CHAPTER IV: ECONOMIC SECTOR
(State Public Sector Enterprises)

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(STATE PUBLIC SECTOR ENTERPRISES)

4.1 Functioning of State Public Sector Enterprises

4.1.1 Introduction

The State Public Sector Enterprises (PSEs) consist of State Government Companies and Statutory Corporations. The PSEs are established to carry out activities of commercial nature and occupy an important place in the State economy. As on 31 March 2022, there were 16 PSEs (including one non-working) in Tripura. The details of the PSEs in Tripura as on 31 March 2022 are given in **Table 4.1.1**.

Table 4.1.1: Total number of PSEs as on 31 March 2022

Type of PSEs	Working PSEs	Non-working PSEs[146]	Total
Government Companies[147]	14	1	15
Statutory Corporations	1	-	1
Total	**15**	**1**	**16**

Source*: Finance Accounts 2021-22, Statement -19*

None of these PSEs were listed on the Stock Exchange. During the year 2021-22, no new PSE was incorporated, and no existing PSE was closed down.

4.1.2 Investment in PSEs

4.1.2.1 State Government's investment in PSEs

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

As on 31 March 2022, the investment of the State Government (capital and long-term loans) in 16 PSEs was ₹ 1,871.58 crore[148] as per details given in **Table 4.1.2**.

Table 4.1.2: Details of State's investment in PSEs

(₹ in crore)

Year	Equity Capital	Long term Loans	Total
2021-22	1609.18	262.40	**1871.58**
2017-18	1391.24	206.30	**1597.54**

The State Government investment as on 31 March 2022 consisted of 85.98 *per cent* towards capita l,14.02 *per cent* in long-term loans as against 87.09 *per cent* (capital)

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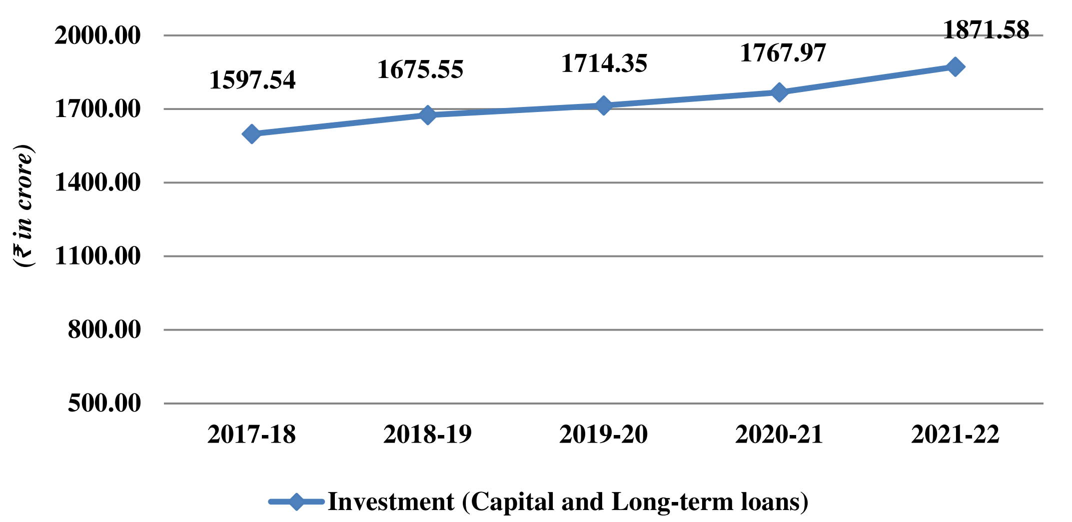
146 Non-working PSEs are those which have ceased to carry on their operations.

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

148 Investment figures are provisional and as provided by the PSEs excepting three PSE (Sl. No. A.8, A.9 and A.14 of ***Appendix 4.1.1***), investment figures for which have been adopted from their finalised accounts for 2021-22.

and 12.91 *per cent* (long-term loans) as on 31 March 2018. A graphical presentation of State Government investment in PSEs during last five years (2017-18 to 2021-22) has been given in **Chart 4.1.1**.

Chart No. 4.1.1: State's total investment in PSEs



As can be seen from **Chart 4.1.1**, the State Government's investment in PSEs during the last five years showed an increasing trend. The State's investment grew by 17.15 *per cent* from ₹ 1,597.54 crore in 2017-18 to ₹ 1,871.58 crore in 2021-22.

During 2021-22, out of 14[149] working PSEs where State Government had made direct investment, nine PSEs incurred loss (₹ 143.62 crore) and five PSEs earned profit (₹ 2.44 crore) as per their latest finalised accounts (**Appendix 4.1.1**). None of the five profit making PSEs had declared any dividend. There was no recorded information about the existence of any specific policy of the State Government regarding payment of dividend by the PSEs.

The State Government's investment (historical value) in PSEs had eroded by 4.84 *per cent* in 2021-22, and the accumulated losses (₹ 324.16 crore) of four PSEs[150] had completely eroded the State's investment (₹ 184.81 crore) in their paid-up capital, as per their latest finalised accounts.

4.1.2.2 Total Sector-wise investment in PSEs

Details of the total investment of State Government and Other Stakeholders (Central Government, Holding Companies, Banks, Financial Institutions, *etc.*) in PSEs under various important sectors at the end of 31 March 2018 and 31 March 2022 have been given in **Table 4.1.3**.

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149 Excluding Tripura Natural Gas Company Limited, which had no direct investment from the State Government.

150 Serial No. A4, A5, A13 and B1 of ***Appendix 4.1.1.***

Table 4.1.3: Sector-wise details of total investments[151] in PSEs

(₹ in crore)

Name of Sector	Government/ Other Companies		Statutory Corporations		Total Investment	
	2017-18	2021-22	2017-18	2021-22	2017-18	2021-22
Power	1034.19	1299.63	0.00	0.00	1034.19	1299.63
Manufacturing	358.69	481.80	0.00	0.00	358.69	481.80
Financing	144.62	144.62	0.00	0.00	144.62	144.62
Service	120.84	190.83	163.03	163.96	283.87	354.79
Agriculture & Allied	69.31	92.92	0.00	0.00	69.31	92.92
Miscellaneous	8.32	32.77	0.00	0.00	8.32	32.77
Total	**1735.97**	**2242.57**	**163.03**	**163.96**	**1899.00**	**2406.53**

***Source**: PSEs data*

It can be seen from **Table 4.1.3** that as compared to 2017-18, the combined investment of State Government (₹ 1,871.58 crore) and Other Stakeholders (₹ 534.95 crore) increased significantly during 2021-22 in the power sector (₹ 265.44 crore), manufacturing sector (₹ 123.11 crore) and service sector (₹ 70.92 crore).

The increase in investment under the power sector was due to the additional borrowings (₹ 265.34 crore[152]) availed by power sector companies from various sources and addition of one new power sector company (Tripura Power Generation Limited) with equity of ₹ 0.10 crore during the period (2017-22).

The investment in manufacturing sector increased (₹ 123.11 crore) due to additional equity contribution provided by the State Government to Tripura Jute Mills Limited (₹ 104.21 crore) and Tripura Small Industries Corporation Limited (₹ 18.90 crore) over the period of four years (2017-22).

Similarly, the investment in the service sector increased mainly due to additional equity contribution (₹ 70.25 crore) provided by the State Government to Tripura Handloom and Handicrafts Development Corporation Limited (₹ 69.07 crore) and Tripura Road Transport Corporation (₹ 1.18 crore) during the said period.

4.1.3 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by the State Government as per the records of PSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the PSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2022 is given in **Table 4.1.4**.

151 Investment figures are provisional and as provided by the PSEs excepting the PSEs, which had finalised their up-to-date accounts at the end of the respective year (*viz*. 2017-18 and 2021-22).

152 State Government = ₹ 56.35 crore, Central Government = ₹ 232.42 crore and Others = - ₹ 23.43 crore

Table 4.1.4: Equity, loans, guarantees outstanding as per the Finance Accounts *vis-à-vis* records of PSEs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSEs	Difference
Equity	1547.23	1609.18	61.95
Loans	106.90	262.40	155.50
Guarantee	357.47[153]	100.00	257.47

***Source**: Finance Accounts 2021-22 and PSEs records*

As on 31 March 2022, there were unreconciled differences in the figures of equity (₹ 61.95 crore), loan (₹ 155.50 crore) and guarantee (₹ 257.47 crore) as per two sets of records. The differences in equity occurred in respect of 12 PSEs[154] falling under Agriculture and allied sector (three PSEs), service sector (four PSEs), manufacturing sector (two PSEs), power sector (two PSEs) and finance sector (one PSE). The difference in guarantee figures related to one power sector PSE (Tripura State Electricity Corporation Limited).

