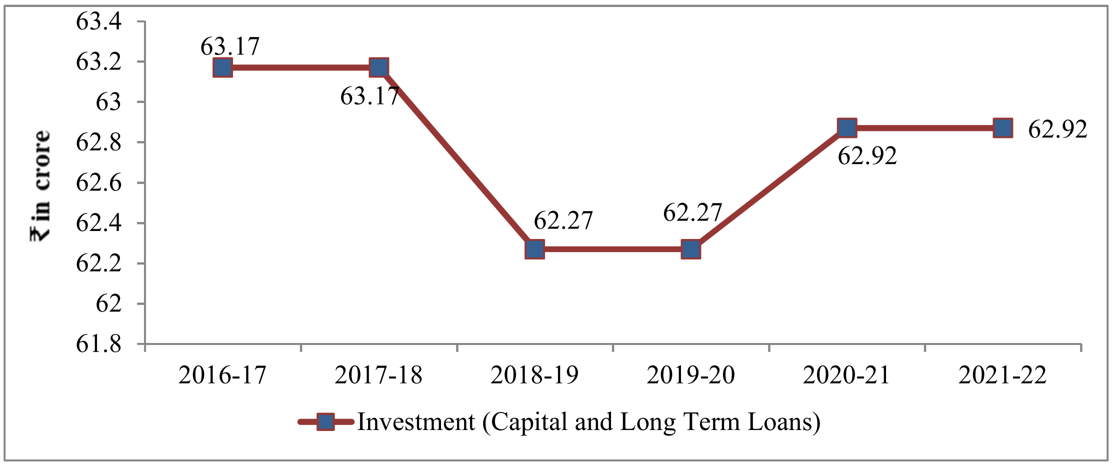
Table-4.2: Details of State's investment in SPSEs

(₹ in crore)

Investment	As of 31 March 2021		As of 31 March 2022	
	2016-17	2020-21	2017-18	2021-22
Equity Capital	52.82	53.47	52.82	53.47
Long Term Loans	10.35	9.45	10.35	9.45
Total	**63.17**	**62.92**	**63.17**	**62.92**

The State Government's investment as on 31 March 2021 and 31 March 2022 was at the same level and consisted of ₹ 53.47 crore (84.98 *per cent)* towards equity capital and ₹ 9.45 crore (15.02 *per cent*) in long-term loans as against ₹ 52.82 crore (83.62 *per cent*) towards equity capital and ₹ 10.35 crore (16.38 *per cent*) in long-term loans as on 31 March 2017 and 31 March 2018 respectively. A graphical presentation of the State Government's investment in SPSEs during the last six years (2016-17 to 2021-22) is given in **Chart-4.1**:

Chart-4.1: State's total investment in SPSEs



As can be noticed from **Chart-4.1.1** above, the State Government's investment in Public Sector Enterprises (SPSEs) over the past six years has decreased by 0.40 *per cent*, from ₹ 63.17 crore in 2016-17 to ₹ 62.92 crore as of 31 March 2022. This reduction was mainly due to a decrease of ₹ 0.90 crore in the loans to Mizoram Handloom and Handicrafts Development Corporation Limited.

During the financial years 2020-21 and 2021-22, of the six SPSEs in which the State Government had directly invested, only Zoram Infrastructure and Industrial Development Corporation Limited recorded a profit of ₹ 0.82 crore in 2020-21 and ₹ 0.98 crore in 2021-22 as per their latest finalised accounts **(Appendix-4.1.1 and 4.1.2)**. The remaining four SPSEs incurred losses. Despite its profit, Zoram Infrastructure and Industrial Development Corporation Limited did not declare any dividends. State Government has not established a policy mandating a minimum dividend payout by the SPSEs.

Over the past two financial years, the State Government's investment (historical value) in the five SPSEs has decreased by 1.52 *per cent* in 2020-21 (**Appendix 4.1.3**) and 1.74 *per cent* in 2021-22 (**Appendix 4.1.4**). According to their latest finalised accounts as of 31 March 2022, the accumulated losses of two[54] of these five SPSEs, totalling ₹ 29.45 crore, have completely eroded the State's investment in their paid-up capital, which was ₹ 25.45 crore.

4.1.2.2 Total Sector-wise investment in SPSEs

The total investment by the State Government and other stakeholders (Central Government, Holding companies, Banks, Financial Institutions, *etc.*) in SPSEs across various key economic sectors for the five-year period ending 31 March 2021 and 31 March 2022 is given in **Table-4.3**.

Table-4.3: Sector-wise details of total investments in SPSEs

(₹ in crore)

Sector	Number of SPSEs	Total Investment			
		As of 31 March 2021		As of 31 March 2022	
		2016-17	2020-21	2017-18	2021-22[55]
Agricultural Marketing	1	5.45	6.05	5.45	6.05
Financing	1	45.46	45.46	45.46	45.46
Manufacturing	2	27.23	27.23	27.23	27.23
Miscellaneous	2	11.15	10.15	11.15	10.15
Total	**6**	**89.29**	**88.89**	**89.29**	**88.89**

A five-year comparison period from 2016-17 to 2020-21 and 2017-18 to 2021-22 revealed that the combined investment of the State Government and other stakeholders in the Agricultural Marketing sector increased by ₹ 0.60 crore (11 *per cent*) due to an increase of ₹ 0.60 crore in the equity of Mizoram Agricultural Marketing Development Corporation Limited during 2020-21 and 2021-22. Similarly, investment in the Miscellaneous sector decreased by ₹ 1.00 crore (8.97 *per cent*) as a result of a decrease of ₹ 0.90 crore in the long-term loans to Mizoram Handloom and Handicrafts Development Corporation Limited, and a decrease of ₹ 0.10 crore due to the dissolution of Mizoram Mineral Development Corporation Limited.

4.1.3 Reconciliation with Finance Accounts

The records of SPSEs should match the figures listed in the State's Finance Accounts regarding outstanding equity, loans, and guarantees. If there are discrepancies, the Finance Department and the relevant SPSEs should conduct reconciliation of accounts to resolve the differences. The status of this as of 31 March 2021 and 31 March 2022 are given in **Table-4.4**.

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[54] Mizoram Agricultural Marketing Corporation Limited and Mizoram Food & Allied Industries Corporation Limited

[55] The figures of investment are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their accounts for 2020-21 and 2021-22 as of September 2022.

