

CHAPTER–VII
Compliance Audit observations
relating to State Public Sector
Enterprises

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Important audit findings emerging from test check of transactions made by the State Public Sector Enterprises are included in this Chapter.

Infrastructure and Industrial Development Department

DMIC Integrated Industrial Township Greater Noida Limited

7.1 Undue favour to consortium by not encashing and forfeiting earnest money deposit instrument (bank guarantee)

The Company extended undue favour to consortium by not encashing and forfeiting the earnest money deposit (EMD) instrument (bank guarantee) of ₹ two crore, even though the award of work was cancelled due to misrepresentation regarding bid qualification.

DMIC Integrated Industrial Township Greater Noida Limited (Company) invited (August 2020) bids for the appointment of a Master System Integrator (MSI) for the supply, implementation, integration, operations, and maintenance of smart city information and communication technology components at the Integrated Industrial Township, Greater Noida. The bid was finalised and a letter of award (LoA) was issued (January 2021) to the L-1 consortium consisting of KEC International Limited (KEC), Silvertouch Technologies Limited (STL), and e-Centric Solutions (ECS) at a contract price of ₹ 70.87 crore.

However, after the issuance of the LoA, other bidders lodged a complaint against the consortium for providing false information, specifically that the consortium members were not barred by any Central or State Departments or State PSUs. The Company discovered misrepresentation¹ and concealment of facts by the consortium in their submitted affidavit. Consequently, the issued LoA was cancelled in June 2021, and the bidding process was annulled by the Company. After cancellation of LoA, the Company returned (August 2021) bank guarantee of ₹ two crore submitted by the consortium against EMD.

¹ The consortium members submitted an affidavit stating that members had not been barred or blacklisted by any Central/State Government Departments or Central/State PSUs in the last five years from participating in any project or being awarded any contract, either individually or as a member of consortium and no such bar or blacklisting subsists as on the proposal date. Our proposal would be liable for rejection in case of material misrepresentation is made or discovered with regard to requirements of bids at any stage of selection. However, records indicate that KEC was debarred by M.P. Madhya Kshetra Vidyut Vitran Company Limited from 23.11.2013 to 23.11.2016, and M/s Silvertouch Technologies Limited was banned by Oil and Natural Gas Corporation Limited for six months starting from 12.03.2020 *i.e.* up to 11.09.2020.

Audit noticed (August 2023) that returning of EMD instrument (bank guarantee) in case of cancellation of award of work on the basis of misrepresentation and concealment of facts by the consortium in their submitted affidavit, was not only detrimental to the interest of the Company but also was in violation of clauses of bid documents, as shown under:

Clause 2.2, read with Clause 4.6 and Appendix 8 (format of affidavit), of bid documents provides that the bidder (consortium members, in case of consortium) and its sub-contractors should not be barred or blacklisted by any Central/State Government Department or Central/State Public Sector Undertakings in the last five years from participating in any project or being awarded any contract, either individually or as member of a consortium and no such bar or blacklisting subsists as on the Proposal Due Date.

Further, Clause 20 (c) provides that if the bidder tries to influence the evaluation process or engages in corrupt, fraudulent², coercive or undesirable practice or restrictive practice, the EMD shall be forfeited and appropriated by the Client as mutually agreed genuine pre-estimated compensation and damages payable for the time, cost and effort of the Company.

Since, the consortium members submitted false affidavit and tried to influence the evaluation process which comes under fraudulent practice, the EMD instrument (bank guarantee) of ₹ two crore should have been encashed and forfeited by the Company as pre-estimated compensation and damages payable for the time, cost and effort of the Company as per clause 20 (c) of the bid documents, which was not done.

Thus, the Company extended undue favour to consortium by not encashing and forfeiting the earnest money deposit (EMD) instrument (bank guarantee) of ₹ two crore, even though the LoA was cancelled on the grounds of misrepresentation regarding bid qualification.

In its reply, the Management stated (October 2024) that there was ambiguity in the RFQ cum RFP documents. The RFQ cum RFP contained multiple clauses related to bidder blacklisting, specifically clauses 2.2, 4.6, 4.7 and the bidder affidavit which when read together in conjunction, presented varying interpretations, leading to confusion among bidders and the Company. It further stated that the Company's decision to not forfeit the EMD was based on the potential for protracted litigation, which could have significantly delayed the RFQ cum RFP process; the risk of adversely affecting industry

² As per Clause 5 of bid documents (Instruction to bidders), fraudulent practice means a misrepresentation or omission of facts or disclosure of incomplete facts in order to influence the selection process.

sentiment, potentially deterring future bidders; and the urgent need to appoint an MSI on a priority basis as the Company could not have anticipated in 2021 that the RFQ cum RFP process and award would be delayed.