As regards Loan figures, the Finance Department disburses the loans to various Departments of the State Government for different sectoral activities and booked the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective PSEs functioning under their administrative control. Hence, PSE-wise figures of State Government loans provided to various PSEs are not available in the State Finance Accounts. However, the major portion (₹ 106.75 crore) of the State Government loan figure booked in the Finance Accounts pertained to Tripura State Electricity Corporation Limited (₹ 106.60 crore) and Tripura Road Transport Corporation (₹ 0.15 crore).

Though the Principal Secretary, Finance Department, Government of Tripura as well as the Management of the PSEs concerned were appraised regularly about the differences impressing upon the need for early reconciliation, no significant progress was noticed in this regard.

The State Government and the PSEs concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the PSEs and the Finance Accounts be updated.

4.1.4 Special support and guarantees to PSEs during the year

The State Government provides financial support to PSEs in various forms through annual budgetary allocations. The summarised details of budgetary outgo towards equity, loans and grants/ subsidies in respect of PSEs for the three years ended 2021-22 are given in **Table 4.1.5**.

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153 This represented the Guarantees outstanding against the Loans availed by Tripura State Electricity Corporation Limited.

154 PSEs at Sl. Nos. A.1, A.2 and A.4 to A.12 and B.1 of **Appendix 4.1.1**

Table 4.1.5: Details regarding budgetary support to PSEs

(₹ in crore)

Particulars	2019-20		2020-21		2021-22	
	No. of PSEs	Amount	No. of PSEs	Amount	No. of PSEs	Amount
Equity capital outgo from budget	5	49.89	6	52.34	6	46.86
Loans given from budget	-	-	-	-	1	56.36
Grants/ subsidy from budget	4	83.82	2	71.18	4	120.71
Total Outgo[155]	**9**	**133.71**	**8**	**123.52**	**10**	**223.93**
Guarantees issued	-	-	-	-	1	100
Guarantee commitment	-	-	-	-	-	-

Source*: PSEs records*

It can be seen from **Table 4.1.5** that, the State Government had provided a total budgetary support of ₹ 223.93 crore to PSEs during 2021-22, which was higher by ₹ 90.22 crore (67 *per cent*) as compared to the financial support provided during 2019-20.

The major beneficiaries of budgetary outgo during 2021-22were Tripura State Electricity Corporation Limited (loan: ₹ 56.36 crore, grant/ subsidy: ₹ 54.00 crore), Agartala Smart City Limited (grant/ subsidy: ₹ 51.04 crore), Tripura Jute Mills Limited (equity: ₹ 18.99 crore), Tripura Road Transport Corporation (grant/ subsidy: ₹ 15.27 crore) and Tripura Handloom and Handicrafts Development Corporation Limited (equity: ₹ 14.92 crore).

4.1.5 Accountability framework

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

4.1.5.1 Statutory Audit/ Supplementary Audit

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

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

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

in terms of Section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 33(2) of the Road Transport Corporations Act, 1950.

4.1.5.2 Role of Government and Legislature

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

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

4.1.6 Arrears in finalisation of accounts

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

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

Table 4.1.6 provides the details relating to finalisation of accounts by working PSEs as of 30 September 2022.

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

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1.	Number of working PSEs	14[156]	14	15[157]	15	15
2.	Number of Accounts finalised during the year	12	16	16[158]	13	18
3.	Number of Accounts in arrears	23[159]	21	24	26	23
4.	Number of Working PSEs with arrears in Accounts	13	12	13	14	12
5.	Extent of arrears (number in years)	1 to 4 years	1 to 4 years	1 to 4 years	1 to 5 years	1 to 6 years

As could be noticed from **Table 4.1.6** that the accounts of only three[160] out of 15 working PSEs were up-to-date as on 30 September 2022. Remaining 12 working PSEs had a backlog of total 23 accounts for periods ranging from one to six years. The oldest Accounts in arrears was since 2016-17 (six Accounts), which related to 'Tripura Horticulture Corporation Limited' as detailed in **Appendix 4.1.1**.

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

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

4.1.7 Placement of Separate Audit Reports

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

Tripura Road Transport Corporation (TRTC) was the only Statutory Corporation in the State of Tripura covered under the audit purview of C&AG. The Accounts of TRTC have been finalised upto 2019-20 and Separate Audit Reports (SARs) of the C&AG on these Accounts have also been issued. However, the SARs on the Accounts of TRTC have been placed in the State Legislature upto the accounting year 2016-17 (23 March 2020) while the SARs for subsequent three years from 2017-18 to 2019-20 (issued on 30 September 2022) were pending for placement in the State Legislature.

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[156] Includes Agartala Smart City Limited which was incorporated on 18 November 2016
[157] Includes Tripura Power Generation Limited which was incorporated on 28 January 2015
[158] Includes four accounts of Tripura Power Generation Limited (2015-16 to 2018-19)
[159] Includes two accounts of Agartala Smart City Limited (2016-17 and 2017-18)
[160] Tripura Natural Gas Company Limited, Tripura Power Generation Limited and Tripura State Electricity Corporation Limited.

Recommendations:

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

b. ***The State Government may ensure that existing vacancies in the accounts department of PSEs are timely filled up with persons having domain expertise and experience; and***

c. ***The PSEs may get the figures of equity and loans reconciled with the State Government Departments and arrear of accounts are cleared.***

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

The State Government had invested ₹ 63.86 crore in six PSEs (equity: ₹ 63.86 crore and loans: Nil) during the years for which these PSEs had not finalised their accounts as detailed in **Table 4.1.7**.

Table 4.1.7: Investment by State Government in PSEs having accounts in arrears

(₹ in crore)

Sl. No.	Name of PSE	Accounts finalised upto	Accounts pending finalisation	Investment by State Government during the period of arrears	
				Equity	Loans
1	Tripura Horticulture Corporation Limited	2015-16	2016-17 to 2021-22	4.70	0.00
2	Tripura Tea Development Corporation Limited	2020-21	2021-22	4.35	0.00
3	Tripura Rehabilitation Plantation Corporation Limited	2018-19	2019-20& 2020-21	6.00	0.00
4	Tripura Jute Mills Limited	2020-21	2021-22	18.99	0.00
5	Tripura Small Industries Corporation Limited	2018-19	2019-20 to 2021-22	14.90	0.00
6	Tripura Handloom and Handicrafts Development Corporation Limited	2020-21	2021-22	14.92	0.00
Total				**63.86**	**0.00**

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

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

The Government may consider setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of PSEs. Where there is lack of staff expertise, Government may consider outsourcing the work relating to preparation of accounts and take punitive action against Company Management responsible for arrears of accounts.

4.1.9 Performance of PSEs as per their latest finalised accounts

The financial position and working results of working PSEs as per their latest finalised accounts as on 30 September 2022 are detailed in **Appendix 4.1.1**. **Table 4.1.8** provides the comparative details of working PSEs turnover and State GSDP for a period of five-year ending 2021-22.

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

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Turnover[161]	1011.51	1,024.88	1289.82	1742.31	1878.68
GSDP[162]	43,715.80	49,823.32	54,151.12	54,415.12	64,778.08 (P)
Percentage of Turnover to GSDP	2.31	2.06	2.38	3.20	2.90

As can be seen from **Table 4.1.8** that the turnover of the working PSEs and the GSDP have shown an increasing trend during all the years under reference. On the other hand, year-wise percentage of State PSE-turnover to GSDP had decreased during two out of five years (2018-19 and 2021-22). This was mainly due to the fact that the growth of PSE-turnover during 2018-19 and 2021-22 was not commensurate with the pace of increase in the GSDP during the said two years.

The increase in State PSE-turnover during 2019-20 (₹ 264.94 crore), 2020-21 (₹ 452.49 crore) and 2021-22 (₹ 136.37 crore) was mainly driven by the significant growth of ₹ 215.32 crore (2019-20), ₹ 454.34 crore (2020-21) and ₹ 94.36 crore (2021-22) in the turnover of one power sector company (Tripura State Electricity Corporation Limited).

