

Chapter V

Revenue Management

Chapter V

Revenue Management

Brief snapshot of the chapter:

- The Company collected electricity duty amounting to ₹ 17.42 lakh during the period July 2019 to August 2022 due to collection of energy charges at higher rate and the same was retained by the Company unauthorisedly and not remitted to the Government or the DISCOM.
- The company did not ensure payment of service tax/GST on rent paid by it for the office building.
- The Company could not generate revenue from operations as per the projections made in the DPR during March 2019 (commissioning of the project) to 2023-24 due to low ridership.
- The Company could not achieve the revenue targets from commercial and parking spaces as it could not lease out the entire space available for commercial use.
- The GoUP identified (October 2013) land to be provided to the Company for property development but the same was handed over to the Company in April 2022 after lapse of more than eight years. Moreover, the Company did not utilise 86.10 acres of land for property development after lapse of almost three years since receipt of the same.

Revenue generation through Property Development by metro projects is a global practice as the metro projects are highly capital intensive and the only way to become financially sustainable without government subsidies, is by generating Non-Fare Box Revenue from property development activities viz. advertisements, retailing, real estate at metro stations, etc.

The Company has a Property Development Cell for looking after generation of revenue from property development and advertisement businesses related to Non-Fare Box Revenue. It conducts studies for estimation of reserve prices or action plan for generating revenue to meet the targets set by the Company. Audit reviewed the financial management of the Company and findings thereof have been brought out in the succeeding paragraphs.

5.1 Financial performance not achieved by the Company as envisaged in DPR

The DPR of the project is a guiding document which ensures the viability of the project. As per the DPR for N-S corridor, the ridership was estimated as 4.29 lakh in 2019-20⁴³. As against this, the actual ridership was 0.54 lakh in 2019-20 which was 87.41 *per cent* short of the original projection. The year-wise projected ridership and actual ridership has been detailed in **Table 5.1** below:

⁴³ Entire section of the N-S Corridor became operational from March 2019.

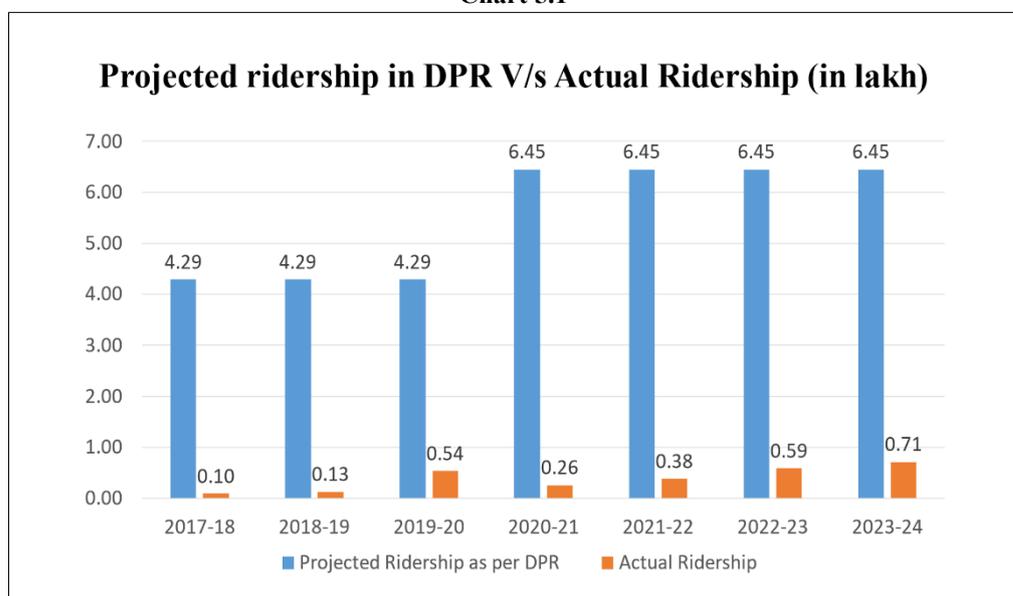
Table 5.1

Year-wise details showing projected, actual ridership and shortfall

Year	Projected daily ridership as per DPR	Actual daily ridership	Percentage shortfall
2017-18	4,29,250	10,054	NA ⁴⁴
2018-19	4,29,250	12,787	NA
2019-20	4,29,250	53,782	87.47
2020-21	6,44,659	25,888	95.98
2021-22	6,44,659	37,885	94.12
2022-23	6,44,659	59,154	90.82
2023-24	6,44,659	71,016	88.98
Total	38,66,386	2,70,566	

(Source: DPR of the project and data provided by UPMRCL)

Chart 5.1



It could be seen from above that in none of the year during 2019-24, the actual ridership was anywhere near to the ridership as projected in the DPR, adversely affecting the revenue generation from the operation of the metro as detailed in table-5.2 and 5.3.