Table-4.4: Equity, loans, guarantees outstanding[56] as per the Finance Accounts *vis-à-vis* records of SPSEs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts		Amount as per records of SPSEs		Difference	
	2020-21	**2021-22**	**2020-21**	**2021-22**	**2020-21**	**2021-22**
Equity	6.99	6.99	53.47	53.47	46.48	46.48
Loans[57]	31.99	31.13	9.45	9.45	22.54	21.68
Guarantee	29.46	29.46	29.46	30.56	-	1.10

Source: Finance Accounts 2020-21 & 2021-22 and SPSEs' records

As on 31 March 2021, there were unreconciled differences in the figures of equity (₹ 46.48 crore) and loans (₹ 22.54 crore) between the two sets of figures. Further, as on 31 March 2022, there were unreconciled differences in the figures of equity (₹ 46.48 crore); loans (₹ 21.68 crore) and Guarantee (₹ 1.10 crore) in the three sets of figures. The differences occurred in respect of all six SPSEs where State Government had made direct investment and reconciliation of these three sets of figures has been pending for more than ten years.

The Finance Department of the State Government allocates loans to various departments for specific sectoral purposes. The loan amounts are recorded in the Finance Accounts based on the sector they are allocated to. The departments receiving the loans then distribute them to the SPSEs under their control. However, the actual details of loans received by the SPSEs from the Departments concerned and from the loans provided by the State Government, are not available in the State Finance Accounts.

Though the Principal Secretary, Finance Department, GoM as well as the Management of the SPSEs concerned were being informed regularly about the outstanding differences, and the urgency for prompt reconciliation, there has been no substantial improvement in the situation.

Recommendation: The State Government and the SPSEs concerned should take prompt and effective action to reconcile the differences in a time-bound manner.

4.1.4 Special support and guarantees to SPSEs during the year

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/ subsidies in respect of SPSEs for six years ended 2021-22 are shown in **Table-4.5**.

[56] Figures of investment (equity and loans) as per SPSE's records are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their up-to-date accounts during any of the last three years.

[57] Loans as per Finance Accounts represent the aggregate of 'Detailed Statement of Loans and Advances given by the Government' as depicted under Statement 18 to the State Finance Accounts for the respective year.

Table-4.5: Details of budgetary support to SPSEs

(₹ in crore)

Particulars	**2016-17**		**2017-18**		**2018-19**		**2019-20**		**2020-21**		**2021-22**	
	No . of SPSEs	**Amount**	**No. of SPSEs**	**Amount**	**No. of SPSEs**	**Amount**	**No. of SPSEs**	**Amount**	**No. of SPSEs**	**Amount**	**No. of SPSEs**	**Amount**
Equity Capital outgo from budget	-	-	-	-	-	-	-	-	-	-	-	-
Loans given from budget	-	-	-	-	-	-	-	-	-	-	-	-
Grants provided	4	6.88	2	5.17	2	4.54	2	5.53	3	13.49	2	6.22
Total Outgo (1+2+3)	**4**	**6.88**	**2**	**5.17**	**2**	**4.54**	**2**	**5.53**	**3**	**13.49**	**2**	**6.22**
Guarantees issued during the year	-	-	-	-	-	-	-	-	-	-	-	-
Guarantee Commitment (Cumulative)	1	24.93	1	27.34	1	28.49	1	30.60	1	29.46	1	30.56

Source: As furnished by the state SPSEs

As shown in **Table-4.5**, the State Government's budgetary support for SPSEs increased from ₹ 6.88 crore in 2016-17 to ₹ 13.49 crore in 2020-21, then decreased to ₹ 6.22 crore in 2021-22. During the past six years (2016-22), no equity capital or long-term loans were provided as budgetary support. Grants/subsidy totalling ₹ 13.49 crore (2020-21) and ₹ 6.22 crore (2021-22) were provided mainly to meet salaries and other operating expenses of the SPSEs[58].

Government of Mizoram provides guarantee under Mizoram Guarantee Act, 2011 allowing SPSEs to secure long-term loans from banks and other financial institutions. Guarantee commitments of ₹ 29.46 crore (2020-21) and ₹ 30.56 crore (2021-22) were outstanding pertaining to one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited).

4.1.5 Accountability framework

The financial statements of a company for financial years starting on or after April 1, 2014, are subject to audit under the provisions of the Companies Act, 2013. Financial statements for years starting before April 1, 2014, continue to be audited under the Companies Act, 1956. The new act brings about a more comprehensive regulatory framework, increased management responsibility, and greater professional accountability.

4.1.5.1 Statutory Audit/ Supplementary Audit

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts

[58] ZIDCO (₹ 3.71 crore); MIFCO (₹ 2.22 crore) and ASCL (₹ 7.56 crore) in 2020-21 and ZIDCO (₹ 3.89 crore) and MIFCO (₹ 2.33 crore) in 2021-22

supplementary audit of these financial statements under the provisions of Section-143(6) of the Act.

4.1.5.2 Role of Government and Legislature

The State Government oversees the operations of these SPSEs through its administrative departments and appoints the Board of Directors.

The State Legislature also monitors the accounting and usage of Government investments in the SPSEs through the examination of Annual Reports, Statutory Auditors' Reports and the comments of the CAG, which are placed before the Legislature as required by Section 394 of the Act.

4.1.6 Arrears in finalisation of accounts

The companies must finalise their financial statements within six months following the end of the fiscal year *i.e.*, by September end, in accordance with Section 96(1) of the Act. Non-compliance may result in penalties under Section 99 of the same Act. Timely completion of financial accounts is crucial for the State Government to evaluate the financial stability of the SPSEs, prevent financial inaccuracies and mismanagement. Persistent delay in the finalisation of financial accounts poses significant risks, including the potential for undetected fraud and misappropriation of public funds, as well as a violation of the provisions outlined in the Companies Act of 2013.

Details of progress made by the working SPSEs in finalisation of their annual accounts for the period 2016-17 to 2021-22 are given in **Table-4.6**.