4.1.9.1 Key parameters

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

[161] Turnover of working PSEs as per their latest finalised accounts as on 30 September of respective year

[162] GSDP figures as per MoSPI

Table 4.1.9: Key parameters of PSEs

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Debt	298.96	299.50	491.01	532.56	770.73
Turnover[163]	1011.51	1,024.88	1289.82	1742.31	1878.68
Debt/ Turnover ratio	0.30:1	0.29:1	0.38:1	0.31:1	0.41:1
Interest payments	1.43	1.21	6.97	12.23	14.40
Accumulated losses	969.73	1,028.84	1,120.93	1,055.58	1,181.86[164]

Debt-Turnover Ratio

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

PSE Debt

It can be noticed from **Table 4.1.9** above that during the period of five years (2017-22), the PSEs debt had increased by ₹ 471.77 crore (157.80 *per cent*) from ₹ 298.96 crore (2017-18) to ₹ 770.73 crore (2021-22).The major increase in the PSE debts was during 2019-20 (₹ 191.51 crore) and 2021-22 (₹ 238.17 crore). This was mainly attributable to the increase of ₹ 196.60 crore (2019-20) and ₹ 235.40 crore (2021-22) in the long term debts of Tripura State Electricity Corporation Limited. A major portion (98.89 *per cent*) of PSE debts during 2021-22 pertained to Tripura State Electricity Corporation Limited (₹ 633.77 crore) and Tripura Industrial Development Corporation Limited (₹ 128.41 crore).

It can further be seen from **Table 4.1.9** that during 2017-22, the PSE Turnover had grown by ₹ 867.17 crore (85.73 *per cent*) from ₹ 1,011.51 crore (2017-18) to ₹ 1,878.68 crore (2021-22). However, more than 83 *per cent* (₹ 1,562.76 crore) of PSE Turnover during 2021-22 was contributed by one power sector PSE (Tripura State Electricity Corporation Limited).

During the five years (2017-22), the Debt to Turnover Ratio has increased from 0.30:1 (2017-18) to 0.41:1 (2021-22), which indicated deteriorated position of PSEs in servicing and repayment of their long-term debts as compared to previous years.

During 2017-22, the accumulated losses of PSEs had also increased by ₹ 212.13 crore (21.88 *per cent*) from ₹ 969.73 crore (2017-18) to ₹ 1,181.86 crore (2021-22), which was a drain on the financial resources of the State. More than 92 *per cent*

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

164 Overall accumulated losses of 15 working PSEs after taking into account the accumulated losses of 11 PSEs (₹ 1,442.41 crore) and accumulated profits of 4 PSEs (₹ 260.55 crore).

(₹ 1,097.87 crore) of the overall accumulated losses of PSEs during 2021-22 (₹ 1,181.86 crore) was contributed by three PSEs[165].

4.1.9.2 Erosion of capital due to losses

The aggregate paid-up capital and accumulated losses of 15 working PSEs as per their latest finalised accounts as on 30 September 2022 were ₹ 1,626.91 crore and ₹ 1,181.86 crore respectively (**Appendix 4.1.1**).

Analysis of investment and accumulated losses of these PSEs revealed that the accumulated losses (*net of free reserves)* of four working PSEs (₹ 324.16 crore) had completely eroded their paid-up capital (₹ 184.81 crore) as detailed in the **Table 4.1.10**.

Table 4.1.10: PSEs with erosion of paid up capital

(₹ in crore)

Name of PSE	Latest finalised accounts	Paid up capital	Accumulated losses
Tripura Road Transport Corporation	2019-20	163.96	288.04
Tripura Industrial Development Corporation Limited	2020-21	16.17	25.37
Tripura Rehabilitation Plantation Corporation Limited	2018-19	4.58	10.58*
Agartala Smart City Limited	2020-21	0.10	0.17
Total		**184.81**	**324.16**

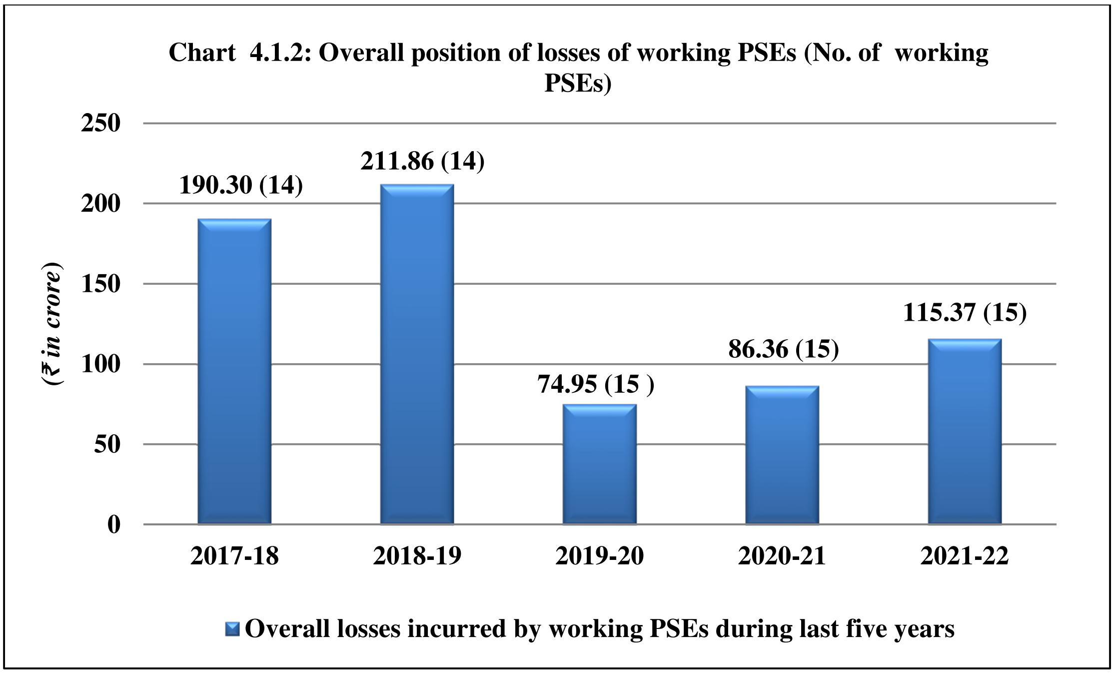
****net after adjusting 'free reserves' of ₹ 0.12 crore.***

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

The overall position of losses[166] incurred by working PSEs during 2017-18 to 2021-22 are depicted in **Chart 4.1.2**.

165 Tripura State Electricity Corporation Limited (₹ 434.89 crore: net after free reserves), Tripura Jute Mills Limited (₹ 374.94 crore) and Tripura Road Transport Corporation (₹ 288.04 crore)

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



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

From **Chart 4.1.2**, it can be seen that the working PSEs incurred losses during all the five years under reference. The losses of working PSEs were mainly attributable to heavy losses incurred by the power sector PSE during these years, which ranged between ₹ 156.96 crore (2017-18) and ₹ 102.10 crore (2021-22).

During 2019-20 the losses of PSEs decreased by ₹ 136.91 crore (64.62 *per cent*) while during 2021-22, PSE losses again increased by ₹ 29.01 crore (33.59 *per cent*). The variation in the losses of working PSEs was caused mainly due to decrease of ₹ 133.25 crore (2019-20) and increase of ₹ 45.53 crore (2021-22) in the losses of one power sector PSE (Tripura State Electricity Corporation Limited) during these years.

During the year 2021-22, out of 15 working PSEs, six PSEs earned an aggregate profit of ₹ 28.25 crore and nine PSEs incurred loss of ₹ 143.62 crore. The details of major contributors to overall profits and losses of working PSEs are given in **Table 4.1.11**.

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

(₹ in crore)

Name of PSE	Latest finalised accounts	Profit (+)/ loss (-)
Tripura Natural Gas Company Limited	2021-22	(+) 25.81
Tripura State Electricity Corporation Limited	2021-22	(-) 102.10
Tripura Jute Mills Limited	2020-21	(-) 22.78
Tripura Small Industries Corporation Limited	2018-19	(-) 7.98

4.1.9.3 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed. ROCE is an important decision metric for long term lenders. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[167].

During 2021-22, the overall capital employed in 15 working PSEs as per their latest accounts was ₹ 1,276.97 crore while the ROCE of the PSEs ranged between (-) 425.79 *per cent* (Tripura Jute Mills Limited) and (+) 20.82 *per cent* (Tripura Natural Gas Company Limited). Further, out of 15 working PSEs, only five PSEs[168] had positive ROCE (**Appendix 4.1.1**).

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

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for the time value. To determine the Rate of Real Return on Government Investment (RORR), the investment of State Government[169] in the form of equity, interest free loans and grants/ subsidies given by the State Government for operational and management expenses *less* disinvestments (if any) has been considered, and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) by the sum of the PV of the Government investment.

During 2021-22, out of 15[170] working PSEs, nine PSEs incurred loss (₹ 143.62 crore) and only six PSEs earned profits[171] (₹ 28.25 crore) (**Appendix 4.1.1**). On the basis of return on historical value, the State Government investment eroded by 4.84 *per cent* during 2021-22. On the other hand, the Rate of Real Return where the present value of investment is considered, the State Government investment eroded by 1.86 *per cent* as shown in **Appendix 4.1.2**. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

4.1.11 Winding up of non-working PSEs

As on 31 March 2022, there was only one non-working PSE (*viz.* Tripura State Bank Limited), which had been non-functional since 1971. The said PSE was in the process of liquidation under Section 248 of the Companies Act, 2013. Since the PSE was neither contributing to the State economy nor meeting the intended objectives of its formation, the liquidation process to wind up this PSE needs to be expedited.