Table-5.2

Projected revenue from operations as per DPR

Particulars	(₹ in crore)						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Fare Box Revenue (a)	-	333.00	350.00	480.00	503.00	586.00	615.00
Non fare Box Revenue (b)	-	33.00	35.00	48.00	50.00	59.00	62.00
Revenue from Operations (c)=(a)+(b)	-	366.00	385.00	528.00	553.00	645.00	677.00

(Source: table 14.9.1 of DPR)

⁴⁴ During 2017-18 and 2018-19 only priority section from Chaudhary Charan Singh (CCS) Airport to Charbagh was commissioned and hence shortfall has not been calculated.

Table-5.3

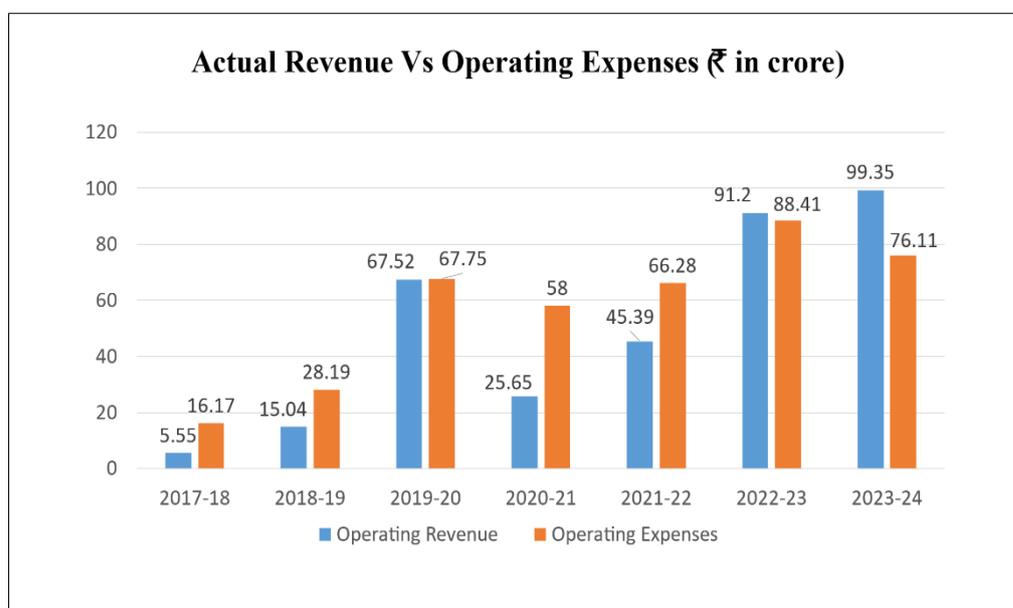
Financial performance of the Company

(₹ in crore)

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Fare Box Revenue (a)	4.35	10.80	54.73	15.94	35.60	66.44	77.02
Non-fare Box Revenue (b)	1.20	4.24	12.79	9.71	9.79	24.76	22.33
Revenue from Operations (c)=(a+b)	5.55	15.04	67.52	25.65	45.39	91.20	99.35
Operating Expenses (d)	16.17	28.19	67.75	58.00	66.28	88.41	76.11
Percentage of revenue generation against the projection in the DPR	-	4.11	17.54	4.86	8.21	14.14	14.67
Operating Ratio = (d)x100/(c) (in per cent)	291.09	187.40	100.34	226.17	146.02	96.94	76.61

(Source: Financial statements of the Company)

Chart-5.2



It is evident from above that operating revenue of the Company increased from ₹ 5.55 crore to ₹ 99.35 crore (1690.10 per cent) in the last seven years with average growth of 281.62 per cent. There was consistent growth in the operating revenue of the Company except 2020-21 and 2021-22 due to covid pandemic. During this period, operating expenses also increased from ₹ 16.17 crore to ₹ 76.11 crore. The Company was unable to meet operating expenses (except 2022-23 and 2023-24) from revenue from operations. Nevertheless, it was encouraging for the Company that it earned operating revenue more than the operating expenses after five years of operations of Lucknow Metro Rail Project.

