CHAPTER – II: ECONOMIC SECTOR

(STATE PUBLIC SECTOR UNDERTAKINGs)

2.1 Functioning of State Public Sector Undertakings

Introduction

2.1.1 The State Public Sector Undertakings (State PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature and occupy an important place in the State economy. As on 31 March 2018, there were 15 State PSUs in Tripura. None of these State PSUs was listed on the Stock exchange. During the year 2017-18, one State PSU–Agartala Smart City Limited was incorporated[1] in the State, while no State PSU was closed down. The details of State PSUs in Tripura as on 31 March 2018 are given in **Table 2.1.1**.

Table 2.1.1: Total number of State PSUs as on 31 March 2018

Type of State PSUs	Working State PSUs	Non-working State PSUs[2]	Total
Government Companies[3]	13	1	14
Statutory Corporations	1	-	1
Total	**14**	**1**	**15**

Source*: Finance Accounts 2017-18, Statement -19.*

The working State PSUs registered a turnover of ₹ 1,011.51 crore as per their latest finalised accounts as of September 2018. This turnover was equal to 2.55 *per cent* of the Gross State Domestic Product (GSDP) of ₹ 39,669.69 crore[4] for 2017-18. During 2016-17, the contribution of working State PSUs turnover (₹ 869.27 crore) was marginally lower at 2.35 *per cent* of the GSDP (₹ 37,022.58 crore). The working State PSUs incurred an aggregate loss of ₹ 190.30 crore as per their latest finalised accounts as of September 2018, as compared to the aggregate loss of ₹ 118.09 crore incurred during 2016-17. The aggregate losses of working State PSUs were mainly on account of heavy loss (₹ 156.96 crore) incurred by the power sector State PSU {*viz.* Tripura State Electricity Corporation Limited (TSECL)} as discussed under **Paragraph 2.1.16**. The State PSUs had employed 6,479 employees[5] as at the end of March 2018. Out of 14 working State PSUs, the equity (₹ 248.87 crore) of two State PSUs[6] had been completely eroded by their accumulated losses (₹ 381.27 crore) as per their latest finalised accounts as on 30 September 2018. The Return on Equity

[1] On 18 November 2016
[2] Non-working State PSUs are those which have ceased to carry on their operations
[3] Government companies include Other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013
[4] GSDP figures taken as per Quarterly Review Report of the Finance Minister, GoT for the third quarter of 2017-18
[5] As per the details provided by working State PSUs
[6] Serial No. A9 and B1 of **Appendix 2.1.2**

(ROE) in respect of four working State PSUs[7] was 16.78 *per cent*. The ROE in respect of remaining eight working State PSUs[8] was negative {(-) 39.48 *per cent*} as per their latest finalised accounts.

As of 31 March 2018, there was one non-working State PSU having total investment of ₹ 0.04 crore.

Accountability framework

2.1.2 The audit of the financial statements of a Company in respect of financial years commencing on or after 01 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a Company in respect of financial years that commenced prior to 01 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Companies Act, 2013 (The Act), a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/ or State Government(s). The subsidiary of a Government Company is also covered under the definition of a Government Company. The process of audit of Government Companies is governed by the related provisions of Section 139 and 143 of the Act.

Statutory Audit

2.1.3 Financial statements of a Government Company as defined in Section 2 (45) of the Act are audited by the Statutory Auditors. The said Statutory Auditors are appointed by the Comptroller and Auditor General of India (C&AG) as per the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to Supplementary Audit conducted by the C&AG under the provisions of Section 143 (6) of the Act. Further, the Statutory Auditors of any 'Other Company'[9] owned or controlled, directly or indirectly by the Central and/ or State Government(s) are also appointed by C&AG as per the provisions of Section 139 (5) or (7) of the Act.

As per the provisions of Section 143 (7) of the Act, the C&AG, in case of any Company (Government Company/ Other Company) covered under sub-Section (5) or sub-Section (7) of Section 139 of the Act, if considered necessary, cause 'test audit' to be conducted of the accounts of such Company. The provisions of Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act) shall apply to the report of such 'test audit'.

Audit of Statutory Corporations is governed by their respective Legislations. The State of Tripura had only one Statutory Corporation, which was working. The C&AG is the sole auditor for the said Corporation, namely, Tripura Road Transport Corporation (TRTC).

---

[7] As per the details provided by working State PSUs. Serial No.A5, A10, A12 and A13 of **Appendix 2.1.2**

[8] Serial No. A1, A2, A3, A4, A6, A7, A8 and A11 of **Appendix 2.1.2**

[9] As referred to in Section 139 (5) and 139 (7) of the Act

Role of Government and Legislature

2.1.4 The State Government exercises control over the affairs of these State PSUs through its administrative departments. The Chief Executive and Directors on the Board of these State PSUs are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of State Government investment in the State PSUs. 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 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.

Stake of State Government of Tripura

2.1.5 The State Government has a large financial stake in these State PSUs. This stake is of mainly three types:

a. **Share capital and loans-**In addition to the Share capital contribution, State Government also provides financial assistance by way of loans to the State PSUs from time to time.
b. **Special financial support-**State Government provides budgetary support by way of grants and subsidies to the State PSUs as and when required.
c. **Guarantees-**State Government also guarantees the repayment of loans (with interest) availed by the State PSUs from Financial Institutions.

Investment in State PSUs

2.1.6 As on 31 March 2018, the investment (capital and long-term loans) in 15 State PSUs was ₹ 1,899.00 crore[10] as per details given in **Table 2.1.2**.

Table 2.1.2: Total investment in State PSUs

(₹in crore)

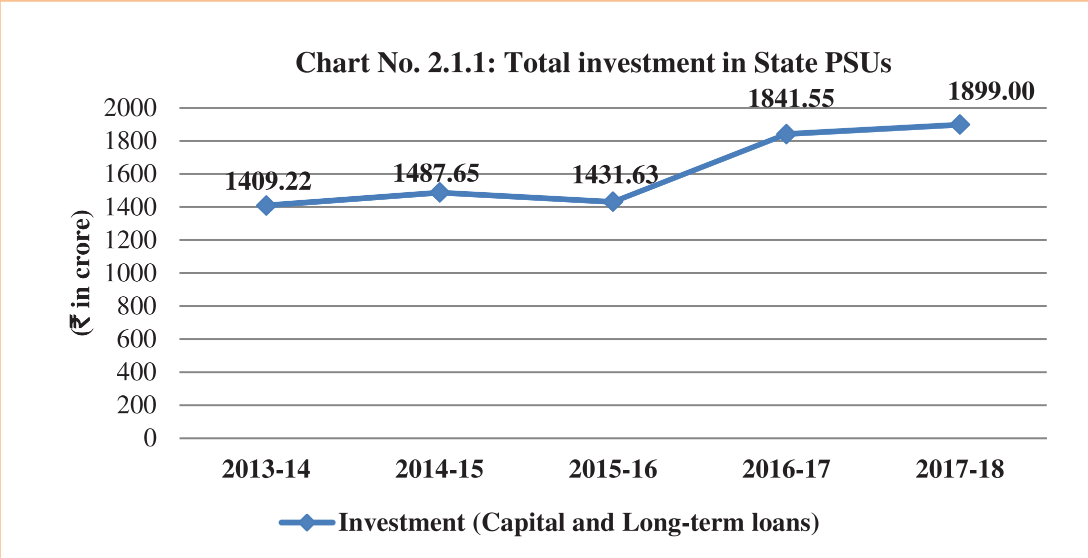
Type of State PSUs	Government Companies			Statutory Corporations			Grand total
	Capital	Long term loans	Total	Capital	Long term loans	Total	
Working State PSUs	1233.64	502.29	1,735.93	162.78	0.25	163.03	1,898.96
Non-working State PSUs	0.04	0.00	0.04	0.00	0.00	0.00	0.04
Total	**1,233.68**	**502.29**	**1,735.97**	**162.78**	**0.25**	**163.03**	**1,899.00**

Source*: State PSUs data*

Out of the total investment of ₹ 1,899.00 crore in State PSUs as on 31 March 2018, 99.99 *per cent* was in working State PSUs and the remaining 0.01 *per cent* in one non-working State PSU (*viz.* Tripura State Bank Limited). This total investment

[10] Information as furnished by the State PSUs excepting one State PSU (Sl. No. A 13 of **Appendix 2.1.2**) investment figures for which have been adopted from their finalised accounts for 2017-18

consisted of 73.54 *per cent* towards capital and 26.46 *per cent* in long-term loans. The investment has grown by 34.75 *per cent* from ₹ 1409.22 crore (2013-14) to ₹ 1,899.00 crore (2017-18) as shown in **Chart 2.1.1**.



2.1.7 The sector wise summary of investments in the State PSUs as on 31 March 2018 is given in **Table 2.1.3**:

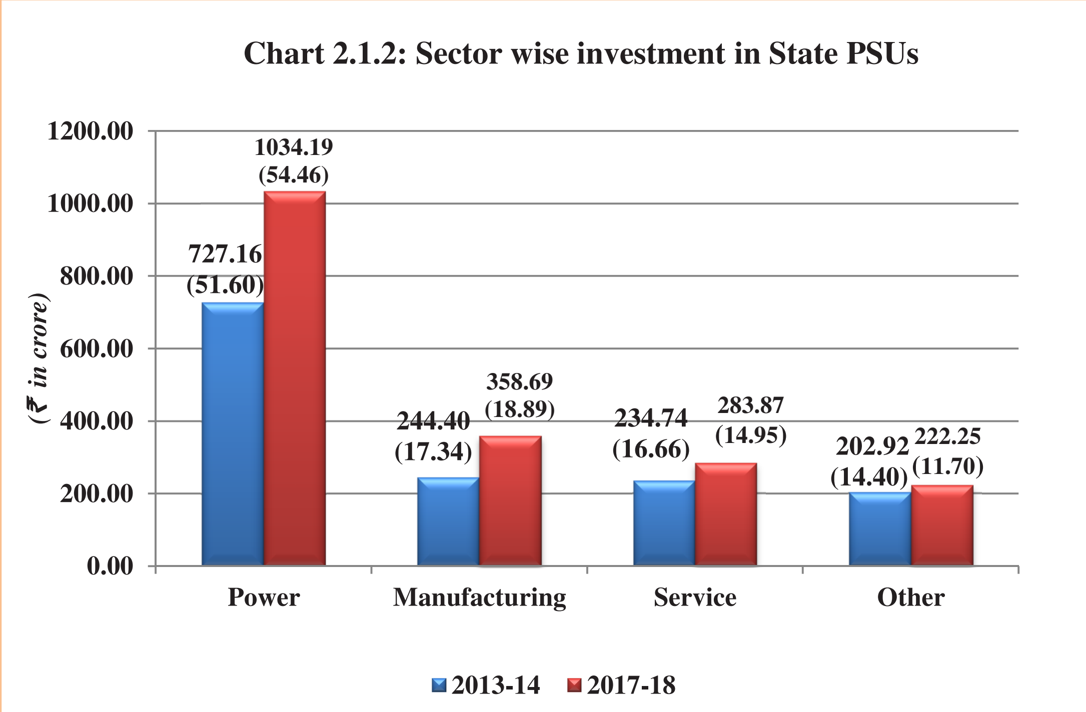
Table 2.1.3: Sector-wise investment in State PSUs

Name of Sector	Government / Other[11] Companies		Statutory Corporations	Total	Investment (*₹in crore*)
	Working	Non-Working	Working		
Power	1	0	0	1	1,034.19
Manufacturing	2	0	0	2	358.69
Service	4	0	1	5	283.87
Finance	1	1	0	2	144.62
Agriculture and Allied	4	0	0	4	69.31
Miscellaneous	1	0	0	1	8.32
Total	**13**	**1**	**1**	**15**	**1,899.00**

Source: *State PSUs data*

The investment in four significant sectors and percentage thereof at the end of 31 March 2014 and 31 March 2018 are indicated in **Chart 2.1.2**. The thrust of investment in State PSUs was mainly in power sector, which increased from 51.60 *per cent* to 54.46 *per cent* during 2013-14 to 2017-18.