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167 **Capital employed** represents Shareholders' Fund (Net worth) *plus* Long Term Borrowings, where Shareholders' Fund = 'Paid up share capital' *plus* 'free reserves and surplus' *minus* 'accumulated losses' *and* 'deferred revenue expenditure'.

168 PSEs at Sl. No. A.2, A.3, A.11, A.12 and A.14 of **Appendix 4.1.1**

169 As per the records of PSEs

170 One PSE (Tripura Power Generation Limited) did not commence its commercial operations.

171 As per the latest finalised accounts of working PSEs as on 30 September 2022

4.1.12 Impact of Audit Comments on Annual Accounts of PSEs

During October 2021 to September 2022, 12 working Companies had forwarded 15 accounts to the Principal Accountant General (Audit), Tripura. Nine accounts of seven companies were selected for supplementary audit during the year while Non-Review Certificates (NRC) were issued against remaining six accounts of five companies. The audit reports of Statutory Auditors appointed by the C&AG and the supplementary audit conducted by the C&AG indicated that the quality of maintenance of State PSE accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the C&AG are given in **Table 4.1.12**.

Table 4.1.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	0	0.00	1	0.11	4	7.05
2.	Increase in loss	3	4.25	4	0.75	3	11.87
3.	Non-disclosure of material facts	0	0.00	1	150.37	0	0.00
4.	Errors of classification	2	217.51	0	0.00	0	0.00

During the year, the Statutory Auditors had given qualified certificates on 13 accounts and disclaimer on two accounts. There were nine instances of non-compliance with the Accounting Standards in three accounts. The audit comments were based on the non-compliance with IND AS-1 (Presentation of Financial Statements), IND AS-2 (Inventories), IND AS-7 (Statement of Cash Flows), IND AS-16 (Property, Plant and Equipment), IND AS-20 (Accounting for Government Grants and Disclosure of Government Assistance), IND AS-33 (Earnings per Share), IND AS-109 (Financial Instrument) and AS-15 (Revenue from contract with customers).

The only Statutory Corporation in the State (*viz.* Tripura Road Transport Corporation) for which the C&AG is the sole auditor, had forwarded three accounts (2017-18 to 2019-20) during the reporting period to the Principal Accountant General (Audit), Tripura. All the three accounts of the Corporation have been audited and Separate Audit Reports (SARs) issued for the accounting year upto 2019-20.

4.1.12.1 Gist of some of the important comments of the statutory auditors and CAG in respect of accounts of the PSEs are as under:

Tripura Small Industries Corporation Limited (2018-19)

- As per the provisions of Accounting Standard 6, 'depreciation accounting' applies to all depreciable assets except certain assets including the Livestock. Contrary to this, the Company charged depreciation on Livestock (bullocks), which accumulating to ₹ 0.02 crore as on 31 March 2019. This resulted in the understatement of 'Tangible Assets' and overstatement of 'Accumulated Losses' to the same extent.

Tripura State Electricity Corporation Limited (2021-22)

- 'Liabilities for Deposit Works' was overstated by ₹ 8.80 crore (net) due to carrying forward of prior period balances (debit: ₹ 3.55 crore and credit: ₹ 12.35 crore) since 2020-11 without supporting details/ confirmation and hence, the same should have been written off. This resulted in overstatement of 'Loss for the year' to the same extent.
- 'Capital Work-in-Progress (CWIP)' included ₹ 49.70 crore, being the cost of various assets created and '*put to use*' over the years under various projects/ schemes, which should have been transferred to 'Property, Plant and Equipment' in terms of the declared *Significant Accounting Policies* of the Company. This resulted in overstatement of CWIP by ₹ 49.70 crore with corresponding understatement of "Property Plant and Equipment" to the same amount.

4.1.13 Follow up action on Audit Reports

4.1.13.1 Submission of Explanatory notes

The Reports of the C&AG 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, Government of Tripura had issued (July 1993) instructions to all administrative departments to submit replies/ explanatory notes to paragraphs/ performance audits included in the Audit Reports of the C&AG within a period of three months of their presentation to the 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 4.1.13**.

Table 4.1.13: Explanatory notes not received (as on 30 September 2022)

Year of the Audit Report (Commercial/ PSEs)	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
2014-15	23-03-2016	1	2	Nil	2
2015-16	15-03-2017	1	Nil	1	Nil
2016-17	23-11-2018	1	1	1	1
2017-18	30-08-2019	1	4	1	4
2018-19	17-03-2022	0	2	0	2
Total		**4**	**9**	**3**	**9**

From **Table 4.1.13**, it can be seen that out of 13 paragraphs/ performance audits, explanatory notes to 12 paragraphs/ performance audits in respect of three departments, which were commented upon, were awaited (September 2022).

4.1.13.2 Discussion of Audit Reports by COPU

The status of performance audits and paragraphs relating to PSEs that appeared in the State Audit Reports and discussed by the COPU as on 30 September 2022 was as given in **Table 4.1.14**.

Table 4.1.14: Performance audits/ paragraphs featured in State Audit Reports *vis-à-vis* discussed by COPU as on 30 September 2022

Audit Report Year	Number of performance audits/ paragraphs			
	Appeared in Audit Reports		Discussed by COPU	
	Performance audits	Paragraphs	Performance audits	Paragraphs
2012-13	1	3	1	2
2013-14	1	3	Nil	Nil
2014-15	1	2	Nil	Nil
2015-16	1	Nil	Nil	Nil
2016-17	1	1	Nil	Nil
2017-18	1	4	Nil	Nil
2018-19	0	2	Nil	Nil
Total	**6**	**15**	**1**	**2**

4.1.13.3 Compliance to Reports of COPU

Action Taken Notes (ATNs) to 49 recommendations pertaining to latest 10 Reports of the COPU presented to the State Legislature between November 2010 and February 2015 have not been received (September 2022) as indicated in **Table 4.1.15**.

Table 4.1.15: Compliance to COPU reports

Sl. No.	COPU Report Number	Date of Placement in the State Assembly	Based on Audit Report for the year	Total no. of recommendations in COPU report	No. of recommendations where ATNs not received
1	41	01.11.2010	2000-01	5	5
2	42		2006-07	3	3
3	43		2002-03	8	8
4	44		1989-90	9	-
5	45	06.03.2012	2006-07	8	8
6	46		2007-08	5	5
7	47		2007-08	1	1
8	48		On spot study tour by COPU at TFDPC	5	5
9	49	25.02.2014	2008-09	10	10
10	50	20.02.2015	2004-05	4	4
Total				**58**	**49**

The above Reports of COPU contained recommendations in respect of compliance audit paragraphs pertaining to five departments of the State Government, which appeared in the Reports of the C&AG for the years 1989-90 to 2008-09.

Recommendation

State Government should review and revamp the mechanism of responding to audit observations. The Government may ensure that explanatory notes to audit paragraphs/ performance audits and ATNs on the recommendations of COPU are provided as per the prescribed time schedule and the loss/ outstanding advances/ overpayments flagged in audit recovered within the prescribed period to enable accountability for public finances.

INDUSTRIES AND COMMERCE DEPARTMENT

(Tripura Industrial Development Corporation Limited)

4.2 Subject Specific Compliance Audit on "Project management by Tripura Industrial Development Corporation Limited"

4.2.1 Introduction

Tripura, the third-smallest State in the country, lies in a geographically isolated location in India, has only one major highway, National Highway-8, connects it with the rest of the country, covers 10,491.69 km^2 out of which about 60 *per cent* area is hilly and forested.

The economy of Tripura can be characterised by the geographical isolation and communication bottlenecks, high rate of poverty, low capital formation, inadequate infrastructure facilities, slow industrialisation and high unemployment.

State Government is committed towards its vision of making Tripura a preferred destination for industrial and trade activities, thereby affording to State and its people (a) Economic development and improved living standards (b) Better employment & self-employment opportunities and (c) Optimal utilisation of natural and physical resources. The total number of Industrial Estates (IEs) in Tripura as on 31 March 2021 stood at 15 and the same is illustrated in the given map.