Table-4.6: Position relating to finalisation of accounts of working SPSEs

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Number of SPSEs	6	6	6	5[59]	5[60]	5
Number of accounts finalised during current year	15	2	2	2	1	5
Number of SPSEs with arrears in accounts	6	6	6	5	6	6
Number of accounts in arrears	20	24	28	27[61]	34[62]	35
Extent of arrears in years	1 to 7	2 to 8	1 to 9	1 to 10	2 to 11	1 to 12

As shown in **Table-4.6**, the number of accounts in arrears of SPSEs has increased over the years, starting from 20 accounts in 2016-17 to 35 accounts in 2021-22. During the four years' period between 1st April 2017 and 31st March 2021, only two[63] SPSEs were able to finalise five accounts, leading to a backlog of 35 accounts as of 31 March 2022.

59 One SPSE *viz.*, M/s Mizoram Mineral Development Corporation Limited was dissolved

60 One new SPSE *viz.*, Aizawl Smart City Limited was created

61 Four Accounts in arrears in respect of M/s Mizoram Mineral Development Corporation Limited were not included due to dissolution of the Company in 2019-20

62 Two Accounts of Aizawl Smart City for the years 2018-19 and 2019-20 were submitted during 2020-21

63 During 2018-19, Zoram Infrastructure and Industrial Development Corporation Limited (2016-17) & Mizoram Handloom and Handicrafts Development Corporation Limited (2017-18). During 2019-20, Zoram Infrastructure and Industrial Development Corporation Limited (2017-18 & 2018-19) and during 2020-21, Mizoram Handloom and Handicrafts Development Corporation Limited (2018-19)

During 2020-21, only one of the five working SPSEs was able to finalise one annual account. As of 30 September 2021, none of the SPSEs had prepared their accounts for 2020-21 (**Appendix 4.1.1**). In 2021-22, three of the working SPSEs were able to finalise five annual accounts, but as of 30 September 2022, none of the SPSEs had prepared their accounts for 2021-22. The oldest accounts in arrears pertains to Zoram Electronics Development Corporation Limited (**Appendix 4.1.2**), with a total of twelve accounts in arrears since 2010-11.

The administrative departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the SPSEs within the stipulated period.

The Principal Accountant General, Mizoram had been regularly pursuing with the Chief Secretary of Mizoram and the administrative departments concerned for liquidating the arrears of accounts of SPSEs. However, the State Government and the SPSEs concerned could not address the issue to clear pendency of accounts of the SPSEs in a time-bound manner.

Recommendation: The SPSEs may get the figures of equity and loans reconciled with the State Government Departments.

4.1.7 Grants by State Government in SPSEs whose accounts are in arrears

Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. Audit analysis revealed that as on 31 March 2022, Government of Mizoram had provided Grants of ₹ 53.54 crore in five SPSEs during the years for which their accounts are still in arrears as shown in **Table-4.7**.

Table-4.7: Grants by State Government in SPSEs having accounts in arrears as of 31 March 2022

(₹ in crore)

Sl. No.	Name of PSU	Accounts finalised up to	Details of Accounts in arrears		Grants made by State Government during the period for which accounts are in arrears
			Period	Number	Grants
1.	Mizoram Agricultural Marketing Corporation Limited	2011-12	2012-13 to 2021-22	10	1.12
2.	Zoram Infrastructure and Industrial Development Corporation Limited	2020-21	2021-22	01	3.89
3.	Zoram Electronics Development Corporation Limited	2009-10	2010-11 to 2021-22	12	8.41

Sl. No.	Name of PSU	Accounts finalised up to	Details of Accounts in arrears		Grants made by State Government during the period for which accounts are in arrears
			Period	Number	Grants
4.	Mizoram Food and Allied Industries Corporation Limited	2014-15	2015-16 to 2021-22	07	32.56
5.	Aizawl Smart City Limited	2019-20	2020-21 to 2021-22	02	7.56
Total				**32**	**53.54**

Source: Information as furnished by the SPSEs

As can be seen from **Table 4.7**, three SPSEs having arrear of accounts of seven or more years received budgetary support of ₹ 42.09 crore by way of grants. In the absence of accounts and subsequent audit, it could not be ascertained whether the grants provided to five SPSEs and expenditures incurred thereagainst have been properly accounted for.

Recommendation: The Government may take special measures for expeditious settlement of arrears of accounts of the SPSEs. Until these accounts are brought up to date, the Government may contemplate withholding financial assistance to such companies.

4.1.8 Performance of SPSEs as per their latest finalised accounts

The financial position and working results of working SPSEs are detailed in **Appendix-4.1.1 and 4.1.2**. **Table-4.8** provides a comparative detail of working SPSE's turnover and State GDP for a period of six years ending 2021-22.

Table-4.8: Details of working SPSEs turnover *vis- à-vis* State GDP

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover[64]	3.77	17.58	13.87	10.78	10.78	82.19
State GDP[65]	17,192	19,385	21,912	24,990	24,712	24,807
Percentage of Turnover to State GDP	0.02	0.09	0.06	0.04	0.04	0.33

Source: Latest finalised accounts, Economics and Statistics Department

As shown in **Table-4.8**, the contribution of SPSEs turnover to the State Gross Domestic Product (GDP) has fluctuated over the years. In 2016-17, the contribution was 0.02 *per cent*, but it increased to 0.09 *per cent* in 2017-18 due to an overall increase in SPSEs turnover from ₹ 3.77 crore to ₹ 17.58 crore (366.31 *per cent*).

However, the contribution of SPSEs turnover to the State GDP decreased from 0.09 *per cent* in 2017-18 to 0.04 *per cent* in 2020-21, as the overall turnover decreased from ₹ 17.58 crore to ₹ 10.78 crore. The decrease in turnover was mainly due to a decrease in the turnover of Zoram Infrastructure and Industrial Development

[64] Turnover of working SPSEs as per their latest finalised accounts
[65] Information furnished by the Directorate of Economics and Statistics, GoM

Corporation Limited, which decreased by ₹ 3.09 crore (24.12 *per cent*) from ₹ 12.81 crore in 2018-19 to ₹ 9.72 crore in 2020-21.

On the other hand, the contribution of SPSEs turnover to the State GDP increased again in 2021-22 to 0.33 *per cent*, due to the overall increase in turnover from ₹ 10.78 crore to ₹ 82.19 crore. This was mainly due to an increase in the turnover of Zoram Infrastructure and Industrial Development Corporation Limited by ₹ 71.69 crore (737.55 *per cent*) from ₹ 9.72 crore in 2020-21 to ₹ 81.41 crore in 2021-22.