[11] 'Other Companies' as referred to under Section 139 (5) and 139 (7) of the Companies Act, 2013



(Figures in brackets show the percentage of total investment)

From **Chart 2.1.2**, it can be seen that as compared to the investment position in State PSUs during 2013-14, investments have increased in all the sectors as of 2017-18. The biggest increase in investment was in the power sector which registered an increase of ₹ 307.03 crore (42.22 *per cent*). This was mainly due to increase in loan (408.81 *per cent)* from ₹ 72.41 crore during 2013-14 to ₹ 368.43 crore during 2017-18.

The increase of investment (46.76 *per cent*) under manufacturing sector was mainly due to equity contribution of ₹ 114.29 crore provided by the State Government to Tripura Jute Mills Limited (₹ 94.11 crore) and Tripura Small Industries Corporation Limited (₹ 20.18 crore) during the period 2013-18.

Special support and returns during the year

2.1.8 The State Government provides financial support to State PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, waiver of loans and interest in respect of State PSUs during three years ended 2017-18 are given in **Table 2.1.4**.

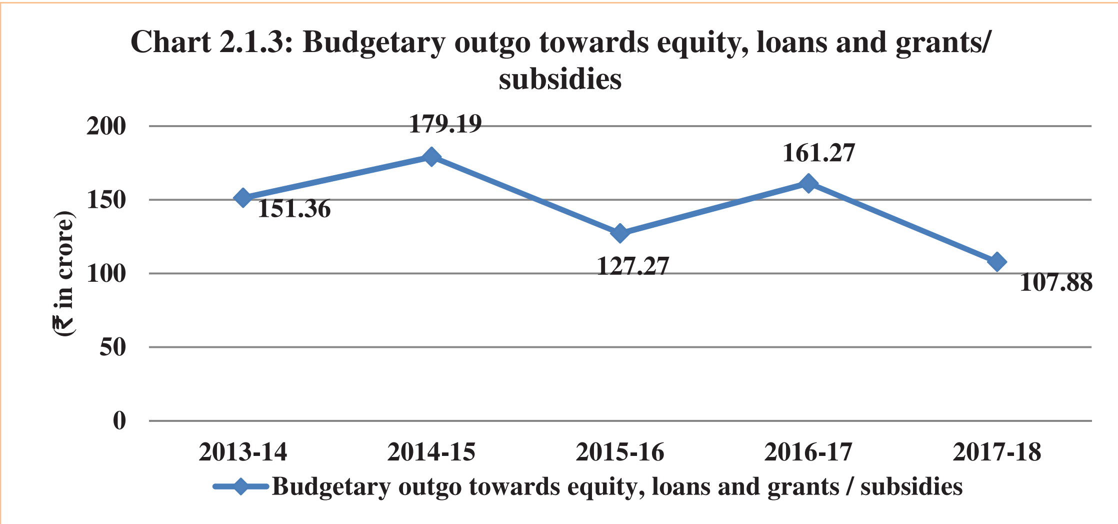
Table 2.1.4: Details regarding budgetary support to State PSUs

(₹ in crore)

Particulars	2015-16		2016-17		2017-18	
	No. of State PSUs	Amount	No. of State PSUs	Amount	No. of State PSUs	Amount
Equity capital outgo from budget	6	38.48	7	60.74	5	30.53
Loans given from budget	-	-	1	13.25	-	-
Grants/subsidy from budget	5	88.79	5	87.28	5	77.35
Total Outgo (1+2+3)[12]	**10**	**127.27**	**9**	**161.27**	**9**	**107.88**
Particulars	**2015-16**		**2016-17**		**2017-18**	
	No. of State PSUs	**Amount**	**No. of State PSUs**	**Amount**	**No. of State PSUs**	**Amount**
Waiver of loans and interest	-	-	-	-	-	-
Guarantees issued	-	-	-	-	-	-
Guarantee commitment	-	-	-	-	-	-

***Source**: State PSUs data*

The graphical presentation of the budgetary outgo towards equity, loans and grants/ subsidies for the past five years has been given in **Chart 2.1.3**.



As can be seen from **Chart 2.1.3,** budgetary outgo to the State PSUs during 2013-14 to 2017-18 had shown a downward trend. The budgetary outgo to State PSUs was at the peak during 2014-15 (₹ 179.19 crore) and lowest during 2017-18 (₹ 107.88 crore). During 2017-18, budgetary outgo to State PSUs (₹ 107.88 crore) had decreased significantly (by 33.11 *per cent*) as compared to the budgetary outgo (₹ 161.27 crore) extended during 2016-17. The major beneficiaries of budgetary outgo during 2017-18 were Tripura State Electricity Corporation Limited (TSECL) (grant and subsidy: ₹ 36.77 crore), Tripura Jute Mills Limited (equity: ₹ 22.00 crore, grant: ₹8.00 crore), Tripura Road Transport Corporation (grants: ₹ 16.57 crore) and Tripura Handloom and Handicrafts Development Corporation Limited (grant: ₹ 13.46 crore).

[12] Actual number of State PSUs, which received equity, loans, grants/subsidies from the State Government

Reconciliation with finance accounts

2.1.9 The figures in respect of equity and loans provided by the State Government as per the records of State PSUs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the State PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2018 is given in **Table 2.1.5**.

Table 2.1.5: Equity, loans, guarantees outstanding as per the Finance Accounts *vis-à-vis* records of State PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	1,321.56	1,391.24	69.68
Loans	56.75[13]	206.30	149.55
Guarantee	Nil	Nil	Nil

Source*: Finance Accounts2017-18 and State PSUs data*

Audit observed that the differences in the figures of equity and loans occurred in respect of 12 State PSUs[14] and four State PSUs[15] respectively. It can be seen from **Table 2.1.5** that during 2017-18, the differences in the figures of equity and loans were to the tune of ₹ 69.68 crore and ₹ 149.55 crore respectively. Audit observed that differences in the corresponding figures of equity and loans during the year 2016-17 were to the tune of ₹ 79.27 crore and ₹ 149.39 crore respectively. During the year 2017-18, the un-reconciled differences in the State Government investment towards equity had decreased by ₹ 9.59 crore (12.09 *per cent*) and had increased in respect of loan by ₹ 0.16 crore (0.11 *per cent*) respectively. The State Government and the State PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

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

Table 2.1.6 provides the details of progress made by working State PSUs in finalisation of accounts as of 30 September 2018.

[13] State Government loan to TSECL (₹ 56.75 crore) for power projects
[14] State PSUs at Sl. Nos. A.1, A.2 and A.4 to A.12 and B.1 of **Appendix 2.1.2**
[15] State PSUs at Sl. Nos. A.5, A.6, A.8 and B.1 of **Appendix 2.1.2**

Table 2.1.6: Position relating to finalisation of Accounts of working State PSUs

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of working State PSUs	13	13	13	13	14[16]
2.	Number of Accounts finalised during the year	12	11	16	13	12
3.	Number of Accounts in arrears	21	23	20	20	23[17]
4.	Number of Working State PSUs with arrears in Accounts	11	12	12	11	13
5.	Extent of arrears (number in years)	1 to 5 years	1 to 6 years	1 to 2 years	1 to 3 years	1 to 4 years

As could be observed from the **Table 2.1.6**, only one[18] out of 14 working State PSUs had prepared their up-to date accounts as on 30 September 2018. The remaining 13 working State PSUs had a backlog of 23 accounts for periods ranging from 1 to 4 years. The said arrear of 23 accounts included backlog of four accounts in respect of one company, three accounts each in respect of two Companies, two accounts each in respect of two Companies and one Statutory Corporation, and one accounts each in respect of seven Companies as detailed in **Appendix 2.1.2**.

The administrative departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the State PSUs within the stipulated period. During the period 2017-18 (up to September 2018), the departments concerned were informed (February 2018 and June 2018) regularly of the arrears in finalisation of accounts by these State PSUs. In addition, the Accountant General (AG) had also taken up (November 2017) the matter with the Chief Secretary, Government of Tripura (GoT) for liquidating the arrears of accounts and drawing special attention to the importance of preparation of accounts on time. Despite all these efforts, however, the aggregate arrears of accounts of working State PSUs as of September 2018 had increased to 23 accounts.

2.1.11 The State Government had invested ₹ 233.12 crore in 10 State PSUs (equity: ₹ 57.22 crore, loans: ₹ 13.25 crore and grants: ₹ 162.65 crore) during the years for which these State PSUs had not finalised their accounts as detailed in **Appendix 2.1.1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. State Government's investment in such State PSUs, thus, was not known to the State Legislature and other stakeholders due to non-finalisation of accounts.

Placement of Separate Audit Reports

2.1.12 The position depicted in **Table 2.1.7** shows the status of placement of SARs issued by the C&AG (up to 30 September 2018) on the accounts of the only Statutory Corporation in the State Legislature.

16 Includes Agartala Smart City Limited which was incorporated on 18 November 2016
17 Includes two accounts of Agartala Smart City Limited (2016-17 and 2017-18)
18 Tripura Natural Gas Company Limited

Table 2.1.7: Status of placement of SARs in Legislature

Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
		Year of SAR	Date of issue to the Government
Tripura Road Transport Corporation (TRTC)	2013-14	2014-15	17-02-2017
		2015-16	09-01-2018

It can be seen from **Table 2.1.7** that, the SARs issued by the C&AG on the accounts of TRTC for the years up to 2013-14 were placed in the State Legislature by the Government. The SARs issued for the subsequent two years *viz.* 2014-15 and 2015-16 were yet to be placed in the State Legislature.

Timely placement of SARs issued by the C&AG on the accounts of the only Statutory Corporation in the State Legislature is important for ensuring timely reporting on the functioning and performance to the stakeholders, thereby ensuring accountability on the part of the management of the Statutory Corporation.

Impact of non-finalisation of accounts

2.1.13 As pointed out in **Paragraphs 2.1.10** and **2.1.11**, the delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of State PSUs to the GSDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was not reported to the State Legislature.

It is, therefore, recommended that:

a. The State Government may set up a special cell to oversee the clearance of arrears and set the targets for individual State PSUs, which may be monitored by the cell.

b. The State Government may ensure that existing vacancies in the accounts department of State PSUs are filled up with persons having domain expertise and experience, in a timely manner.

Performance of State PSUs as per their latest finalised accounts

2.1.14 The financial position and working results of working State Government Companies and the only Statutory Corporation are detailed in **Appendix 2.1.2**. A ratio of State PSU-turnover to GSDP shows the extent of State PSU activities in the State economy. **Table 2.1.8** provides the details of working State PSU-turnover and GSDP for a period of five years ending 2017-18.

Table 2.1.8: Details of working State PSUs-turnover *vis-à-vis* GSDP

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover[19]	539.43	548.84	706.39	869.27	1011.51
GSDP[20]	25,592.83	27,422.39	34,368.32	37,022.58 (P)	39,669.69 (A)
Percentage of Turnover to GSDP	2.11	2.00	2.05	2.35	2.55

As can be seen from **Table 2.1.8**, the turnover of the working State PSUs showed a continuous growth during 2013-14 to 2017-18. Year-wise percentage of State PSU-turnover to GSDP had also appreciated in all years excepting one year (2014-15) as the growth in the State PSU-turnover during 2014-15 did not commensurate with the increase in the GSDP during that year. The significant increase in State PSU-turnover during 2015-16 (₹ 157.55 crore), 2016-17 (₹ 162.88 crore) and 2017-18 (₹ 142.24 crore) was mainly due to increase of ₹ 160.68 crore (2015-16), ₹ 167.85 crore (2016-17) and ₹ 110.43 crore (2017-18) in the turnover of the power sector company (TSECL) as compared to the preceding year.

Erosion of capital due to losses

2.1.15 The paid-up capital and accumulated losses of 13 working State PSUs as per their latest finalised accounts as on 30 September 2018 were ₹ 1,337.90 crore and ₹ 969.73 crore respectively (**Appendix 2.1.2**). Analysis of investment and accumulated losses of these State PSUs revealed that the accumulated losses (₹ 381.27 crore) of two working State PSUs [21] had completely eroded their paid-up capital (₹ 248.87 crore).

Accumulation of huge losses by these State PSUs had eroded public wealth, which is a cause of serious concern.

