

EXECUTIVE SUMMARY

I Introduction

1. This Report includes important audit findings noticed as a result of test check of accounts and records of Central Government Companies and Corporations conducted by the officers of the Comptroller and Auditor General of India under Section 143 (6) of the Companies Act, 2013 or the statutes governing the particular Corporations.

2. The Report contains 42 individual observations relating to 32 Central Public Sector Enterprises (CPSEs) under 10 Ministries/ Departments. These Ministries/ Departments have been further grouped in the Audit Report under three Clusters namely, Energy, Industry and Infrastructure. There are 15 audit observations under Energy Cluster, 21 under Industry Cluster and 06 under Infrastructure Cluster. The draft observations were forwarded to the Secretaries of the concerned Ministries/ Departments under whose administrative control the CPSEs are working to give them an opportunity to furnish their replies/ comments in each case within a period of six weeks. Replies to 21 observations were not received even as this Report was being finalised as indicated in para 3 below. Earlier, the draft observations were sent to the Managements of the CPSEs concerned, whose replies have been suitably incorporated in the report.

3. The paragraphs included in this Report relate to the CPSEs under the administrative control of the following Ministries/ Departments of the Government of India:

Sl. No.	Ministry/ Department (CPSEs involved)	Number of paragraphs	Number of paragraphs in respect of which Ministry/ Department's reply was awaited
Energy Cluster			
1.	Coal (Coal India Limited, Central Coalfields Limited, South Eastern Coalfields Limited, Western Coalfields Limited, Neyveli Uttar Pradesh Power Limited, NLC TamilNadu Power Limited)	4	0
2.	Petroleum and Natural Gas (Indian Oil Corporation Limited, Numaligarh Refinery Limited, Oil and Natural Gas Corporation Limited, ONGC Petro additions Limited, ONGC Videsh Limited)	10	4
3.	Power (NHPC Limited)	1	0
Industry Cluster			
4.	Finance - Department of Financial Services (India Infrastructure Finance Company Limited, IFCI Venture Capital Funds Limited,	6	4

Sl. No.	Ministry/ Department (CPSEs involved)	Number of paragraphs	Number of paragraphs in respect of which Ministry/ Department's reply was awaited
	The New India Assurance Company Limited, National Insurance Company Limited, The Oriental Insurance Company Limited)		
5.	Heavy Industries (Bharat Heavy Electricals Limited, Heavy Engineering Corporation Limited)	4	4
6.	Mines (Hindustan Copper Limited, National Aluminium Company Limited)	2	1
7.	Steel (MSTC Limited, NMDC Limited, Rashtriya Ispat Nigam Limited, Steel Authority of India Limited, The Bisra Stone Lime Company Limited, The Orissa Mineral Development Company Limited)	7	3
8.	Textiles (India United Textile Mill Limited, National Textile Corporation Limited)	2	1
Infrastructure Cluster			
9.	Civil Aviation (Airports Authority of India, Air India Limited)	4	4
10.	Road Transport and Highways (National Highways Authority of India)	2	0
Total		42	21

4. Total financial implication of individual audit observations is ₹4,779.99 crore.
5. Individual Audit observations in this Report are broadly of the following nature:
- Non-compliance with rules, directives, procedure, terms and conditions of the contract etc. involving ₹453.62 crore in nine audit paragraphs.
 - Non-safeguarding of financial interest of organisations involving ₹3,103.45 crore in 20 audit paragraphs.
 - Defective/ deficient planning involving ₹376.33 crore in nine audit paragraphs.
 - Inadequate/ deficient monitoring involving ₹846.59 crore in four audit paragraphs.
6. The Report contains a Chapter on “Recoveries & corrections/ rectifications” by CPSEs at the instance of audit. The Chapter contains two paragraphs viz., (a) recoveries of ₹2,771.14 crore made by 15 CPSEs at the instance of Audit, and (b) corrections/ rectifications carried out by four CPSEs at the instance of Audit.