4.1.8.1 Key parameters

Some other key parameters of SPSEs performance as per their latest finalised accounts as on 30 September of the respective years are given in **Table-4.9** below.

Table-4.9: Key Parameters of SPSEs

(₹ in crore)

Particulars	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Debt	30.68	30.68	31.87	31.87	31.87	74.85
Turnover[66]	3.77	17.58	13.87	10.78	10.78	82.19
Debt/ Turnover Ratio (DTR)	8.14:1	1.75:1	2.30:1	2.96:1	2.96:1	0.91:1
Interest Payments	0.02	0.02	0.02	0.02	0.02	0.02
Accumulated losses	62.09	59.14	57.10	54.89	55.18	56.28

Source: Latest finalised accounts

Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can be a signal of having too much of debt against the income of SPSEs from core activities. Thus, SPSEs having lower Debt Turnover Ratio (DTR) are more likely to comfortably manage their debt servicing and repayments.

SPSE Debt

As shown in **Table-4.9**, debt of the SPSEs have risen significantly over the past six years. In 2016-17, the debt was ₹ 30.68 crore, and it increased by 3.88 *per cent* to ₹ 31.87 crore in 2020-21. In the following year, the debt rose again by 134.86 *per cent* to ₹ 74.85 crore, primarily due to the debt of Aizawl Smart City Limited, which stands at ₹ 44.98 crore.

In addition, turnover of the SPSEs has also seen substantial growth, from ₹ 3.77 crore in 2016-17 to ₹ 82.19 crore in 2021-22. This has resulted in an improvement in the DTR over the past six years, from 8.14:1 in 2016-17 to 0.91:1 in 2021-22. Furthermore, the accumulated losses of the SPSEs recorded marginal decrease of ₹ 5.81 crore (9.36 *per cent*) from ₹ 62.09 crore in 2016-17 to ₹ 56.28 crore in 2021-22.

4.1.8.2 Erosion of capital due to losses

As of 30 September 2021 **(Appendix-4.1.1)**, the paid-up capital and accumulated losses of six working SPSEs were ₹ 58.73 crore and ₹ 55.18 crore respectively as per

66 Turnover of working SPSEs as per the latest finalised accounts as on 30 September of the respective year

their latest finalised accounts. As of 30 September 2022 **(Appendix-4.1.2)**, these figures were ₹ 58.47 crore and ₹ 56.28 crore, respectively.

During 2020-21, the Return on Equity[67] (RoE) of three working SPSEs[68] was (-) 27.83 *per cent* as per their latest finalised accounts. The accumulated losses of two SPSEs, which amounted to ₹ 27.34 crore, has completely eroded their paid-up capital of ₹ 25.72 crore as detailed in **Table-4.10**:

Table-4.10: SPSEs with primary erosion of paid-up capital

(₹ in crore)

Sl. No.	Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated loss
1.	Mizoram Agricultural Marketing Corporation Limited	2010-11	5.72	6.43
2.	Mizoram Food and Allied Industries Corporation Limited	2014-15	20.00	20.91
	Total		**25.72**	**27.34**

Source: Latest finalised accounts of SPSEs

In 2021-22, the RoE of three working SPSEs[69] was (-) 26.82 *per cent* as per their latest finalised accounts. The accumulated losses of two SPSEs, which amounted to ₹ 29.45 crore, has completely eroded their paid-up capital of ₹ 25.45 crore as detailed in **Table-4.11**:

Table-4.11: SPSEs with primary erosion of paid-up capital

(₹ in crore)

Sl. No.	Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated loss
1.	Mizoram Agricultural Marketing Corporation Limited	2011-12	5.45	8.54
2.	Mizoram Food and Allied Industries Corporation Limited	2014-15	20.00	20.91
	Total		**25.45**	**29.45**

Source: Latest finalised accounts of SPSEs

The continued losses incurred by the SPSEs have resulted in a significant depletion of public assets, raising serious concerns. In light of this, it is imperative for the State Government to re-evaluate the functioning of these SPSEs and take necessary measures to either enhance their financial viability or shut down their operations if deemed necessary.

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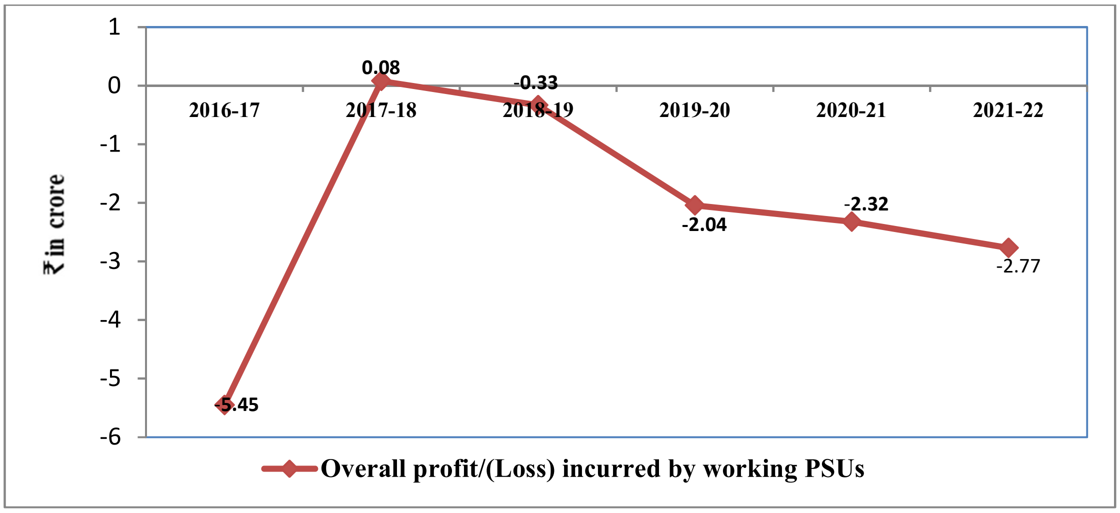
67 Return on Equity = Net Profit after taxes *less* preference dividend ÷ Shareholders' Fund/ Equity; Where, Shareholders' Fund/ Equity represents 'Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

68 Zoram Infrastructure and Industrial Development Corporation Limited (ZIDCO), Zoram Electronics Development Corporation Limited (ZENICS) and Mizoram Handloom and Handicrafts Development Corporation Limited (ZOHANCO)

69 ZIDCO, ZENICS and ZOHANCO

The overall status of profit or loss incurred by the working SPSEs from 2016-17 to 2021-22, as per their latest finalised accounts as on 30 September of the respective years, is depicted in **Chart-4.2**:

Chart-4.2: Overall profit (+)/ losses (-) of working SPSEs[70]



It can be seen from **Chart-4.2** above that during the past six years, all SPSEs combined have earned profits only once in 2017-18 (₹ 0.08 crore). In the remaining five years, they incurred losses ranging from ₹ 5.45 crore (2016-17) to ₹ 2.77 crore (2021-22). Profits during 2017-18 were mainly due to the combined profits of ₹ 2.94 crore by Zoram Infrastructure and Industrial Development Corporation Limited (₹ 1.66 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 1.28 crore).

