

Chapter I

Introduction

Chapter-I

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1.1 Introduction to Lucknow Metro Rail Project

In view of the intra-city traffic volume in Lucknow and the urgent need for a full-fledged Integrated Multi Modal Mass Rapid Passenger System, Government entrusted the task for preparation of Detailed Project Report (DPR) to Delhi Metro Rail Corporation Ltd. (DMRCL) in 2009. The DMRCL submitted the draft DPR in April 2011.

Thereafter, the matter was taken up in right earnest w.e.f. January 2013 and the Budget of GoUP for 2013-14 included an announcement for Metro rail project in Lucknow. GoUP established a Metro Cell in May 2013 under the jurisdiction of Secretary, Housing and Urban Planning Department. DMRCL submitted (July 2013) the revised DPR with two corridors i.e. North-South and East-West. The DPR was finally approved in October 2013 and in-principle approval of the Phase-IA of the project i.e. North-South (N-S) corridor was granted by GoI in December 2013.

A Special Purpose Vehicle namely Lucknow Metro Rail Corporation Limited (the Company) was incorporated in November 2013 to execute and operate the metro rail in Lucknow. Subsequently, the need of various Metro rail projects was felt in the State and the name of the Company was changed to Uttar Pradesh Metro Rail Corporation Limited on 23 October 2019. The Company is a joint venture between the Government of India (GoI) and the Government of Uttar Pradesh (GoUP) with 50:50 equity participation. The Company is under the administrative control of Ministry of Housing and Urban Affairs (MoHUA), Government of India (GoI) and Housing and Urban Planning Department (HUPD), Government of Uttar Pradesh (GoUP).

The Board of Directors of the Company consists of 14 Directors. The Chairman of the Company is the nominee of the GoI while the Managing Director is the nominee of the GoUP. The Managing Director is assisted by four functional Directors viz., Director (Works & Infrastructure), Director (Finance), Director (Rolling Stock & Signalling) and Director (Operations). The Board of Directors of the Company also has four GoI nominee Directors and four GoUP nominee Directors.

The work on North-South corridor (Phase-IA) of Lucknow Metro was commenced in September 2014 and completed in March 2019 with 22.88 km of length.

1.2 Agency-wise funds sanctioned for N-S corridor (Phase-IA)

The details of total sanctioned fund of ₹ 6,928.00 crore and details of total expenditure incurred of ₹ 6,868.75 crore for Phase-IA are depicted in **Table 1.1** and **Chart 1.1**:

Table 1.1

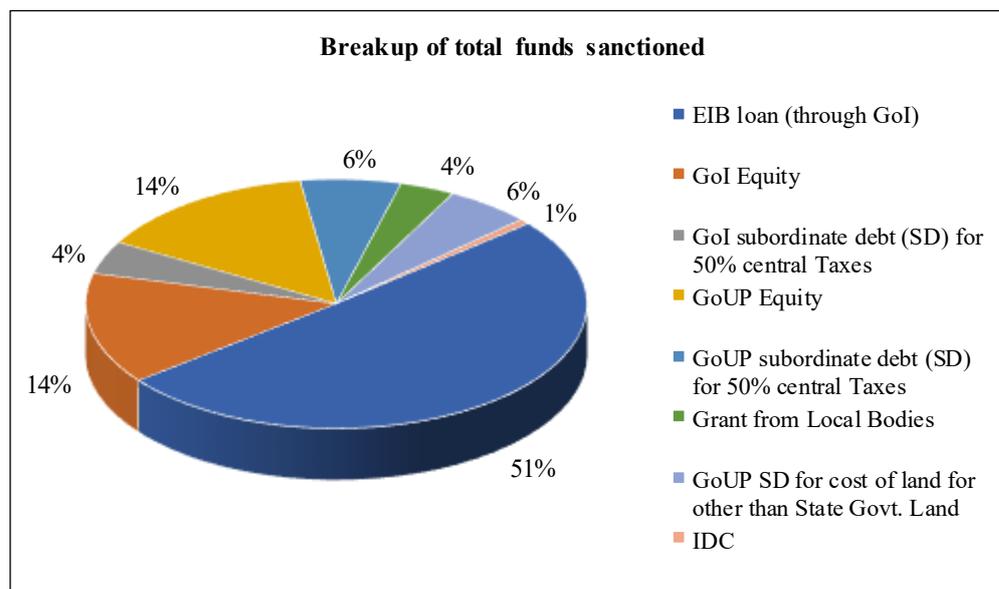
**Allocation of funds and expenditure incurred for N-S corridor (Phase-IA)
as of 31 March 2024**

(₹ in crore)

Sl. No.	Sources of fund	Total funds sanctioned*	Total funds received	Expenditure incurred
1	EIB ¹ loan (through GoI)	3,502.00	3,502.00	3,502.00
2	GoI Equity	1,003.00	1,003.00	1,003.00
3	GoI subordinate debt ² (SD) for 50 per cent central Taxes	297.00	297.00	297.00
4	GoUP Equity	1,003.00	1,003.00	1,003.00
5	GoUP subordinate debt (SD) for 50 per cent central Taxes	449.00	449.00	449.00
6	Grant from Local Bodies	245.00	233.75	233.75
7	GoUP SD for cost of land for other than State Government Land	381.00	381.00	381.00
8	IDC ³	48.00	0.00	0.00
	Total	6,928.00	6,868.75	6,868.75

(*Share of sanctioned cost as approved by GoI vide letter dated January 2016)

Chart 1.1



1.3 Audit objectives

Performance Audit on “Construction and Operation of Lucknow Metro Rail Project” was conducted with the objectives to verify whether:

- Effective planning was done to ensure economic viability and selection of the most appropriate technologies;

¹ European Investment Bank.