II Highlights of some significant paragraphs included in the Report are given below:

Indian Oil Corporation Limited collected ₹262.60 crore of Turnover Tax from consumers in Andhra Pradesh in violation of legal provisions of Andhra Pradesh General Sales Tax Act, 1957 and afterwards settled the legal case with Government of Telangana by making payment of ₹65.65 crore (25 per cent) against total imposed penalty of ₹262.60 crore, thus resulting in undue enrichment to Indian Oil Corporation Limited by ₹196.95 crore.

(Para 2.1)

To replace two old and less efficient oil fired boilers, Indian Oil Corporation Limited decided (June 2015) to install a Petcoke fired Boiler (Boiler) for its Guwahati Refinery (Refinery) at an estimated cost of ₹132.58 crore (revised to ₹163.09 crore in March 2018). The new Boiler was expected to reduce the power generation and steam cost of the Refinery by ₹79.40 crore per year. 'Consent to Establish/ No Objection Certificate' was required to be obtained from the concerned State Pollution Control Board before construction of the Boiler. Indian Oil Corporation Limited, however, applied for 'Consent to Establish/ No Objection Certificate' to the Pollution Control Board, Assam in April 2018 when the project was already completed to the extent of 70-80 per cent. Thereafter, Pollution Control Board, Assam issued (August 2018) a show cause notice to the Indian Oil Corporation Limited with instruction to stop all activities regarding the Boiler project with immediate effect. Thus, non-compliance with the statutory requirement by the Indian Oil Corporation Limited resulted in entire expenditure of ₹120.38 crore incurred on the project till then becoming infructuous while forgoing the cost benefits of ₹79.40 crore per year due to non-commissioning of the Boiler.

(Para 2.2)

High pressure gas evolved in the process of separation of oil, water and gas in offshore process system of Mumbai High offshore fields is further compressed in the process gas compressors and fed to the wells for gas lift purpose. In this process, balance gas is transported to gas processing plant of Oil and Natural Gas Corporation Limited at Uran for further processing and sale to consumers. Any disruption in compression leads to flaring of valuable high pressure gas which also has an adverse impact on environment. During the period of 2012-13 to 2019-20, high pressure gas valuing ₹816.08 crore was flared in Mumbai High field due to non-availability of standby process gas compressors, power shut down and frequent tripping of process gas compressors.

(Para 2.4)

Mumbai High Asset and Bassein & Satellite Assets of Oil and Natural Gas Corporation Limited sent indents for procurement of casing pipes for the year 2015-16 & 2016-17 to Corporate Material Management group. Corporate Material Management clubbed the indents for both the years and floated a tender and took more than 782 days to finalise the tender as against the specified time of 176 days. The delay in placement of purchase order

and receipt of material resulted in usage of costlier (2 to 2.5 times) casing pipes due to which, company incurred an avoidable expenditure of ₹21.56 crore.

(Para 2.6)

Mahanadi-Bengal-Andaman Basin of Oil and Natural Gas Corporation Limited at Kolkata carried out drilling activities by using type-I departmental rig (drilling depth capacity upto 3,050 meters). To complete the Minimum Work Programme at Barrackpore well, which was a deep well and beyond the capacity of available type-I departmental rig, it was decided to deploy type-III rig (drilling depth capacity upto 6,100 meters) from Agartala to Kolkata. Therefore, the type-III rig was released in May 2020 from Tripura Asset and commissioned in January 2020. As the ready location was not available at Mahanadi-Bengal-Andaman Basin, Kolkata the rig remained idle for 213 days. Moreover, to continue its operations at Tripura Asset, Oil and Natural Gas Corporation Limited hired another rig. Thus due to improper planning, Oil and Natural Gas Corporation Limited incurred an avoidable expenditure of ₹29.69 crore.

(Para 2.7)

Mehsana Asset of Oil and Natural Gas Corporation Limited produces associated and free gas which is either consumed for internal use, sold to consumers or flared. Delay and non-creation of adequate facilities at Mehsana Asset resulted in avoidable flaring of 193 lakh standard cubic meter gas due to which Oil and Natural Gas Corporation Limited incurred an avoidable loss of revenue of ₹15.13 crore during the period from April 2016 to March 2020.

