

CHAPTER IV: ECONOMIC SECTOR
(State Public Sector Enterprises)

CHAPTER IV: ECONOMIC SECTOR (STATE PUBLIC SECTOR ENTERPRISES)

4.1 Functioning of State Public Sector Enterprises

4.1.1 Introduction

The State Public Sector Enterprises (PSEs) consist of State Government Companies and Statutory Corporations. The PSEs are established to carry out activities of commercial nature and occupy an important place in the State economy. As on 31 March 2024, there were 18 PSEs (including one non-working) in Tripura. The details of the PSEs in Tripura as on 31 March 2024 are given in **Table 4.1.1**.

Table 4.1.1: Total number of PSEs as on 31 March 2024

Type of PSEs	Working PSEs	Non-working PSEs ¹²⁴	Total
Government Companies ¹²⁵	16	1 ¹²⁶	17
Statutory Corporations	1	-	1
Total	17	1	18

None of these PSEs were listed on the Stock Exchange. During the year 2023-24, two¹²⁷ new PSEs were incorporated and no existing PSE was closed down.

4.1.2 Investment in PSEs

4.1.2.1 State Government's investment in PSEs

The position of the State's investment in the State PSEs by way of share capital and long term loans as on 31 March 2024 has been depicted in **Table 4.1.2**.

Table 4.1.2: Details of State's total investment¹²⁸ in PSEs

(₹ in crore)

Particulars	Working PSEs		Non-working PSEs	Total
	Companies	Statutory corporation	Companies	
Equity	1,561.38	163.96	0.04	1,725.38
Long-term loans	329.46	-	-	329.46
Total Investment	1,890.84	163.96	0.04	2,054.84

The State Government's investment (₹ 2,054.84 crore) as on 31 March 2024 consisted of 83.97 per cent towards capital and 16.03 per cent in long-term loans as against the investment of ₹ 1,714.35 crore as on 31 March 2020 consisting of 87.96 per cent

¹²⁴ Non-working PSEs are those which have ceased to carry on their operations.

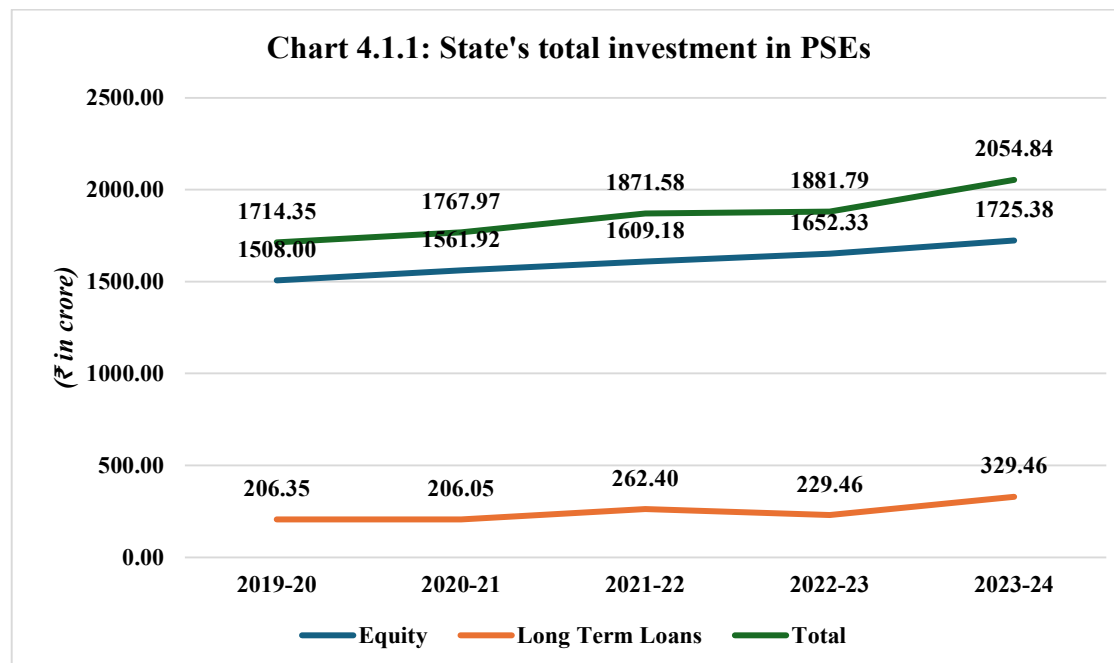
¹²⁵ Government companies include Other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

¹²⁶ Tripura State Bank Limited

¹²⁷ Tripura Nature Trails and Resort Limited (incorporated on 21 November 2022) and Tripura Power Transmission Limited (incorporated on 19 January 2023).

¹²⁸ Investment figures are provisional and as provided by the PSEs excepting three PSEs (Serial No. A.9, A.10, A.11 and A.16 of **Appendix 4.1.1**), investment figures for which have been adopted from their finalised accounts for 2023-24.

(₹ 1,508.00 crore) towards capital and 12.04 per cent (₹ 206.35 crore) in long-term loans. A graphical presentation of State Government investment in PSEs during last five years (2019-20 to 2023-24) has been given in **Chart 4.1.1**.



As can be seen from **Chart 4.1.1** that, the State Government's investment in PSEs during last five years showed an increasing trend. The State's investment grew by 19.86 per cent (₹ 340.49 crore) from ₹ 1,714.35 crore in 2019-20 to ₹ 2,054.84 crore in 2023-24.

During 2023-24, out of 15¹²⁹ working PSEs where State Government had made direct investment, 10 PSEs incurred loss (₹ 365.27 crore) and 5 PSEs earned profit (₹ 1.44 crore) as per their latest finalised accounts (**Appendix 4.1.1**). None of the five profit making PSEs had declared any dividend. There was no recorded information about the existence of any specific policy of the State Government regarding payment of dividend by the PSEs.

The State Government's investment (historical value) in PSEs had eroded by 12.28 per cent in 2023-24, and the accumulated losses (₹ 1,433.56 crore¹³⁰) of four PSEs¹³¹ had completely eroded the State's investment (₹ 845.99 crore) in their paid-up capital, as per their latest finalised accounts. In addition, accumulated losses (₹ 0.01 crore) of one PSE (Tripura Power Transmission Limited) had completely eroded its paid up capital (₹ 0.01 crore), which was fully contributed by its holding company (Tripura State Electricity Corporation Limited).

¹²⁹ Excluding Tripura Natural Gas Company Limited (profit earned: ₹ 40.91 crore) and Tripura Power Transmission Limited (loss incurred: ₹ 0.01 crore), which had no direct equity investment from the State Government.

¹³⁰ Net after adjusting the Free Reserves (₹ 61.07 crore) of PSE at Serial No. A9 of **Appendix 4.1.1**

¹³¹ Serial No. A6, A9, A15 and B1 of **Appendix 4.1.1**

4.1.2.2 Total Sector-wise investment in PSEs

Details of the total investment of State Government and Other Stakeholders (Central Government, Holding Companies, Banks, Financial Institutions, *etc.*) in PSEs under various important sectors at the end of 31 March 2020 and 31 March 2024 has been given in **Table 4.1.3**.

Table 4.1.3: Sector-wise details of total investments¹³² in PSEs

(₹ in crore)

Name of Sector	Government/ Other Companies		Statutory Corporations		Total Investment	
	2019-20	2023-24	2019-20	2023-24	2019-20	2023-24
Power	1078.78	1,401.71	0.00	0.00	1078.78	1,401.71
Manufacturing	427.04	536.58	0.00	0.00	427.04	536.58
Financing	144.62	144.62	0.00	0.00	144.62	144.62
Service	161.39	217.65	163.85	163.96	325.24	381.61
Agriculture & Allied	76.25	127.52	0.00	0.00	76.25	127.52
Miscellaneous	30.00	30.00	0.00	0.00	30.00	30.00
Total	1918.08	2458.08	163.85	163.96	2081.93	2622.04

Source: PSEs data

It can be seen from **Table 4.1.3** that as compared to 2019-20, the combined investment of State Government and Other Stakeholders increased by ₹ 540.11 crore (26 per cent) during 2023-24, which pertained to the Power Sector (₹ 322.93 crore), Manufacturing Sector (₹ 109.54 crore), Service Sector (₹ 56.37 crore) and in Agriculture and Allied Sector (₹ 51.27 crore).