² Type of loan with least repayment priority.

³ Interest During Construction.

- Implementation in terms of project execution and contract management was done with due care, economical and in a timely and transparent manner;
- An adequate mechanism was in existence to monitor the project, to ensure timely completion and conformity of works executed with laid down specifications; and
- Operation and maintenance was efficient, and the planned benefits were achieved after commercial operation of the Phase-IA.

1.4 Audit criteria

The criteria for the Performance Audit were derived from the following sources:

- Agenda and Minutes of meetings of the Board of Directors (BoD) and other sub committees;
- Schedule of Powers (SoP);
- Detailed Project Reports;
- Applicable General Financial Rules (GFRs);
- Guidelines issued by the Central Vigilance Commission (CVC);
- Directions and guidelines issued by the Administrative Ministry;
- Policies, standards, directives and guidelines of the DMRC/UPMRC;
- General Conditions of Contracts (GCC) and Special Conditions of Contracts (SCC);
- National Urban Transport Policy, 2006; and
- The Metro Railways (Construction of Works) Act, 1978.

1.5 Audit scope and methodology

The Performance Audit covered planning, implementation, monitoring and operations and maintenance of North-South corridor (Phase-IA) of Lucknow Metro Rail Project and outcome of the activities of Phase-IA of the project for the period since its commencement in November 2013 to March 2023. The Performance Audit was conducted between April 2022 and October 2023.

Audit methodology included review and examination of the agenda and minutes of the meetings of the Board. Questionnaire, audit enquiries and audit requisitions were also issued to the Company for clarification, information and records. Besides, Indian Institute of Technology, Kanpur (IIT Kanpur) was appointed as Technical Consultant on 18 December 2023 to review the technical aspects of civil works, signalling and telecom, rolling stock, noise & vibrations, heating, ventilation & air conditioning and electrical works executed by the Company. The IIT, Kanpur submitted its findings in August 2024 and the same have been suitably incorporated in Chapter IV of this report.

The Entry Conference with Principal Secretary, Housing & Urban Planning Department, GoUP and the Company was held on 25 August 2022 wherein scope and coverage of audit, audit objectives and criteria, proposed techniques

of evidence collection, etc. were discussed. The draft Audit Report was issued to GoUP and the Company on 11 June 2024. Reply of the GoUP on the draft Audit Report was received in September 2024. An Exit Conference was held on 29 October 2024 with the Principal Secretary, Housing & Urban Planning Department, GoUP and the Company to discuss the audit observations. Replies of the Government have been duly considered and relevant portions have been incorporated in this Report. Besides, the draft Report was also issued in April 2025 to the Secretary, Ministry of Housing and Urban Affairs (HoHUA), GoI for their comments. A meeting was also held on 8 May 2025 with the Director, MRTS-II of MoHUA in the Office of the Comptroller and Auditor General of India for obtaining comments on the draft Report. However, no comments was received from the Ministry till May 2025.

1.6 Sample selection

A total of 51 contracts (consist of 21 major works and 30 minor works) were selected using stratified random sampling methodology. The details of the selected contracts are given in *Appendix-I (a & b)*. The Audit coverage in terms of number of contracts was 61.76 per cent⁴ for major contracts and 27.27 per cent⁵ for miscellaneous contracts (in terms of monetary value it was 87.32 per cent⁶ for major contracts and 37.97 per cent⁷ for miscellaneous contracts) executed for the Phase-IA project.

1.7 Structure of the Report

The Report consists of five chapters. Chapter-I of the Report gives the background information of the Company, the need for North-South corridor project (Phase-IA), audit objectives, scope of audit, audit criteria, audit methodology, sample selection, etc. Audit findings have been broadly categorised into four chapters aligning with four audit objectives.

Chapter-II relates to Planning and contains audit findings on the first audit objective and brings out inefficiencies in planning. Chapter-III on Contract and Project Management contains audit findings on the second and third audit objective which indicate deficiencies in project execution and contract management. Chapter-IV on Operation and Maintenance contains audit findings on the fourth audit objective and highlights deficiencies in operation and maintenance leading to shortfall in achievement of planned benefits after commercial operation. Chapter-V on Revenue Management contains audit findings also on the fourth audit objective and highlights deficiencies in revenue generation.

1.8 Limitations due to records not produced

Documents which were not provided to audit by the Company is attached as *Appendix-II*. Hence, audit could not form an opinion on the related issues.

⁴ Total 21 contracts selected out of 34 major contracts.

⁵ Total 30 contracts selected out of 110 miscellaneous contracts.

⁶ ₹ 4,962.09 crore out of ₹ 5,682.72 crore for major contracts.

⁷ ₹ 25.12 crore out of ₹ 66.15 crore for miscellaneous contracts.

1.9 Acknowledgement

The assistance provided by the Technical Consultant (IIT Kanpur) and the cooperation extended by the Company, Housing and Urban Planning Department, GoUP, during the conduct of this audit is appreciated and acknowledged.