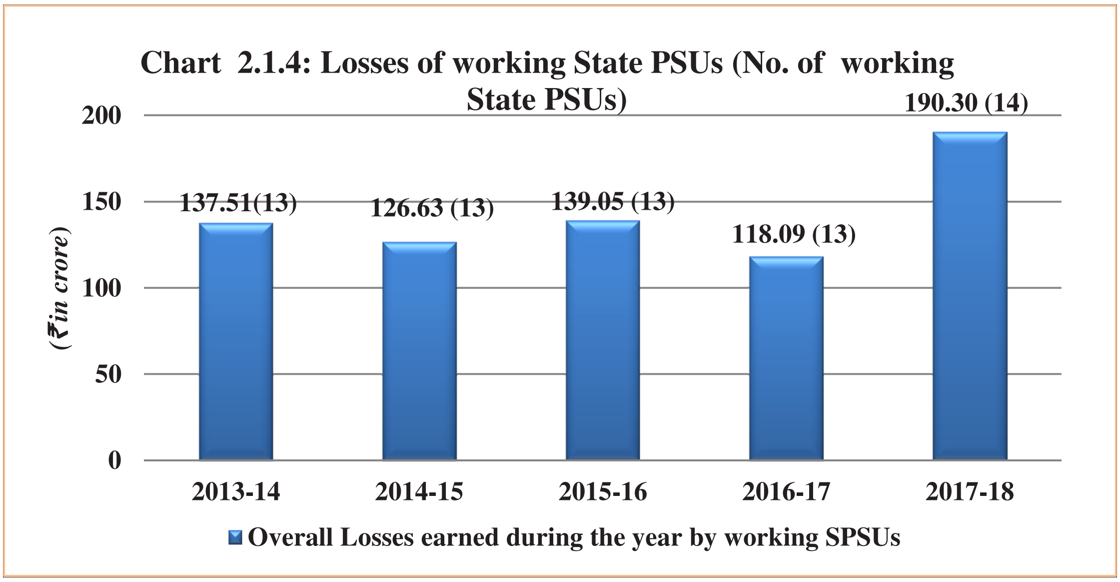
2.1.16 Overall losses [22] incurred by 14 working State PSUs during 2013-14 to 2017-18 are depicted in **Chart 2.1.4.**

[19] Turnover as per the latest finalised accounts of State PSUs as on September 2018

[20] GSDP figures taken as per Quarterly Review Report of the Finance Minister for the third quarter of 2017-18; (P)=Provisional Estimates, (A)=Advance Estimates

[21] Tripura Handloom and Handicrafts Development Corporation Limited (paid-up capital: ₹ 86.09 crore; accumulated losses: ₹ 98.58 crore) and Tripura Road Transport Corporation (paid-up capital: ₹ 162.78 crore; accumulated losses: ₹ 282.69 crore

[22] As per the latest finalised accounts of working State PSUs as on 30 September of the respective year



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

From **Chart 2.1.4**, it can be seen that the working State PSUs incurred losses during all the five years under reference. Significant losses incurred by working State PSUs during 2013-14 to 2017-18 were mainly due to heavy losses incurred by the power sector State PSU (*viz.* TSECL) during these years, which ranged between ₹ 79.96 crore (2016-17) and ₹ 156.96 crore (2017-18).

During the year 2017-18, out of 14 working State PSUs, three State PSUs earned aggregate profit of ₹ 13.61 crore, while 10 State PSUs incurred loss of ₹ 203.91 crore. One newly incorporated State PSU[23] did not report any profit or loss. Major contributor to profits of State PSUs was Tripura Natural Gas Company Limited (₹ 11.59 crore). Heavy losses were incurred by TSECL (₹ 156.96 crore), Tripura Jute Mills Limited (₹ 26.79 crore) and Tripura Handloom and Handicrafts Development Corporation Limited (₹ 9.12 crore).

2.1.17 Some other key parameters pertaining to State PSUs based on their latest finalised accounts as at the end of September of the respective year are given in **Table 2.1.9**.

Table 2.1.9: Key parameters of State PSUs

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Return on total Capital Employed (*per cent*)	Negative	Negative	Negative	Negative	Negative
Debt	205.91	245.46	140.56	487.53	502.54
Turnover[24]	539.43	548.84	706.39	869.27	1011.51
Debt/Turnover Ratio	0.38:1	0.45:1	0.20:1	0.56:1	0.50:1
Interest Payments	10.50	10.54	0.69	1.62	1.43
Accumulated losses	489.43	634.48	762.48	773.39	969.73

***Source**: Latest finalised accounts of State PSUs as on 30 September 2018.*

[23] Agartala Smart City Limited

[24] Turnover of working State PSUs as per their latest finalised accounts as of 30 September of the respective year

From **Table2.1.9,** it can be seen that during 2013-18, the overall debt position of the State PSUs showed an increasing trend, except during 2015-16, where it decreased by 42.74 *per cent*. The outstanding debt of State PSUs during 2017-18 mainly consisted of the borrowings of TSECL (₹ 368.43 crore) and Tripura Industrial Development Corporation Limited (₹ 128.41 crore). The accumulated losses of State PSUs had shown an increasing trend during the five years (2013-18). The said losses had increased by 98.13 *per cent* (₹ 480.30 crore) from ₹ 489.43 crore (2013-14) to ₹ 969.73 crore (2017-18). This was mainly due to the accumulated losses of TSECL (₹ 445.13 crore), Tripura Jute Mills Limited (₹ 259.17 crore) and Tripura Road Transport Corporation (₹ 282.69 crore) as per their latest finalised accounts. The return on total capital employed during last five years (2013-18) had been negative due to the heavy losses incurred by the State PSUs.

2.1.18 The State Government had not formulated any dividend policy regarding payment of minimum dividend by the State PSUs. As per their latest finalised accounts as on 30 September 2018, three State PSUs earned an aggregate profit of ₹ 13.61 crore. None of these State PSUs, however, had declared any dividend during the year 2017-18.

Winding up of non-working State PSUs

2.1.19 As on 31 March 2018, there was only one non-working State PSU (*viz.* Tripura State Bank Limited), which had been non-functional since 1971. The said State PSU was in the process of liquidation under Section 560 of the Companies Act, 1956. The State Government may expedite the process of winding up of the non-working State PSU.

Accounts Comments

2.1.20 Ten working Companies had forwarded 11 accounts to the Accountant General (Audit), Tripura during the year 2017-18 (October 2017 to September 2018). Six accounts of six Companies were selected for Supplementary Audit during the year. The audit reports of Statutory Auditors appointed by the C&AG and the Supplementary Audit conducted by the C&AG indicate that the quality of maintenance of State PSU accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the C&AG are given in **Table 2.1.10**.

Table 2.1.10: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	6.32	1	0.28	1	4.64
2.	Increase in loss	6	7.16	5	7.83	3	2.84
3.	Non-disclosure of material facts	1	16.39	1	1.08	3	32.85
4.	Errors of classification	6	16.79	2	37.65	1	0.29

During the year, the Statutory Auditors had given qualified certificates on all 11 accounts. The compliance by companies with the Accounting Standards (AS) remained poor, as there were seven instances of non-compliance with the Accounting Standards in four accounts during the year. The audit comments were based mainly on the non-compliance with AS-1 (Disclosure of accounting policies), AS-2 (Valuation of inventories), AS-6 (Depreciation accounting), AS-9 (Revenue recognition), AS-15 (Employee Benefits) and AS-22 (Accounting for Taxes on Income).

Similarly, the only Statutory Corporation in the State (*viz.* Tripura Road Transport Corporation) for which the C&AG is the sole auditor, had forwarded one year accounts (2015-16) to Accountant General (Audit), Tripura during the year 2017-18. The audit of the accounts forwarded by the Corporation had been completed and qualified audit certificate on the accounts was issued (January 2018).

Response of the State Government to Audit

Performance Audits and Paragraphs

2.1.21 For the Economic Sector (State PSUs) Chapter of the Report of the CAG for the year ended 31 March 2018, four Draft Paragraphs relating to Forest Department and Industries and Commerce Department and one Audit Report on "Activities of Tripura Tea Development Corporation Limited", functioning under the administrative control of the Industries and Commerce Department, GoT, were issued (May, July, August and December 2018) to the Principal Secretary of the Department concerned. The reply of the State Government had been received (June 2018, December 2018 and January 2019) in respect of three Draft Paragraphs.

Follow up action on Audit Reports

Outstanding Replies

2.1.22 The Reports of the CAG represent the culmination of the process of audit scrutiny. It is therefore necessary, that they elicit appropriate and timely response from the executive. The Finance Department, GoT issued (July 1993) instructions to all administrative departments to submit replies/ explanatory notes to paragraphs/ performance audits included in the Audit Reports of the CAG within a period of three months of their presentation to the State Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The position of receipt of replies/ explanatory notes to paragraphs/ performance audits pending to be received from the State Government/ administrative departments concerned is given in **Table 2.1.11**.

Table 2.1.11: Explanatory notes not received (as on 30 September 2018)

Year of the Audit Report (Commercial/ State PSUs)	Date of placement of Audit Report in the State Legislature	Total performance audits and paragraphs included in the Audit Report		Number of performance audits/paragraphs for which explanatory notes were not received	
		Performance Audits	Paragraphs	Performance Audits	Paragraphs
2011-12	27-09-2013	1	3	Nil	2
2012-13	02-09-2014	1	3	1	1
2013-14	10-08-2015	1	3	Nil	Nil
2014-15	23-03-2016	1	2	Nil	2
2015-16	15-03-2017	1	Nil	1	Nil
2016-17	Yet to be placed in State Assembly (as on September 2018)	1	1	Nil*	Nil*
Total		**6**	**12**	**2**	**5**

**Explanatory notes are due for submission within three months of placement of Audit Reports before the State Legislature*

From **Table 2.1.11**, it can be seen that out of 18 paragraphs/ performance audits, explanatory notes to seven paragraphs/ performance audits in respect of four departments, which were commented upon, were awaited (September 2018).

Discussion of Audit Reports by COPU

2.1.23 Status of discussion on Performance Audits and paragraphs relating to State PSUs that appeared in the SARs by the COPU as on 30 September 2018 is detailed in **Table 2.1.12**.

Table 2.1.12: Details of discussion by COPU as on 30 September 2018

Period of Audit Report	Number of performance audits/paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audits	Paragraphs	Performance audits	Paragraphs
2010-11	1	2	Nil	2
2011-12	1	3	Nil	Nil
2012-13	1	3	Nil	Nil
2013-14	1	3	Nil	Nil
2014-15	1	2	Nil	Nil
2015-16	1	Nil	Nil	Nil
Total	**6**	**13**	**Nil**	**2**

From the above, it may be seen that only two out of 19 Paragraphs were discussed during 2010-11 to 2015-16 indicating weak Legislative control.

Compliance to Reports of the COPU

2.1.24 Action Taken Notes (ATNs) to 50 recommendations pertaining to nine reports of the COPU presented to the State Legislature between November 2010 and February 2015 had not been received (September 2018) as indicated in **Table 2.1.13**:

Table 2.1.13: Compliance to COPU reports

Year of the COPU report	Total number of COPU reports	Total no. of recommendations in COPU report	No. of recommendations where ATNs not received
2010-11	4	22	9
2011-12	3	14	14
2012-13	Nil	Nil	Nil
2013-14	1	10	10
2014-15	1	4	4
2015-16	Nil	Nil	Nil
2016-17	Nil	Nil	Nil
Total	**9**	**50**	**37**

The above reports of COPU contained recommendations in respect of Paragraphs pertaining to five departments of the State Government, which appeared in the reports of the CAG for the years 1989-90 to 2008-09.

It is recommended that the State Government ensure: (a) sending of replies to inspection reports/ draft paragraphs/performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

Coverage of this report

2.1.25 This Chapter contains one Audit Report *viz*., "Activities of Tripura Tea Development Corporation Limited" and four Compliance Audit Paragraphs involving financial effect of ₹ 2.03 crore relating to three other companies. The Investment, Turnover, Equity, Return and percentage of Return on Equity (RoE) in respect of four State PSUs as per their latest finalised accounts as on 30 September 2018 are given in **Table 2.1.14**.