The increase in investment under the Power sector was mainly due to the net increase in borrowings (₹ 323.03 crore¹³³) availed by power sector companies from various sources during the period of five years (2019-24). Increase in the investment under Manufacturing sector was attributable to additional equity infusion by the State Government to Tripura Jute Mills Limited (₹ 87.83 crore) and Tripura Small Industries Corporation Limited (₹ 21.71 crore) over the period of five years (2019-24).

Similarly, the investment in the Service sector increased mainly due to additional equity contribution provided by the State Government to Tripura Handloom and Handicrafts Development Corporation Limited (₹ 55.86 crore).

4.1.3 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by the State Government as per the records of PSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the PSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2024 is given in **Table 4.1.4**.

¹³² Investment figures are provisional and as provided by the PSEs excepting the PSEs, which had finalised their up-to-date accounts as at 30 September of 2020 and 2024 respectively.

¹³³ State Government: ₹ 123.41 crore; Central Government: ₹ 62.35 crore and Others: ₹ 137.27 crore

Table 4.1.4: Equity, loans outstanding as per the Finance Accounts vis-à-vis records of PSEs
(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSEs	Difference
Equity	1,666.68	1,725.38	58.70
Loans	256.90	329.46	72.56

Source: Finance Accounts 2023-24 and PSEs records

As on 31 March 2024, there were unreconciled differences in the figures of equity (₹ 58.70 crore) and loan (₹ 72.56 crore) as per two sets of records. The differences in equity occurred in respect of 14 PSEs¹³⁴ falling under Service Sector (five PSEs), Agriculture and Allied Sector (four PSEs), Manufacturing Sector (two PSEs), Power Sector (two PSEs) and Finance Sector (one PSE).

As regards Loan figures, the Finance Department disburses the loans to various Departments of the State Government for different sectoral activities and booked the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective PSEs functioning under their administrative control. Hence, PSE-wise figures of State Government loans provided to various PSEs are not available in the State Finance Accounts. However, the State Government loan figure booked in the Finance Accounts (₹ 256.90 crore) pertained to the PSEs under Power Sector (₹ 256.75 crore) and Service Sector (₹ 0.15 crore).

The State Government may institutionalise a quarterly reconciliation mechanism between the Finance Department, Administrative Department concerned, and SPSEs to reconcile figures of equity, loans, and guarantees.

The Finance Department may issue instructions to all departments concerned to maintain and report SPSE-wise loan disbursement details, and these should be incorporated into the Finance Accounts.

A reconciliation certificate mechanism may be institutionalised and made mandatory for all SPSEs at the end of each financial year.

4.1.4 Special support and guarantees to PSEs during the year

The State Government provides financial support to PSEs in various forms through annual budgetary allocations. The summarised details of budgetary outgo towards equity, loans and grants/ subsidies in respect of PSEs for the three years ended 2023-24 are given in Table 4.1.5.

Table 4.1.5: Details regarding budgetary support to PSEs

(₹ in crore)

Particulars	2021-22		2022-23		2023-24	
	No. of PSEs	Amount	No. of PSEs	Amount	No. of PSEs	Amount
Equity capital outgo from budget	6	46.86	6	43.15	6	63.08
Loans given from budget	1	56.36	1	100.00	1	100.00

¹³⁴ PSEs at Sl. Nos. A.1 to A.4, A.6 to A.10, A.12 to A.15 and B.1 of Appendix 4.1.1

Particulars	2021-22		2022-23		2023-24	
	No. of PSEs	Amount	No. of PSEs	Amount	No. of PSEs	Amount
Grants/ subsidy from budget	4	120.71	4	160.70	3	113.00
Total Outgo¹³⁵	10	223.93	10	303.85	9	276.08
Guarantees issued	1	100.00	1	175.00	1	100.00
Guarantee commitment	-	-	-	-	-	-

Source: Figures as provided by the PSEs

It can be seen from **Table 4.1.5** that, the State Government had provided a total budgetary support of ₹ 276.08 crore to PSEs during 2023-24, which was lower by ₹ 27.77 crore (9.14 *per cent*) compared to last year (2022-23) but higher by ₹ 52.15 crore (23.29 *per cent*) compared to the financial support provided during 2021-22.

The major beneficiaries of budgetary outgo during 2023-24 were Tripura State Electricity Corporation Limited (loan: ₹ 100.00 crore, grant/ subsidy: ₹ 87.92 crore), Tripura Jute Mills Limited (equity: ₹ 31.13 crore), Tripura Industrial Development Corporation Limited (grant/ subsidy: ₹ 19.77 crore) and Tripura Handloom and Handicrafts Development Corporation Limited (equity: ₹ 12.00 crore).

4.1.5 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956. The new Act has brought about increased Regulatory Framework, wider Management responsibility and higher Professional Accountability.

4.1.5.1 Statutory Audit/ Supplementary Audit

Statutory Auditors appointed by the Comptroller and Auditor General of India (C&AG), audit the financial statements of a Government Company. In addition, C&AG conducts the Supplementary Audit of these financial statements under the provisions of Section 143 (6) of the Act.

Audit of Statutory Corporations is governed by their respective Legislations. The State of Tripura had only one Statutory Corporation (Tripura Road Transport Corporation), which was working. The C&AG is the sole auditor of this Corporation in terms of Section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 33(2) of the Road Transport Corporations Act, 1950.

4.1.5.2 Role of Government and Legislature

The State Government exercises control over the affairs of these PSEs through its administrative departments. The Government appoints the Chief Executive and Directors on the Board of these PSEs.

¹³⁵ Actual number of PSEs, which received equity, loans, grants/ subsidies from the State Government.

The State Legislature also monitors the accounting and utilisation of State Government investment in the PSEs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the C&AG thereon are to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of C&AG are required to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

4.1.6 Arrears in finalisation of accounts

Financial statements of the Companies are required to be finalised within six months from the end of the relevant financial year *i.e.* by end of September in accordance with the provisions of Section 96 (1) of the Companies Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, the accounts of Statutory Corporations, are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Timely finalisation of accounts is important for the State Government to assess the financial health of the PSEs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of the provision of the Companies Act, 2013.

The details relating to finalisation of accounts by working PSEs as of 30 September 2024 is shown in **Table 4.1.6**.

Table 4.1.6: Position relating to finalisation of Accounts of working PSEs

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1.	Number of working PSEs	15 ¹³⁶	15	15	15	17 ¹³⁷
2.	Number of Accounts finalised during the year	16 ¹³⁸	13	18	13	17
3.	Number of Accounts in arrears	24	26	23	25	26
4.	Number of Working PSEs with arrears in Accounts	13	14	12	12	13
5.	Extent of arrears (number in years)	1 to 4 years	1 to 5 years	1 to 6 years	1 to 7 years	1 to 7 years

As could be noticed from **Table 4.1.6** that the accounts of only four¹³⁹ out of 17 working PSEs were up-to-date as on 30 September 2024. Remaining 13 working PSEs had a backlog of total 26 accounts for periods ranging from one to seven years. The oldest

¹³⁶ Included Tripura Power Generation Limited which was incorporated on 28 January 2015.

¹³⁷ Included two new companies, with arrear of 3 accounts *viz.* Tripura Nature Trails and Resort Limited (2022-23 and 2023-24) and Tripura Power Transmission Limited (2023-24).

¹³⁸ Included four arrear accounts of Tripura Power Generation Limited (2015-16 to 2018-19).

