

PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

NEW DELHI
22 DECEMBER, 2022

CAG's REPORT ON IMPLEMENTATION OF NAGPUR METRO RAIL PROJECT BY MAHARASHTRA METRO RAIL CORPORATION LIMITED PRESENTED

Performance Audit Report No. 34 of 2022 of Comptroller and Auditor General of India on 'Implementation of Nagpur Metro Rail Project by Maharashtra Metro Rail Corporation Limited' was presented in Parliament here today.

Government of Maharashtra and Government of India decided (2014) to implement Nagpur Metro Rail Project to provide energy efficient and eco-friendly Mass Rapid Transport System for Nagpur City through a Joint Venture, Maharashtra Metro Rail Corporation Limited (MMRCL), with an estimated cost of ₹8,680 crores. The project consists of two corridors for a total length of 38.478 km (33.078 elevated and 5.40 km at-grade) with 38 stations. The two corridors viz. North-South Corridor and East-West Corridor were further divided into two Reaches each, out of which one Reach in each corridor and 23 out of 38 stations have been made operational till March 2022.

The Performance Audit was conducted covering planning, implementation, monitoring, and operations of Nagpur Metro Rail project by MMRCL during the period 2015-16 to 2020-21. The prominent findings of the Report are discussed below:

1. Planning and Implementation

Detailed Project Report for the Nagpur Metro Rail Project was prepared by Delhi Metro Rail Corporation Ltd. Detailed Project Report envisaged 36 stations and 2 additional stations were added by the Maharashtra Metro Rail Corporation Limited at the implementation stage. Out of the two stations, the Airport South station was first envisaged as a temporary station costing ₹47.26 crore mainly for reversal of trains though such reversal of trains could have been achieved through cross-over tracks. Subsequently the station was converted into an operational station. The station has shown average ridership of 191 to 229 only per day. Cotton Market station, the second additional station was projected to have high Peak Hour Peak Direction Trips but the work was kept on hold midway citing fund crunch due to non-release of pending contribution from stakeholders (Nagpur Improvement Trust, Nagpur Municipal Corporation and Government of Maharashtra). However, the situation could have been managed through prioritization of works. **(Para 3.1.1 and 3.1.2)**

The location of New Airport station was not ideal from the viewpoint of ridership due to sparse population in and around the station and also from the accessibility point of view. The average ridership for a period of 18 months from date of commercial operation (March 2019) of the station was only 47 passengers per day as against the ridership of 5,474 per day envisaged in the detailed project Report. **(Para 3.2)**

Maharashtra Metro Rail Corporation Limited adopted 25 kV AC traction system for the project despite the suggestions of Consultant M/s RITES and the Sub-Committee of Maharashtra Metro Rail Corporation Limited for adoption of 750 V DC system, in view of more suitability and potential cost saving of ₹719 crore. MMRCL cited the need for maintaining uniformity in traction systems across the State of Maharashtra for the decision. Audit observed that Metro Projects in various cities were independent projects and have no linkage to each other and the selection of traction system should have been based on accruing benefits. **(Para 3.3)**

There was an element of risk to operational and commuter safety due to non-provision of Platform Screen Doors, non-commissioning of Operation Control Center and operation of three stations with single entry/exit points. **(Para 3.4, 3.5 and 3.7)**

Maharashtra Metro Rail Corporation Limited while tendering for rolling stock did not ensure that the required train sets would be delivered before the anticipated date of commercial operation of Reach 1, with the result that two train sets had to be hired at a cost of ₹45.88 crore from M/s L&T Metro, Hyderabad. **(Para 3.6)**

Maharashtra Metro Rail Corporation Limited awarded (April 2018) the work of development of Eco-park adjacent to the MIHAN Depot as an additional work to the existing contractor M/s PCS JV at an awarded value of ₹18.99 crore (value of work executed up to December 2020 was ₹3.45 crore) though construction of the park was not a core activity of Maharashtra Metro Rail Corporation Limited, which showed lack of prioritisation of works. **(Para 3.8)**

2. Project and Contract Management

As per the Detailed Project Report, the commercial operation was to be achieved by April 2018 but only two out of four Reaches have begun commercial operation. At the time of award of key civil works, Maharashtra Metro Rail Corporation Limited was aware that the envisaged commercial operation would not materialize in April 2018, since the scheduled completion dates of key civil works began from October 2018 and went on till February 2021. Yet, no revised target was laid down for commercial operation of the entire project, with the result that the construction work lingered on and is yet to be completed (March 2022). **(Para 4.1)**