Table 2.1.14: Key parameters of the State PSUs covered in the Report

Name of the State PSU	Investment[25]	Turnover	Equity[26]	Return[27]	RoE
	(₹in crore)				*(per cent)*
Tripura Forest Development and Plantation Corporation Limited (TFDPCL)	9.29	38.70	131.42	(-) 4.93	Negative
Tripura Natural Gas Company Limited (TNGCL)	8.32	76.00	76.28	11.59	15.19
Tripura Tea Development Corporation Limited (TTDCL)	41.57	4.10	26.59	(-) 1.83	Negative
Tripura Jute Mills Limited (TJML)	12.09	4.36	(-) 248.13	(-) 26.79	Negative
Total	**71.27**	**123.16**	**(-) 13.84**	**(-) 21.96**	**158.67**

Source*: Latest finalised Accounts of TFDPCL (2016-17), TNGCL (2017-18), TTDCL (2016-17) and TJML (2016-17) as on 30 September 2018*

[25] Paid up Capital *plus* Long term borrowings

[26] Equity represents paid up equity capital plus free reserves plus accumulated profits minus accumulated losses

[27] Net profit after tax

Disinvestment, restructuring and privatisation of State PSUs

2.1.26 No disinvestment, privatisation or restructuring of State PSUs occurred in the State of Tripura during the year 2017-18.

INDUSTRIES AND COMMERCE DEPARTMENT

(Tripura Tea Development Corporation Limited)

2.2 Activities of Tripura Tea Development Corporation Limited

2.2.1 Introduction

Tea plantation in Tripura was started in the beginning of twentieth century[28] by the Royal Administration. In 1980, the Government of Tripura (GoT) established Tripura Tea Development Corporation Limited (Company) with the objective of development of tea industry in the State. The Company has three tea estates[29] (TEs) having total area of 1,176.99 acres[30]. In addition, the Company has two tea processing factories[31] at Durgabari and Brahmakunda. The Company was associated with establishment of three other tea factories, *viz.* Panchamnagar, Solpoi and Basumati.

The Company is engaged in the following activities:

a. Production and processing of green tea leaves, maintenance of tea estates and factories, *etc*.;
b. Creation of tea processing infrastructures in the State; and,
c. Supply of tea saplings to various beneficiaries/small tea gardens selected by GoT.

2.2.2 Organisational Set-up

The Company was functioning under the administrative control of the Industries and Commerce Department, GoT. The management of the Company was vested with Board of Directors (BoD) consisting of 10 Directors. The Managing Director (MD) is the executive head of the Company and is assisted by an Assistant Marketing Officer and two Assistant Managers.

2.2.3 Audit scope and methodology

Audit scrutiny includes areas relating to functioning and operation of the Company for the period from 2013-14 to 2017-18. Audit covered all the three TEs and factories owned by the Company. Audit also scrutinised files relating to construction of all the four tea factories[32] undertaken either by the Company or for the Company. Further, audit covered all the 13 nurseries producing tea sapling. An Entry Conference was held on 25 May 2018 with management wherein the scope of audit, audit objectives, *etc*. were discussed. Audit findings were discussed with the management in an Exit Conference held on 18 September 2018 and replies of the management have been incorporated in the report suitably.

---

28 http://tripura.nic.in/ttdc/
29 (1) Kamalasagar (Sepahijala District), (2) Brahmakunda (West Tripura District) and (3) Machmara (Unakoti District)
30 One acre = 43,560 square feet
31 Factory at Durgabari is operated by the Company and factory at Brahmakunda is operated by lessee
32 Panchamnagar, Basumati, Solpoi and Brahmakunda

2.2.4 Audit Objectives

The audit objectives were to analyse:

a) capacity utilisation of tea estates and factories;
b) project management relating to infrastructure creation; and,
c) assessment of role of the Company in supply of tea saplings for tea plantation in the land of the beneficiaries selected by the Gaon Panchayats and Village Councils of Tripura Tribal Areas Autonomous District Council (TTAADC).

2.2.5 Audit Findings

The audit findings relating to operations, supply of tea saplings and infrastructure creation are discussed in succeeding paragraphs.

2.2.5.1 Operational Management

As per norms adopted by the Company, a Tea Estate (TE) is required to have 5,000 tea bushes per acre[33] with each bush expected to produce one kilogram (kg) of green leaves per year[34]. Considering these norms, the Company is expected to produce 52.96 lakh kg[35] of green leaves per annum. The Company, however, had annual production of 14.31 lakh kg (27 *per cent* of total expected production as per norms) to 18.62 lakh kg (35 *per cent* of total expected production as per norms) of green leaves during the five years ending 31 March 2018 (detailed in **Table-2.2.3**).

On this being pointed out, the Company stated (November 2018) that the yield of the tea plants in its TEs was lower than its own norm (0.75 kg average yield against the norm of one kg average yield per annum) and cited age of the tea bushes as the reason for the lower yield. However, the yield of one kg tea leaves per year per bush was adopted by the Company in its BoD meeting dated 30 March 2015 which would have taken the age of the plants into consideration while fixing the norm. Also, the Company failed to undertake any new plantation/ re-plantation activity to replace the old bushes with higher yielding new bushes. The Company also did not take any step to increase the productivity to the desired output.

(i) Non-utilisation of land

As per the guidelines issued by Tea Research Association (TRA)[36], 8-10 *per cent* of the available area can be excluded for the purpose of roads, culverts, drains, *etc.* The three Tea Estates (TEs)[37] of the Company had total area of 1,176.99 acres of land out of which it had allotment for 911.99 acres only. The Company did not have any information relating to allotment of 265 acres of land of Machmara TE though the

---

33 Source: 40th Report of the COPU, Tripura Legislative Assembly
34 BoDs' 110th meeting dated 30 March 2015
35 Total plantable areas (details under para no.1.5.1.1) under tea estate (1059.29 acre) × No. of bushes per acre (5,000) × Production norm per bush (1 kg)
36 Tea Research Association (TRA) looks after the research and development needs of the Indian tea industry. It does not have any estate of its own
37 Kamalasagar (Sepahijala District), Brahmakunda (West Tripura District) and Machmara (Unakoti District)

plantation activities were undertaken therein. The utilisation of land under three TEs is summarised in **Table 2.2.1**.

Table 2.2.1: Statement showing area, allotment and utilisation of land in three TEs of the Company

(Area in acre)

Tea Estate	Gross area	Allotted area	Total Plantable Area	Existing area under plantation	Utilisation of plantable area (*per cent*)
Kamalasagar	561.99.00	561.99	350.00	280.00	80.00
Machmara	265.00	Nil	265.00	182.00	68.68
Brahmakunda	350.00	350.00	200.00	200.00	100.00
Total	**1,176.99**	**911.99**	**815.00**	**662.00**	**81.23**

Source: *Data as provided by the Company.*

Out of the available land, the Company had developed 815 acres of land for plantation purpose, out of which only 662 acres were actually used for the purpose of plantation, which was less than the norms set by TRA.

On this being pointed out, the Company in its reply (November 2018), added the requirement of additional land for construction of labour shed also and attributed 25 *per cent* of the available land for drainage, roads, labour shed, *etc*. The contention of the Company is not acceptable in audit, as the Company did not specifically submit the quantum of land actually utilised for the above purposes. Thus, keeping in view the standards set by the TRA, 1059.29 acres[38] of available land could be utilised for plantation purpose whereas the Company was utilising only 662 acres of available land which was merely 63 *per cent* of the available plantable land.

The performance on working of the Company for the period April 2001 to March 2006 was commented under Paragraph 7.2 of the Report of Comptroller and Auditor General of India for the year ended 31 March 2006.

- The Committee on Public Undertakings (COPU), Tripura Legislative Assembly in its 40th Report instructed (March 2009) the Company to take up the matter of transfer of title documents with the Revenue Department, GoT. Accordingly, the BoD of the Company also discussed[39] the issues relating to utilisation of land, encroachments, transfer of title and instructed the Company to take remedial measures like demarcation of land of TEs, taking up issues with the Revenue Department, GoT. However, the Company did not act on the decision taken in BoD meeting and the issues remained unresolved.
- Later, the Department of Industries and Commerce, GoT released (04 March 2017) an amount of ₹ 1.08 crore to the Company for payment of land premium of Kamalasagar and Brahmakunda. However, the Company delayed payment of land premium. They initially parked the above fund in a bank as fixed deposit and later paid the land premium in September 2018 after a delay of 18 months. Due to delay, the Company was yet to receive the Record of Right (RoR) of the

[38] 1176.99 less 10 *per cent*= 1176.99-117.70=1059.29

[39] (a) 103rd meeting: 24 December 2012 (b) 104th meeting: 4 May 2013, (c) 105th meeting: 31 August 2013 and (d) 116th meeting: 13 December 2016

land and demarcation of the area of the tea estates is pending. In the absence of demarcation of land, 322 acres of land of Brahmakunda and Kamalasagar were reported by the Company to have been encroached upon by local dwellers. Thus, due to delay in submission of land premium, the Company was unable to demarcate its own land and resolve the problem of illegal encroachment.

(ii) Lack of adequate plantation density

As per the norms adopted, the Company is required to plant 5,000 tea bushes per acre of land[40]. Analysis of information submitted by the management revealed that the Company failed to achieve the desired plantation density based on its own norms, as shown in **Table 2.2.2.**

Table 2.2.2: Details of number of tea bushes as per norms vis-à-vis actual available

Tea Estate	Existing plantation area (in acre)	Number of bushes			Percentage of Shortfall
		Required as per norms	Actual (31 March 2018)	Shortfall	
Kamalasagar	280	14,00,000	7,90,574	6,09,426	43.53
Machmara	182	9,10,000	6,67,203	2,42,797	26.68
Brahmakunda	200	10,00,000	7,58,939	2,41,061	24.11
Total	**662**	**33,10,000**	**22,16,716**	**10,93,284**	**33.03**

Audit scrutiny revealed that the actual number of bushes fell short of norms in all the TEs with the deficit ranging from 24 to 43 *per cent*. The Company stated in its reply (November 2018) that the work relating to fresh plantation and re-plantation in place of dead tea plants could not be undertaken due to shortage of workers and the workers were also reluctant to work in the tea gardens due to poor wage structure. Moreover, the Company have not taken any step to overcome the labour shortage in the near future. Thus, the fact remained that the less number of tea plants (22.17 lakh against 33.10 lakh as per norms) had resulted in lower production of green leaves.

Audit scrutiny of Kamalasagar TE revealed that 1,08,100 tea bushes of section[41] 21, 22 and 23 were left unattended and the TE stopped pruning, plucking and maintenance activities of these sections. The BoD in its 116th meeting (13 December 2016) decided to outsource the sections to Self Help Groups (SHGs) on commission basis where plucking by Company was not possible due to lack of manpower. Audit noticed that no section was outsourced. The Company, in its reply, stated (November 2018) that decision of the Board could not be implemented due to non-availability of such SHGs. Thus, the decision of the BoD to outsource the sections to SHGs was not prudent. Further, the Company has also not taken any alternative steps to resolve the issue. Thus, productivity of 1,08,100 tea bushes could not be utilised by the Company.

(iii) Shortfall in production of green leaves

Company fixes production target of green tea leaves for all the three TEs every year. The Company transferred green tea leaves produced in Kamalasagar TE and Brahmakunda TE to CTPF, Durgabari and BTPF for manufacturing "made tea". The

[40] Source: 40th Report of the COPU, Tripura Legislative Assembly
[41] The entire area of tea estates is divided into sub-plots which are identified as 'Sections'

Company sold green leaves of Machmara TE to bought leaf factories[42]. The volume of production of green leaves, thus affects operational performance of the Company. Scrutiny of records revealed that the Company had 23 lakh tea bushes during 2013-14 to 2016-17 and 22.17 lakh tea bushes during 2017-18 in total in their three TEs. Considering the norm of one kg of green leaves production per bush per year, the Company should have set a production target of 23 lakh kg and 22.17 lakh kg of green leaves for each year during 2013-14 to 2016-17 and 2017-18 respectively. However, the Company set much lower production targets than the norms for each year as detailed in **Table 2.2.3**. The Company, however, could achieve these lower production targets only in the year 2013-14. Further, total production of the Company showed a decreasing trend and the company had even failed to achieve the lower production target set by it (except during 2013-14) as detailed in **Table 2.2.3.** The shortfall in achievement of target ranged from 9 to 16 *per cent*. Due to non-achievement of target of production of green leaves the Company suffered a loss of revenue to the tune of ₹ 1.27 crore[43].