During 2020-21 and 2021-22, Zoram Infrastructure and Industrial Development Corporation Limited was the only SPSE out of the six to earn a profit, with ₹ 0.82 crore and ₹ 0.98 crore respectively. The remaining four SPSEs incurred total losses of ₹ 3.14 crore in 2020-21 and ₹ 3.75 crore in 2021-22. Details of major contributors to profits and losses are given in **Tables-4.12** and **4.13**.

Table-4.12: Major Contributors to profits and losses of working SPSEs during 2020-21

(₹ in crore)

Name of SPSE	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to profit		
Zoram Infrastructure and Industrial Development Corporation Limited	2018-19	(+) 0.82
Contributors to losses		
Mizoram Food and Allied Industries Corporation Limited	2014-15	(-) 1.59
Mizoram Agricultural Marketing Corporation Limited	2010-11	(-) 1.02

70 As per the latest finalised accounts as on 30 September of the respective years

Table-4.13: Major Contributors to profits and losses of working SPSEs during 2021-2022

(₹ in crore)

Name of SPSE	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to profit		
Zoram Infrastructure and Industrial Development Corporation Limited	2020-21	(+) 0.98
Contributors to losses		
Mizoram Agricultural Marketing Corporation Limited	2011-12	(-) 1.63
Mizoram Food and Allied Industries Corporation Limited	2014-15	(-) 1.59

Pursuant to the decision taken by the Government of Mizoram to close the Company *viz*., Zoram Electronics Development Corporation Limited (ZENICS), all the assets of the Company had been transferred to Mizoram e-Governance Society (MSeGS) during 2015-16. However, the process of liquidation has not been initiated till date, therefore, necessary action needs to be taken by the Government.

4.1.8.3 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed. ROCE is an important decision metric for long term lenders. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[71].

During 2020-21, the overall capital employed in six working SPSEs as per their latest accounts was ₹ 35.42 crore. The percentage of ROCE of the SPSEs ranged from (-) 72.46 *per cent* (Mizoram Agricultural Marketing Corporation Limited) to (+) 2.68 *per cent* (Zoram Infrastructure and Industrial Development Corporation Limited[72]). Further, out of six SPSEs, one SPSE[73] had negative capital employed and hence, their percentage of ROCE was not workable **(Appendix-4.1.1).**

During 2021-22, the overall capital employed in six working SPSEs as per their latest accounts was ₹ 77.04 crore. The percentage of ROCE of the SPSEs ranged from (-) 37.50 *per cent* (Zoram Electronics Development Corporation Limited) to (+) 3.32 *per cent* (Zoram Infrastructure and Industrial Development Corporation Limited[74]). Further, out of six SPSEs, two SPSEs[75] had negative capital employed and, the percentage of ROCE of three SPSE[76] was not workable **(Appendix-4.1.2).**

4.1.9 Return on Investment on the basis of Present Value of Investment

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting

71 Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure
72 The only SPSE with positive ROCE
73 Serial No. 4 of ***Appendix-4.1.1***
74 The only SPSE with positive ROCE
75 Serial No. 3 & 5 of ***Appendix-4.1.2***
76 ASCL did not have any profit/loss for the year, hence, ROCE could not be worked out

them for their time value. To determine the RORR on Government investment in the State SPSEs, the investment of State Government in the form of equity, interest free loans and grants/ subsidies given by the State Government for operational and management expenses less the disinvestments (if any), has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) of the SPSEs by the sum of the PV of Government investment.

In 2020-21 and 2021-22, out of the six SPSEs where State Government had made direct investment, four incurred losses while only one[77] earned profit (**Appendix-4.1.1** and **Appendix-4.1.2**). Based on return of historical value, the State Government's investment eroded by 1.52 *per cent* and 1.74 *per cent* respectively. On the other hand, as per the RORR where the PV of investment is considered, the State Government's investment eroded by 1.10 *per cent* and 1.28 *per cent* in 2020-21 and 2021-22 respectively (**Appendix-4.1.3** and **Appendix-4.1.4**). The variation in the investment erosion percentage was due to the adjustment of the investment amount for the time value of money.

4.1.10 Audit Comments on Annual Accounts of SPSEs

During October 2020 to September 2021, five[78] working companies submitted eight audited accounts to the Principal Accountant General, Mizoram. However, none of these accounts could be finalised during 2020-21. Only one[79] account from the previous year was finalised during 2020-21. Details of aggregate monetary value of the comments made by the statutory auditors and the CAG are listed in **Table-4.14**.

Table-4.14: Audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21	
		No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	0.10
2.	Increase in loss	1	10.01	1	42.15
3.	Non-disclosure of material facts	1	4.59	1	16.76
4.	Errors of classification	-	-	-	-

Source: As per latest finalised annual accounts of SPSEs

CAG had issued qualified opinion on the accounts of Mizoram Handloom and Handicrafts Development Corporation for the year 2018-19. The statutory auditor also had provided a similar qualified opinion.

During October 2021 to September 2022, only one[80] working company had forwarded one audited accounts to the Principal Accountant General, Mizoram, for which 'Non-

[77] Zoram Infrastructure and Industrial Development Corporation Limited

[78] Mizoram Agricultural Marketing Corporation Limited (2011-12); Zoram Infrastructure and Industrial Development Corporation Limited (2019-20); Mizoram Food and Allied Industries Corporation Limited (2015-16 to 2018-19); Aizawl Smart City Limited (2018-19 & 2019-20)

[79] Mizoram Handloom and Handicrafts Development Corporation Limited (2018-19)

[80] Zoram Infrastructure and Industrial Development Corporation Limited (2020-21)

Review Certificate' was issued. Four[81] accounts that were received in previous years were finalised during 2021-22. Details of aggregate monetary value of the comments made by the statutory auditors and CAG are listed in **Table-4.15**.