Industrial Estates (IE) in Tripura: (1) Bodhjungnagar IE (A), (2) R. K Nagar IE (B), (3) A. D Nagar IE (C), (4) Badharghat IE (D), (5) Dukli IE (E), (6) Tulakana IE (F), (7) Nagicherra IE (G), (8) IIDC Jalefa IE (H), (9) IIDC Sarasima IE (I), (10) Mulberry Extension Centre IE (J), (11) Mission Tilla IE (K), (12) IIDC Dewanpasa IE (L), (13) Dhajanagar IE (M), (14) Kumarghat IE (N) and (15) IIDC Lalchari IE (O)

4.2.2 Role of Tripura Industrial Development Corporation Limited

Industries and Commerce Department, Government of Tripura (GoT) {hereinafter referred to as Department} is the nodal Department for industrialisation in the State. Department discharged its functions through its nodal agency Tripura Industrial Development Corporation Limited (TIDCL). TIDCL was incorporated in 1974 under Companies Act, 1956 with an authorised share capital of ₹ 20 crore. TIDCL is also the State Implementing Agency (SIA) for execution of the Centrally Financially Assisted (CFA) Infrastructural Projects in the State.

4.2.3 Audit Objectives, Sample, Scope and Methodology

The audit of TIDCL was conducted with emphasis on Project Management issues relating to the execution of two[172] Centrally Financially Assisted (CFA) Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) scheme of the Ministry of Micro, Small and Medium Enterprises (MSME), Government of India (GoI) during May-June 2022. The audit objective was to get a reasonable assurance that;

a. the said projects were conceived/ conceptualised by way of sound planning;

b. the projects were executed efficiently and effectively so as to keep a check on unwarranted time and cost over-run;

c. macros/ outcomes/ intended benefits of infrastructure creation projects in the State were duly achieved, and

d. TIDCL was financially sound by its Internally Generated Fund (IGF) and/ or by budgetary support so as to avoid the cascading effect/ derailment, if any, of other infrastructure creation projects undertaken by it.

The present audit covered the examination of the project management issues in respect of execution of two infrastructure creation projects namely (a) setting up of a new Industrial Estate (IE)/ up-gradation of existing Kumarghat IE project and (b) setting up of a new Industrial Estate (IE)/ up-gradation of existing Badharghat IE by the Tripura Industrial Development Corporation Limited (TIDCL). Examination of the project management involved scrutiny/ appraisal of the activities of TIDCL right from the conceptualisation/ act of conceiving the said projects, tendering process, execution of the project and monitoring mechanism involved therein. Besides, the audit process also involved examination of the adequacy of financial position as well as financial commitments of TIDCL towards the smooth execution of other infrastructural projects undertaken by it.

4.2.4 Audit Criteria

Audit findings were benchmarked against the criteria sourced from the following;

i) MSME project guidelines and sanction orders;

ii) Industrial and land allotment policies of Government of Tripura;

iii) Terms and conditions of allotment/ lease agreement between TIDCL and allottees;

iv) General Financial Rules (2017), Central Vigilance Commission (CVC) Guidelines, Circulars/ pronouncements made by the Department of Expenditure, Ministry of Finance (MoF), Government of India (GoI), and

v) Civil works related provisions (CPWD manuals, Contract Agreements).

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[172] (a) Setting up of a new Industrial Estate (IE)/ up-gradation of existing Kumarghat IE project and (b) Setting up of a new Industrial Estate (IE) project/ up-gradation of existing Badharghat IE project.

4.2.5 Audit Findings

During audit, it was observed that the project DPRs were not based on actual site visit and after conducting feasibility studies. Further, the engagement of contractors as well as Project Management Consultants (PMCs) through selected tendering process do not provide level playing field to everyone. Lastly, the Government did not provide timely budgetary support to TIDCL. These findings are discussed in succeeding paragraphs:

4.2.5.1 Project Management

The Department with an objective to encourage micro and small enterprises in the State and upgrade them to the next higher level by providing robust infrastructure facilities, had conceived (January 2017) setting up of integrated infrastructure development centres at various locations[173] within Tripura under (MSE-CDP).

a. MSME, GoI accorded (January 2017) final approval for setting up of a new Industrial Estate (IE)/ up-gradation of existing Kumarghat IE at a project cost of ₹ 9.65 crore with the respective shares of GoI and GoT being ₹ 6.38 crore and ₹ 3.27 crore. The Package-I of the project, even after an expiry of 51 months from scheduled date of completion as on March 2023, was incomplete while the Package-II work was completed with a delay of six months on 30 June 2019. The Kumarghat IE project suffered a total cost overrun of ₹ 2.97 crore from the contracted cost.

b. MSME had also accorded (August 2013) final approval for setting up of a new IE/up-gradation of the existing Badharghat IE at a project cost of ₹ 8.27 crore with the respective shares of GoI and GoT being ₹ 6.62 crore and ₹ 1.65 crore. The Project was finally completed with a time over run of over two years and with a total cost overrun of ₹ 3.18 crore from the contracted cost.

The implementation of IE projects was undertaken by TIDCL, being the State Implementing Agency (SIA).The scope of the "Up-gradation of the Kumarghat and Badharghat IE" projects, their intended benefits, stages of implementation of the projects, their scheduled date of completion, *etc*. are enumerated in **Appendix 4.2.1**.

Audit observed that the execution of both industrial estate projects *i.e.* Kumarghat IE project and Badharghat IE project suffered from several poor project management issues which resulted in huge deviations thereby leading to significant cost over-runs from the contracted costs. Besides, the said two projects also suffered significant time over-runs of over two years. The poor project management issues involved in execution of the said two IE projects are discussed below.

i. Deficient Planning

The deficiencies noticed in audit in respect of the test checked projects are as under.

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173 Bodhjungnagar IE, R.K. Nagar IE, A.D. Nagar IE, Badharghat IE, Sarashima, Dhwajanagar, Dewanpasha, Mission Tilla, Lalchari, Kumarghat IE and Jalefa IE.

A. Kumarghat IE project: Several instances of deficient planning was observed in execution of the said project as a result of which there were huge deviations from the scope of agreement aggregating to ₹ 2.36[174] crore (*i.e.* to the extent of 34 *per cent* of the total contracted cost), the details of which are enumerated as under;

- The total deviations made in Package-I alone was to the extent of 43.40 *per cent* of the contracted amount and the same aggregated to ₹ 1.02 crore. The deviations in respect of the Package-I work comprised of extra items for repair of eight existing sheds in the Kumarghat IE.
- The total deviations in respect of Package-II was 28.57 *per cent* of the contracted amount aggregating to ₹ 1.34 crore. The deviations in respect of Package II work comprised of extra items in respect of (a) 5,000 GPH Iron Removal Plant, (b) Submersible pump along with deep tube well (c) WBM[175] grading with stone aggregates in the road work, and (d) Construction of two numbers of Pre-Engineered Building (PEB) sheds.
- Further, TIDCL, after the completion of only Package-II of the project on 30 June 2019, had undertaken (September 2019) the repairs and renewal works in respect of existing sheds and barracks in the IE namely shed No. 9 & barrack No. 01, 02, 04 and 05, the estimated cost in respect of which stood at ₹ 25.31 lakh.

  In respect of Package - II road work, failure was noticed not only on the part of the Project Management Consultant (PMC) *i.e.* IL&FS CDI, but also on the part of the TIDCL to (a) envisage the requirement of the renewal of existing services in the IE, namely, repair of the existing sheds and barracks, (b) envisage the construction of the road (suited to the frequent plying of numbers of heavy commercial vehicles) with the stone chips/ aggregates which is strong, durable and load-bearing in nature and (c) for other extra items. These were indicative of deficient planning.

B. Badharghat IE project: The implementation of the Badharghat IE project was marred by the deficient planning on the part of the TIDCL *ab initio* since several instances of inadequate assessment of the requirement/ infrastructure related works were noticed therein.

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174 ₹ 1.02 crore incurred towards repairs & renewals of eight numbers of industrial sheds *plus* Extra items' work under Package-II *i.e.* (a) 5000 GPH Iron Removal Plant (₹ 12,98,000) *plus* Submersible pump along with deep tube well (₹ 7,87,805) *plus* WBM Grading with stone aggregates in respect of road work (₹ 34,28,715) *plus* Construction of two PEB sheds (₹ 78,63,916)

175 Means Water Bound Macadam Roads whose wearing course exists of clean crushed aggregates, mechanically interlocked by rolling and bound together with filler material and water and laid on a well compacted course base.

As a consequence of faulty planning not only on the part of the PMC but also on the part of TIDCL, huge deviations from the scope of agreement aggregating to ₹ 2.24[176] crore from the contracted cost was observed.