Table 2.2.3: Statement showing target and actual production of green tea leaves during last five years

(Figures in lakh kg)

Year		Kamalasagar	Machmara	Brahmakunda	Total
2013-14	Target	7.50	5.50	5.00	18.00
	Actuals	7.82	5.67	5.13	18.62
2014-15	Target	8.00	6.00	6.50	20.50
	Actuals	6.98	5.13	5.66	17.77
2015-16	Target	8.00	6.00	6.00	20.00
	Actuals	7.52	5.06	5.40	17.98
2016-17	Target	5.00	6.05	6.00	17.05
	Actuals	3.64	6.05	4.62	14.31
2017-18	Target	6.00	5.00	6.00	17.00
	Actuals	5.32	4.64	5.44	15.40

Scrutiny of records revealed that the lower production of green leaf was due to shortage in plucking, lack of irrigation facility in Kamalasagar, shortage of workers, absenteeism, illegal cultivation in the land of these TEs, *etc*. The Management accepted (November 2018) the audit observation. However, the Company did not specify any steps taken to resolve the issue of lack of manpower. The Company also did not furnish any reply on the other issues as flagged in the paragraph.

(iv) Performance of Central Tea Processing Factory

The CTPF, Durgabari of the Company has an installed capacity of six lakh kg of made tea per year. In addition to tea leaves of Kamalasagar and Brahmakunda TE, CTPF procures green tea leaves from various small tea growers.

The position of production and sales of made tea *vis-à-vis* the targets during the years from 2013-14 to 2017-18 have been depicted in **Table 2.2.4**.

42 "Bought leaf factories" are processing factories which use green leaves as input material and produce finished product called "made tea"

43 Calculated at the rate of ₹ 14 per kg (average rate that the Company has been able to get by selling green leaves of Machmara TE during the last five years) for 9.09 lakh kg being deficit for the years 2014-15 to 2017-18

Table 2.2.4: Details of target and actual production and sales of made tea during last five years

(in lakh kg)

Year	Installed Capacity	Target of production/ Sales Target[44]	Actual production	Actual sales	Production Capacity utilisation (*per cent*)
2013-14	6.00	4.00	3.71	3.70	61.83
2014-15	6.00	4.50	3.89	3.86	64.83
2015-16	6.00	4.50	3.92	3.72	65.33
2016-17	6.00	2.00	1.99	2.20	33.17
2017-18	6.00	3.00	1.72	1.61	28.67

Due to old equipment of the CTPF and non-availability of green tea leaves, annual production targets for the year 2013-14 to 2015-16 were fixed at 25 to 33 *per cent* below the installed capacity[45]. In order to increase the capacity utilisation of the CTPF, the BoD of the Company decided (31 August 2013) to procure more green leaves from other tea gardens/ small tea growers. However, after commissioning of new factory in Brahmakunda in March 2016 the Company transferred 98 *per cent* of leaves of its own Brahmakunda TE to the lessee of newly constructed factory at Brahmakunda. The Company reduced the target for production of made-tea for next two years *i.e.* 2016-17 and 2017-18 to two lakh and three lakh kg respectively which were merely 33 to 50 *per cent* of the installed capacity of the CTPF. Audit analysis of figures of actual production of made tea revealed that the factory (CTPF, Durgabari) could not achieve even the reduced targets in any of the years. The actual capacity utilisation was ranged between 29 *per cent* and 65 *per cent* during last five years ending 2017-18. As seen in **Paragraph 2.2.5.1 (iii)**, the Company failed to meet its production target of green leaves in four of the five years under audit. Lower production of green leaves was a contributing factor of the inability of the CTPF to meet its production target of made tea. However, as seen from **Table 2.2.4**, the Company was able to sell the made tea produced during the above years. Thus, the shortfall in meeting sales target was also due to shortage of production of made tea.

The Company in its reply (November 2018) stated that the main reasons for lower capacity utilisation of CTPF were shortage of green leaves and old machineries. However, the fact remained that despite BoD's instructions (August 2013) to procure adequate quantities of green leaves from outside sources, the Company did not follow the instruction of BoD and the production of CTPF, Durgabari dwindled over the years. Moreover, the targets set during the audit period were reduced to a range of 33 to 75 *per cent* of the installed capacity (**Table 2.2.4**) taking into consideration the old machineries of CTPF. Despite the reduction in targets, the CTPF was not able to meet its targets. The production in 2017-18 fell short by 43 *per cent* of the target and the same was only 29 *per cent* of the installed capacity of the CTPF. Further, the CTPF, Durgabari was not able to meet its production targets of made tea in any of the five years covered by Audit.

[44] The Company has fixed the same production and sales targets for each of the years

[45] Year wise targets for three years: 2013-14 (4 lakh kg), 2014-15 (4.50 lakh kg) and 2015-16 (4.50 lakh kg)

Thus, the Company did not ensure full utilisation of the available capacities of tea estates and factory which resulted in shortfall in production of green leaves and made tea.

2.2.5.2 Infrastructure creation

The Company was associated with creation of four new tea factories *viz.* Brahmakunda, Panchamnagar, Solpoi and Basumati. As of July 2018, out of the four, construction of tea factories at Solpoi and Basumati was at the tendering stage while the construction of Panchamnagar factory was at final stage of completion. BTPF was commissioned in the year 2016 and was being operated by a lessee.

(i) Establishment of Brahmakunda Tea Processing Factory

The North East Council (NEC), Shillong accorded (June 2011) administrative approval of the proposed project of augmentation of the existing CTPF, Durgabari at a cost of ₹ 4.98 crore. GoT subsequently (November 2011) proposed re-location of the project to Bramakunda. The re-location was proposed for ensuring availability of smooth green leaf processing infrastructure to the Small Tea Growers (STGs) and existing TEs of neighbouring areas. The project consultant[46] selected by the GoT submitted (July 2012) a Detailed Project Report (DPR) of the proposed factory at Brahmakunda with an annual capacity of six lakh kg of made tea and having the provision for future capacity expansion of up to 15 lakh kg per year. The Directorate of Industries and Commerce (DIC), GoT after finalisation of third tendering process, issued (March 2014) a Letter of Intent (LoI) for construction of factory, supply and installation of equipment to Vikram India Limited (VIL) at an approved cost of ₹ 6.46 crore. The Company released the payments to VIL on receipt of instructions from DIC. The Company took over the factory from DIC in February 2016. By March 2017, the Company released full payment[47] to VIL. The factory was leased out for four years to Chakravartti Tea and Industries (CTI) against the royalty payment of ₹ five per kg of made tea for 2016-17, which is to be reduced by 50 paise per kg for each of the three succeeding years.

Scrutiny of records relating to tendering process, payment and leasing of BTPF revealed the following irregularities:

---

[46] Shri Surajit Ghose, Kolkata

[47] (a) 28 March 2014: ₹ 173.98 lakh, (b) 17 April 2014: ₹ 0.35 lakh, (c) 10 September 2015: ₹ 313.81 lakh, (d) 16 March 2016: ₹ 92.98 lakh and (e) 17 March 2017: ₹ 64.57 lakh

(a) Tendering process: For undertaking work of the construction of factory, supply and installation of equipment, the DIC issued Notice Inviting Tender (NIT) on three occasions[48]. In finalising the 1st tender, DIC decided (January 2013) to treat all the three bidders as technically qualified after considering their previous experiences of establishment of tea plants having capacity of at least 50 lakh kg of made tea in total. The DIC, however, cancelled (April 2013) the tender citing inconsistency between recommendation of tender evaluation/ scrutiny committee and the provisions of the bid documents. Details of inconsistencies as pointed out by DIC were not found on record. The matter was neither referred to the committee for reconsideration nor the same was put up to Supply Advisory Board (SAB[49]). As per the terms of tender documents of the 2nd tendering process, the selected bidder was entitled for advance payment of 30 *per cent* of total amount of supply order on submission of bank guarantee of equal value of cost of both civil work and supplies. The DIC issued (August 2013) Letter of Intent (LoI) to Gem Allied Industries Private Limited (GAIPL) and instructed it to furnish bank guarantee (BG) of ₹ 4.98 crore for entire period of agreement (*i.e.* 270 days). Gem Allied Industries Private Limited expressed (September 2013) its inability to provide BG for entire amount and requested GoT to accept BG to the tune of ₹ three crore. However, the GoT did not accept the request and due to failure of GAIPL to submit the BG for the required amount, the DIC cancelled (October 2013) the LoI and decided to issue fresh tender.

During preparation of third bid documents (December 2013), the DIC, however, arbitrarily decided to scale down the BG amount to 30 *per cent* of tender value during the next tendering process. It is worth mentioning here that GAIPL request for bringing the BG amount down to ₹ three crore was not considered by the DIC during the previous tendering process. The DIC issued LoI to VIL after approval by SAB.

Ultimately, the work was undertaken on the basis of BG of ₹ 1.94 crore as submitted by VIL against BG of ₹ three crore proposed by GAIPL.

Thus, the actions of the DIC were inconsistent and were in favour of VIL, which ultimately resulted in increase in total cost by ₹ 1.53 crore[50] in addition to the delay in

48

(₹ in crore)

1st Tendering Process		2nd Tendering Process		3rd Tendering Process	
Bidder	Rate quoted	Bidder	Rate quoted	Bidder	Rate quoted
Gem Allied Industries Private Limited	₹ 4.93	Gem Allied Industries Private Limited	₹ 4.98	--	--
T & I Global Limited	₹ 7.48	T & I Global Limited	₹ 7.26	T & I Global Limited	₹ 8.58
Vikram India Limited	₹ 9.40	--	--	Vikram India Limited	₹ 6.46

49 Under the provisions of the Delegation of Financial Power Rules Tripura, 2011, SAB has the power to finalise work beyond ₹ 50 lakh

50 Rate quoted by Gem Allied in first Tender was ₹ 4.93 crore against the rate quoted by VIL in 3rd tender was ₹ 6.46 crore

taking up the work by 11 months[51]. Views of the DIC were called for (August 2018) but the same was awaited (November 2018).

(**b**) **Project implementation and release of payments:** As per the terms of bid documents and memorandum put up to SAB, the contract price was inclusive of labour cess, applicable taxes like excise duty, sales tax, *etc*. The Company released full payments[52] of contract value (₹ 6.46 crore) to VIL based on the instructions of the DIC received from time to time. While instructing the Company to release payments, the DIC had neither forwarded any tax invoice, measurement books for construction work executed by the VIL nor did they instruct the Company to deduct statutory taxes, cess, *etc*. from the payments made to VIL. The Company also accepted the fact in their reply (November 2018). However, the fact remained that the Company on its part also did not seek any clarification from the DIC regarding non-furnishing of details of work done (measurement books, tax invoice, *etc*.) for which payment was made. Consequently, the Company did not make any deduction of taxes and duties.

The matter of payment to VIL was referred (August 2018) to the DIC requesting communication of reasons for issue of instructions for payments without mentioning the requirements of deduction of taxes as well as non-forwarding of tax invoice at the time of payment to private party, the reply to which was awaited (November 2018).

(c) Registration of factory with lower capacity: As per terms and conditions of the tender document for construction of BTPF, the turnkey contractor was required to establish the factory having capacity of six lakh kg of made tea per shift per year. However, BTPF was registered[53] (July 2016) with an installed capacity of five lakh kg of made tea per year. Audit scrutiny further revealed that there was shortfall in capacity of weathering troughs[54] as the existing troughs were sufficient to cater to only 3.96 lakh kg[55] of made tea against six lakh kg as envisaged in the bid documents and five lakh kg installed capacity. The operational capacity of the BTPF was less than the installed capacity of five lakh kg to the extent of 1.04 lakh kg of made tea per year. Reasons for registering the BTPF with lower installed capacity in comparison to the original plan as envisaged were not found on record. The Company did not furnish any reply in this regard (November 2018).