Table-4.15: Audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	0.10	-	-
2.	Increase in loss	1	10.01	1	42.15	1	21.34
3.	Non-disclosure of material facts	1	4.59	1	16.76	2	2.61
4.	Errors of classification	-	-	-	-	3	14.87

Source: As per latest finalised annual accounts of SPSEs

CAG had issued Non-Review Certificate to Zoram Infrastructure and Industrial Development Corporation Limited for the year 2020-21 and qualified opinion on the accounts of Zoram Infrastructure and Industrial Development Corporation Limited for the year 2019-20. The statutory auditor also had given similar qualified opinions.

Audit reports from the statutory auditors appointed by the CAG, as well as the supplementary audit conducted by the CAG revealed a significant need for improvement in the quality of maintenance of accounts and compliance to Accounting Standards.

4.1.10.1 Gist of some of the important comments of the statutory auditors and CAG in respect of accounts of the SPSEs are as follows:

(i) Mizoram Handloom and Handicrafts Development Corporation Limited (2017-18)

- The Company completed the construction of a building in Thenzawl during the 2013-14 fiscal year, using capital grants of ₹ 60.00 lakh received from the Government of India under the Assistance to States for Development of Export Infrastructure and other Allied Activities (ASIDE) scheme. The total cost of construction was ₹ 58.17 lakh. Although the building was completed in 2013-14, only a portion of its cost of ₹ 0.10 lakh was transferred to "Fixed Assets - Building" (Note 5). The balance of ₹ 58.07 lakh was kept under "Capital Work in Progress" without being depreciated. Additionally, the depreciation of ₹ 0.02 lakh charged to revenue over five years (2014-15 to 2018-19) on the accounted value of the grant Asset (₹ 0.10 lakh) was not recovered from the ASIDE grant, which is contrary to the provisions of Accounting Standard-12.

- As of 31 March 2019, the Company's inventories amounting to ₹ 35.41 lakh and the net book value of its "Plant & Machinery" (after depreciation) amounting to ₹ 0.90 lakh were not physically present and had no actual value. Despite this, the

[81] Mizoram Agricultural Marketing Corporation Limited (2011-12); Zoram Infrastructure and Industrial Development Corporation Limited (2019-20); Aizawl Smart City Limited (2018-19 & 2019-20)

Company has neither recognised the loss related to these non-existent assets nor disclosed it in the "Notes to Accounts".

➢ As of 31 March 2019, the bank account with State Bank of India, Aizawl Main Branch had already been closed on 28 June 2018, and had a balance of "nil" on the Balance Sheet date. Despite this, the Company showed a balance of ₹ 4.72 lakh in its accounts, leading to an overstatement of Current Assets.

➢ During the year 2018-19, the Company wrote off Cash balance aggregating ₹ 16.76 lakh related to different Emporia and Sales outlets in the Profit and Loss Account as Extraordinary items (Schedule 20). However, the write-off was not authorised by the competent authority.

(ii) Zoram Infrastructure and Industrial Development Corporation Limited (2019-20)

➢ The Company received a total of ₹ 3.91 crore in capital grants from the Government of India and Government of Mizoram for the construction of an infrastructure development center. The project was completed in 2008 at a cost of ₹ 3.40 crore and handed over in 2016. The remaining unutilised grants of ₹ 0.51 crore should be shown under "Other Current Liabilities" as "Unutilised Grants refundable to the GoI/ GoM." On the contrary, the Company has wrongly recognised the Project Asset (IIDC) as its own Assets in the Balance Sheet under 'Fixed Assets-Office Buildings (Note-5)' at actual cost (₹ 3.40 crore) and charged depreciation thereon amounting to ₹ 0.60 crore as of 31 March 2020. This has resulted in (i). overstatement of 'Capital Grant GoI/ GoM (IIDC Zote)' by ₹ 3.91 crore, understatement of 'Unutilised Grants refundable to GoI/ GoM' by ₹ 0.51 crore with corresponding overstatement of 'Other Current Liabilities' by ₹ 3.40 crore (net); (ii) overstatement of Fixed Assets-Office Buildings (net block) by ₹ 2.80 crore and 'accumulated depreciation as on 31 March 2020 by ₹ 0.60 crore with corresponding overstatement of 'accumulated losses' (Note-2) by ₹ 0.60 crore.

➢ The Company showed Unsecured Advances - Investment Call Centre amounting to ₹ 1.00 crore under the head Current Assets - Short Term Loans and Advances (Note-4) which represents the capital expenditure incurred by the Company on setting up the Call Centre, which was closed in July 2009. This has resulted in overstatement of the above head by ₹ 1.00 crore with corresponding overstatement of 'Profit for the year' to the same extent.

➢ The Company has defaulted in repayment of interest accrued and due to National Minorities Development & Finance Corporation (NMDFC) and Housing and Urban Development Corporation (HUDCO) amounting to ₹ 19.78 crore as on 31 March 2020.

➢ The Company included ₹ 0.16 crore as Soft Seed Capital under the head Secured on Tangible Assets in the Balance Sheet representing the short term advances paid to the ex-servicemen pending for recovery since 1990. Since chances of recovery of these advances are remote, the same should have been provided for in the Accounts.

This has resulted in overstatement of the above head by ₹ 0.16 crore with corresponding overstatement of 'Profit for the year' to the same extent.

(iii) Mizoram Agricultural Marketing Corporation Limited (2011-12)

- Depreciation (Note 9) amounting to ₹ 45.48 lakh included cost of Cold Storage received as Grants-in-Aid from the Government of Mizoram at a book value of ₹ 67.58 lakh in the year 1995. The cold storage was not operating since inception *i.e.*, prior to 1994 and the chances of operating the plant are also remote. Neither did the Company take any action to revive the plant nor declare the plant as obsolete during the last twenty years. This fact was neither reported by the statutory auditors in their report nor disclosed in the 'Notes to Accounts'.

- An amount of ₹ 1.10 crore was shown under Capital Work-in-progress: Building under construction (MIS) in the Annual Accounts since the year 2007-08. Vouchers and other necessary papers relating to construction under MIS scheme were not produced to audit. The present status of the building was not disclosed properly in the 'Notes to Accounts'.