(Para 2.8)

ONGC Petro additions Limited (OPaL), a joint venture company of Oil and Natural Gas Corporation Limited, started a project with an estimated cost of ₹21,396 crore and signed Rupee Loan Agreement (January 2013) with consortium of banks led by State Bank of India (SBI) and later (July 2014) revised the project cost to ₹27,011 crore. OPaL, accordingly signed an amendatory agreement with SBI & consortium banks and fixed the scheduled Commercial Operation Date as 30 June 2015 and agreed that overall project cost would be funded with debt-equity ratio of 66:34 till 31 December 2015 and thereafter as 58:42, failing which additional interest of 1 *per cent* per annum would be charged by the banks with effect from 01 June 2015. OPAL could not tie up the required equity portion even within the extended time period and incurred an avoidable penal interest of ₹25.81 crore.

(Para 2.9)

ONGC Videsh Limited awarded the work of auditing of its oil and gas reserves valuing ₹10.60 crore to the private parties on nomination basis disregarding Central Vigilance Commission guidelines, thereby, extending undue benefit to the private parties.

(Para 2.10)

NHPC did not levy penalty of ₹11.61 crore for generation of power lower than the minimum generation guaranteed in the contract agreement resulting in undue benefit to the contractor.

(Para 3.1)

India Infrastructure Finance Company Limited, under consortium lending, disbursed a loan of ₹470 crore to Essar Power Gujarat Limited for construction of a thermal power project, without conducting due diligence. Despite commissioning, the project could not be run viably due to non-supply of coal at the rates agreed upon under the Fuel Supply Agreement and the entire loan asset of India Infrastructure Finance Company Limited turned (April 2018) non-performing asset, for ₹400.49 crore. This has resulted in doubtful recovery of loan amount of ₹400.49 crore and interest of ₹269.43 crore as on 31 December 2020.

(Para No. 4.1)

IFCI Venture Capital Funds Limited sanctioned loans to Ashapura Intimates Fashion Limited (₹10 crore) and Arcotech Limited (₹15 crore) in August 2018 and May 2016 respectively. The Company deviated from the terms of its Lending Policy and Loan Agreements while sanctioning/ disbursing the two loans and also failed to take timely action in compliance with the Share Pledge Agreements for sale of pledged shares of the two borrowers to recover the outstanding dues. This led to non-recovery of outstanding dues of ₹27.34 crore from Ashapura Intimates Fashion Limited (₹12.55 crore) and Arcotech Limited (₹14.79 crore).

(Para 4.2)

National Insurance Company Limited receives premium, under reinsurance, for acceptance of portion of risks of insurance policies underwritten by other general insurance companies under reinsurance treaty and agreement. National Insurance Company Limited pays service tax on the total premium so received. Thereafter, National Insurance Company Limited issues invoices to the insurers from whom premium were received to recover the service tax so paid. During the years 2014-15 to 2016-17, National Insurance Company Limited paid service tax on the total premium so received without carrying out insurer-wise reconciliation. Due to non-maintenance of records and failure to reconcile party-wise reinsurance premium received, National Insurance Company Limited failed to recover service tax of ₹23.81 crore.

(Para 4.3)

The New India Assurance Company Limited participated and was selected (August 2016) in the tendering process for identification of implementing agencies for the 'Pradhan Mantri Fasal BimaYojana', a Crop Insurance Scheme launched by the Ministry of Agriculture, Government of India. The Company took reinsurance for 80 *per cent* of sum insured and decided to bear the risk for the remaining 20 *per cent* on its own. Audit noticed that the Company could have secured its own exposure of 20 *per cent* also by taking a

‘Stop Loss treaty arrangement’ but no cost-benefit analysis in this regard was done by the Company. The Company earned a premium of ₹501.96 crore (including the share of co-insurers viz. National Insurance Company Limited and The Oriental Insurance Company Limited at 25 *per cent* premium each) for the scheme against which the total claim outgo was ₹1,496.21 crore. While 80 *per cent* of the difference was covered through reinsurance, 20 *per cent*, which works out to ₹299.24 crore was not covered. Had the Company taken the stop loss reinsurance cover, it could have partly covered the loss amounting to ₹63.76 crore, after considering the cost of such stop loss insurance cover as ₹16.56 crore (approx.)