Maharashtra Metro Rail Corporation Limited did not publish its tenders on Central Public Procurement Portal as stipulated by Department of Expenditure, Ministry of Finance, Government of India. Thus, Maharashtra Metro Rail Corporation Limited lost the opportunity to ensure wide publicity for the tenders to obtain competitive rates. **(Para 4.2)**

Maharashtra Metro Rail Corporation Limited tendered the work of installation of ballast less track in Reach 1 and Reach 3 without conducting proper survey and assessing actual items required for the work, though Maharashtra Metro Rail Corporation Limited engaged a track advisor for the purpose. Due to improper framing of work estimate, the estimated cost put to tender was inflated by ₹14.45 crore, i.e., by 24.13 per cent. Tender evaluation lacked transparency as bidders who did not submit required documents to verify qualification criteria were awarded contracts in two cases. **(Para 4.3 and 4.4)**

Maharashtra Metro Rail Corporation Limited awarded major/substantial works amounting to ₹877.58 crore as additional works to existing contractors/consultant working in the project on nomination basis, citing emergency, timely completion of the project and the probable delay

which may arise due to following the laid down tendering process. The additional works were awarded by invoking a clause in the existing contract which permitted quantity variation of (+/-) 25 per cent, though the clause was meant for regularization of any variation in the bill of quantities during execution and not for altogether new works. While awarding the new works, the enhanced technical and financial capabilities required for execution of the additional works were not assessed with the result that the envisaged benefit of timely completion also did not materialize. **(Para 4.5)**

Maharashtra Metro Rail Corporation Limited paid interest free mobilisation advance to contractors, the recovery of which was made from the running bills of the contractors, as per the progress of work. This was not in accordance with the guidelines of Central Vigilance Commission, which prescribed time bound recovery of mobilization advance. Since the works were progressing at a slow pace, recovery of mobilization advance amounting to ₹130.86 crore was pending (April 2021). **(Para 4.6)**

Maharashtra Metro Rail Corporation Limited did not recover additional cost incurred amounting to ₹45.30 crore from three contractors on account of subsequent re-award of their terminated/de-scoped works at higher cost. This was due to failure by Maharashtra Metro Rail Corporation Limited to include 'risk and cost clause' in one contract and non-invoking of risk and cost clause in two contracts. **(Para 4.7)**

Maharashtra Metro Rail Corporation Limited granted material advance of ₹23.60 crore and acceleration advance of ₹10 crore to ILFS though these were not permissible as per the tender conditions, the latter having been disbursed (October 2018) two months prior to termination of contract in December 2018. The termination itself was delayed by a year, though Maharashtra Metro Rail Corporation Limited was aware of the failure of ILFS in execution of work, due to which the work of construction of Sitabuldi station was descope from them in December 2017. Delay in termination not only affected the progress of work but also resulted in Maharashtra Metro Rail Corporation Limited not being able to encash the bank guarantee as the termination was done after the order of NCLAT restraining banks from honouring the bank guarantees furnished by ILFS. Further, the delay in termination had a cascading effect as only 5 stations out of planned 11 stations could be made operational in Reach 1 when commercial operation was declared in March 2019. **(Para 4.8)**

Due to slow progress of work in the construction of Sitabuldi interchange station by the contractor ILFS, the work was de-scoped from them and awarded to M/s Afcons for ₹70.05 crore as an additional work to their existing contract of construction of viaduct in Reach 3. At the time of award, Maharashtra Metro Rail Corporation Limited decided (February 2018) to maintain the accepted Bill of Quantities item rates as applicable to ILFS work contract. Subsequently, Afcons was also awarded the work of architectural finishing for ₹28.70 crore on nomination basis. After award of the works, Maharashtra Metro Rail Corporation Limited granted (December 2018) item rate increase amounting to ₹17.19 crore in the two additional contracts, which was not in accordance with contract terms. **(Para 4.9)**

General Financial Rules of the Government of India stipulated that price variation clause can be provided in long term contracts, where the delivery period extends beyond 18 months and that short term contracts should have firm and fixed prices. Maharashtra Metro Rail

Corporation Limited incurred expenditure of ₹6.02 crore towards price escalation in short term contracts, which was in violation of the General Financial Rules. **(Para 4.10)**

General Consultant utilized 8,781 man-months against the prescribed 5,176 man-months (increase by 69 per cent), due to which the contract value increased from ₹221.93 crore to ₹297.46 crore (34 per cent) during the contract period. Also, the lead member of the consortium M/s SYSTRA was awarded the work of Detailed Design Consultant for 10 stations at a cost of ₹6.60 crore on nomination basis, notwithstanding the 'Conflict of Interest' as the General Consultant was required to proof check the designs/drawings submitted by the Detailed Design Consultant. **(Para 4.11)**