(iv) Aizawl Smart City Limited (2018-19)

- The Company accounted ₹ 1.38 crore as Office Expenses – UD & PA Directorate under the head – Office & Administrative Expenses (Note-11) in the Balance Sheet which includes ₹ 11.28 lakh (₹ 11.12 lakh and ₹ 0.16 lakh) being expenditure incurred by the Directorate (Urban Development & Poverty Alleviation) which is the parent department of the Company. However, vouchers in support of the expenses were not available. As such, audit could not verify the expenditures.

(v) Aizawl Smart City Limited (2019-20)

- Interest earned on Grants-in-Aid (GIA-Central) parked in bank during the financial year 2019-20 by the Company was ₹ 1.65 crore. This was accounted under Non-current liabilities (Other long term liabilities).

Since all interest or other earnings against Grants-in-Aid or advances (other than reimbursement) released to any Grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts, the interest earned on Grants-in-Aid corpus should have been accounted under Current liabilities.

This resulted in understatement of Current liabilities (Other Current Liabilities) by ₹ 1.65 crore and overstatement of Non-current liabilities (Other long term liabilities) by the same amount.

COMPLIANCE AUDIT PARAGRAPH

AIZAWL SMART CITY LIMITED

4.2 Extra expenditure

There was extra expenditure of ₹ 19.55 crore due to award of contract on nomination basis at a higher rate without call of tender and acceptance of the same item of materials at different rates. Further, there was non-recovery of mobilisation advance of ₹ 17.72 crore and accrued interest of ₹ 3.54 crore.

As per paragraph 14.1 of the Central Public Works Department (CPWD) Works Manual 2014 (adopted by the Government of Mizoram), tenders should be normally called for all works costing more than ₹ 50,000. Paragraph 15.2.2 of the Manual provides that the tenders shall be invited under Two/ Three envelope system for works costing over ₹ 20 crore. Further, as per Paragraph 4.1 of CPWD Works Manual 2019, normally tenders should be called for all works. In case the work is to be awarded expeditiously, the precise reasons should be recorded by the Engineer -in- Charge before dispensing with call of tenders. Also, as per Circular No. 06/07/18 of 11 July 2018 read with Order No.23/7/07 of 05 July 2007 of the Central Vigilance Commission, award of contracts/ projects on nomination basis without adequate justification amounts to a restrictive practice eliminating competition, fairness, equity and a breach of Article 14 of the Constitution which provides for right to equality.

Test check (March 2022) of records of the Chief Executive Officer, Aizawl Smart City Limited (ASCL), Aizawl revealed that an amount of ₹ 196 crore was sanctioned during the period between 01 September 2015 and 21 February 2022 by the Ministry of Urban Development/ Ministry of Housing and Urban Affairs, Government of India for development of Aizawl as Smart City by undertaking different projects including Integrated Command & Control Centre (ICCC) at a contract value of ₹ 101.21 crore.

On scrutiny of the execution of the ICCC project, the following irregularities were observed:

A. Award of work on nomination basis without call of tender resulted in extra expenditure of ₹ 19.21 crore

Bharat Electronics Limited (BEL) proposed (26 November 2018) to the Joint Secretary, (Mission Director Smart Cities), Ministry of Housing & Urban Affairs (MoHUA), Government of India (GoI) to enter into Memorandum of Understanding (MoU) with Smart Cities Projects of North Eastern States to explore the possibility of development of ICCC (Smart City) Projects in the North East. The Director (Smart Cities Division), MoHUA, GoI while forwarding the BEL proposal, requested (26 November 2018) the Chief Executive Officer, Aizawl Smart City Limited (ASCL) to consider Memorandum of Understanding (MoU) with BEL based on the City's and the State Government plan for development of ICCC in the Aizawl Smart City project and fixed the proposed schedule of ceremony for signing the MoU on 01 December 2018.

However, BEL prepared the initial preliminary commercial proposal of ₹ 140.65 crore and submitted it to ASCL on 18 February 2019 without the support of technical proposal, and hence ASCL requested BEL to give presentation on 21 August 2019. A comprehensive technical proposal and Bill of Materials (BoM) without pricing were again submitted by BEL on 01 October 2019 which was rejected (25 November 2019) by the technical committee established by ASCL to supervise the implementation of ICCC project in Aizawl City. Further, the technical committee of ASCL for ICCC also could not accept BEL's revised proposed BoMs of ₹ 125.27 crore (5 December 2019), ₹ 115.24 crore (25 February 2020) and ₹ 106.09 crore (5 March 2020). However, after negotiation, the State Government approved (20 March 2020) the revised BEL proposal for ICCC project of Aizawl city at ₹ 101.03 crore.

Meanwhile, M/s WAPCOS Limited, the Project Management Consultant (PMC) of ASCL, in consortium with Vayam Technologies Limited, also prepared and submitted (12 March 2020) the BoM based on market survey[82] for the ICCC project of Aizawl city at ₹ 81.82 crore but this was not considered by the ASCL or the State Government for determination of the project cost. Therefore, ASCL entered into an agreement on 31 March 2020 with BEL at the project cost of ₹ 101.03 crore excluding the applicable Goods and Services Tax (GST) without call of tender on nomination basis and also without considering their PMC's assessed project cost of ₹ 81.82 crore. Thus, award of work without call of tender on nomination basis and by ignoring the PMC's proposal resulted in extra expenditure of ₹ 19.21 crore (₹ 101.03 crore *minus* ₹ 81.82 crore) on ICCC project of Aizawl city.

The matter was brought to the notice of the management of the firm, Department and Government (January 2023). The Government while agreeing with the Audit observation stated (February 2023) that MoU was entered with BEL as it is a GoI entity already associated with similar ICCC projects under Smart City Mission due to urgency and limited time for completion of the project. BoM submitted by the PMC was based on market survey without considering the GST, price escalation and contingencies, *etc.* The reply of the Government is not acceptable as the action of the firm in dispensing the tender process ruled out competitors.

B. Rate difference of same items in the price schedule of the contract agreement resulted in extra expenditure to the tune of ₹ 0.34 crore

Scrutiny of the price schedule in the contract agreement revealed that the following same items with same configuration from the same manufacturer were charged at different rates as shown in **Table -4.16**.