(Para 4.4)

The New India Assurance Company Limited failed to ascertain the Incurred Claims Ratio of the expiring policy while underwriting Livestock Insurance under National Livestock Mission for the year 2016-17 implemented in Telangana State which, resulted in low fixation of premium and subsequent loss of ₹10.31 crore due to high claim ratio.

(Para 4.5)

A contract for setting up of 75 MW Solar Power Plant in Gujarat was awarded to Bharat Heavy Electricals Limited by Gujarat Industries Power Company Limited in March 2018. For this contract, Bharat Heavy Electricals Limited was to supply photo voltaic modules also. Anti-dumping/ safeguard duty on these photo voltaic modules, if any, was reimbursable only if supplies were completed within prescribed time. Photo voltaic modules were procured by Bharat Heavy Electricals Limited from three suppliers, out of which supplies from two was on delivered duty paid basis viz., all the taxes and duties upto project site were to be borne by the suppliers and from one vendor, the supply was on Cost, Insurance, Freight basis Nhavasheva, Mumbai Seaport. As deliveries from the supplier who supplied on Cost, Insurance, Freight basis, were not ensured within the prescribed time, Bharat Heavy Electricals Limited incurred an additional liability of ₹11.58 crore towards payment of safeguard duty for clearing of imports.

(Para 5.2)

Heavy Engineering Corporation Limited received (30 September 2009) order for supply, erection and commissioning of an electric walking dragline from Northern Coalfields Limited. This was subsequently amended by adding two more sets of dragline at the same rate. Heavy Engineering Corporation Limited supplied the three draglines to Northern Coalfields Limited which were commissioned in May 2014, January 2016 and May 2019. Heavy Engineering Corporation Limited, however, was unable to ensure the guaranteed availability of the first two draglines. Northern Coalfields Limited consequently encashed (25 September 2019) four bank guarantees valuing ₹32.74 crore. Thus, failure on the part of Heavy Engineering Corporation Limited to ensure guaranteed availability of two draglines supplied to Northern Coalfields Limited led to loss of ₹32.74 crore due to encashment of performance bank guarantee by the purchaser.

(Para 5.3)

Hindustan Copper Limited (Company) engaged Star Trace Private Limited for commissioning and operation of a pilot plant at Khetri Copper Complex with a capacity to treat 200 tonnes copper ore tailings per day at a total value of ₹6.98 crore. The Company, even before the commissioning of the pilot project in June, 2016, decided (May 2016) to install a full scale plant at Malanjkhand Copper Project with a capacity to process 10,000 MT of copper ore tailings per day. The Company awarded contract to Star Trace Private Limited for setting up of 3.29 million tonnes per annum Copper Ore Tailings Beneficiation Plant at Malanjkhand Copper Project. The pilot project failed to achieve its envisaged parameters even after 33 months of operation and was also found unviable on commercial as well as technical aspects. Trial runs for Malanjkhand Copper Project Plant and Reliability test run failed to produce desired output. Therefore, by adopting technology which was yet to be proven, the Company not only wasted its resources but also made unjustified and imprudent investment decision of ₹158.05 crore by up-scaling it without waiting for outcome of pilot plant which proved to be a failure.