Further, the Company in none of the years (2018-19 to 2023-24) could generate revenue from operations anywhere near to the projections made in the DPR in

respect of N-S corridor. The Company could not achieve the target of revenue from operation during 2018-19 to 2023-24, and could achieve revenue in the range of 4.11 *per cent* (2018-19) and 17.54 *per cent* (2019-20) only of the target set under DPR.

In reply, the State Government stated (September 2024) that comparison of actual revenue from N-S corridor with projected revenue in DPR for N-S corridor is not rationale because projected revenue in DPR for N-S corridor was calculated considering additional traffic coming from E-W corridor also, but in current scenario E-W corridor is not in existence. As per Government order, the interest earned on short term investment of funds received by Metros towards equities and interest free subordinate debt shall be recognized in the statement of Profit and Loss. It may be noted that only part section of 8 Km was opened till 2019 and subsequently after opening of full section, ridership pattern was totally disturbed due to Covid-19 as metro operation was closed two times. In 2022-23, Company has earned ₹ 167.59 crore while operating Lucknow & Kanpur metro. The total expenditure to ensure smooth operation in these cities was ₹ 157.71 crore. These metros were able to meet their expenditure on cash-in cash-out basis. However, these metros will be considered in loss if loan repayment was also included as about ₹ 300 crore are to be repaid.

The reply was not acceptable because audit has compared the low revenue generation with respect to projection made in the DPR in respect of N-S corridor. Further, interest earning on the short-term investment is not a regular business of the Company and such interest income will seize to incur as the capital work finishes.

The Lucknow and Kanpur metro may be operating smoothly on cash-in cash-out basis, but the project feasibility was not made on cash-in cash-out basis. Actual performance of a Company is decided only after it repays/provision for all its liabilities. Thereafter, the final profit and loss account depicts the true status of the Company.

5.2 Financial irregularities

The exchequer had to suffer a loss of Service tax due to inaction on the part of the Company. The company wrongfully collected electricity duty and retained the same with it. Thus, the Company lacked a system to correctly interpret various laws and rules due to which various financial irregularities were noticed as stated in following paragraphs:

5.2.1 Rent payment without obtaining tax invoices resulted in loss to exchequer

As per Section 65(105) (zzzz) of the Finance Act 1994, the term taxable service for renting of immovable property meant any service provided or to be provided to any person, by any other person in relation to renting of immovable property

for use in the course of furtherance of business or commerce. Further, Para 5 of the Schedule II of the CGST Act, 2017 also provided that renting of immovable property was supply of service. Further, section 73 (10) of the CGST Act, 2017 specifies time limit⁴⁵ for demand and recovery of the tax not paid.

The Company took (February 2015) on rent a building from the Society⁴⁶ for its corporate office on a monthly lease rent of ₹ 3.05 lakh with escalation of 15 *per cent* after every three years. The Company paid ₹ 94.86 lakh rent to the Society for the period February 2015 to September 2017. The Society was unregistered with Service Tax/GST authorities till December 2017. Therefore, it neither demanded nor the Company had paid Service Tax/GST on the renting service and the rent was paid by the Company without receipt of tax invoice. The Company did not insist for tax invoices. There was loss of Service Tax/GST revenue amounting to ₹ 14.19 lakh to the Government (*Appendix-VIII*) since the time limit specified in the CGST Act, 2017 for demand and recovery of tax not paid had already lapsed in December 2020.

In reply, the State Government stated (September 2024) that the Company was liable to pay the rent along with all taxes and other charges to the service provider. As per clause 2 (c) of the agreement, Company had to pay the rent on monthly basis to the Society, in advance for each month. Further, service provider falls under forward charge mechanism and the liability to issue tax invoices timely and to pay GST is of service provider. However, Company was not at default as it paid rent along with the taxes and other charges as per agreement and tax invoices.

The reply was not acceptable because the Company did not pay any taxes to the Society. The Company should have insisted/put a condition upon the Society to get itself registered so that the Society was made liable to pay the service tax. The Company did not insist on the service provider to get itself registered in Central Excise & Service Tax Department resulting into loss to the exchequer.