The overall deviation in the execution of the Badharghat IE project was to the extent of 34.62 *per cent* of the total contracted cost. The said deviations aggregating to ₹ 2.24 crore was attributable to failure on the part of both TIDCL as well as the PMC to envisage the construction of the Reinforced Concrete Cement (RCC) retaining wall, construction of approach roads, earth works and construction of cement concrete road with Granular Sub-Base (GSB) with well graded materials two layers 150 mm earth, *etc.*

As a result of deficient planning, the extra works outside the scope of the project component *viz.* (a) Reinforced Concrete Cement (RCC) retaining wall, (b) construction of approach roads, (c) earth works and (d) construction of cement concrete road with Granular Sub-Base (GSB) with well graded materials two layers 150 mm earth, *etc*. valuing ₹ 93.86 lakh were executed. Besides, other miscellaneous extra item work/ substitute item works valuing ₹ 2.24 crore was executed.

ii. Restricted tendering process

CVC Guidelines dated 9 July 2003, *inter alia*, states that the "Open Tender" system (that is, invitation to tender by public advertisement) should be used as a general rule in all cases in which the estimated value of demand is ₹ 50,000 and above.

Rule 161 of the General Financial Rules, 2017 (GFR 2017), *inter alia*, states that invitation to tenders by advertisement should be used for procurement of goods of estimated value of ₹ 25 lakh and above.

However, Rule 162 of the GFR 2017, *inter alia*, provides that purchase through Limited Tender Enquiry may be adopted even where the estimated value of the procurement is more than ₹ 25 lakh, in the following circumstances:

a. The competent authority in the Ministry or Department certifies that the demand is urgent, and any additional expenditure involved by not procuring through advertised tender enquiry is justified in view of urgency. The Ministry or Department should also put on record the nature of the urgency and reasons why the procurement could not be anticipated.

b. There are sufficient reasons, to be recorded in writing by the competent authority, indicating that it will not be in public interest to procure the goods through advertised tender enquiry.

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[176] ₹ 1,95,45,946 on account of extra items of work *i.e.* (a) Earth work, (b) RCC retaining wall, (c) Boundary wall, (d) RCC road works and (e) Construction of PEB sheds *plus* ₹ 81,093 (on account of substitute items' work *plus* ₹ 27,72,961 (being balance expenditure incurred on electrical and other works).

c. The sources of supply are definitely known and possibility of fresh source(s) beyond those being tapped is remote.

Scrutiny of tendering process in the test checked projects revealed the following.

A. Kumarghat IE project: In respect of the Package-I of the project, it was observed that TIDCL, without ensuring adherence to the checklists prescribed under the provisions of Rule 162 of the GFR 2017 (*i.e.* securing justifications from the concerned Department pertaining to the urgency of demand, *etc.*), resorted (May 2017) to the restricted tendering process.

The restricted tendering process, in the instant case, seriously limited the competition. As such, the contractor's L1 bid was 27 *per cent* of the estimated cost which was exorbitant and on a higher side.

Moreover, the fact remains that the said contractor, in respect of the Package-I work, could not complete the work even after the expiry of four years from the scheduled time completion stipulated for the said Package-I of the project.

Thus, restricted tendering process, in the instant case, failed to expedite the timely completion on the project and failed to arrest unwarranted cost - escalations.

B. Badharghat IE project: It was observed that TIDCL, without ensuring adherence to the checklists prescribed under the provisions of Rule 162 of the GFR 2017, accorded (December 2014) approval for restricted tendering process in respect of civil component as well as electrification component of the project work on the ground of urgency of the work.

Due to the restricted tendering process, the contractor's L1 bid in respect of both the component of the project *i.e.* civil as well electrification component work was 25 *per cent* and 27.90 *per cent* of the estimated cost respectively which was exorbitant and on the higher sides.

Badharghat project was completed with an inordinate delay of over two years.

Thus, restricted tendering process, in the instant case, failed to expedite the timely completion on the project and failed to arrest unwarranted cost - escalations.

iii. Failure to construct the Effluent Treatment Plant (ETP) as per the DPR

It was noticed in Kumarghat IE project that TIDCL failed to complete the Kumarghat IE project in consonance with the Detailed Project Report (DPR) and as envisaged in the technical sanction accorded for the said project.

The reasons, if any, for omission of the construction of the ETP (being one of the vital components for any modern IE project was not placed on records.

As such, TIDCL incurred an undue liability of ₹ 79.50 lakh towards the construction of the ETP in the Kumarghat IE project.

iv. *Irregularities in respect of grant of work for extra item work to the same contractor instead of award of the work for the same vide invitation of a separate and distinct tender*

CVC Guidelines dated 5 February 2004, *inter alia*, states that the post award amendments issued by the organisations, at times recommended by the consultants, without taking into account the financial implications, favours the contactors. Such post award deviations without financial adjustments are unwarranted and against the principles of competitive tendering.

A. Kumarghat IE project: Work orders for total deviations aggregating to ₹ 2.36 crore in respect of extra items of work was accorded to the same contractors without inviting tenders in respect of the same. This was irregular in nature since it did not entail the TIDCL, the benefit of price competitiveness. Besides, such practices also didn't ensure transparency in the project management process.

B. Badharghat IE project: Work orders for total deviations aggregating to ₹ 2.24 crore in respect of extra items of work was accorded to the same contractors without inviting tenders in respect of the same. This was irregular in nature. Besides, such practices also didn't ensure transparency in the project management process.

v. *Undue favour to the PMC/ irregular selection of the consultant*

Para 11.3 of "General Instructions on Procurement and Project Management" issued by the Ministry of Finance, Government of India dated 29 October 2021, *inter alia*, states that wherever applicable, the role of Project Management Consultant (PMC) should be clearly defined in the contracts. Deployment of the PMC does not absolve the project executing authority of the responsibility to supervise the quality and timelines of the contracts.

Further, CVC Guidelines dated 5 February 2004, *inter alia*, states that the post award amendments issued by the organisations, at times recommended by the consultants, without taking into account the financial implications, favours the contactors. Such post award deviations without financial adjustments are unwarranted and against the principles of competitive tendering.

A. Kumarghat IE project: PMC, by virtue of their expertise are required to conceive, plan and execute a Project in such a manner that it always entails economical costs and time savings.

However, failure on the part of the PMC to envisage the requirement for the renewal of existing services in the IE namely (a) repair of the existing sheds and barracks, (b) envisage the construction of the road (suited to the frequent plying of numbers of heavy commercial vehicles) with the stone chips/ aggregates and (c) to provide for the same in the tender documents *ab initio* tantamounted to deficient services on their part. This resulted in huge deviations of ₹ 2.36 crore.

However, TIDCL failed to take any actions against the PMC because of absence of a penalising provision for deficient services in the terms of engagement. This resulted in extension of undue benefit to the PMC.

B. Badharghat IE project: In the Badharghat IE project, the haste in the appointment of PMC by way of invitation of spot quotations, instead of tendering process resulted in selection of an inefficient consultant.

The consultant while preparing the estimates for the project did not take into consideration the prevailing site-conditions which warranted the construction of (a) Reinforced Concrete Cement (RCC) retaining wall, (b) approach roads, (c) earth works and (d) construction of cement concrete road with Granular Sub-Base (GSB) materials which are essential requisites for the purpose of development of a modern industrial estate project equipped with security and safety. Failure to do so was indicative of deficiency in services on the part of the PMC.

Deficient services rendered on the part of the consultant resulted in need for execution of extra works thereby leading to significant cost over runs aggregating to ₹ 2.24 crore.

vi. Undue favour to the contractor by granting non-interest bearing Mobilisation Advance

CVC Circular/ Guidelines dated 10 April 2007 which, *inter alia*, provides that interest-free Mobilisation Advance (MA) should be discouraged. However, if the management feels its necessity in specific cases, then it should be clearly stipulated in the tender document. In such exceptional circumstance, the MA should be accorded with the approval if the Board of Directors of the TIDCL.

It was, however, noticed in Badharghat IE project that TIDCL failed to safeguard its financial interest since it granted Non-Interest bearing Mobilisation Advance of ₹ 54 lakh to the contractor without the prior approval of the Board of Directors of the TIDCL. This was in violation of the CVC Guidelines which resulted in extension of undue benefit to the contractor.

vii. Time-overrun/ delay in completion of the project

A. Kumarghat IE project: The project suffered significant time-overrun of 51 months in respect of Package-I work & time-overrun of six months in respect of Package-II work.

The scheduled time of completion of the Package I of the project work was four months from the date of agreement (4 September 2017) *i.e*, 3 January 2018. However, it was observed that the contractor had applied (June 2019) for time extension up to 30 July 2019 after an expiry of a period of 17 months from the date of the scheduled time of completion. The Package-I project work, even after expiry of 50 months, was incomplete as on March 2023.

Further, the Package-II work was completed with a time-overrun of six months on 30 June 2019 from the scheduled time completion date of 2 January 2019.