The reply is not acceptable as the claim of ambiguity in the RFQ cum RFP documents is unfounded. Clause 4.6 clearly prohibits blacklisting in the last five years, and the affidavit format requires certification of both past and present status. When read together, these clauses strengthen each other, leaving no room for varying interpretations, as claimed by the Management. Further, the argument about avoiding protracted litigation is unsubstantiated. The concern about delays is contradicted by facts, as the work has not been awarded till September 2024. Besides, the argument regarding industry sentiment is unsupported, with no evidence showing that forfeiting the EMD would have deterred bidders.

Transport Department

Uttar Pradesh State Road Transport Corporation

7.2 Loss to the Corporation due to not publishing the tender in local newspapers

The Corporation did not publish the tender notice in local newspapers, which led to the cancellation of the tender. In the subsequent tendering process, the Corporation did not receive bids comparable to those in the first tender and ultimately had to award the contract at lower rates. This led to a revenue loss of ₹ 2.15 crore for the Corporation.

The Uttar Pradesh State Road Transport Corporation (UPSRTC) Stalls Rules, 2009³ provide that, each stall at a bus station must be put in monthly auction starting three months⁴ before the end of its contract period until a new proposal is accepted. For wide publicity, tender notices for all stalls at the concerned bus station must be displayed on the notice boards of the Bus Stations, Depots, and Regional Office, as well as in local newspapers and on the Corporation's website. Additionally, if the annual license fees for any stall exceeds five lakh rupees, the tender notices must also be posted on <https://e-tender.up.nic.in>.

Further, UPSRTC, issued (August 2019) an order mandating that all tenders above ₹ 10 lakh be invited through e-tendering and notices for inviting tenders must be published in two widely circulated local newspapers.

Audit observed that the current contract for operating the Food Plaza at Satellite Bus Station in Bareilly, awarded at a license fee of ₹ 2.17 lakh per month, was set to expire on 31 January 2021. The Regional Manager (RM),

³ Revised on 19.11.2020.

⁴ Tender process to start six months before end of existing contract.

UPSRTC, Bareilly Region issued a tender (15 January 2021) for operation of the food plaza for the next three years and published the tender notice on the Corporation's website as well as on e-tender.up.nic.in. However, the RM did not ensure that the tender was publicised through local newspapers.

After opening the bids of qualified bidders, Shri Suchint Jaiswal was identified as the highest bidder with a quoted rate of ₹ 7.25 lakh per month. The RM sent (30 January 2021) a proposal to the UPSRTC headquarters for awarding the contract to the highest bidder. However, upon the UPSRTC headquarters' enquiry regarding compliance with all the provisions, the RM cancelled (01 February 2021) the tender, as it was not published in local newspapers.

Subsequently, two more tenders⁵ were issued on the instructions of the UPSRTC headquarters for operation of the Food Plaza, complying all provisions. The highest bids received were ₹ 3.06 lakh and ₹ 2.42 lakh in the second and third tenders, respectively. The UPSRTC headquarters did not accept as these rates were low⁶.

On further instructions of the UPSRTC headquarters, the RM again issued a fresh tender on 13 March 2022. After receiving approval for the bid rates from the UPSRTC headquarters, the RM finalised and awarded the contract to Shri Prashant Kumar on 13 June 2022 at a monthly rate of ₹ 2.55 lakh. The contract was signed on 30 July 2022 and is effective from 1 August 2022 to 31 July 2025.

Audit noticed (May 2023) that the RM, Bareilly Region did not initiate the tender process at least three months before the current contract period ended, as mandated by the UPSRTC Stalls Rules. Further, due to not publishing the tender in local newspapers resulted in cancellation of the first tender. This led to repeated tender issuances and delayed the final award of the contract by 18 months. Ultimately, the contract was awarded at a monthly rate of ₹ 2.55 lakh, which was 65 per cent lower than the highest bid of ₹ 7.25 lakh received in the first tender.

Thus, due to not publishing the tender in local newspapers, the Corporation suffered a revenue loss of ₹ 2.15 crore⁷ over the three-year period from February 2021 to January 2024⁸.

In its reply, the Management stated (March 2024) that copy of the e-tender was endorsed for publication in newspapers but due to some circumstantial reason the same was not published. As a result, the first tender was cancelled.

⁵ Second tender and third tender were issued on 1 March 2021 and 10 November 2021 respectively.

⁶ Second tender rate being lower than first tender and third tender rate being competitively low.

⁷ [₹ 7.25 lakh x 18 months (from February 2021 to 31 July 2022)] + [₹ 7.25 lakh - ₹ 2.55 lakh = ₹ 4.70 lakh x 18 months (from August 2022 to January 2024)] = ₹ 215.10 lakh.

⁸ Contract period of the first tender if it was published in newspaper.

However, after repeated tendering, final allotment was made to the vendor on the rate which was 18 *per cent* higher than the reserve price of the stall.

The reply is not acceptable as the RM did not ensure publication of the tender in local newspapers at the first instance, which led to the retendering, where the Corporation could not get higher rates.

Lucknow
The **4 December 2025**


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The **8 DEC 2025**


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Comptroller and Auditor General of India