¹³⁹ Tripura Natural Gas Company Limited, Tripura Power Generation Limited, Tripura Power Transmission Limited and Tripura State Electricity Corporation Limited.

Accounts in arrears were since 2017-18 (seven Accounts), which related to ‘Tripura Horticulture Corporation Limited’ as detailed in **Appendix 4.1.1**.

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

The Accountant General (Audit), Tripura had been taking up the matter regularly with the PSEs¹⁴⁰ and the administrative departments¹⁴¹ concerned of the State Government for liquidating the arrears of accounts of PSEs. However, the State Government and the PSEs concerned could not address the issue to clear all pendency of accounts of the PSEs in a time bound manner.

4.1.7 Placement of Separate Audit Reports

Timely placement of SARs in the State Legislature is important to ensure timely reporting on the functioning of the Corporation to the stakeholders and fix accountability of the Management for its performance.

Tripura Road Transport Corporation (TRTC) was the only Statutory Corporation in the State of Tripura covered under the audit purview of C&AG. The Accounts of TRTC have been finalised upto 2019-20 and Separate Audit Reports (SARs) of the C&AG on these Accounts have also been issued. The SARs on the Accounts of TRTC have been placed (7 July 2023) in the State Legislature upto the accounting year 2019-20.

Recommendations:

- a. *The State Government may establish a dedicated unit to oversee the clearance of arrears in PSE accounts, set targets for individual PSEs, and monitor progress through this unit.*
- b. *The PSEs should reconcile their equity and loan figures with the State Government departments and ensure that any arrears in accounts are cleared.*

4.1.8 Investments made by State Government in PSEs whose accounts are in arrears

The State Government had invested ₹ 74.18 crore in six PSEs (equity: ₹ 74.18 crore and loans: Nil) during the years for which these PSEs had not finalised their accounts as detailed in **Table 4.1.7**.

Table 4.1.7: Investment by State Government in PSEs having accounts in arrears
(₹ in crore)

Sl. No.	Name of PSE	Accounts finalised upto	Accounts pending finalisation	Investment by State Government during the period of arrears	
				Equity	Loans
1	Tripura Horticulture Corporation Limited	2016-17	2017-18 to 2023-24	5.70	0.00
2	Tripura Tea Development	2022-23	2023-24	9.50	0.00

¹⁴⁰ October 2023, January, June and September 2024

¹⁴¹ October 2023 and June 2024

Sl. No.	Name of PSE	Accounts finalised upto	Accounts pending finalisation	Investment by State Government during the period of arrears	
				Equity	Loans
	Corporation Limited				
3	Tripura Rehabilitation Plantation Corporation Limited	2020-21	2021-22 & 2023-24	9.70	0.00
4	Tripura Jute Mills Limited	2022-23	2023-24	31.13	0.00
5	Tripura Small Industries Corporation Limited	2022-23	2023-24	6.15	0.00
6	Tripura Handloom and Handicrafts Development Corporation Limited	2022-23	2023-24	12.00	0.00
Total:				74.18	0.00

In the absence of accounts and their subsequent audit, it could not be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

The Government may consider not giving further financial assistance to the PSEs having backlog of Accounts until the accounts are made as current as possible.

4.1.9 Performance of PSEs as per their latest finalised accounts

The financial position and working results of working PSEs as per their latest finalised accounts as on 30 September 2024 are detailed in **Appendix 4.1.1. Table 4.1.8** provides the comparative details of working PSEs turnover and State GSDP for a period of five-year ending 2023-24.

Table 4.1.8: Details of working PSEs-turnover vis-à-vis GSDP

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Turnover ¹⁴²	1,289.82	1,742.31	1,878.68	2,077.17	2,107.82
GSDP ¹⁴³	54,151.12	53,504.12	62,302.46	72,347.54	82,624.73
Percentage of Turnover to GSDP	2.38	3.26	3.02	2.87	2.55

As can be seen from **Table 4.1.8** that the turnover of the working PSEs and the GSDP have shown an increasing trend during the five years under reference excepting the marginal decline (₹ 647.00 crore) in the GSDP during 2020-21. The year-wise percentage of State PSE turnover to GSDP, however, has shown a decreasing trend during recent three years (2021-22 to 2023-24). This was mainly due the comparatively slow pace of growth of PSE-turnover as against the GSDP during these three years.

¹⁴² Turnover of working PSEs as per their latest finalised accounts as on 30 September of respective year

¹⁴³ GSDP figures as per MoSPI

4.1.9.1 Key parameters

Some other key parameters of PSEs performance as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.1.9**.

Table 4.1.9: Key Parameters of PSEs

Particulars	(₹ in crore)				
	2019-20	2020-21	2021-22	2022-23	2023-24
Debt	491.07	532.56	770.73	933.14	865.76
Turnover ¹⁴⁴	1,289.82	1,742.31	1,878.68	2,077.17	2,107.82
Debt/ Turnover Ratio	0.38:1	0.31:1	0.41:1	0.45:1	0.41:1
Interest Payments	6.97	12.89	14.40	26.02	35.34
Accumulated losses	1,120.95	1,055.60	1,181.86	1,485.57	1863.59 ¹⁴⁵

Debt-Turnover Ratio

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

It can be noticed from **Table 4.1.9** above that during the period of five years (2019-24), the PSEs debt had increased by ₹ 374.69 crore (76.30 per cent) from ₹ 491.07 crore (2019-20) to ₹ 865.76 crore (2023-24). The major increase in the PSE debts was during 2021-22 (₹ 238.17 crore), which was mainly attributable to the increase of ₹ 235.40 crore (2021-22) in the long term debts of Tripura State Electricity Corporation Limited. A major portion (99.82 per cent) of PSE debts during 2023-24 pertained to Tripura State Electricity Corporation Limited (₹ 735.84 crore) and Tripura Industrial Development Corporation Limited (₹ 128.41 crore).

It can further be seen from **Table 4.1.9** that during 2019-24, the PSE Turnover had grown by ₹ 818.00 crore (63.42 per cent) from ₹ 1,289.82 crore (2019-20) to ₹ 2,107.82 crore (2023-24). However, more than 80 per cent (₹ 1,690.68 crore) of PSE Turnover (₹ 2,107.82 crore) during 2023-24 was contributed by one power sector PSE (Tripura State Electricity Corporation Limited).

During the four years (2019-23), the Debt to Turnover Ratio has increased from 0.38:1 (2019-20) to 0.45:1 (2022-23), which indicated a deterioration in the position of PSEs in the servicing and repayment of their long-term debts as compared to previous years. The position had slightly improved during 2023-24 as the Debt to Turnover Ratio reduced to 0.41:1.

Further, the accumulated losses of PSEs during 2019-24, had also increased by ₹ 742.64 crore (66.25 per cent) from ₹ 1,120.95 crore (2019-20) to ₹ 1,863.59 crore (2023-24),

¹⁴⁴ Turnover of working PSEs as per their latest finalised accounts as on 30 September of the respective year

¹⁴⁵ Overall accumulated losses of 17 working PSEs after taking into account the accumulated losses of 12 PSEs (₹ 2,183.02 crore) and accumulated profits of five PSEs (₹ 319.43 crore)

which was a drain on the financial resources of the State. Three PSEs¹⁴⁶ alone accounted for 99.89 per cent (₹ 1,861.63 crore) of the overall accumulated losses of PSEs during 2023-24.

4.1.9.2 Erosion of capital due to losses

The aggregate paid-up capital and accumulated losses of 17 working PSEs as per their latest finalised accounts as on 30 September 2024 were ₹ 1,677.16 crore and ₹ 1,863.59 crore respectively (**Appendix 4.1.1**).

Analysis of investment and accumulated losses of these PSEs revealed that the accumulated losses (net of free reserves) of five¹⁴⁷ working PSEs (₹ 1,433.57 crore) had completely eroded their paid-up capital (₹ 846.00 crore) as detailed in the **Table 4.1.10**.