The delays were mainly attributable to (a) poor management of the project, (b) the time taken in execution of extra items of work as well as (c) due to normal hindrances in execution of the project.

B. Badharghat IE project: The project suffered significant time-overrun of over two years. The scheduled time completion of the said project from the date of final approval of the project was 14 February 2016. However, it was observed that the civil component work of the said project was completed on 29 March 2018 with a time overrun of more than two years. Further, the contractor in respect of the civil component of the project work had applied for time extension of 777 days on account of time required for the execution of the extra items of work and normal hindrances.

viii. Cost over-run of the project from the contracted costs

A. Kumarghat IE project: Poor Project Management of Kumarghat IE Project resulted in deviation to an extent of ₹ 2.36 crore and cost overrun from the approved project cost by ₹ 60.56 lakh[177] aggregating to a cost escalation of ₹ 2.97 crore[178] over and above the contracted cost.

B. Badharghat IE project: As a result of deficient planning as well as faulty execution of the aforementioned IE project, the said project had deviations aggregating to ₹ 2.24 crore and cost over-run of ₹ 93.86[179] lakh aggregating to cost overrun of ₹ 3.18[180] crore *vis a vis* the contracted amount.

ix. Non-realisation of the macro outcomes/ intended benefits of the project

A. Kumarghat IE project: It was noticed that after the expiry of a period of almost three years, only two plots of the 29 allottable sheds could be allotted to the Industrial Units (IU) till date. The IUs are yet to start commercial operations till date. Further, the two Pre-Engineered Building (PEB) sheds too are unallotted and unused to the IUs till date.

Thus, the vision of generating additional 231 direct employment with the unit turnover of ₹ 14.20 crore, as estimated (collectively), at 100 *per cent* occupancy could not be achieved till date even after four years of completion of the Package-II of the Project.

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177 Being the cost over-run of ₹ 60.56 lakh worked out on the basis of the excess expenditure of ₹ 35.25 lakh already incurred by the TIDCL towards the road work *plus* the undue liability aggregating to ₹ 25.31 lakh towards the repairs & renewal of the sheds & barracks

178 ₹ 2.97 crore = Deviations aggregating to ₹ 2.36 crore *plus* expenditure of ₹ 60.56 lakh borne by TIDCL in excess of the approved project cost

179 *i.e.* Total expenditure of ₹ 9.65 crore incurred *minus* Approved project cost of ₹ 8.72 crore = ₹ 93 lakh

180 ₹ 3.18 crore = Total expenditure of ₹9.65 crore incurred on the project *minus* contracted cost of ₹ 6.47 crore

B. **Badharghat IE project**: Till date, of the 14 sheds, only seven numbers of sheds have been allotted. Further, of the 27 new plots so developed, only five plots have been allotted to the industrial units till date.

Of the aforementioned 12 allotees, only seven industrial units are functional while the other five industrial units are under implementation till date. Further, total employment generated by the functioning units was 74 and the total expected turnover as on date stood at ₹ 2.79 crore.

Thus, the vision of generating additional 215 direct employment with the unit turnover of ₹ 5.36 crore, as estimated (collectively), at 100 *per cent* occupancy could not be achieved even after almost four years of completion.

Thus, poor project management of the MSME "Up-gradation of the Kumarghat & Badharghat Industrial Estate" projects resulted in significant deviations/ cost over-runs ranging from ₹ 2.97 crore to ₹ 3.18 crore from the contracted costs. Besides, the said two projects also suffered time over run of over two years. The additional financial burden was borne by the Government of Tripura (GoT) (₹ 4.60 crore) and TIDCL (₹ 1.54 crore[181]). This inefficient project management has led to an increase in the loss[182] of the TIDCL by ₹ 1.54 crore and an extra burden of the exchequer of ₹ 4.60 crore.

The TIDCL stated (September 2022) that, in respect of the Kumarghat IE project, the Jhama brick aggregate in the road-work was considered to reduce the project cost. As such, movement of heavy vehicles was not envisaged. Subsequently, in order to facilitate the movement of trucks with heavy boulders, it was decided to change the road constructing material from Jhama brick aggregate to stone aggregate. The TIDCL further stated that time over-run as well as cost over-run of the project was mainly attributable to the execution of extra items' work and other normal hindrances in execution. The extra items were executed after taking due approval from the Board of Directors of the TIDCL.

The TIDCL, in respect of the Badharghat IE project, stated (September 2022) that in the course of execution, it was observed that connectivity road from NH-8 to inside of industrial complex was also absolutely necessary for proper utilisation of costly lands. The site profile of the industrial area is slightly elevated from the adjacent private land. Therefore, in order to fix the alignment of the new road, it was absolutely necessary to build a retaining wall to prevent the road from collapsing. Hence, deviations and extra items were prepared, and the works were executed after obtaining approval of the Board of Directors of the TIDCL.

The Government stated (September 2022) that the audit views regarding deficient planning leading to time and cost overrun may be strictly followed by TIDCL and as such TIDCL management has been advised accordingly. The TIDCL has also been advised to not to engage contractors through restricted tendering process, avoid extra

181 ₹ 60.56 in respect of Kumarghat IE project *plus* ₹ 93.86 lakh in respect of Badharghat IE project
182 Accumulated losses of TIDCL as on 31 March 2021 is ₹ 25.37 crore.

items' work/ substitute items' work by way of proper planning, ensuring strict adherence to time schedule and to avoid instance of undue favour to contractor by granting non-interest bearing mobilisation advance.

4.2.5.2 Budgetary support from the State Government

The object clause of the Memorandum of Association (MoA) of the TIDCL, *inter alia*, provided for "to establish, construct and manage industrial estates at places selected by the State Government for the purpose of facilitating the location of industries therein and make the same available for industrial undertakings to establish industries in such areas and to take all necessary actions which, in the opinion of the TIDCL, is likely to promote or advance the industrial development of Tripura and India.

The mission statement of the Memorandum of Understandings (MoU) signed between the TIDCL and the Industries and Commerce Department, GoT provided for "To act as a catalyst in the industrial development process in the State, by financing industrial projects, developing industrial infrastructure and taking up such other activities". Besides, the agreed objectives in the said MoU, *inter alia*, also provided for, managing the cash flows in an efficient manner.

Scrutiny of the records revealed the following.

a) For the purpose of up-gradation of industrialisation in the State, Government of Tripura decided (March 2001) to expand industrial infrastructure facilities in the existing industrial estates. Accordingly, it was decided (March 2001) to acquire more land as available adjacent/ nearby of IEs. In compliance with the decision of the State Government, land acquisition proposal was initiated (April 2008) by the Land Acquisition (LA) Collector, West Tripura and South Tripura Districts.

b) Initially, the proposal was processed for acquisition of land for Bodhjungnagar, R.K Nagar, Dukli, Tulakona-Uttar Champamura and Srimantapur Land Customs (LC) station. Acquisition of land was also considered for widening of road from Banikya Chowmuhani to Bodhjungnagar Industrial Complex.

c) As per the demand of LA Collector, West Tripura District, Industries and Commerce Department placed (December 2007 to March 2011) a tentative amount of ₹ 19.32 crore against various LA cases for payment of compensation to the land-owners. Subsequently, after due observance of all the formalities and the completion of LA process, the land was handed[183] over to the Department for development of IEs. The process of LA and subsequent handing over of land continued up to the financial year 2011-12.

[183] A total of 167.62 acres of land (comprised in the Bodhjungnagar area & R K Nagar Area) was handed over by the LA collector to the Industries & Commerce Department, GoT during the period 12 July 2001 to 30 October 2004. Further, in Sarasimha, a total of 54.97 acres of land was handed over to the TIDCL on 30 September 2011.

Further examination of the records revealed that:

a) Dissatisfied with the compensation amount awarded by the State Government, many land-owners filed[184] cases in LA court. The Hon'ble court in its decree increased the compensation amount from time to time and on case to case basis in respect of 96 LA cases aggregating to ₹ 45.48 crore and ordered the Industries and Commerce Department, GoT to pay the additional amount to landowners.

b) As regards, the LA compensation, TIDCL with the consent of the Board of Directors (BoD) in the meeting dated 13 May 2021, pursued for the budgetary/ financial support with the Department since it is merely the SIA for the furtherance of the goals of industrialisation in the State on behalf of the Department.

c) The Department directed (September 2020) TIDCL to pay the LA compensation amount aggregating ₹ 45.48 crore from its resources on the ground that "As the land is being used by them".

d) TIDCL, in compliance with the directives of the Department has paid LA Compensation aggregating to ₹ 20.27 crore to the land-owners till date (4 June 2022).