5.2.2 Electricity duty collected from commercial establishments not remitted to the State Government

Section 4 (1) of the UP Electricity Duty Act, 1952 provided for payment of the electricity duty to the State Government. The Company falling under the category of non-government rail was provided electricity connection under HV-3B category and it was issued electricity energy bill by the DISCOM at the rate of ₹ 7.30 KVAh among other charges as per the tariff decided by the UP Electricity Regulatory Commission. This also included electricity duty at the rate of 7.5 *per cent* of total energy bill and accordingly, the Company paid energy charges along with electricity duty to the DISCOM.

⁴⁵ Within three years from the due date for furnishing of annual return for the financial year for which tax is not/short paid.

⁴⁶ “Smarakon, Sangrahalayon, Sansthao, Paarkon Va Upvano Aadi Ki Prabandhan Suraksha Evam Anurakshan Samiti”

However, while issuing electricity bill to its commercial tenants, the company demanded energy charges at the rate of ₹ 8.75 per unit. This also led to enhanced collection of electricity duty on the total energy bills.

Thus, due to collection of energy charges at higher rate, electricity duty amounting to ₹ 17.42 lakh on test checked sample bills was collected during the period July 2019 to August 2022, as detailed in *Appendix-IX*. This amount was retained by the Company unauthorisedly and not remitted to the Government or the DISCOM.

In reply, the Company stated (April 2025) that it was not utilizing transmission and distribution systems of the DISCOM, but it utilized the infrastructure built by it and the same was also being maintained by the Company. In order to recover the cost of maintenance, it was charging higher tariff on its commercial tenants.

The reply of the Company was not acceptable because the Company may collect higher tariffs to recover the cost incurred by it for construction and maintenance of transmission and distribution networks, however, any electricity duty collected by it should have been remitted directly to the Government or through DISCOM.

5.3 Property Development

5.3.1 Optimal revenue not realised from commercial and parking spaces

Chapter 14 of DPR of Lucknow Metro Rail Project estimated that other revenues from Property Development at ten *per cent* of the fare box revenue⁴⁷ during operations. Apart from property development on metro stations it would be possible to raise resources through leasing of parking rights at stations, advertisement on trains and tickets, advertisements within stations and parking lots, advertisement on viaducts, columns, and other metro structures, co-branding rights to corporate, film shootings and special events on metro premises.

Scrutiny of records revealed that the Company identified 53,174.16 sq. ft. bare commercial space and 15,984.54 sq. ft. parking space of eight priority stations and invited bids in December 2016. The revenue from these spaces was estimated to ₹ 42.28 lakh⁴⁸ per month. Subsequent bids were invited in December and January 2019. However, only 6,768 sq. ft.⁴⁹ area of bare commercial spaces was leased out till January 2019 and monthly revenue of ₹ 12.00 lakh was received. No bids were received for the parking spaces included in tender of December 2016 and the Company did not include parking spaces in the subsequent tenders. The Company, further, invited bids for

⁴⁷ The fare box collection is the revenue from ridership.

⁴⁸ ₹ 39.88 lakh from bare commercial space and ₹ 2.40 lakh from parking space.

⁴⁹ Commercial space 1285 in January 2018 and 5483 sq.ft. in January 2019.

1,08,684 sq. ft. bare commercial spaces between April 2019 and June 2021 for the entire stretch of N-S corridor. However, only 45,197 sq. ft. (42 per cent) bare commercial space with monthly revenue of ₹ 55.38 lakh was leased out by the Company.

Audit further asked (March 2025) for action taken by the Company for bidding of the remaining 62,948 sq. ft. bare commercial space and 15,984.54 sq. ft. available parking space. In response, the Company intimated (April 2025) that 8,751 sq. ft. bare commercial space with monthly earning of ₹ 12.59 lakh has also been leased out till February 2025. Thus, 54,196 sq. ft. bare commercial space involving reserve price of ₹ 33.01 lakh per month was still not auctioned as of March 2025 (details given in *Appendix-X*). No records/information in respect of subsequent bidding, if any, of the available 15,984.54 sq. ft. parking space was provided to Audit.

In reply, the State Government stated (September 2024) that regular tendering was being done for monetisation of commercial spaces. Due to such strenuous efforts, Company has succeeded to earn more than 10 per cent of fare-box revenue from property development. Only eight km section was opened till 2019 and property development earnings increased after opening of full section.