Table 4.1.10: PSEs with complete erosion of paid-up capital

(₹ in crore)

Name of PSE	Year of Accounts	Paid up capital	Accumulated losses
Tripura State Electricity Corporation Limited	2023-24	665.76	1109.73*
Tripura Road Transport Corporation	2019-20	163.96	288.04
Tripura Industrial Development Corporation Limited	2022-23	16.17	35.44
Agartala Smart City Limited	2022-23	0.10	0.35
Tripura Power Transmission Limited	2023-24	0.01	0.01
Total		846.00	1,433.57

*Net after adjusting 'free reserves' of ₹ 61.07 crore

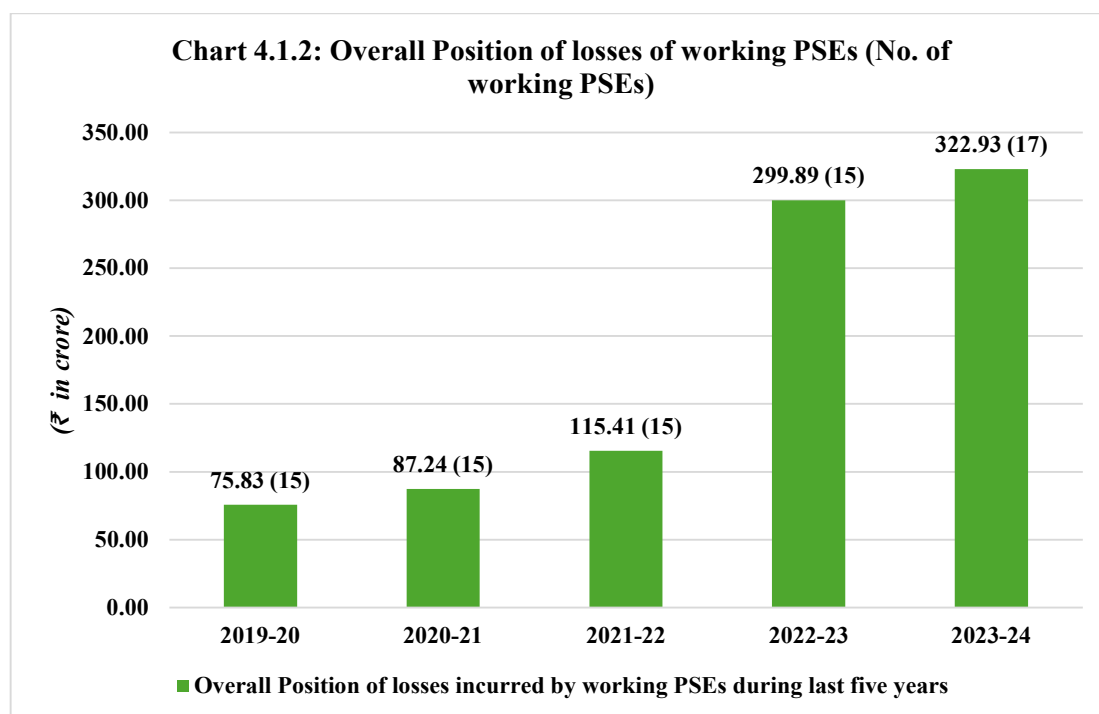
Accumulation of huge losses by these PSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these PSEs to either improve their profitability or close their operations.

The overall position of losses¹⁴⁸ incurred by working PSEs during 2019-20 to 2023-24 are depicted in **Chart 4.1.2**.

¹⁴⁶ Tripura State Electricity Corporation Limited (₹ 1,170.80 crore), Tripura Jute Mills Limited (₹ 402.79 crore) and Tripura Road Transport Corporation (₹ 288.04 crore)

¹⁴⁷ Including one PSE (Tripura Power Transmission Limited), which had no direct equity investment by the State Government and its entire equity capital was subscribed by Tripura State Electricity Corporation Limited (holding company).

¹⁴⁸ As per the latest finalised accounts of working PSEs as on 30 September of the respective year



(Figures in brackets show the number of working PSEs in respective years)

From **Chart 4.1.2**, it can be seen that the working PSEs incurred losses during all the five years under reference and had shown an increasing trend. The losses of working PSEs during last five years were mainly driven by the losses incurred by the power sector PSEs. The overall losses¹⁴⁹ of working PSEs, which were highest during 2023-24 (₹ 322.93 crore) were mainly contributed by the losses (₹ 324.19 crore) of Tripura State Electricity Corporation Limited.

During the year 2023-24, out of 17 working PSEs, six PSEs earned an aggregate profit of ₹ 42.35 crore and eleven PSEs incurred loss of ₹ 365.28 crore. The details of major contributors to overall profits and losses of working PSEs are given in **Table 4.1.11**.

Table 4.1.11: Major contributors to profits and losses of working PSEs

(₹ in crore)

Name of PSE	Latest finalised accounts	Profit (+)/ loss (-)
Tripura Natural Gas Company Limited	2023-24	(+) 40.91
Tripura State Electricity Corporation Limited	2023-24	(-) 324.19
Tripura Jute Mills Limited	2022-23	(-) 11.82
Tripura Industrial Development Corporation Limited	2022-23	(-) 10.03

4.1.9.3 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

¹⁴⁹ Comprising the losses of six PSEs (₹ 365.28 crore) and profits of 11 PSEs (₹ 42.35 crore).

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 employed¹⁵⁰.

During 2023-24, the overall Capital Employed in 17 working PSEs as per their latest accounts was ₹ 740.40 crore. Out of 17 working PSEs, the ROCE of five PSEs¹⁵¹ was positive (between 0.03 *per cent* and 21.22 *per cent*) while the ROCE of nine PSEs was negative. The ROCE of the remaining three PSEs (Tripura Power Transmission Limited, Tripura Road Transport Corporation and Agartala Smart City Limited) could not be worked out due to the complete erosion of their Capital Employed (**Appendix 4.1.1**).

4.1.10 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 them for the time value. To determine the Rate of Real Return on Government Investment (RORR), the investment of the State Government¹⁵² in the form of equity, interest free loans and grants/ subsidies given by the State Government for operational and management expenses less 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) by the sum of the PV of the Government investment.

During 2023-24, out of 15¹⁵³ working PSEs where the State Government had made direct equity investment, 10 PSEs incurred loss (₹ 365.27 crore) and 5 PSEs earned profit (₹ 1.44 crore) as per their latest finalised accounts (**Appendix 4.1.1**). On the basis of return on historical value, the State Government investment eroded by 12.28 *per cent* during 2023-24. On the other hand, the Rate of Real Return where the present value of investment is considered, the State Government investment eroded by 4.65 *per cent* as shown in **Appendix 4.1.2**. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

4.1.11 Winding up of non-working PSEs

As on 31 March 2024, there was only one non-working PSE (*viz.* Tripura State Bank Limited), which had been non-functional since 1971. The said PSE was in the process of liquidation under Section 248 of the Companies Act, 2013¹⁵⁴ since 1971. Since the PSE was neither contributing to the State economy nor meeting the intended objectives of its formation, the liquidation process to wind up this PSE needs to be expedited.

¹⁵⁰ Capital employed = Paid up share capital plus accumulated profits plus free reserves & surplus plus long term loans minus accumulated losses and deferred revenue expenditure

¹⁵¹ Among these five PSEs, Tripura Natural Gas Company Limited had the highest positive ROCE of 21.22 *per cent*.

¹⁵² As per the records of PSEs

¹⁵³ Excluding Tripura Natural Gas Company Limited (profit earned: ₹ 40.91 crore) and Tripura Power Transmission Limited (loss incurred: ₹ 0.01 crore), which had no direct equity investment from the State Government.

¹⁵⁴ The Companies Act, 2013 replaced the erstwhile Companies Act, 1956 with effect from 1 April 2014.