Due to inadequate planning in tendering of major works, non-deployment of adequate manpower by contractors, not getting timely clearances for railway crossing, non-furnishing of drawings and design in time to the contractors and providing access to the work front to the contractors resulted in delay/non-completion of works in the project which resulted in the project being only partially commissioned even after lapse of three years from planned commercial operation of the entire project. Maharashtra Metro Rail Corporation Limited had to bear price escalation of ₹72.08 crore due to non-completion of major civil works within the stipulated contract period. **(Para 4.12)**

3. Operational Performance

The actual ridership achieved so far in the project was only 3.85 to 7.43 per cent of the ridership projected in the Detailed Project Report. The low ridership in both the operational Reaches can be attributed to various factors including non-operationalisation of two reaches (Reach 2 and 4) and even in the two Reaches that are operational (Reach 1 and 3), 3 stations are not yet operational. **(Para 5.1)**

Coupled with low fare box revenue due to low ridership, the revenue generation from nonfare box sources for the period from 2018-19 to 2020-21 was only ₹67.86 crore as against the Detailed Project Report projection of ₹1,666 crore (4 per cent of the estimated revenue). The major /component of non-fare box revenue as per the Detailed Project Report was revenue on account of additional Floor Space Index amounting to ₹1,201 crore. However, the actual revenue realized was only ₹67.59 crore (6 percent of the estimated revenue). **(Para 5.2)**

Maharashtra Metro Rail Corporation Limited could earn only ₹0.27 crore from property business and advertisement, which was 0.28 per cent of the estimated revenue (₹97 crore) as per the Detailed Project Report. The land acquired for stations was more than double the requirements projected in the Detailed Project Report (73,497 sq. mtr of land was acquired against projection of 32,752 sq. mtr). Maharashtra Metro Rail Corporation Limited planned property development through monetization of land parcels and identified four land parcels. However, Maharashtra Metro Rail Corporation Limited could not monetize the land parcels and as a result no revenue could be generated. Maharashtra Metro Rail Corporation Limited constructed two level basements for parking facility at Kasturchand Park land parcel near to Kasturchand Park Metro station at a cost of ₹24.75 crore. Construction of a parking facility costing ₹24.75 crore for a station costing ₹41.22 crore without development of commercial complex lacks justification and is not a financially prudent decision. **(Para 5.3)**

The total surplus generated by Maharashtra Metro Rail Corporation Limited for the period from 2015-16 to 2020-21 was ₹13.14 crore and the instalment amount due to be paid to the external agencies during 2021-22 was ₹377.79 crore. Therefore, the surplus generated is only a fraction of the amount required for servicing of debt (total loan amount: ₹4,521 crore) raised by the Government of India for the project from external funding agencies. The instalments that have fallen due till December 2021 have not yet been paid. In the case of AFD loan, extension in repayment has been granted up to June 2022 by the external agency while in the case of KfW loan, the matter is under correspondence. Though the ridership may improve after all the Reaches are made operational, yet whether the revenues would cover the debt servicing needs close monitoring and appropriate interventions. **(Para 5.5)**

4. Project Monitoring and Internal Control

The High Powered Committee constituted by Government of Maharashtra under the chairmanship of the Chief Secretary to sort out all State level issues involved in the project met only on a single occasion though mandated to meet at least once in a month. Further, Maharashtra Metro Rail Corporation Limited was not included as a member of the High Powered Committee. Due to not holding regular meetings and non-representation of Maharashtra Metro Rail Corporation Limited in the High Power Committee, State level issues particularly regarding delay in release of funds by stake holders remained unresolved. Non-receipt of contribution of ₹793.89 crore from Government of Maharashtra, Nagpur Improvement Trust and Nagpur Municipal Corporation adversely impacted the progress of work. Institutional frameworks such as Urban Metropolitan Transport Authority and Urban Transport Fund also could not serve their purpose as Urban Metropolitan Transport Authority has been established only now (February 2022) and Urban Transport Fund is yet to be established by the Government of Maharashtra. **(Para 6.1, 6.2 and 6.3)**

Maharashtra Metro Rail Corporation Limited did not ensure that the stamp duty was paid at prescribed rate as per The Maharashtra Stamp (Amendment) Act, 2015 while entering into agreements with contractors, resulting in loss of revenue of ₹4.76 crore to the State exchequer. **(Para 6.4)**

Maharashtra Metro Rail Corporation Limited was holding four accounts with a private sector Bank viz., ICICI Bank with a total balance of ₹3.09 crore in violation of Government directions as per which in all Central Sector Schemes/Centrally Sponsored Schemes, the banking arrangements of the implementing agencies, as a norm, are to be handled by the Public Sector Banks and Regional Rural Banks. **(Para 6.5)**