[51] Difference between date of cancellation of first tender (April 2013) and date of approval of third tender by SAB (March 2014)

[52] Date	Amount (₹ in crore)
28-Mar-14 and 17-Apr-14	1.74
10-Sep-15	3.14
16-Mar-16	0.93
17-Mar-17	0.65
Total	**6.46**

[53] Registered with the Tea Board under Tea (Marketing) Control Order, 2003

[54] Weathering troughs are structures used for drying the green leaves before they are processed

[55] Calculated considering 22 *per cent* conversion ratio (as per DPR) for daily quantity of 8,000 kg of green tea leaves which can be accommodated in 4 weathering troughs of 2,000 kg each multiplied by 9 months of working season in a year and 25 days in a month

(d) **Under-utilisation of production capacity leading to less royalty:** Scrutiny of production records of BTPF revealed that during the years 2016-17 and 2017-18, the factory had an average production of 2.33 lakh kg of made tea against installed capacity of five lakh kg. It was also seen that the Company did not safeguard its own interests by specifying minimum royalty to be paid by the lessee in the royalty agreement. However, the Company fixed royalty rates in the agreement at ₹ five, ₹ 4.50, ₹ four and ₹ 3.50 per kg of 'made tea' during 2016, 2017, 2018 and 2019 crop season respectively. This resulted in shortfall in realisation of royalty amounting to ₹ 0.26 crore during the corresponding period, as detailed in **Table 2.2.5**.

Table 2.2.5: Statement showing royalty realised from lessee of BTPF

Year	Made tea to be manufactured as per plan (kg)	Green leaves processed (kg)	Made tea actually manufactured (kg)	Details of Royalty (₹)		
				To be realised	Actually realised	Shortfall in realisation
2016-17	5,00,000	9,30,446	1,89,951	25,00,000	9,49,755	15,50,245
2017-18	5,00,000	13,90,541	2,76,296	22,50,000	12,43,332	10,06,668
Total	**10,00,000**	**23,20,987**	**4,66,247**	**47,50,000**	**21,93,087**	**25,56,913**

The Management in its reply (November 2018) stated that the lower capacity utilisation of BTPF was due to non-availability of green leaves. The reply is not based on facts as CTI (the lessee who is running the factory) had shown availability of 25 lakh kg of green leaves in their production plan (January 2017). However, it managed to process only 9.30 lakh kg and 13.91 lakh kg of green leaves in 2016-17 and 2017-18 respectively. Thus, the contention of the Company that the availability of green leaves was not adequate is contradictory to the production plan proposed by the lessee.

As seen in **Paragraph 2.2.5.1 (iv)** the CTPF, Durgabari, which was operated by the Company also had capacity utilisation of 29 *per cent* to 65 *per cent*. The idle capacity in both the plants (35 to 71 *per cent* for CTPF Durgabari and 45 to 62 *per cent* in case of BTPF) situated within the same district, points towards injudicious decision to establish BTPF.

The process relating to establishment of BTPF resulted in additional cost of ₹ 1.53 crore[56] due to cancellation of first and second tendering processes and a further delay of 11 months in taking up of the work. Moreover, due to release of payments without making necessary deduction of taxes and cess, there was a loss to the exchequer. Further, the infrastructure created was lower than the capacity envisaged.

2.2.5.3 Supply of tea saplings

The Company in consultation with Rural Development Department (RDD), GoT submitted (August 2016) a proposal to RDD for raising 88 lakh tea saplings under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS). The Company proposed raising saplings during the year 2017-18, under GoT's plantation

[56] Rate quoted by Gem Allied in first Tender was ₹ 4.93 crore against the rate quoted by VIL in 3nd tender was ₹ 6.46 crore

programme, on 1,760 acres of land belonging to selected beneficiaries[57] under 10 RD Blocks of four districts[58] at the rate of 5,000 tea saplings per acre of land as per the plantation standards followed by the Company. RDD forwarded (August 2016) the above proposal to the District Magistrate and Collectors (DM&Cs) of the districts concerned to accord sanction to the plantation programme proposed by the Company.

(i) Nursery activities undertaken without supply order

Although, sanction of the DM&C of districts concerned was awaited, the Company invited (September 2016) a quotation for supply of 1,500 units[59] of bi-cloned tea seed[60] (TS-520 or TS 463). The party (Sovavita Tea Seed Garden) which was selected for supply of seeds had stock of only 900 units (TS-520) seeds, accordingly the target of raising 88 lakh tea saplings was reduced to 67 lakh[61]. As per the terms of the supply order (October 2016), 90 *per cent* of the seeds supplied should be sound in respect of size and germination. The Company also procured the other inputs like polythene sleeves, agro-shade nets, ropes, *etc*. valued at ₹ 2.35 crore (inclusive of seed cost of ₹ 1.34 crore).

From the tea seeds procured, the Company took up nursery activities[62] for 20 lakh saplings, in Mandwi Block of West Tripura (15 lakh) and Brahmakunda Tea Estate of the Company (five lakh). The Company raised remaining saplings (47 lakh) through Self Help Group (SHGs), Small Tea Growers (STGs) and Co-operative Tea Estates (CTEs). The Company provided necessary materials like seeds, polythene sleeves, agro-shade nets, ropes, *etc*. to the SHGs, STGs and CTE. In addition, the Company also provided cash advance to the tune of ₹ 1.35 crore to the above units. The cash and material advance provided to the SHGs, STGs and CTEs was to be adjusted against supply of tea sapling made by them at the rate of ₹ nine and ₹ eight per sapling as per terms and conditions of the cash advances sanction orders. The Company incurred total expenditure of ₹ 4.03 crore on raising 62 lakh tea saplings against the target of 67 lakh tea saplings for plantation. (**Appendix 2.2.1**). Thus, with the available tea saplings, based on plantation standards followed by the company, plantation could only be done in 1,240 acres[63] of land as against the target of 1,760 acres, which was 70 *per cent* of the original target.

After raising the saplings in nurseries, the Company requested (February 2017) the RDD to lift the tea saplings raised under MGNREGS. The RDD expressed (July 2017) its limitation in taking up of tea plantation work due to paucity of funds for the material component under MGNREGS. However, it was decided in the

---

57 Beneficiaries are selected by the Gaon Panchayats and Village Councils of TTAADC

58 Sepahijala -11 lakh saplings to cover 220 acre, Dhalai-12 lakh saplings to cover 240 acre, Unakoti - 30 lakh saplings to cover 600 acre and West Tripura-35 lakh saplings to cover 700 acre

59 One unit consists of 20 kg of seeds

60 Tea plants can be raised either from seeds of tea plant or by cutting of branches of tea bush

61 Seeds required for raising one lakh sapling is 13.5 units

62 Company raised 5.00 lakh saplings on their own estate, 47.00 lakh saplings through SHGs and CTEs and 10 lakh saplings in Mandwi RD Block through supervision only, cost of seeds and other inputs were received by the Company from the Block

63 62 lakh/5000 (*i.e*. the requirement of saplings per acre)= 1240 acres

meeting (July 2017) between the Company, DIC and RDD that to utilise the saplings raised by TTDCL, tea plantations would be taken up by the districts under MGNREGS subject to the condition that saplings cost will be paid only when adequate funds under MGNREGS material component would be available with the RDD. Accordingly, the Company supplied the saplings for tea plantation in the land of the approved beneficiaries[64] under the different RD Blocks. Up to the planting season[65] of the year 2018-19, 11 Rural Development Blocks lifted 33.97[66] lakh tea-saplings only. (**Appendix 2.2.1**). As of November 2018, 18.03 lakh sapling (valued at ₹ 2.70 crore[67]) remained un-lifted at various nursery beds.

The company stated (November 2018) that they raised 52 lakh bio-seed tea nursery through its own tea estates, Self Help Groups and Co-operative Tea Estates and supplied 33.97 lakh saplings from the 42.12 lakh (with 81 *per cent* survivability) plantable saplings available with them. TTDC also added that the Company received (September 2018) supply order for supply of 12.40 lakh tea saplings from two RD Blocks[68], which would be supplied in April 2019 due to expiry of planting season of 2018-19.

The Company's assumption regarding the quantity of plantable sapling available with them was not justified as 52 lakh saplings were successfully raised for supply to different RD blocks during 2017-18. Thus, the Company had undertaken nursery activities without getting confirmed supply orders from Government resulting in loss of viability of 18.03 lakh saplings valued at ₹ 2.70 crore which were raised in 2016-17 but were lying in the nursery bed even at the end of planting season of the year 2018-19. The Company also failed to make proper planning in implementation of the programme, since taking up of 1,760 acres of tea plantation required 88 lakh plantable saplings at the standard rate of 5,000 saplings per acre of land as per norms adopted by the Company.

(ii) Lack of proper maintenance of saplings

Only healthy saplings of 40-45 centimetre (cm) height with 12-16 good mature leaves and of pencil thickness (0.5-0.8 cm at collar) and undamaged root systems are fit for plantation. Light watering and hand weeding should be done as and when required. Audit scrutiny revealed that un-lifted plants in the nurseries had already attained height up to three feet, and the roots of the plants penetrated the ground. The saplings were not maintained properly and foreign plants encroached the polythene sleeves affecting sustainability of the plant. The Company had 153 acres of cultivable land available at its own TE (Kamalasagar TE: 70 acres and Machmara TE: 83 acres).

64 The beneficiaries are selected by PRIs and approved by the Block Development Officers of the concerned Rural Development Blocks.

65 Planting season of Tea sapling is from April to July

66 Out of the 62 lakh saplings, the Company raised 52 lakh saplings on its own initiative and remaining 10 lakh saplings were raised by the BDO, Mandwi procuring inputs from the Company under the same programme

67 Cost of tea plants has been calculated at the current selling price per sapling @ ₹ 15 for sale to different Rural Development Blocks by the Corporation

68 Tulasikhar RD Block 11.50 lakh and Killa RD Block 0.90 lakh

Therefore, the Company could at least themselves utilise 7.65 lakh saplings[69] out of 18.03 lakh saplings. The Company also did not use remaining sapling for plantation activities in its own TEs.

The Company stated (November 2018) that they could not undertake tea plantation work due to shortage of workers to maintain normal garden activities and the remaining tea plants would be utilised during 2018-19.

Thus, there is a high risk that the un-lifted saplings lying in various nursery beds would have lost their viability for use in successful tea cultivation due to prolonged stay in the nursery beds without proper maintenance. Company was also silent about the viability of using overgrown saplings for successful tea plantation programme. Moreover, the management's claim of utilisation of un-lifted quantity of 18.03 lakh saplings during 2018-19 was not acceptable as the planting season of tea saplings had been already over in July 2018.

(iii) Unadjusted cash and material advance

The Company disbursed cash advance and materials[70] amounting to ₹ 2.73 crore to 11 SHGs and CTEs. Out of 47 lakh saplings raised by the SHGs/ CTEs as discussed in **Paragraph 2.2.5.3 (i)**, the input cost (both material and cash) of ₹ 2.29 crore only was recovered by lifting 28.97 lakh saplings leaving a balance of ₹ 0.43 crore unadjusted (**Appendix 2.2.2**).

The management accepted (November 2018) the audit observation.

(iv) Loss of ₹ 0.69 crore due to purchase of materials from lone qualified bidder at a higher cost

The Company proposed (August 2016) to DM & C of four districts for raising 88 lakh nurseries for supply to beneficiaries under MGNREGA scheme. Accordingly, the Company invited (September 2016) rate quotation to purchase bi-clone seeds (TS-520 or TS-463) from TRA registered producers. As per the condition of rate quotation, the bidder was required to bid for minimum 1,500 units[71]. The Bidders were also required to be registered with Tea Research Association (TRA) as producer/ grower of bi-clone tea seeds. Four parties submitted rate quotation for the bid. The Committee rejected (September 2016) bid of two parties stating non-submission of EMD and also rejected (September 2016) bids of M/s Chakravartti Tea and Industries (CTI), who quoted rates of ₹ 5,533 per unit, stating non-submission of TRA registration certificates. Further, M/s Sovavita Tea Seeds Garden (STSG) had only 900 units of bi-clone Tea seeds. Considering the urgency to raise tea saplings in time, the company recommended (September 2016) STSG as single valid bidder to supply 900 units (as available with them). Accordingly, supply order was issued (October 2016) to STSG at their quoted rate of ₹ 14,900 per unit.

---

69 153 acres X 5,000 tea saplings per acre

70 Seeds, polythene sleeves, agro-shade nets, ropes, *etc*.

71 One unit = 20 kg of seeds

The rate quoted by STSG was higher than that of CTI by ₹ 9,367 per unit and the Company was aware of the fact that it would incur an extra expenditure of ₹ 0.84 crore[72] by procuring 900 units of the tea seeds from STSG. In spite of this, the Company procured the seeds without assessing the prevailing market rates to ascertain the reasonableness of rate quoted by STSG.