4.1.12 Impact of Audit Comments on Annual Accounts of PSEs

During October 2023 to September 2024, 14 working PSEs (all Companies) had forwarded 17 accounts to the Accountant General (Audit), Tripura. Sixteen accounts of thirteen Companies were selected for Supplementary Audit during the year while Non-Review Certificates (NRC) was issued against one year accounts of one Company. The audit reports of Statutory Auditors appointed by the C&AG and the supplementary audit conducted by the C&AG indicated that the quality of maintenance of State PSE accounts needs to be improved substantially. The details of aggregate money value of the comments of the Statutory Auditors and the C&AG are given in **Table 4.1.12**.

Table 4.1.12: Impact of audit comments on working Companies

(₹in crore)

Sl. No.	Particulars	2021-22		2022-23		2023-24	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	7.05	1	3.26	1	0.03
2.	Increase in loss	3	11.87	6	7.93	10	11.20
3.	Non-disclosure of material facts	0	0.00	2	91.26	0	0.00
4.	Errors of classification	0	0.00	0	0.00	0	0.00

During the year, the Statutory Auditors had given qualified certificates on 16 accounts of 13 companies and Disclaimer certificate on the accounts of one¹⁵⁵ company. There were two instances of non-compliance with the Accounting Standards in three accounts. The audit comments were based on the non-compliance with AS-15 (Employee Benefits) and AS-29 (Provisions, Contingent Liabilities and Contingent Assets).

The only Statutory Corporation in the State (*viz.* Tripura Road Transport Corporation) for which the C&AG is the sole auditor, had not forwarded any accounts during the reporting period to the Accountant General (Audit), Tripura.

Gist of some of the important comments of the Statutory Auditors and C&AG in respect of accounts of the PSEs is as under:

Tripura Forest Development & Plantation Corporation Limited (2021-22)

- ‘Provision for Income Tax’ under ‘Current Liabilities’ was overstated by ₹ 2.39 crore due to not writing back the excess provisions created towards Income Tax liability despite the Tax Refunds received by the Company for the assessment years 2017-18 to 2020-21 on completion of the tax assessment. This correspondingly resulted in understatement of the ‘Profit for the year’ to the same extent.

¹⁵⁵ Tripura Forest Development and Plantation Corporation Limited (2021-22)

Tripura Handloom and Handicrafts Development Corporation Limited (2022-23)

- ‘Current Liabilities’ was overstated by ₹ 1.99 crore, due to carrying forward the long pending liabilities without confirmation and complete supporting details/ documentary evidence and as such, the same should have been written back.

Tripura State Electricity Corporation Limited (2023-24)

- There was an unreconciled difference of ₹ 451.63 crore (pending since July 2021) between the closing balances of ‘Trade Receivables against power sold to domestic consumers’ as included under ‘Current Assets-Trade Receivables’ (₹ 112.84 crore) and as recorded under Company’s newly installed Tripura Revenue Management System Billing Software (₹ 564.47 crore). Since the difference in the Receivables is significant, the Company needs to reconcile the same at the earliest.
- Capital Work in Progress was overstated by ₹ 385.25 crore due to inclusion of various assets created under various Schemes which have already been closed for three to five years. This also resulted in the understatement of ‘Property Plant and Equipment (PPE)’ to the same extent. Due to the poor maintenance of the records and non-availability of complete details, depreciation chargeable on such assets and its impact on the ‘Loss for the year’ could not be quantified.

Tripura Small Industries Corporation Limited (2022-23)

- “Trade Payables” under “Other Current Liabilities” were overstated by ₹ 2.44 crore due to inclusion of long pending unreconciled balances which should have been written back since there was no confirmation or supporting details/ documents for these liabilities.
- “Other Current Assets” were overstated by ₹ 385.25 crore due to inclusion of long pending ‘receivables’, which have been carried forward for long periods without any confirmation/ supporting details and therefore should have been written off. This resulted in corresponding understatement of “Loss for the year” by the same extent.

4.1.13 Coverage of this Chapter

This Chapter contains two Compliance Audit Paragraphs titled “Unfruitful expenditure” and “Avoidable expenditure” under the Power Department involving a money value of ₹ 59.48 crore.

POWER DEPARTMENT
(Tripura State Electricity Corporation Limited)

4.2 Unfruitful Expenditure

The Company's failure to complete the Smart Grid project with the attributes of Advanced Metering Infrastructure and Peak Load Management resulted in unfruitful expenditure of ₹ 42.74 crore on the incomplete project apart from the avoidable expenditure of ₹ 1.10 crore on the manual meter readings and billings in respect thereof.

The Tripura State Electricity Corporation Limited (Company) was selected in August 2012 as one of 14 utilities identified for implementation of the Smart Grid Pilot Project under the India Smart Grid Task Force of the Ministry of Power (MoP), Government of India (GoI). In Tripura, the project was planned to be executed in the jurisdiction of Electrical Division (ED)-I, Agartala.

The proposed Project aimed to increase the billed energy, improve collection efficiency and reduce Aggregate Technical and Commercial¹⁵⁶ losses with empowerment of consumers and ensure consumer awareness and demand response. The implementation of the said Project was envisaged to bring about total cash-flow benefits of ₹ 6.29 crores/ annum out of which ₹ 5.82 crore/ annum benefit was to flow with the implementation of the Advanced Metering Infrastructure (AMI)¹⁵⁷ and ₹ 0.47 crore/ annum benefit was to flow with the implementation of Peak Load Management (PLM)¹⁵⁸.

The Smart Grid Pilot Project was designed to be implemented with funding shared equally between the Company and the MoP on a 50:50 basis. In August 2012, the MoP approved a project cost of ₹ 24.08 crore under the Integrated Power Development Scheme (IPDS), covering both AMI and PLM components

The Company revised the project cost in August 2015 from ₹ 24.08 crore (MoP's share being ₹ 12.04 crore) to ₹ 63.43 crore (MoP's share being ₹ 31.71 crore¹⁵⁹). Audit noted that the Company had significantly expanded the scope to include the procurement of 26,880 smart meters with load switches instead of Automated Meter Reader (AMR) meters, along with additional hardware and software such as a Network Management

¹⁵⁶ Aggregate Technical & Commercial (AT&C) losses are the total amount of energy lost in the electricity distribution system, including energy loss due to technical issues, theft, and billing inefficiency, as well as commercial losses due to payment defaults and collection inefficiency.

¹⁵⁷ Advance Metering Infrastructure (AMI) aims to provide Smart Meters to all consumers both domestic and non-domestic, the main objectives, *inter alia*, being to ensure (a) Advance meter reading, (b) Load control feature, (c) Meter Tamper detection, (d) Consumption profile identification, (e) Energy Audit, *etc.*

¹⁵⁸ Peak Load Management (PLM) aims to help the Grid-Discipline by partially curtailing load during peak times. This is achieved through consumer participation through incentives. The PLM, *inter alia*, aims in achieving the objectives *viz.* (a) Flatten the load curve, (b) Reduce the occurrence of black out, (c) Centralised control over load, *etc.*

¹⁵⁹ The project cost increased as in the tendering process, the rate quoted by the L1 bidder was 2.88 times higher than the estimated cost put to tender

System (NMS), web application servers, SAN storage, consumer portal, and SMS gateway. The significant changes in the scope of the work on the part of the Company, too, resulted in the revision of the project cost on a higher side and, as such, was indicative of deficient planning *ab initio* on the part of the Company.

The MoP approved the revised project cost proposed by the Company and disbursed a total of ₹ 50.74 crore between May 2016 and July 2018 for project implementation.