(Para 6.1)

MSTC Limited (MSTC) entered (April 2013) into an agreement w.e.f., 12 December 2012 with Concast Steel & Power Limited, a private party, for financing import/ procurement of Low Ash Metallurgical coke, coal and melting scrap under facilitator mode. As per the agreement, the material was to be pledged in the name of MSTC and stored at a designated warehouse located within the plant of Concast Steel & Power Limited under the custody of a Custodian. Though being aware of the poor financial health of Concast Steel & Power Limited, MSTC continued financing Concast Steel & Power Limited from time to time by increasing the credit limit exposures. The total outstanding dues of Concast Steel & Power Limited to MSTC were ₹220.84 crore till February 2021 and no recovery could be made thereagainst. Since the National Company Law Tribunal recognised MSTC as unsecured operational creditor in the list of stakeholders of Concast Steel & Power Limited, the chances of recovery are doubtful and MSTC also provided for the entire outstanding dues of Concast Steel & Power Limited in the books of accounts for the year 2018-19. Thus, imprudent decision of MSTC towards extending financial assistance to Concast Steel & Power Limited under facilitator mode resulted in non-recovery of dues of ₹220.84 crore.

(Para 7.1)

NMDC Limited incurred avoidable expenditure of ₹48.36 crore due to payment of Registration Charges and Stamp Duty for registering the same mine (Deposit 13) twice within a year, first by NMDC Limited and then for the second time by its Joint Venture Company NMDC-CMDC Limited. On account of failure of NMDC Limited in obtaining specific assurance from the Government of Chhattisgarh regarding waiver from payment of Registration Charges and Stamp Duty in the Shareholders cum Joint Venture Agreement, NMDC Limited had to bear the additional burden.

(Para 7.3)

The Orissa Minerals Development Company Limited (OMDC) operates six iron ore and manganese ore mining leases located in Odisha. Hon'ble Supreme Court of India ruled (August 2017) that penalty be levied on lessees for illegal mining activities like production without/ in excess of environment clearance and forest clearance. Accordingly, Government of Odisha demanded (September/ October 2017) penalty of ₹643.27 crore from OMDC for violation of environment clearance and ₹58.91 crore towards penalty for production of excess minerals beyond the approved limits prescribed in the Mining Plan and Consent to Operate. Despite clear directions for payment by Central Empowered Committee, Government of Odisha, Hon'ble Supreme Court of India, Government of India and legal advices obtained by the Company (December 2017/ May 2018/ December 2018), OMDC did not make full payment of compensation within the stipulated timeline. The delay resulted in avoidable payment of penal interest amounting to ₹174.04 crore.

(Para 7.7)

India United Textile Mill Limited (IUTML) was incorporated (November 2007) for revival of India United Mill Number 1, a sick unit, through private participation with 51 *per cent* of shareholding by National Textile Corporation Limited and the remaining 49 *per cent* shareholding by the strategic partner. During February to April 2019, IUTML paid advances totalling ₹109.34 crore (30 individual payments) to a group company of strategic partner without written contract, security and interest terms. IUTML has neither received fabric material nor recovered the advance and interest thereon, till date (March 2021). Credit period of 90 to 120 days was allowed in the fabric trading business of IUTML, but no interest was levied for any delay in payment. Irregular payment of advances and delayed receipt of sale proceeds from the group companies of strategic partner resulted in loss of ₹29.70 crore apart from blocking of advance amount of ₹109.34 crore.

(Para 8.1)

India United Mill No. 6 was a closed textile mill of National Textile Corporation Limited (NTC) situated in Mumbai and Government of Maharashtra made requests for transfer of the land (around 12 acres) for construction of a memorial for Dr. B.R Ambedkar. Government of Maharashtra offered (March 2016) to compensate NTC in the form of transferable development rights for value of land which was worked out as ₹1,413 crore and also offered to facilitate sale of transferable development rights. Board of Directors of NTC constituted (January 2018) a committee for the sale of transferable development rights but later decided (August 2018) to request Government of Maharashtra, to sell the transferable development rights on NTC's behalf on the ground that the amount of consideration to be received by NTC was fixed and Government of Maharashtra had agreed to facilitate sale of transferable development rights. Audit noticed that there was no prior agreement or consent from Government of Maharashtra's side that they would sell the transferable development rights and hand over the agreed amount to NTC. The lack of affirmative action to sell the transferable development rights by NTC resulted in non-realisation of ₹1,413 crore for four years and consequent loss of interest of ₹268 crore.