Audit scrutiny further revealed that the 15 units of tea seeds delivered by STSG to one of the Co-operative Tea Estate[73] (CTE) valued at ₹ 0.02 crore[74] was found damaged and subsequently, the CTE procured (April 2017) the seeds from open market at the rate of ₹ 7,200 per unit. Thus, procurement of tea seeds from a single bidder without making any analysis of market rate/negotiation resulted in extra expenditure of ₹ 0.69 crore[75] to the Company.

The Company stated (November 2018) that the seeds had been procured through open tender and approved in the Board Meeting (December 2016). However, the fact remained that STSG was recommended as the lone qualified bidder even though the bidder did not have the requisite quantity of seeds as per the condition of the quotation and undue benefit to the tune of ₹ 0.69 core was extended to the bidder by not analysing the prevailing market rates of bi-clone tea seeds and due to non-negotiation of rates with the selected bidder (STSG).

2.2.6 Conclusion

The capacity of tea estates and factories were not utilised fully which resulted in production falling short of target. The Company could not utilise the available land for plantation purpose and 37 *per cent* land remained unutilised, which was the primary cause of low production of made tea. The low production was further aggravated due to low rate of plantation density, which was only 67 *per cent* against the norms adopted by the Company. Deficiency in the tendering process led to extra expenditure to the Government along with the delay in implementation of the project. The Company did not adhere to the contractual provisions during project execution, release of payments and project conclusion resulting in undue favour to contractors and lower capacity creation. Capacity expansion to the Tea Processing Factory was not in synchronisation with the production of green leaves which resulted in idling of installed capacity of the factory ranging from 35 to 71 *per cent*. The Company created nurseries without getting confirmed orders from the Government and absence of proper planning resulting in loss of viability of the investment.

72 ₹ 9,367 (Difference between rate quoted by STSG and CTI) X 900 units = ₹ 84,30,300

73 Mohanpur Cha Bagan Sramik Samabay Samity Limited

74 ₹14,900 x 15 units

75 Considered conservatively as difference between price of seeds actually bought (*i.e.* ₹ 14,900 per unit) against price of the seeds reimbursed to the CTE (*i.e.* ₹ 7,200 per unit) for the unit procured (*i.e.* 900 unit)

2.2.7 Recommendations

The Company should endeavour to:

a. increase the utilisation of tea estates and factories by increasing tea cultivation area and ensuring proper density of tea bushes and, if required, procure leaves from Small Tea Gardens and other Tea Estates;
b. streamline the procurement process and ensure that the interest of the Company during various stages of project implementation is upheld; and,
c. plan the nursery activities in line with the demand of tea sapling.

FOREST DEPARTMENT

(Tripura Forest Development and Plantation Corporation Limited)

2.3 Infructuous expenditure

Failure of the Company to ensure availability of required funds before taking up rubber plantations in Warangbari had rendered the fate of plantations raised at ₹ 1.11 crore uncertain, frustrating the very purpose of benefitting 100 tribal populations.

Based on a representation (dated 11 August 2011) of one Member of the Tripura Legislative Assembly, as forwarded from the Tripura Chief Minister's Secretariat, the Tripura Forest Development and Plantation Corporation Limited (Company), Agartala sent (May 2012) a proposal to the Tribal Welfare Department (Department), Government of Tripura for raising rubber plantation in Warangbari Rubber Plantation Centre (RPC)[76] for 100 tribal beneficiaries over an area of 100 hectares (Ha)[77] of land. The financial involvement for creation and maintenance of the rubber plantation (with maintenance up to 7th year) as sent by the Company was ₹ 1.80 crore (*i.e.* @ ₹ 1.80 lakh per Ha).

As against the proposal, the Department sanctioned and released (May 2013) ₹ 1.11 crore as first and final instalment, based on the rates of ₹ 1.46 lakh per Ha as approved in a meeting held on 27 February 2012 in presence of representatives from the Department, Rubber Board, TRPC[78] and TRP and PGP[79]. The remaining fund of ₹ 35 lakh, as per the Department, was to be claimed by the Company from the Rubber Board as subsidy.

Test check of records (May 2017 and December 2017) of the Company revealed that the Company, despite being fully aware of the fact that no additional funds was due to be released from the Department, took up plantation work in Warangbari during 2013-14. The Company demanded (August 2013) balance fund of ₹ 69.66 lakh[80] from the Department, which the latter refused citing the approved rates of the Rubber Board, TRPC and TRP and PGP.

Further scrutiny revealed that up to March 2017, the Company had done 4th year maintenance of 2013 plantation lot (6.0 Ha), 3rd year maintenance of 2014 plantation lot (36.5 Ha), 2nd year maintenance of 2015 plantation lot (54.3 Ha) and 1st year maintenance of 2016 plantation lot (3.2 Ha) by utilising ₹ 1.08 crore[81]. Meanwhile,

---

76 Rubber plantation in Warangbari RPC was done for rehabilitation of 100 landless *jhumias*, during the years 1976 to 1981 over an area of 182.90 ha (1976: 20 ha, 1977: 30 ha, 1979: 58 ha, 1980: 72.30 ha and 1981: 2.60 ha). Re-stocking was done in 13 ha during 1990 and 1991 (1990: 5 ha of 1980 plantations and 1991: 4 ha each of 1976 and 1979 plantations). Over-matured rubber plants were culled and there was no rubber plantation in the area as of August 2011.

77 One Ha per beneficiary

78 Tripura Rehabilitation Plantation Corporation Limited (a State Government Company)

79 Tribal Rehabilitation in Plantation and Primitive Group Programme (a State Government Department)

80 Estimated cost: ₹ 1,80,39,560 *minus* Released amount: ₹ 1,10,74,000

81 2013-14: ₹ 3.47 lakh; 2014-15: ₹ 24.33 lakh; 2015-16: ₹ 51.24 lakh and 2016-17: ₹ 28.53 lakh

the Company submitted (September 2016) a subsidy claim of ₹ 4.43 lakh only (out of the total subsidy due ₹ 35 lakh) from the Rubber Board, which was pending with the Board (December 2018).

Further, to continue regular maintenance of the plantation already created, for a further period of six years[82] (till the start of yielding of latex), the Company again requested (May 2017) the Department for additional funds of ₹ 1.27 crore[83]. In response, the Department stated (June 2017) that the proposal for sanction of the additional funds could not be considered as it had exceeded the approved unit cost.

In the meantime, the Board of Directors of the Company, in their 153rd meeting held on 23 June 2017, decided that maintenance of the Warangbari plantation should not be taken up with the funds of the Company.

It was noticed that no maintenance of the plantations was done by the Company after March 2017 due to non-availability of funds. As a result, the plantations were fully covered by jungle as of April 2018 (shown in **Photographs 2.3.1, 2.3.2, 2.3.3** and **2.3.4**), rendering the plantations in a vulnerable condition, thereby, raising serious apprehensions regarding the yield of rubber and resultant benefits to the tribal community.

Photograph 2.3.1: 2013 Plantation

Photograph 2.3.2: 2014 Plantation

Photograph 2.3.3: 2015 Plantation

Photograph 2.3.4: 2016 Plantation

Thus, taking up of plantations in Warangbari RPC without ensuring the availability of required funds/ exploring other funding possibilities, the Company not only had violated the general financial principles but also rendered the rubber plantations created at ₹ 1.11 crore in uncertainty, frustrating the very purpose of benefitting 100 tribal populations.

The Managing Director of the Company stated (June 2018) that (i) the plantation works were taken up with the understanding that balance fund would be made available by the Department to the Company, (ii) as the plantation works are spread over 5-7 years it is a standard practice to release fund in phased manner on a yearly basis, (iii) expenditure of ₹ 4.13 lakh[84] was incurred during 2017-18 towards wages on protection squads and first weeding, and (iv) the Department has now agreed to provide fund as soon as funds are allocated to it by the State Government.

[82] For 2013 plantation: 3 years; for 2014 plantation: 4 years; for 2015 plantation: 5 years; and for 2016 plantation: 6 years

[83] For 2013 plantation over 6 ha: ₹ 4.72 lakh, for 2014 plantation over 36.50 ha: ₹ 30.35 lakh, for 2015 plantation over 54.30 ha: ₹ 58.58 lakh, for 2016 plantation over 3.20 ha: ₹ 8.94 lakh, labour cost for 6 years: ₹ 10.43 lakh and 15 *per cent* service charge: ₹ 16.95 lakh *minus* unspent balance of ₹ 3.17 lakh

[84] Unspent fund: ₹ 3.17 lakh (₹ 110.74 lakh - ₹ 107.57 lakh) + Fund of the Company: ₹ 0.96 lakh

On the above point, the Additional Secretary, Tribal Welfare Department stated (June 2018) that (i) additional funds could not be sanctioned by the Department due to non-availability of funds and also because it was beyond the approved unit cost; (ii) the Company had not claimed subsidy of ₹ 35 lakh from the Rubber Board as yet, which could be used for maintenance work and (iii) the Company, as directed, had submitted (29 May 2018) a proposal for maintenance of the plantation (₹ 18.84 lakh) under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) during 2018-19, which was sent to the D M and Collector, Sephahijala District for sanction.

However, as per information furnished (October 2018) by the Company, no fund was received so far (i) from the Tribal Welfare Department as additional fund, (ii) from Rubber Board as subsidy though claimed (for ₹ 4.43 lakh) in September 2016, (iii) from the D M and Collector, Sephahijala District under MGNREGS and (iv) no maintenance of the rubber plantations was being done. The Company further stated (December 2018) that no subsidy is available on rubber plantations over 20 Ha[85] and therefore, no further claims had been made.

Thus, failure of the Company to ensure the availability of required funds before taking up the plantation works had rendered the fate of the plantations uncertain, frustrating the very purpose of benefitting 100 tribal populations.

INDUSTRIES AND COMMERCE DEPARTMNT

(Tripura Natural Gas Company Limited)

2.4 Avoidable loss

Failure of the Tripura Natural Gas Company Limited to reduce the contracted quantity of natural gas for transmission to the consumers at Bodhjungnagar Industrial Growth Centre in time resulted in avoidable loss of ₹ 51.69 lakh during 2016-17 and 2017-18.

Tripura Natural Gas Company Limited (Company)[86] entered into two Gas Sales and Transportation Contracts (GSTC) with the GAIL (India) Limited[87] (GAIL), one on 16 December 2008[88] (valid up to 11 September 2013) and the other on 14 January 2009[89] (valid up to 31 March 2018) for sale, transportation and delivery of natural gas for supply to the small scale industrial consumers at Bodhjungnagar Industrial Growth Centre (IGC) as feed/ fuel. Under the contracts, GAIL was to make the gas available

---

85 As per the Rubber Board's Ref. No.-DRO/Accts/2/4/2009-10 dated 14-10-2009 addressed to the Executive Director of the Company

86 A Joint Venture of Gas Authority of India Limited (GAIL), Government of Tripura and Government of Assam, the shares being in the percentage of 48.98, 25.51 and 25.51 respectively.

87 Formerly known as Gas Authority of India Limited

88 For 10,000 SCMD

89 17,500 SCMD for 2008-09, 24,000 SCMD for 2009-10 and 37,250 SCMD for each year from 2010-11 to 2017-18

at the delivery point to the Company, to the tune of a Daily Contract Quantity[90] (DCQ) of 27,500 SCMD[91] for 2008-09, 34,000 SCMD for 2009-10, 47,250 SCMD for each year from 2010-11 to 2013-14 (up to 11 September 2013) and 37,250 SCMD thereafter for each year from 2014-15 to 2017-18. The contracts provided for an Annual "Take or Pay" quantity to be taken, or paid if not taken by the buyer, subject to minimum payment for 90 *per cent* of the Annual Contract Quantities[92] (ACQ).

Test check (November-December 2017) of records of the Company revealed that after amending (01 November 2011) the GSTC of January 2009 with GAIL, the Company had reduced the DCQ of natural gas to 16,000 SCMD in respect of each year from 2010-11 to 2017-18, as one of its consumers[93] had requested (18 October 2011) for reduction in the DCQ. The year-wise booked quantity by IGC consumers, bills raised by GAIL, purchase value of gas and income earned from sale of gas at Bodhjungnagar IGC during 2014-15 to 2017-18 are detailed in **Appendix 2.4.1**. It was seen that the Company had earned profits from supply of gas to IGC consumers during 2014-15 and 2015-16, but incurred losses during 2016-17 and 2017-18, and quantity of Minimum Guaranteed Off-take[94] (MGO) billed by GAIL formed a major portion of the total quantity billed (46.20 *per cent* to 50.99 *per cent*).