Scrutiny (August to October 2024) of the records of the Company revealed that:

- The Company appointed (October 2013) Power Grid Corporation of India Limited (PGCIL) as Project Management Consultant (PMC) for the implementation of the project in the Electrical Division-I, Agartala at an agreement cost of ₹ 3.02 crore.
- It awarded the work of “Implementation of Smart Grid Elements (Pilot) Tripura under the Electrical Division-I at Agartala” (September 2015) to a consortium consisting of M/s Wipro Limited (as Lead partner) and M/s JnJ Powercom Systems Limited (as the other partner) through three contracts¹⁶⁰.
- The Company and the Consortium signed the Contract Agreement in November 2015 with the Scheduled Completion Time of 18 months from the date of notification of award *i.e.* the work was to be completed by March 2017.
- As per the Contract, the Consortium was responsible for the installation, testing and commissioning of smart meters, ensuring communication of interval reads and daily reads from each meter to the control room, integration of the Smart Grid System with the existing Systems Applications and Products (SAP)¹⁶¹ based metering, billing and collection system and other associated works as per agreement required for carrying out performance test, *etc.* The distribution of work between the Lead Partner *i.e.* M/s Wipro Limited and the other partner *i.e.* M/s JnJ Powercom Systems Limited as per the said Consortium Agreement¹⁶² is depicted briefly in **Table 4.2.1**.

Table 4.2.1: Statement showing the work distribution between the Lead Partner and the other partner as per the Consortium Agreement

Sl. No.	Name of the Partners	Description of the work distribution as per the Consortium Agreement
1.	Lead Partner: M/s Wipro Limited	<ul style="list-style-type: none"> • Project Management being the Prime Bidder • Supply, installation and commissioning of Application/ Database Servers

¹⁶⁰ (a) Supply Contract (Price of plant and equipment *also referred to as First Contract*) for ₹ 54.95 crore, (b) Services Contract (Installation and training charges *also referred to as Second Contract*) for ₹ 8.44 crore and (c) Maintenance Contract (*also referred to as Third Contract*) for ₹ 16.68 crore. The total financial implication for the implementation of the said Smart Grid Project being ₹ 83.09 crore (including PMC cost of ₹ 3.02 crore).

¹⁶¹ SAP is a German multinational software corporation that makes enterprise software to manage business operations and customer relations.

¹⁶² An integral part of the Contract Agreement signed between the M/s Wipro Limited (Lead partner) and M/s JNJ Powercom Systems Limited (Other partner) in July 2014.

Sl. No.	Name of the Partners	Description of the work distribution as per the Consortium Agreement
		<ul style="list-style-type: none"> Supply, installation and commissioning of required software not related to the Head End System Overall solution design including the AMI solution
2	Other partner: M/s JnJ Powercom Systems Limited	<ul style="list-style-type: none"> Supply & Installation of the Head End System¹⁶³ Ensure the availability of Meter Data Planning the schedule for AMI Supply of Meter Data Acquisition System (MDAS¹⁶⁴) software, Smart Meters Maintenance of the complete AMI and PLM.

- The Company failed to include penal clauses in any of the contracts (namely contract with PMC as well as three contracts with the consortium) to safeguard the interests of the State Government in case of fundamental breach of the contract. As per Section 6.0 (viii) of the Agreement between TSECL and PGCIL, the consultancy fee was not to be withheld in case of commissioning delays not attributable to PGCIL. Audit observed that the Company released the entire consultancy fee of ₹ 3.02 crore to PGCIL even though the project suffered inordinate delays and was ultimately short-closed without achieving its objectives. The aforementioned payment of ₹ 3.02 crore, though to the extent of 100 per cent and in compliance with the contractual provisions protecting PGCIL against liability for delays beyond its control indicated a weakness in overall contract structuring, where consultancy fees were decoupled from the measurable deliveries or commissioning success. The Company, thus, incurred expenditure without securing accountability for effective project outcomes.
- The businesses, as a matter of fact, being carried out by the Commercial Entities in the dynamic cut-throat competitive market conditions, it therefore, was incumbent on the part of the Company to incorporate the provisions of financial safeguards viz. "Risk & Cost Clauses and/ or Reassignment Provisions subject to adequate Risk & Cost Clauses to the Implementing Agency" in the Contract Agreement particularly in the event of possible fall-out/ disputes amongst the partners of the Consortium. However, the Company failed to do so which was indicative of the flawed Procurement Process on account of the deficient contract to that extent.
- The Control Centre, an essential prerequisite for the effective operation of smart meters, was primarily responsible for integrating the MDAS software with the smart meters to enable remote meter reading, manage energy consumption, detect

¹⁶³ A Head-End System (HES) in smart metering acts as the central communication and management platform for a utility's smart meter network. It is the "Nerve Centre" that receives, processes, and manages data from thousands or even millions of smart meters. This includes collecting consumption data, performing remote diagnostics, and facilitating accurate billing.

¹⁶⁴ Meter Data Acquisition System (MDAS) Software is a software that collects, processes, and manages data from smart meters, often used for utilities and other organisations that rely on meter data.

meter tampering, optimise utility operations, and ensure Grid Discipline. The Company handed over the Control Centre to M/s Wipro Limited before March 2016. The Hardware Site Acceptance Test (SAT) was successfully conducted at the Control Centre in March 2016, followed by the initial Software Final Acceptance Test (FAT) in December 2016.

- Out of 45,290 smart meters to be installed in the ED-I, the Consortium could install only 43,081 smart meters up to July 2019 after inordinate delay of 27 months from the scheduled completion time (March 2017). Out of the 43,081 smart meters so installed, only 34,300 smart meters were found to be communicating to the Control Centre. However, within a period of two to three months, these 34,300 smart meters also stopped communicating with the Control Centre due to technical glitches.
- The Consortium failed to provide to the Company the Management Information System (MIS) in relation to the critical functionalities like daily billing reads on a monthly basis, data pertaining to the peak demand during the peak hours and off-peak hours, peak load management, Demand Response (DR)/ Demand Side Management (DSM)¹⁶⁵, interval reads, and analytics based on interval reads, energy audits, *etc.* for the period commencing from August 2018 to May 2021. The performance testing of the smart metering system, being the crucial technical requirement of the contract, as such, could not be done due to failure on the part of the Consortium to provide the MIS.
- In the meeting convened (March 2020) by the Company with all the stakeholders¹⁶⁶, the Consortium, in response to the concerns raised by the Company over non-submission of the aforementioned MIS, agreed to resolve all the pending issues such as improvement in daily reads, billing reads, energy audit, warranty replacements, performance testing, *etc.* The Consortium also agreed to provide new MDAS along with proper license on their risk and cost. However, the Consortium Partner failed to provide these deliverables even after the lapse of a period of one year until May 2021.
- M/s POWERCOM, the Israeli technology provider and Original Equipment Manufacturer (OEM) for M/s JnJ Powercom Systems Limited, failed to supply the required MDAS, which were critical for enabling essential meter communication functionalities. This fundamental non-performance meant that the installed meters could not support advanced features such as remote reading, load control, and tamper detection. The absence of MDAS and associated critical system components, clearly defined as responsibilities under the Consortium Agreement, prevented the execution of performance testing and formal system acceptance. This

¹⁶⁵ DSM is a cost-effective strategy that uses a variety of activities to reduce energy acquisition costs. These activities include (a) Energy Efficiency (EE), (b) Demand Response (DR), (c) Distributed Energy Resources (DER), (d) Incentivising customers to modify their energy consumption patterns during peak hours and (e) Encouraging customers to install end-use technologies that consume less energy.

¹⁶⁶ Ministry of power, GoI, Power Department, Government of Tripura, National Smart Grid Mission-Project Management Unit, Power Grid Corporation of India Ltd., TSECL.

failure to deliver core technological elements not only represented a breach of contractual obligations but also caused inordinate delays, ultimately leading to the collapse and premature closure of the project without achieving its intended objectives.

- In view of the inability of M/s JnJ Powercom Systems Limited to close the project on time, M/s Wipro Limited requested (August 2020) the Company to allow it to take over the complete responsibility of the project closure from M/s JnJ Powercom Systems Limited as per the stipulation of the Consortium Agreement.