The reply was not acceptable because the Company has intimated about the achievement of fare box revenue, whereas the audit comment was on not generating revenues from bare commercial and parking spaces already available with the Company which were not leased out as of March 2025. Resultantly, the Company could not earn the estimated revenue amounting to ₹ 43.05 crore (January 2016 to February 2025) from property development (as detailed in *Appendix-X*).

5.3.2 Delayed acquisition and development of land

Chapter 14 of DPR prescribes that the revenue of Lucknow Metro Rail Project mainly consists of fare box collection and other incomes from property development, advertisement, parking etc. 30 per cent of total available land would be meant for property development which shall be used for commercial activity and remaining 70 per cent shall be used for residential activity development. The estimated income from rental revenue would accrue from 2018-19. Out of the estimated rental income, the Company would be able to repay loan and interest after meeting the maintenance expenditure. For this purpose, the estimation of 60 hectares of land were made in the DPR for calculation of FIRR⁵⁰ from property development.

Scrutiny of records revealed that primarily prepared DPR by DMRCL proposed to maintain minimum 4.55 per cent FIRR for Lucknow Metro Rail Project. However, GoUP directed DMRCL (August 2013) to maintain FIRR more than

⁵⁰ Financial Internal Rate of Return: is an indicator to measure the financial return on investment of an income generation project and is used to make the investment decision.

eight *per cent*.⁵¹ To achieve FIRR more than eight *per cent*, 150 acre land was to be made available by the GoUP free of cost as committed liability. GoUP identified (October 2013) 150 acres of land in *Chak Ganjaria City Project* at Lucknow for the Company and decided to levy development charges on the Company for payment to Lucknow Development Authority. Scrutiny further revealed that GoUP changed (February 2020) its own decision of providing 150 acre land and agreed upon for only 86.83 acres land after making adjustment of internal/external development charges of approximately ₹ 328 crore. The Company reiterated numerous⁵² to GoUP for providing 150 acre land. However, only 86.10 acres of land was made available to the Company in April 2022. Thus, the Company got the land after lapse of more than eight years after identification of land by the GoUP. Audit further noticed that the Company had not utilised 86.10 acres of land for property development after lapse of three years from receipt of the land.

In reply, the State Government stated (September 2024) that it was decided at Government level to give 150 acre land to the Company in place of fund and expenses on internal and external development of the land was to be borne by the Company. Later, land equivalent to the expenses to be borne by the Company was adjusted and it was decided to give 86.10 acre land in place of 150 acres. Otherwise, the Company would have to pay ₹ 328 crore as development fee which would have been huge financial burden on the Company.

The reply was silent regarding delay in providing land to the Company. Moreover, the Company did not utilise 86.10 acres land for property development after the lapse of three years from receipt of the land.

5.4 Conclusion

The Company did not achieve projected revenue as envisaged in the DPR till March 2024. The Company was unable to meet even operating expenses from revenue from operations during 2017-18 to 2021-22. Rent for the office building was paid without payment of service tax/GST resulting into loss to the exchequer. Electricity duty collected by the Company was not remitted to the Government. The Company could not lease out 54,196 sq. ft. bare commercial spaces involving reserve price of ₹ 33.01 lakh per month. Besides, no bids were received for 15,984.54 sq. ft. parking spaces available with the Company which were included in the tender of December 2016 and the Company did not include the available parking spaces in subsequent tenders during 2017-24. The Company did not utilise 86.10 acres of land for property development even after lapse of almost three years since receipt of the same.

⁵¹ On suggestions of Ministry of Housing & Urban Affairs, New Delhi (MoHUA), GoI.

⁵² August 2017, March 2018 and January 2020.

5.5 Recommendations

8. *The Company should devise ways to attract commuters into the metro by providing end to end connectivity to increase the ridership and revenue.*
9. *The Company should ensure timely development of land available for property development and realisation of optimal revenue from developed properties through timely leasing out of available commercial and parking spaces.*

PRAYAGRAJ
THE

12 JAN 2026

(RAJ KUMAR)

Principal Accountant General (Audit-I)
Uttar Pradesh

COUNTERSIGNED

(K. SANJAY MURTHY)

NEW DELHI
THE

15 JAN 2026

Comptroller and Auditor General of India