Audit further observed that:

a) TIDCL allotted land to the Industrial Units in furtherance of the industrialisation goals of the State Government. TIDCL also collects lease-rents/ one time lease premium, which constitutes its revenue. TIDCL utilises this revenue for meeting its establishment expenses plus financing other industrial projects undertaken by it.

b) The average annual revenue earned by TIDCL on account of leased land aggregates to ₹ 3.50 crore per annum and is insignificant when compared to the LA compensation payable. As such, it is incumbent upon the State Government to pay the LA compensation amount and to extend the budgetary support/ grant in respect of the same to TIDCL.

c) TIDCL is not in receipt of any further Share Capital from the State Government since 2011 and is managing its establishment and/ or other expenses from its internally generated funds. TIDCL has been running in loss and net accumulated losses as on 31 March 2021 is ₹ 25.37 crore. The payment of ₹ 20.27 crore has contributed to its net accumulated losses.

d) In the absence of adequate budgetary support from the State Government, payment of LA compensation by TIDCL will further worsen the financial position of the TIDCL. Continued poor financial position of the TIDCL over the years is likely to affect the progress of other running industrial infrastructure creation/ up-gradation projects undertaken by the TIDCL in the State.

[184] During the period 22 December 2010 to 9 July 2019

The Industries & Commerce Department endorsing the TIDCL's reply stated (September 2022) that a request had been made to the Finance Department, GoT to release ₹ 10 crore and sanction a balance fund of ₹ 15.22 crore from the Revised Estimates for the year 2022-23 for land acquisition. However, a decision in this regard is still pending from the State Government (November 2022).

Thus, the apathy of the State Government in extending due budgetary support and/or financial assistance to the TIDCL in respect of the LA compensation payable for the industrial infrastructure creation projects being executed by it on behalf of the State Government has resulted in the attraction of undue liability of ₹ 45.48 crore to the TIDCL. Besides, continuing poor financial position of the TIDCL coupled with lack of adequate budgetary support from the State Government is fraught with the risks of halting the progress of other running industrial infrastructure creation/ up-gradation projects undertaken by the TIDCL in the State.

4.2.6 Recommendations

1. ***The Government/ TIDCL may ensure formulating infrastructural projects' DPR based on (a) sound planning, (b) site-visit, and (c) detailed survey/ feasibility study;***
2. ***TIDCL may ensure (a) engagement of contractors as well as the PMCs through open tendering process, (b) avoiding extra items' work/ substitute items' work by way of proper planning and (c) adherence to time schedule and economy in execution of the project so as to avoid unwarranted time and cost overruns;***
3. ***The State Government may, in accordance with the provisions of MoU entered in to with its State Implementing Agency, TIDCL, consider providing timely adequate budgetary support to TIDCL so as to avert the risk of derailment of other running industrial infrastructure creation projects in the State for want of necessary fund.***

INDUSTRIES & COMMERCE DEPARTMENT
(Tripura Natural Gas Company Limited)

4.3 Loss to the Company

TNGCL had failed to protect its own financial interest and paid tariff at higher rate to the Gas Authority of India Limited, in violation of the Gas Sales Agreement which resulted in significant loss of ₹ 5.63 crore to the Company.

Petroleum and Natural Gas Regulatory Board (PNGRB) constituted under the Petroleum and Natural Gas Regulatory Board Act, 2006 is mandated to regulate the refining, processing, storage, transportation, distribution, marketing and sale of petroleum, petroleum products and natural gas excluding production of crude oil and natural gas and to ensure uninterrupted and adequate supply of petroleum, petroleum products and natural gas in all parts of the country.

PNGRB *vide* its tariff order dated 27 September 2018 had finalised Final Initial Unit Natural Gas Pipeline Tariff (Final Tariff) at ₹ 46.37/MMBTU [185] and ₹ 45.89/MMBTU for supply of Natural Gas by the Gas Authority of India Limited (GAIL) in respect of the Dukli Maharajganj Natural Gas Pipeline (DMPL) and Agartala Regional Natural Gas Pipeline (ARNGPL) respectively.

Scrutiny (June 2022 to July 2022) of the records of the Tripura Natural Gas Company Limited (Company) revealed that:

- Gas Sales Agreement (GSA) was executed between GAIL and Company on 25 October 2018 for supply of gas to Agartala City.
- the GSA, *inter alia*, stipulated the transmission charges (*i.e.* Final Initial Unit Natural Gas Pipeline Tariff) of ₹ 46.37/MMBTU for the delivery points No. 1 and 2 at DMPL.
- for the delivery point No. 3 *i.e.* Khayerpur terminal falling within the ARNGPL, the GSA stipulated the transmission charges (*i.e*. Final Initial Unit Natural Gas Pipeline Tariff) of ₹ 16.18/MMBTU.
- the GSA so entered between the GAIL and the Company was deficient to the extent that the transmission charges so stipulated for the Company's delivery point No. 3 *i.e.* Khayerpur terminal (*i.e.* ₹ 16.18/MMBTU) was neither at par with the PNGRB prescribed tariff rate for the said terminal nor near close to the PNGRB prescribed tariff rate so stipulated in the GSA for its DMPL (*i.e.* ₹ 45.89/MMBTU or ₹ 46.37/MMBTU). As such, it was in violation of the PNGRB's tariff order dated 27 September 2018.
- The deficient primary GSA so entered in to on 25 October 2018 was mutually amended to by both the parties *i.e.* GAIL and the Company by signing a Side Letter Agreement to the said primary GSA on 29 January 2021 agreeing to

[185] Metric Million British Thermal Unit

therein the prescribed PNGRB's tariff rate of ₹ 45.89/MMBTU in respect of the delivery point No. 3 *i.e.*, Khayerpur terminal falling within the ARNGPL.

- GAIL, Guwahati Zonal office had made (June 2021) a claim for ₹ 5.63 crore on the Company towards differential payment for the period of second fortnight of October 2018 to January 2021 for its Khayerpur terminal on account of billing (*i.e.* ₹ 16.18/MMBTU) being lower than the PNGRB's tariff order stipulated rate of ₹ 45.89/MMBTU. The Company paid (August 2022) ₹ 5.63 crore claimed by the GAIL.

Audit further observed that:

- the PNGRB's tariff order dated 27 September 2018 was known to both the parties *i.e.* the Company as well as the GAIL.
- notwithstanding the tariff order being known to both the parties, both GAIL and the Company while signing the GSA on 25 October 2018 failed to exercise due diligence and ordinary business prudence. Therefore, both the parties to the agreement failed to observe the price disparity in respect of two terminals of the Company in the GSA.
- however, the Company, being a commercial entity and that too responsible for making significant payments to GAIL on a recurrent basis it should have exercised due diligence and ordinary business prudence with respect to the vetting of the terms and conditions of the draft GSA prior to entering into GSA with GAIL. Failure on the part of the Company do so not only *ab initio* at the time of signing of the GSA but also subsequently during the ensuing period of two years resulted in the said significant price disparity being undetected for over two years. As a result, the Company failed to safeguard its financial interests by not ensuring accurate billings on the downstream consumers in consonance with the provisions of the PNGRB's tariff order dated 27 September 2018.
- the payment of the claim by the Company resulted in a loss of ₹ 5.63 crore to the Company because the differential price cannot be collected from the downstream DPNG (Domestic Piped Natural Gas) and CNG (Compressed Natural Gas) consumers on account of their being unidentified and very high in numbers. The said loss of ₹ 5.63 crore to the Company was avoidable.

The Company stated (November2022) that the claim of GAIL (₹ 5.63 crore) had been fully paid in August 2022 and to recover the said amount, it had already built up the same in the next revision of selling price of Piped Natural Gas (PNG) and CNG made with effect from 1 October 2022. The Company further stated (February 2023) that "the amount of ₹ 5.63 crore has been booked in the current year as revenue expenditure under purchase of gas account. Further, the Company is analysing as to what would be the exact treatment as per IND AS 08 or whether the same needs to be adjusted against reserves and surplus/ other equity treating the same as prior period error/ mistake/ material omissions".

The reply of the Company is not acceptable since deficient primary GSA was attributable to the negligence on the part of the Company. Further, keeping in view of protection of its own financial interest, the Company should not have concurred for payment of PNGRB's tariff rate of ₹ 45.89/MMBTU in respect of delivery point No. 3 in violation of the GSA. This resulted in significant loss of ₹ 5.63 crore to the Company. The arrear amount, based on revised tariff, could not be recovered from the downstream consumers in absence of any mechanism to identify the customers to whom the gas had been supplied during that period. Moreover, the Company is not the appropriate authority to determine the tariff to be charged on the consumers in respect of the DPNG and CNG.

It is recommended that the Company should safeguard its financial interests while entering into Agreements by exercising due diligence and ordinary business prudence.