Examination of the records of the Company further revealed that:

- The Company, notwithstanding the absence of any clause pertaining to reassignment of responsibility for execution of the work in the Consortium Agreement, accorded approval (April 2021) to M/s Wipro Limited's proposal for re-implementation of the project with M/s Abhar Tech and M/s Iskra Mecos as manufacturer for supply and installation of field devices.
- The Company, while according approval to M/s Wipro Limited proposal for re-implementation of the project, failed to exercise due-diligence and safeguard the financial interests of the Company by imposing liquidated damages and/ or penalties for failure on the part of M/s Wipro Limited to provide the deliverables even after a considerable time-overrun of four years.
- The Company had accorded approval to M/s Wipro Limited for Proof of Concept (POC)¹⁶⁷ of 6,000 new smart meters under the pilot project with the new technology followed by the balance number of meters¹⁶⁸ after successful POC. However, after Product Data Integration (PDI)¹⁶⁹ and FAT, M/s Wipro Limited supplied only 5,000 meters of which 4,986 meters were installed at the Consumers' premises.
- M/s Wipro Limited expressed (February 2022) their inability to complete the project by March 2022 and requested the Company to give extra time to complete the project. In the 23rd meeting of the Monitoring Committee for IPDS held (22 March 2022) under the chairmanship of the Secretary (Power), GoI, the Company requested for an additional three months' time to resolve the issues. However, the Monitoring Committee decided that no further extension could be given for completing this project and no further funding would be available for the same on the reasoning that the pilots were sanctioned for demonstration of Smart Grid Technologies and since the purpose has been served, this pilot could be closed.
- In June 2022, the Company issued a notice of intent to short-close the project on an 'as is, where is' basis to the Lead Partner, M/s Wipro Limited, and subsequently

¹⁶⁷ Proof of Concept (POC) is a small-scale experiment that demonstrates if a product or service can be successfully deployed in the real world.

¹⁶⁸ 45,290 smart meters installed earlier.

¹⁶⁹ Product Data Integration (PDI) is a solution that integrates product data from various sources within a Company. PDI ensures that all departments have access to consistent and up-to-date data.

short-closed the contract without invoking the ‘Risk & Cost’ clause for breach of contractual obligations by the consortium. Presently, all the equipment other than the smart meters, subsequent to short-closure of the Smart Grid Pilot Project, are kept in shut-down mode under the Company’s custody. The Company had already made total payments amounting to ₹ 42.74 crore to M/s Wipro Limited (up to August 2019) and returned the Performance Bank Guarantee (PBG) of ₹ 2.40 crore in June 2022. This decision was taken despite recommendations from the Technical Wing to invoke the ‘Risk & Cost’ clause and was made without obtaining concurrence from the Finance Wing or approval from the Board of Directors.

- The Board of Directors of the Company, at its 100th meeting held in September 2022 under the Chairmanship of the Secretary, Power Department, GoT directed that an enquiry committee be constituted to review the contract with a view to identifying clauses that could allow the imposition of penalties and/ or the revocation of the Performance Bank Guarantee (PBG) against the implementing partner. However, audit found no records indicating any follow-up action taken on these directives.
- ED-I reverted to manual meter reading and door-to-door delivery of electricity bills using meter-reader services. The expenditure incurred on manual meter reading during 2018–19 to 2023–24 (up to December 2023) amounted to ₹ 1.10 crore. This reliance on manual processes effectively defeated the primary purpose of the project, which was to deploy smart meters to enable advanced meter reading, load control, meter tamper detection, consumption profiling, and comprehensive energy audits.

Audit concluded that:

- the failure of the Smart Grid Pilot Project in Tripura resulted from a combination of vendor non-performance, weak contractual safeguards, ineffective governance, technical shortcomings, and funding challenges.
- The consortium, led by M/s JnJ Powercom Systems Limited, failed to deliver critical components such as the Meter Data Acquisition System and fully functional smart meters – elements essential to the project’s success. Poor coordination among consortium partners contributed to incomplete system integration and persistent operational inefficiencies. Despite repeated assurances during meetings, key issues such as performance testing, software acceptance, and energy audit implementation remained unresolved throughout the project period.
- Contract management by the Company was similarly deficient. Penalties for delay or non-performance were not enforced, and the “Risk & Cost Clause” was not invoked despite clear breaches of contractual obligations. The premature return of ₹ 2.40 crore Performance Bank Guarantee further weakened financial safeguards, ignoring explicit recommendations from the Technical Wing and proceeding without the concurrence of the Finance Wing. The underlying contract itself lacked robust legal provisions, including a clear clause for reassignment of responsibilities

in the event of a partner's default, leaving the project vulnerable to the consortium's failures.

- Governance and oversight were inconsistent and largely reactive. While the Board of Directors eventually directed the formation of an inquiry committee to examine contractual remedies, these steps were taken late in the process, and no evidence was found of any substantive follow-up on those directives. This points to systemic accountability gaps and inadequate decision-making.
- Technically, the project suffered from prolonged delays, exceeding the scheduled completion time by 27 months, without achieving its core objectives. Essential functionalities such as energy audits, load control, and advanced metering capabilities never materialised. As a result, the utility was forced to revert to manual meter reading, entirely defeating the project's purpose and incurring avoidable expenditures.
- Finally, these persistent delays and operational failures compromised funding support from the Ministry of Power. Further assistance from the Centre was withheld beyond December 2020 due to the project's continued non-completion, exacerbating financial pressures on the Company and leaving significant investments unproductive.

Thus, the failure in implementation of the project was rooted not only in procurement deficiencies and weak contract management but also in inadequate planning and change management. The significant change in scope from AMR meters to advanced smart meters with complex ICT systems led to substantial cost escalation, increased technical complexity, and elevated implementation risk without ensuring appropriate contractual safeguards, vendor capacity assessment, or revised competitive bidding. This poor management of scope change, combined with failures in enforcing contract conditions and risk mitigation measures, resulted in unfruitful expenditure of ₹ 42.74 crore and avoidable costs of ₹ 1.10 crore on manual meter readings, while failing to deliver the intended service benefits under the Smart Grid Pilot Scheme.

The Government replied (August 2025) that despite their best efforts, the Company could not complete the Smart Grid Project on account of (a) the Covid-19 Pandemic and (b) refusal by the GoI in respect of further time-extension requested for by the Company. The State Government further stated that to complete the Smart Grid Project and to make the existing PLCC smart meters functional, a Letter of Award (LoA) had been issued (July 2025) to another Consortium¹⁷⁰.

The reply of the State Government is not acceptable since it is silent on the core issues highlighted by audit. Further, the issuance of LoA afresh to the new Consortium by the Company established the inadequate planning, execution and deficient project management which led to unfruitful expenditure of ₹ 42.74 crore and avoidable costs of ₹ 1.10 crore.

¹⁷⁰ M/s Aradhana Agency (lead partner) & M/s. Yitran Technologies Private Limited (other partner)

POWER DEPARTMENT

(Tripura State Electricity Corporation Limited)

4.3 Avoidable expenditure

Failure of the Company to obtain Environmental Clearance from the Ministry of Environment, Forest and Climate Change, Government of India in violation of the Environment Impact Assessment Notifications, 1994 and 2006 before commissioning of the 3x21 MW units of Gas Based Thermal Power Station at Rokhia, resulted in avoidable expenditure of ₹ 15.64 crore.

The Union Ministry of Environment, Forest and Climate Change (MoEF&CC)¹⁷¹, Government of India, under the Environmental (Protection) Act 1986, promulgated an Environmental Impact Assessment (EIA) Notification, 1994 (January 1994) and subsequent amendment in September 2006, mandating Environmental Clearance (EC) for expansion and modernisation of existing projects or activities or for setting up of new projects listed in the Schedule of the said notifications. Further, all the projects were broadly categorised into two categories - Category 'A' and Category 'B', based on the spatial extent of potential impacts on human health and natural and manmade resources. Projects classified under Category 'A' require prior EC from the Ministry, while those under Category 'B' shall secure clearance from the respective State Environment Impact Assessment Authority (SEIAA). No construction activity or land development, except for activities limited to land acquisition or securing of land, shall be undertaken by the project management without obtaining the requisite prior Environmental Clearance.