The booked quantity[95] of Bodhjungnagar IGC consumers during 2015-16 to 2017-18 was far less than the contracted quantity of the Company with GAIL (**Appendix 2.4.1**). Taking the booked quantity of IGC consumers into consideration, the Company could have further reduced the contracted quantity by amending GSTC with GAIL, as connection of one of the major consumer[96] (with booked quantity of 16,000 SCMD) was disconnected from March 2015[97].

Thus, failure to reduce the contracted quantity of natural gas for transmission to the consumers at Bodhjungnagar IGC, resulted in loss of ₹ 51.69 lakh (6.76 *per cent*[98] of value of gas purchased from GAIL during 2016-18) to the Company on the sale of natural gas to the consumers at Bodhjungnagar IGC during 2016-17 and 2017-18, which was avoidable.

The Managing Director of the Company informed (September 2018) that in pursuance of the audit observation, GAIL was requested (August 2018) to reduce the booked quantity of gas from 16,000 SCMD to 10,000 SCMD.

---

90 Daily Contracted Quantity is the maximum volume of gas for supply per day
91 Standard Cubic Metre per Day
92 Annual Contract Quantity is the summation of monthly nomination of DCQ for the financial year
93 M/s Dharampal Premchand Limited, to reduce from 37,250 SCMD to 16,000 SCMD
94 Minimum Guaranteed Off-take is the quantity of gas obtained by multiplying Take or Pay Quantity of the daily nominated quantity by the number of days in a year
95 Booked quantity is the DCQ of a purchaser/ consumer
96 M/s Dharampal Premchand Limited
97 M/s Dharampal Premchand Limited requested (February 2015) TNGCL to suspend gas supply to their steel plant because they had stopped production in their plant
98 Amount of loss/ total value of gas purchased during 2016-17 and 2017-18 x 100 i.e ₹ 51.69 lakh/ ₹ 764.16 lakh x100

In the meantime, the Company after a customer meet (06 October 2018) and advertisement in the newspapers, had received a demand of 15,300 SCMD from three new consumers[99] who would be drawing gas from January 2019. In view of this fact, as also due to difficulties in obtaining fresh allocation, the Company had not reduced the booked quantity from 16,000 SCMD.

Government stated (December 2018) that (i) Bodhjungnagar IGC was amplifying fast, new applications were being submitted for providing gas to upcoming industrial units and so the demand for gas was rising continuously, (ii) Government was trying to develop gas based economy by encouraging small entrepreneurs, rather than big industries and therefore the provisions kept for IGC was in the priority list, and (iii) under such circumstances, surrendering allocated gas would be unsubstantiated and it was desirable to hold the present allocation of 16,000 SCMD gas by the Company, to ensure sustainable progress in Bodhjungnagar IGC.

The reply is not acceptable as the demand for gas at Bodhjungnagar IGC during the last three years ending 2017-18 showed a decreasing trend *i.e.*, against the allocation of 16,000 SCMD the demand was 10,782 SCMD in 2015-16, 8,009 SCMD in 2016-17 and 7,555 SCMD in 2017-18, which caused loss to the Company. Moreover, in response to a query made (January 2019) by Audit, the Company informed (January 2019) that out of demand of 15,300 SCMD from three new consumers, only one consumer (M/s Palappillil Techno Rubbers) had started drawing of 600 SCMD from 27 December 2018.

(Tripura Natural Gas Company Limited)

2.5 Corporate Social Responsibility by Tripura Natural Gas Company Limited (TNGCL)

Although, the Companies Act, 2013 contains mandatory provision of Corporate Social Responsibility (CSR), TNGCL did not comply with the provisions of the Act. There were instances of non-utilisation of fund with shortfall in spending ranging from 50 *per cent* to 100 *per cent*. Delay in identification of suitable beneficiaries defeated the overarching goal of TNGCL's CSR initiatives.

Corporate Social Responsibility (CSR) is a Company's commitment to operate in an economically, socially and environmentally sustainable manner. CSR is governed by provisions of the Companies Act, 2013 (Act) and Companies (Corporate Social Responsibility Policy) Rules, 2014 (Rules).

According to Section 135 of the Act, companies with annual turnover of ₹ 1,000 crore or more or net worth of ₹ 500 crore or more or profit (before tax) of ₹ 5 crore or more in any of the three preceding financial years, have to spend at least two *per cent* of average profit of such preceding financial years on CSR activities from 2014-15 onwards, giving preference to areas around their operation.

[99] (1) M/s Sakaria Mega Food Park (P) Limited (10,000 SCMD), (2) M/s Palappillil Techno Rubbers (600 SCMD) and (3) M/s BrikOLite (4,700 SCMD)

Schedule VII of the Companies Act, 2013 enlists activities to be undertaken under CSR and includes activities related to healthcare, education and skill development, social inequality, environment sustainability, national heritage, art and culture, armed forces, sports, funds set up by Central Government, technology incubators, rural development projects, slum area development, capacity building, *etc*. In pursuance of Section 135 (1) of the Act, Tripura Natural Gas Company Limited (TNGCL) formulated CSR and sustainability policy in 2015. As per CSR policy, the TNGCL shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities.

Out of the 14 State Public Sector Undertakings (State PSUs), only TNGCL fell within the ambit of Section 135 of the Act as on March 2018. TNGCL earned net profit of more than ₹ five crore during the years from 2013-14 to 2017-18 as detailed in **Table 2.5.1**.

Table 2.5.1: Profit made by TNGCL, amount qualified and spent on CSR

Year	Net Profit (after tax)	Average net profit*	Two *per cent* on average net profit	Amount spent on CSR activities (as per annual accounts)	*Per cent* of spending
	(₹ in crore)		(₹ in lakh)		
2011-12	3.33	-	-	-	-
2012-13	4.72	-	-	-	-
2013-14	6.57	-	-	-	-
2014-15	8.35	4.88	9.76	0.65	6.65
2015-16	10.14	6.55	13.10	0.00	0.00
2016-17	11.30	8.35	16.70	8.40	50.29
2017-18	11.73	9.93	19.86	4.71	23.71
Total	**56.14**	**29.71**	**59.42**	**13.76**	**23.15**

**Average of three preceding years.*

Followings deficiencies were noticed in the implementation of the Act and CSR policy (2015) of TNGCL:

a. Net profit of TNGCL was more than ₹ five crore from year 2013-14 onwards. Hence, TNGCL was required to spend ₹ 59.42 lakh (two *per cent* of the average net profits) on CSR activities during the four years from 2014-15 to 2017-18. However, TNGCL had spent only ₹ 13.76 lakh during these four years. The shortfall in spending ranged from 50 *per cent* to 100 *per cent*.

b. As per Para 2.4 (iv) of Department of Public Enterprises (DPE) Guidelines, 2014, the unspent CSR amount in a particular year would be carried forward to the next year for utilisation for the purpose for which it was allocated. TNGCL had not carried forward the unspent amount of ₹ 45.66 lakh during the years 2014-15 to 2017-18 to next respective financial year.

c. Section 135(1) of the Act stipulates that CSR Committee of the Board should consist of three or more directors, out of which at least one director should be an independent director. It was observed that the CSR Committee of the Board of TNGCL did not have any independent directors.

d. Section 135 (4) of the Act further stipulates that the content of the approved CSR policy is required to be disclosed in the Board's report as well as placed on the company's website. It was observed that, though the contents of the CSR policy were disclosed in the TNGCL Board's report, the same was yet to be placed in the Company's website.

It was further observed that TNGCL in the Annual Report for the year 2016-17 mentioned that the fund allocated could not be utilised, as company had not undertaken any major CSR activities.

The management of TNGCL attributed (July 2018) the shortfall in spending on CSR to non-identification of suitable beneficiaries.

In response to a query made by Audit on 24 January 2019 regarding progress made in identification of suitable beneficiaries for CSR activities, the TNGCL informed (29 January 2019) that the Company had requested (24 January 2019 and 25 January 2019) two District Magistrates and Collector (DM&Cs)[100] to give consent for placing funds[101] for taking up of CSR activities through the implementing agencies of respective DM&Cs and DM&Cs had also consented (28 January 2019) to the Company's request.

Delay in identification of suitable beneficiaries defeated the overarching goal of TNGCL's CSR initiatives, which aimed at socio-economic empowerment of people from disadvantaged groups, especially in and around the work centre. Besides, TNGCL did not fully comply with the statutory requirement of spending on CSR activities during the four years from 2014-15 to 2017-18.

During Exit Conference, the Department assured (March 2019) that the fund (including unspent amount of previous years) would be spent during the financial year 2019-20 by the TNGCL on CSR activities as per Companies Act, 2013.

Recommendation

The Government of Tripura may impress upon TNGCL to ensure compliance with the provisions and rules of Corporate Social Responsibility.

(Tripura Jute Mills Limited)

2.6 Loss due to production of defective jute bags

Failure of the Company to manufacture jute bags in conformity with the dimensions as per the Production-Control-cum-Supply Order of the Jute Commissioner had resulted in a loss ₹ 39.32 lakh to the Company.

Tripura Jute Mills Limited (Company) manufactures Type-B B-Twill jute bags for packing 50 Kg food grains, as per specification (IS 16186:2014) of Bureau of Indian Standards (BIS), under the licence granted (August 2016) by BIS to the Company.

[100] West Tripura and Gumati Districts
[101] ₹ 15 lakh to each DM

For monitoring and ensuring the quality of jute bags as per BIS specification, there is a standing Statistical Quality Control Section in the Company that carries out regular and routine quality check of the products.

The Jute Commissioner, Kolkata[102] placed a Production Control cum Supply Order (PCSO) on 3 January 2017 with the Company to supply 260 bales[103] of B-Twill jute bags to HAFED, Haryana subject to the terms and conditions as specified in the PCSO, which *inter alia* were, as under:

(i) Type-A B-Twill jute bags of the size 94 cm ×57 cm/HD, 580 gm mass per bag, 46 ends per dm, 50 picks per dm *or* Type-B B-Twill jute bags of the size 94 cm ×57 cm/ HD, 580 gm mass per bag, 64 ends per dm, 50 picks per dm and conforming in all respects to the current BIS specification (No.IS-16186:2014) as amended up to date;

(ii) The bags should bear identification marking of four consecutive red colour warp threads, which should be visible, at a distance of about 150 mm away from one side of the selvedge[104]. Such identification marks are meant for supply to the Government procurement only;

(iii) Every bag should be screen printed in dark navy blue colour with the emblems as specified by the indenting agency, crop year, *etc.*;

(iv) Before the supply, the bags would be inspected by an agency, M/s SGS India Private Limited, Kolkata; and

(v) The supply of the bags would be made between 03 January 2017 and 07 February 2017.

Test check of records (June 2018) of the Company revealed that inspection of the sample jute bags was carried out on 31 January 2017 by the inspecting agency which rejected the bags, as the dimensions of the bags were less than the prescribed limit as shown in **Table 2.6.1.**

Table 2.6.1

Sl. No.	Prescribed limit	Found by the inspecting agency	Remarks
1	At least 90 *per cent* of sampled bags are having dimension within specified limit	75 *per cent*	Rejected
2	Not more than 10 *per cent* of sampled bags with length less than 2 cms of specified value and width less than 1 cm of specified value.	25 *per cent*	Rejected

As a result, the Jute Commissioner, Kolkata rejected the supply of 260 bales of B-Twill bags worth ₹ 50.95 lakh[105]. Since then, the stock of 260 bales of B-Twill

[102] FCI and State agencies procure jute bags through the Jute Commissioner, Kolkata, who issues Production Control cum Supply Orders, directing manufacturers to produce jute bags of specified quality and quantity, which are subject to pre-dispatch inspection as per BIS specifications by authorised agency. Price payable for such supply is fixed by the Jute Commissioner's office using the Tariff Commission formula

[103] One bale consists of 500 bags

[104] An edge produced on woven fabric during manufacture that prevents it from unravelling

[105] 260 bales x ₹ 19,598 (production cost of one bale during 2016-17, as furnished by the Company)