[82] As the rates for the items of works are not available in the Schedule of Rates, Government of Mizoram

Table-4.16: Statement showing extra payment

Sl. No.	Sl. No. of the price schedule in the agreement	Description of materials	Quantity (in Nos.)	Original Equipment Manufacturer	Unit Price (in ₹)	Unit price difference (in ₹)	Extra payment due to price difference (in ₹)
	(1)	(2)	(4)	(5)	(6)	(7)	(8) = (7)*qty.
1.	1.5	UPS 2 kVA with 4 Hr Back Up on 50 *per cent* Load	45	Microtek/ Eaton/ Delta/Numeric	77,510	29,810 on 45 nos.	13,41,450
2.	6.3	UPS 2 kVA with 4 Hr Back Up on 50 *per cent* Load	5	Microtek/ Eaton/ Delta/Numeric	47,700		
3.	1.8	Ruggedised Industrial Switches 8 Port POE with 2x IG SFP port with SFP	65	Allied Telisis/ Trendnet/ Arista/ Rad/ CISCO	1,93,775	24,990 on 65 nos.	16,24,350
4.	6.2	Ruggedised Industrial Switches 8 Port POE with 2x IG SFP port with SFP	5	Allied Telisis/ Trendnet/ Arista/ Rad/ CISCO	2,60,850	92,065 on 5 Nos.	4,60,325
5.	4.11	Ruggedised Industrial Switches 8 Port POE with 2x IG SFP port with SFP	11	Allied Telisis/ Trendnet/ Arista/ Rad/ CISCO	1,68,785	--	--
Total							**34,26,125**

From the above **Table-4.16**, it can be seen that the contractor was paid extra amount of ₹ 0.13 crore in respect of 45 Nos. of 2 kVA UPS with 4 hour back up on 50 *per cent* load and ₹ 0.21 crore in respect of 70 Nos. of Ruggedised Industrial Switches 8 Port POE with 2x IG SFP port with SFP. As a result, there was extra payment of ₹ 0.34 crore calculated based on the minimum unit price of the same items excluding 12 *per cent* GST paid over and above the price schedule as per the price schedule included in the agreement.

From the running account bill number 15, it was observed that the contractor BEL was paid in full based on the above unit price including the above items except serial no. five of **Table-4.16** which was not yet paid.

The matter was brought to the notice of the management of the firm, Department and Government (January 2023). The Government stated (February 2023) that ₹ 0.17 crore was fully recovered and any further payments shall be made on the lowest price to avoid extra expenditure but the reply was silent on the recovery of the balance amount of ₹ 0.17 crore (₹ 0.34 crore-₹ 0.17 crore).

C. Non-recovery of mobilisation advance paid of ₹ 17.72 crore and accrued interest - ₹ 3.54 crore

As per Clause No. 10 of Section A of the Contract Agreement between ASCL and BEL 20 *per cent* mobilisation advance *plus* 100 *per cent* applicable GST against submission of 100 *per cent* Bank Guarantee from any Nationalised or Scheduled Commercial Bank is payable to the contractor.

Central Vigilance Commission vide O.M. No. 4CC-1-CTE-2 dated 10 April 2007 stated that the provision of mobilisation advance should essentially be need-based. If the management feels its necessity in specific cases to provide interest free mobilisation advance, it should be clearly stipulated in the tender document and its recovery should be time-based and not linked with progress of work. The amount of mobilisation advance; interest to be charged, if any, and its recovery schedule and any other relevant detail should be explicitly stipulated in the tendered document upfront.

Paragraph 32.5 of CPWD Works Manual 2014 provides for grant of mobilisation advance of 10 *per cent* of the tendered amount with simple interest at the rate of 10 *per cent*. Recovery should be commenced after 10 *per cent* of the works is completed and the entire amount together with interest by the time 80 *per cent* of the works is completed.

During scrutiny of records of the Chief Executive Officer, ASCL it was observed that though the project was not put to tender, as per Clause 10 of the contract agreement signed between ASCL and BEL on 31 March 2020, mobilisation advance of 20 *per cent plus* 100 *per cent* applicable Goods and Service Tax (GST) was payable to BEL. However, there is no provision in the agreement on interest free mobilisation advance.

ASCL paid a mobilisation advance of ₹ 17.72 crore to BEL on 31 March 2020 *i.e.,* on the day of signing the contract agreement. Since there was no provision on levy of interest in the terms of the contract on the mobilisation advance paid, the Chief Executive Officer, ASCL on 18 May 2020 informed BEL that a simple interest of 10 *per cent* per annum on ₹ 17.72 crore (Mobilisation Advance) would be imposed on their invoice as per Section 32.5 of the CPWD Works Manual without any stipulated time schedule for recovery of the mobilisation advance paid as well as the interest.

It was, however, observed in Audit that though physical progress of the works was 78 *per cent*, no recovery was made on the mobilisation advance of ₹ 17.72 crore in the running account bill accounts from one to 15 even though payment of ₹ 25.21 crore was made during the period between 31 March 2021 and 24 November 2021.

The interest leviable for two years from April 2020 to March 2022 works out to ₹ 3.54 crore to the rate of 10 *per cent* on 17.72 crore per annum for two years. Thus, there was non-recovery of mobilisation advance of ₹ 17.72 crore and accrued interest of ₹ 3.54 crore leviable but not levied as of March 2022. However, this accrued interest of ₹ 3.54 crore is also susceptible to loss as there was no provision in the contract agreement for its recovery.

The matter was brought to the notice of the management of the firm, Department and Government (January 2023). The Government stated (February 2023) that the term mobilisation advance was erroneously inserted in payment terms of the contract while the intention was an advance. The reply of the Government is in violation of the terms of the contract agreement as well as the Chief Executive Officer, ASCL letter dated 18 May 2020 on levy of simple interest.

Thus, it can be concluded from the above that there was extra expenditure of ₹ 19.55 crore due to award of contract/ project on nomination basis without call of tender and acceptance of the same items with same configuration from the same manufacturer at different rates. Further, there was non-recovery of mobilisation advance of ₹ 17.72 crore paid to the contractor and accrued interest of ₹ 3.54 crore.

Recommendation: Responsibility may be fixed for awarding the contract on nomination basis which resulted in extra expenditure.

[113] 32 vehicles category/ class was not specified and thus the tax leviable was also not calculated