Furthermore, the General Condition of the EIA Notification, 2006 stated that, any project or activity specified in Category 'B' will be treated as Category 'A', if located in whole or in part within 10 Kilometers (km) of inter-State boundaries and international boundaries.

Examination (August-October 2024) of the records of the office of the Managing Director, Tripura State Electricity Corporation Limited (Company) revealed that between August 2002 and August 2013, the Company commissioned 3x21 Mega Watt (MW)¹⁷² Gas Based Thermal Power Station (TPS) at Rokhia in Sepahijala District, by replacing the existing six units¹⁷³, each with an eight MW capacity. First two units (2x21 MW) were commissioned in August 2002 and March 2006 *i.e.* prior to EIA notification, 2006. As per the EIA notification, 1994 and amendment dated 13 June 2002, fresh thermal power projects with project cost less than ₹ 100 crore and expansion proposals with project cost less than ₹ 50 crore do not require EC. However, the project cost for first was ₹ 85.17 crore and second unit was ₹ 80.94 crore. Thus, both the units required EC as per EIA notification, 1994. Further, the third unit was commissioned after the EIA notification, 2006. Capacity wise (63 MW), the project

¹⁷¹ Erstwhile known as Union Ministry of Environment and Forests (MoEF)

¹⁷² Comprising three units (Unit VII, Unit VIII and Unit IX) with 21 MW capacity each

¹⁷³ Units I to VI were commissioned between March 1990 and August 1997.

was placed under Category ‘B’¹⁷⁴, however its location within 10 Km of the international boundary¹⁷⁵ necessitated its classification as Category ‘A’, thereby requiring EC from the MoEF&CC. However, no EC was obtained for establishment of all the three 21 MW units before commissioning the units.

The Company engaged (July 2013) M/s SENES Consultants India Private Limited, Kolkata for the EIA study and to facilitate the obtaining of the EC from the MoEF&CC within six months. In October 2013, the company applied for EC for the 3x21 MW units to MoEF&CC. However, the Consultant discontinued the work (December 2018), leading to the procedural delays for obtaining the EC. Subsequently, the Company engaged (August 2019) M/s MITCON Consultancy and Engineering Services Limited, Pune for EIA study and obtaining of the EC from the MoEF&CC, with the scheduled completion period of six months starting from August 2019. The Company finally submitted (August 2022) an application¹⁷⁶ to the MoEF&CC for EC after nearly three years after engaging the second consultant. Overall, there was a delay of more than eight years in submitting the application for EC after the initial engagement of the Consultants.

Meanwhile, the Expert Appraisal Committee (EAC) constituted by the Ministry for EIA on Thermal Power & Coal Mining Projects in a meeting held on August 2014 observed that though capacity wise, the project falls under Category ‘B’, due to the provisions of General Condition of the EIA Notification, 2006 *i.e.* the location of the project site being within 10 km of the international boundary, the project is considered as Category ‘A’. The Company acknowledged this violation in its communication (August 2014) to the MoEF&CC and committed to follow MoEF&CC Guidelines in the future.

The MoEF&CC accorded (November 2023) the EC to the Company with a direction to (a) pay penalty of ₹ 3.79 crore to the Tripura State Pollution Control Board (TSPCB) and (b) total consolidated damage cost of ₹ 9.75 crore to be submitted through a bank guarantee towards the Remediation Plan and Natural and Community Resources Augmentation Plan and (c) to incur Corporate Environmental Responsibility (CER) expenditure of ₹ 2.10 crore over a period of three years. The Company paid (November 2023) a penalty of ₹ 3.79 crore to the TSPCB and submitted (November 2023) Bank Guarantee for consolidated damage cost of ₹ 9.75 crore to the TSPCB.

Thus, the Company faced significant delays in obtaining EC for its 3x21 MW Thermal Power Station at Rokhia, primarily due to its own ignorance, procedural lapses and consultant disengagements. Despite initiating the EC process in 2013, the application was only submitted in 2022, resulting in an overall delay exceeding eight years. The avoidable expenditure of ₹ 15.64 crore¹⁷⁷ incurred towards penalties and remediation

¹⁷⁴ Threshold limit for Category ‘B’ is Thermal Power Plants with less than 500 MW

¹⁷⁵ India-Bangladesh International Border is situated at 3.25 km East of the project site

¹⁷⁶ Application was submitted on PARIVESH portal. (Pro-Active and Response facilitation by Interactive, Virtual Environment Single Window Hub). It is a web-based system developed by MoEF&CC for online submission and monitoring of proposals seeking environmental, forest and wildlife clearances.

¹⁷⁷ ₹ 3.79 crore + ₹ 9.75 crore + ₹ 2.10 crore

was a direct consequence of these persistent lapses in statutory compliance and internal oversight.

The Government replied (May 2025) that;

- As per the EIA Notification 1994, EC was not required for a project whose investment is less than ₹ 100 crore. Investment for Unit -VII of TPS Rokhia was ₹ 85.17 crore only.
- As per the EIA Notification 2006, EC was not required for a project whose capacity is equal to or less than 500 MW. Installed capacity of Rokhia as on 31 March 2006 was 42 MW (2 X 21 MW) after installation of Unit-VII and Unit-VIII. Accordingly, Environment Clearance was not required in this case.
- Due to acute power crisis in the State, Unit-IX was commissioned on 31 March 2013 considering the fact that TSECL had already obtained Environment Clearance for 91 MW and requesting clarification from MoEF& CC.

The reply of the Government is not tenable and is factually incorrect for the following reasons:

The Government contended that Environmental Clearance (EC) was not required for Unit-VII since the project cost was ₹ 85.17 crore, which was below ₹ 100 crore. This argument reflects an incorrect understanding of the EIA Notification, 1994 and its amendments. As per the amendment dated 13 June 2002 to the 1994 Notification: (i) fresh thermal power projects with investment less than ₹ 100 crore were exempt and (ii) however, for expansion or modernisation projects, the threshold was ₹ 50 crore.

The project involved replacement of existing units and thus constituted expansion/modernisation, rendering the applicable threshold ₹ 50 crore. Since the cost of both Unit-VII and Unit-VIII exceeded ₹ 50 crore, prior EC was mandatory under EIA Notification, 1994.

The Government's assertion that EC was not required under EIA Notification, 2006 because the installed capacity was less than 500 MW is also erroneous. As per the EIA Notification, 2006:

Thermal power projects below 500 MW are generally categorised as 'Category B', requiring clearance from SEIAA. However, the General Condition of the Notification stipulates that if the project is located within 10 km of an international boundary, it automatically falls under 'Category A', necessitating prior EC from MoEF&CC, regardless of capacity.

The 3x21 MW Rokhia project site is located within 10 km of the international border, and thus triggering this condition *i.e.* the provisions applicable to Category 'A' project. Therefore, prior EC from MoEF&CC was mandatory for commissioning Unit-IX.

The Company, in its communication dated August 2014 to MoEF&CC, had itself admitted violation of EC requirements and committed to adhere to the guidelines in future. The present denial contradicts this admission and undermines the credibility of

the Government's current stance.

Beyond the initial non-compliance, the Company failed to exercise due diligence in monitoring the performance of consultants engaged for obtaining ex-post EC. The disengagement of the first consultant, prolonged delays in engaging the second consultant, and procedural delays resulted in an inordinate delay of over eight years before submission of the EC application. The Government's reply is silent on these avoidable lapses in internal governance and contract management.

The procedural violations and delays led directly to the imposition of penalties, remediation costs, and other financial liabilities amounting to ₹ 15.64 crore. Had the Company adhered to statutory provisions from the outset and exercised effective oversight, these financial repercussions could have been avoided.

The delay in obtaining EC for the Rokhia Thermal Power Station was primarily due to procedural lapses and consultant disengagements. This delay led to the imposition of penalties and avoidable expenditure of ₹ 15.64 crore for violation of the EIA Notification.