(Para 8.2)

Airports Authority of India Limited (AAI) entered (24 September 2018) into a concession agreement with M/s Travel Food Services Private Limited (M/s TFS) to develop, market, setup, operate, maintain and manage the Food & Beverage (F&B) outlets at Goa Airport. Initially, Goa Airport had sanctioned electricity load of 4,000 KW, against the actual consumption of around 2,600 KW, hence an unutilised load of about 1,000 KW was surrendered (June 2015) to avoid penal charges as operation from old Terminal Building was stopped. Hence, AAI was aware that present sanctioned load was only for operational need and that for starting commercial operations, additional sanctioned load (about 827 KW) was required. AAI applied (12 November 2018) for additional sanctioned load of 1,500 KW, which was sanctioned by Goa Electricity Department on 03 January 2019 on a condition that the cost of ₹5.67 crore for enhancement of contract demand would be borne by AAI. However, till date electrical work has not been completed and AAI is supplying electricity to M/s TFS from available load at Goa Airport through DG set. Due to non-availability of full load, M/s TFS claimed a further rebate of ₹17.30 crore against the demand raised by AAI in November 2019. Hence, inadequate assessment and delay in arrangement of required electricity load at Goa Airport resulted into loss of revenue of ₹15.66 crore.

(Para 9.1)

Air India Limited (AIL) entered into an agreement with M/s Boeing for Rotable Exchange Program effective from 06 July 2016, according to which AIL may exchange an unserviceable removed component with Boeing's serviceable component. M/s Boeing provides related repair, overhaul and modification service for exchange components. As per the agreement, AIL was to return/ deliver each removed component to the primary center of the Boeing within 10 calendar days failing which AIL was liable to pay late return charges. Further, if the component was not delivered within 20 days, AIL was liable to pay additional penalty. AIL made penalty payment of ₹43.85 crore to M/s Boeing due to persistent delays in return of removed component during the period July 2016 to December 2019.

(Para 9.4)

As per Article 4 of Model Concession Agreement related to 'Condition Precedent', rights and obligations of National Highways Authority of India (NHAI) and the Concessionaire, under the Concession Agreement, shall be subject to the satisfaction in full of the conditions precedent specified. One of the conditions precedents to be fulfilled by NHAI is 'issue of the fee notification'. Further, Article 4.2 and 4.3 of Model Concession Agreement states that in the event, NHAI or Concessionaire, failed to satisfy any condition precedent of Concession Agreement, they will be liable to pay damages. NHAI entered into two concession agreements for four laning of Shivpuri-Guna Section from km 236.00 to km 332.100 and four laning of Biaora to Dewas section from km 426.100 to km 566.450 of NH-3 in the State of Madhya Pradesh on 15 June 2015 and 27 August 2015, respectively. Audit observed that NHAI failed to levy damages of ₹12.36 crore on the concessionaires

for their delay in fulfilment of conditions precedent, due to retention of extraneous condition precedent clause in concession agreement relating to issue of fee notification which was actually required for collection of fee from road users on achieving commercial operation date of the project.

(Para 10.1)

NHAI entered into a concession agreement (March 2005) with West Gujarat Expressway Limited (WGEL) for widening of Highways. WGEL was allowed a concession period of 20 years from the appointed date and allowed to collect tolls from the users during the concession period. WGEL delayed in completion of periodic maintenance and as per the agreement an amount of ₹21.94 crore was leviable as damage. However, in violation of CVC guidelines, NHAI extended undue benefit of ₹10.94 crore to the concessionaire by levying damages lesser than that specified in concession agreement by modifying the calculation method of damage as per NHAI's 'Policy Guidelines/ calculation for periodic maintenance and damages' of February 2018 which was not applicable to the agreement.

(Para 10.2)